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Mr John Glover
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Dear John

Farmers' Union of Wales' (FUW) response to Ofcom's consultation on the award of the 2.3 and 3.4 GHz spectrum bands

Thank you for the opportunity to respond to this consultation.

The Farmers' Union of Wales works to represent our members, and those who derive an income from agriculture in Wales. The availability of quality mobile services is a key concern for our members and the communities they live and work in across Wales.

Mobile connectivity is increasingly an essential service for the agriculture sector. High quality mobile services are required to support the technological advances which are transforming farming, with remote monitoring and automated machinery becoming commonplace. Without mobile services, our members will not be able to utilise new technology and the productivity advances that it brings. In addition, a lack of good quality mobile coverage can endanger the safety of our members. Many work remotely, with mobile phones being used to report accidents.

It is concerning that many parts of Wales, particularly rural areas, have been left behind when it comes to the rollout of quality mobile services. Technology has the ability to transform agriculture and rural lives more generally. It is therefore vital that Ofcom be bold in its approach, to ensure that the market delivers.

Our response to Ofcom's consultation on the Public Sector Spectrum Release (PSSR) below sets out why the structure and competition measures Ofcom implements in the auction matters for our members.

This auction is a crucial opportunity for Ofcom to shape a better, more competitive mobile market, where agricultural communities and businesses in Wales no longer have to settle for a second-rate choice of mobile services. We therefore urge Ofcom to support Option E in its consultation, that puts a 30% cap on the total spectrum holdings any one operator can have.

The fixed and mobile markets are failing to deliver for our members.

The current availability and choice of mobile services in many parts of Wales is unacceptably poor. Ofcom's 2016 Connected Nations report found that only 52% of Wales' landmass is currently served by voice coverage from all four operators, and that only 13% of Wales' landmass has access to 4G mobile data services on this basis as well. With 89% of the Welsh population living outside of cities, this is unacceptable.

Poor quality and choice of mobile services represent an impediment on our members' businesses, and their ability to grow and be more productive. This is exacerbated by the fact that so many rural communities have been served even worse by the fixed market in Wales.

Where mobile services are available, it is notable that many of our members switch to mobile broadband instead – to avoid expensive line rental charges for slow speeds over a copper network. As early as 2013, Ofcom found that 23% of Welsh households had got rid of their landline connection altogether, more than any other part of the UK. This is an indication of the poor services and lack of choice and accountability that result from a dominant provider in a communications market.

Ofcom must ensure a better quality and choice of mobile services in Wales.

If the adoption of mobile services over fixed has been higher in Wales than the rest of the UK, then Ofcom must learn the lessons from this – that a dominant provider of communications services fails to meet the connectivity needs of many rural communities. This means that no-one operator should be able to dominate the key input for a competitive mobile market, mobile spectrum.

It is therefore concerning that following a number of recent decisions, including both the structure of the 4G auction, and the decision to allow the largest player in fixed to acquire the largest player in mobile, one operator, BT/EE holds nearly half of the UK's mobile spectrum holdings – more than the two smallest operators, O2 and Three combined.

These airwaves are fundamental to the services and the choice that our members and agricultural communities across Wales receive for mobile services. The impact of the dominance of one operator in mobile has already been seen with the lacklustre and uncompetitive rollout of 4G in Wales, leaving many paying more for second-rate service.

This is all the more frustrating given that as much as 29% of BT/EE's mobile spectrum remains un-deployed. This is a vital national resource that must be deployed to help connectivity for communities and business in rural Wales.

Given this inefficient use of the UK's spectrum it was unsurprising then that the UK's National Infrastructure Commission (NIC) recently reported that the UK is languishing in the digital slow lane, and ranks 54th in the world for 4G coverage.[1]

Greater competition is needed for more affordable mobile services in Wales.

The UK now has the most uneven distribution of spectrum in the G20. With the two smallest operators, O2 and Three, both capacity constrained, there is little competitive drive for these operators to price their services competitively in order to acquire new customers and challenge larger providers.

The impact of this on pricing affects our members and their businesses. The typical cost of a mobile bundle increased by 12% in 2015, according to Ofcom's International Communications market Report.

Without urgent action, Ofcom risks replicating the failures of permitting a dominant provider to exist in the fixed market in the mobile market, too. The upcoming auction will be a major opportunity for Ofcom to restore competition in the mobile market, for the benefit of our members across Wales and the communities they live and work in.

