

Airwave's Response to Ofcom consultation on a variation of UK Broadband's 3.4GHz spectrum licence

1. Introduction

Airwave welcomes Ofcom's proposal to grant UK Broadband's request for an indefinite extension to its 3.4 GHz licence.

Airwave agrees with Ofcom's proposal that the licence extension will be subject to the application of an annual spectrum fee from 2018 onwards as this will put UK Broadband ("UKB") on an equal footing with other successful bidders for spectrum in the 3400-3600 MHz band.

2. Ofcom's duties to promote competition, support innovation and promote investment

Any market entrant with a sustainable business model who is prepared to invest in new network infrastructure should be welcomed. UKB has already demonstrated its willingness to invest, with its new LTE and microwave network in London. Greater competition spurs innovation and this is good for the market as a whole. Substantial investments with lengthy payback periods require a solid base from which to work. Understanding spectrum availability and costs are fundamental to these decisions.

3. Ensuring Optimal Use of the Spectrum

In paragraph 5.103-5.104 Ofcom suggests that costs relating to inefficiency caused by the non-contiguity of UKB's spectrum blocks could be avoided if UKB's licence were not extended, since not doing so would mean that UKB's blocks could be included in an auction of spectrum in the and, with the result that all licensees in the band would be able to have a contiguous spectrum holding.

We do not believe that this assumption is necessarily correct, for the following reasons:

- a) This assumption depends on what size of spectrum blocks Ofcom ultimately decides to auction, which is not yet known. At this point in time, it is just as likely that bidders will prefer to acquire blocks of 10, 20 or 40 MHz, than the 50 MHz blocks Ofcom has assumed. Higher bandwidths in a single channel are not proving popular from a standardisation perspective due to the low number of countries where they may be used. Instead operators are looking to non-contiguous carrier aggregation to get the higher speeds. This means that there may be as many adjacencies in the event that UKB's licence is not extended as if it is extended.
- b) UKB's spectrum blocks may not be available for use until 2018, thus potentially reducing the value of that spectrum (and adjacent spectrum if included in the same auctioned block) as compared with unencumbered blocks.
- c) Between the date of the auction and 2018, the interference issues highlighted by Ofcom will remain the same.

We therefore think that the benefits of Option 1 over Option 2 in terms of both spectrum efficiency and highest value use may not be as high as Ofcom have assumed.