

Ofcom Wales Advisory Committee
Consultation Response: Award of the 700 MHz and 3.6-3.8 GHz spectrum bands

Introduction

The Ofcom Wales Advisory Committee (ACW) welcomes this opportunity to further comment on Ofcom's proposed approach to the award of licences in the 700MHz and 3.6-3.8 GHz bands. Access to mobile data services is no longer a nice-to-have, but a necessity for citizens and businesses in Wales, wherever they live. This particularly affects the most disadvantaged in society given, for example, the fact that Universal Credit is only accessible online.

Economic Benefits of Good Mobile Coverage

We note, in relation to the assessment in Section 4.86, that there are some specific economic benefits arising from improved mobile coverage which supports economic development plans in Wales for new growth industries; from the Compound Semiconductor Cluster in South-east Wales to the Advanced Manufacturing and Research Institute in the North Wales. We also acknowledge the importance of mobile coverage to the success of Wales's rural economy, for example through research and development within agri-tech using mobile infrastructure, or within the tourist industry, which is highly reliant on acceptable 4G mobile coverage for visitors and businesses in remote, rural areas. Therefore, we are concerned that the intention, stated within Section 4.133, of the proposal to proportionally reduce the gaps in geographic coverage in each nation, so that the differential coverage arising from previous auctions and obligations is retained, rather than addressing the specific current and future needs of Wales' citizens and businesses.

As noted in our response to the March 2018 consultation, given the spectrum propagation characteristics of 700 MHz, the auction of this band represents a key opportunity to improve mobile coverage in Wales' rural areas. Therefore, in addition to our points above, we are concerned by the statement that good service from all four mobile operators is only available across 66% of the UK. No equivalent figure is provided for Wales, but we assume that it would surely be lower as the benefit of full market competition has not yet been fully experienced by many of Wales' citizens.

Achieving Universality: A long Term View

We note the statement in Section 4.21 of the consultation that the upper limits of coverage delivered by competition are being reached. Sections 4.68 – 4.69 of the consultation explain that any coverage obligations imposed as a result of the award would remain in force for the duration of the licences, covering a 20-year time horizon at least. We agree that a longer-term perspective is required, given for example, that 2G licences issued in the 1990s are still in economic use today. We are also mindful of the Well-Being of Future Generations Act which legally requires Ofcom Wales to consider and act not only in the short-term, such as a four-year coverage target, but also in the longer term, ensuring that radio spectrum, a key natural asset of Wales, provides benefits for all of its citizens. In this way we believe that a longer time horizon is required when assessing economic value and coverage targets.

We recommend, given this context in the case of Wales, that in order to maximise coverage and service quality, delivered over the short to long term from each spectrum auction, the targets and the basis of regulatory intervention needs to move on from a coverage obligation per auction approach to a more systemic approach with the goal of universality, as touched upon in Section 4.5. Near universal access to domestic fixed telecommunication services was achieved in a very different historic market and regulatory situation and yet this experience surely sets the expectation of

citizens for all telecommunication services. The Ofcom ACW thinks that the need to deliver sufficient coverage and an acceptable level of service to Welsh citizens and businesses requires a new approach, based on a co-ordinated series of interventions at different levels. For example, we think that spectrum auctions should reflect the *Future Telecommunications Infrastructure Review's* 'Outside-In' policy which could be achieved through prioritizing and rewarding provision of rural coverage.

Discount Incentives for Spectrum Awards

Section 4.25 suggests that a key way for Ofcom to improve coverage is through auction obligations and we have always supported this approach in relation to Wales. But given Ofcom's view that the provision of coverage by the mobile operators in the UK has arguably reached its economic limit, we believe that this reinforces the need for a new approach. In our view, the 83% coverage target for Wales should be replaced by a discount incentive approach in which a 100% coverage target is set with an auction offering this spectrum in Wales on a no fees basis, but with the condition that there would be an increasing fee for every 1% of coverage target bidders would not accept. This fee would then be set aside as a fund for organisations willing to take on providing coverage in difficult to serve areas and to this end we note the consultation, *Enabling opportunities for innovation*, with great interest given its focus on enabling the provision of coverage using unused spectrum in rural areas, in particular the Spectrum Access – Local licence. We look forward to monitoring how this approach develops and how it provides evidence of its effectiveness in managing improvements.

Conclusion

Ofcom acknowledges that it does not hold all the levers necessary to fully address coverage deficits and we welcome the fact that it has already engaged with other relevant stakeholders in developing packages of work to improve coverage. We therefore welcome the encouragement, provided in Section 4.23 for potential interventions beyond those achievable currently through regulation, for example, the potential investment by Welsh Government in infrastructure in major not-spots.

ACW

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