Ofcom must introduce a cap on spectrum holdings to ensure that the 5G rollout delivers better than 4G.

The Farmers' Union of Wales supports Option E in Ofcom's consultation, a 30% cap on all spectrum holdings, to help address this.

While we welcome Ofcom's intention to introduce competition measures, however it's preferred Option A, would place no cap on 3.4GHz spectrum at all. 3.4GHz will likely provide the basis of operator's eventual rollout of 5G. As such this auction is an opportunity to put needs of all of the UK in centre of 5G.

5G has the potential to transform the rural economy. 5G is expected to be transformative across a number of sectors including agriculture, with the promise of sub-1ms latency and 1Gbps downlink speeds to deliver a step change in ultrafast mobile connectivity. This can enable greater real time and remote monitoring of our members equipment, their land and their livestock.

It will be critical then that no one operator dominate this rollout, as had been the case in the 4G rollout. A 30% cap on spectrum holdings will be the most effective way to tackle this.

Conclusion

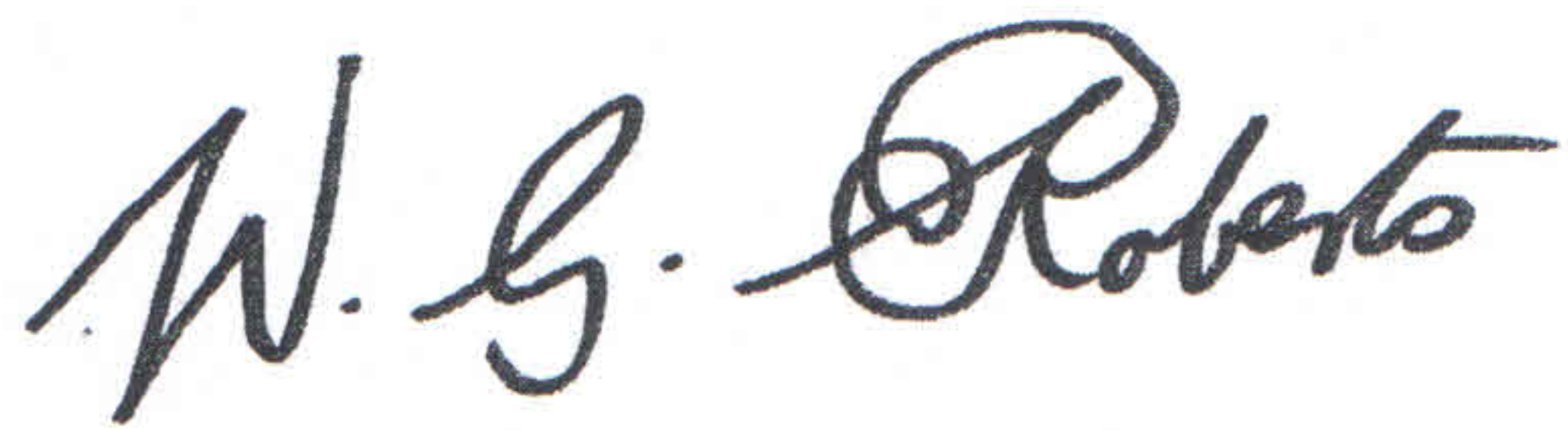
It is well known that rural communities have for too long been poorly served by both the fixed and mobile markets. An absence of competition and choice in these markets has led to poorer services.

It is essential that Ofcom take steps at this upcoming auction, to ensure that no-one operator can dominate the spectrum market. This is a key input, which Ofcom has acknowledged determines the quality and choice of services that consumers receive.

Ofcom should therefore be bold in its ambition, implementing a robust 30% cap, to ensure not just a more competitive mobile market and better choice and services for rural Wales, but a more efficient usage of this critical national resource, and that the rollout of 5G delivers for rural communities in Wales where the rollout of 4G left many of our members disappointed.

I look forward to hearing your response.

Yours sincerely

A handwritten signature in black ink, reading "W. Glyn Roberts". The signature is written in a cursive, flowing style.

W GLYN ROBERTS
President

[1]

<https://www.gov.uk/government/news/government-must-take-action-now-to-secure-our-connected-future-so-we-are-ready-for-5g-and-essential-services-are-genuinely-available-where-they-are-n>