

Consultation response form

Please complete this form in full and return via email to mobilecoverageconsultation2018@ofcom.org.uk or by post to:

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Your response

<p>Question 1: Do you agree with our proposal to impose two geographic coverage obligations and a premises obligation in the 700MHz award?</p>	<p>Yes. The proposals reflect our view that better coverage is needed where people live, where they work, where they spend their spare time and while they are on the move. A geographic coverage target would help meet those needs. We also recognise the need to priorities premises where there is currently no coverage. Given the arguments highlighted in the consultation document two geographic and one premises obligation appears to be the most sensible approach.</p>
<p>Question 2: Do you agree with our proposed target for geographic coverage?</p>	<p>No. In terms of the geographic coverage obligation, and whilst welcoming the recognition that Wales still lags behind other nations, the gap between the target for Wales and that for England and Northern Ireland is inequitable and unacceptable. Setting a lower target for Wales than that for England and Northern Ireland will simply perpetuate the current inequality of coverage. Your proposals also do not satisfactorily address your own stated coverage related objective of</p>

safeguarding benefits for the nations by ensuring that coverage benefits are spread throughout the UK nations. The coverage benefits are not spread equally.

We, of course, recognise the difficult economic case for building masts in challenging very rural areas and your concerns that if the coverage targets are too onerous that spectrum will remain unsold. However, the auction of this spectrum is a rare opportunity to address inequities of coverage. Below we set out some alternative approaches that should be considered in order to close the gap between Wales and Scotland and the other home nations.

A reduction in the target for England and Northern Ireland and a corresponding increase to the coverage targets for Wales and Scotland would be welcome. Given the larger scale of the infrastructure deployment needed in Wales, a reflection of the topography and population density, this would be challenging but could help to level the playing field. We do not have access to the data to determine what scale of reduction would be needed in England and Northern Ireland to secure appropriate increase in Wales and Scotland to achieve equitable UK coverage across all regions.

Alternatively, some form of incentive could be considered such as a reduction in the amount paid for the licence in return for a commitment to extending coverage in Wales and Scotland. Progress against coverage in these areas would need to be tracked to ensure that any commitments made are delivered. A reduction in price would also help to mitigate the risk that the spectrum will go unsold whilst ensuring more equitable coverage across the nations.

Taking this approach to its conclusion

would require a fundamental change to the basis of the auction but could precipitate a greater coverage uplift across the UK and establish equity of coverage. As outlined in the consultation document, the level of the geographic coverage target is a function of the economic case for investment i.e. an operator will only acquire spectrum with a coverage obligation if its valuation of the spectrum, less the price it has to pay for the spectrum, is greater than the net cost of meeting the coverage obligation.

However, if the two lots subject to geographic coverage obligations were provided at no cost to the MNOs then more investment would be available to deliver to a greater proportion of the landmass than is currently anticipated. The auction for these lots could then be undertaken not on the basis of the amount that the MNOs are prepared to pay for the spectrum but on the amount of coverage they are prepared to invest in. A mechanism would need to be in place to monitor progress and ensure the targets are met.

It is difficult to quantify the impact of a 'zero-revenue' approach to these auctions as we do not know how much the mobile network operators would be willing to pay. However, the auction of spectrum in the 2.3 and 3.4 GHz bands realised on average £250million per licence. Assuming that, as per the consultation document, £300 million delivers 500 new sites a further £250million could deliver up to around 400 extra sites. Without access to your modelling it is not possible to say what the impact on geographic coverage would be but it would be a significant increase.

This approach would mean a reduction of the financial amount raised through the auction. However, this could be offset over a set period, for example ten years, via a gain-share mechanism where the

Government shares in any receipts from the network developed to use the 700MHz spectrum once a specified level of profitability or use of the site is reached.

We therefore call on Ofcom to overtly prioritise geographic coverage over revenue generation when allocating spectrum licences in the 700MHz in Wales. This approach would ensure that the maximum amount of funding is available to mobile network operators to invest in improving coverage.

In terms of coverage obligations with regard to transport, we recognise the arguments for not setting targets for road coverage. However, with regard to rail whilst recognising that operators will be dependent on other players, predominantly Network Rail, an obligation to cover rail could act as a catalyst to encourage joint working to improve coverage. The obligation should focus solely on improving coverage provided by the mobile network operators along rail routes including in tunnels and cuttings. On-train services should not be part of the obligation as it will be for the train operating companies to choose whether to make use of the available coverage and provide services to their passengers. Most train operators already provide on train Wi-Fi services and improved coverage would act as incentive to provide a wider range of value added services.

Question 3: Do you agree with our proposed target for in premises coverage?

The approach of tackling those premises that currently have no voice or data service is the right one. The Welsh Government has been pushing for geographically differentiated regulatory approaches which disproportionately support harder to reach areas, so the focus on unserved premises in rural areas is welcome. However, the approach set out in the consultation will result in the more densely clustered premises being covered with the more remote premises left behind, further marginalising rural and very rural areas

In addition, as indoor premises coverage in Wales lags behind that in Scotland and England, a premises coverage obligation that addresses 60 per cent of unserved premises in each of the nations will do nothing to close the gap between nations and ensure equitable coverage. A greater uplift in Wales would be welcome.

The arguments for the 60 per cent target are well made in the consultation document but it does appear to be conservative, although we recognise the need for the targets to be set at a level which would not discourage bids. However, consideration should be given as to how successful bidders could be encouraged to go further through some form of incentive, for example, a reduction in the cost of the bid if they achieve 75 per cent.

Alternatively, and as outlined in our answer to Q2, if the licence to which the premises coverage obligations would be applied were provided at reduced or not no cost to the mobile network operators then more investment would be available to deliver more premises particularly in those marginalised rural communities.

Question 4: Do you agree with our proposed approach to targets for the Nations?

No. As outlined above, in terms of the geographic coverage the gap between the target for Wales and that for England and Northern Ireland is inequitable and unacceptable. Setting a lower target for Wales than that for England and Northern Ireland will simply perpetuate the current inequality of coverage.

Similarly, and as set out above, indoor premises coverage in Wales is behind that in Scotland and England a premises coverage obligation that addresses 60 per cent of unserved premises in each of the nations will not help to close the gap between nations to ensure equitable coverage.

We have outlined some potential solutions in previous questions that would allow the gap to be closed still further, or entirely, than what is proposed in your consultation document.

Question 5: Do you agree with our proposal that these obligations be met within 3 years of the 700MHz award?

A three year timeframe would see some premises and areas having to wait four years from now to receive improved coverage for voice and data. Whilst recognising the time it takes to deploy new network infrastructure given the ever growing demand for mobile services and the rapid development of new technologies and use cases, including 5G, this would lead to an ever increasing gap between the haves and have not's. This will further exacerbate the rural-urban divide on connectivity. Consideration should be given to setting stretching intermediate targets, and appropriate financial incentives (for example a rebate on the cost of the license), to drive and reward early roll-out of new infrastructure.

<p>Question 6: Do you agree that sharing information on the location of new sites in rural areas in advance of submitting a planning notice would be appropriate?</p>	<p>Any moves to encourage and remove barriers to sharing of infrastructure are to be welcomed. However, given the differing needs of operators in terms of mast location, a reflection of their differing spectrum holdings, and the competitive tension between operators it is unclear how sharing of location information on a relatively short 30 day timescale will make a significant contribution to infrastructure sharing.</p>
<p>Question 7: Do you have any other comments?</p>	<p>We welcome the commitment made in the consultation document for Ofcom to work with Devolved Governments to improve coverage.</p>

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