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Dear Bob

O2's Response to Ofcom's MSS 2GHz CGC Consultation

O2 (UK) Limited, "O2", welcomes this opportunity to comment on Ofcom's consultation on the authorisation of terrestrial mobile networks complementary to 2GHz mobile satellite systems. In this response we have addressed the key issues of interest to O2 regarding the licensing arrangements that should be applied to base stations with Complementary Ground Components (CGCs) operating as integral parts of systems providing a Mobile Satellite Service (MSS) in the 2GHz band.

Our views on the most important aspects of the consultation are:

- Applications for authorisation of CGC base stations in the UK should only be considered by Ofcom if submitted by those MSS operators selected under the EC administered selection and authorisation process (Q4). No applications should therefore be considered until after the completion of the EU process. It would then be appropriate to award those licences by an administrative assignment.
- It may be appropriate to allow the CGC base stations to be brought into service in advance of the full operation of the mobile satellite system with which they are associated, but we believe that Ofcom must consult further on the timing once the EU process has completed, as there has been no specific period proposed in this consultation. We have no view on what might be an appropriate period at this time, but we look forward to commenting on the period(s) proposed during a later consultation once we are able to consider the justification behind the proposal(s) (Q5). Some of the other CGC licence conditions (for example, licence duration) will also need to reflect the final MSS licence(s) and should also therefore be subject to further consultation after completion of the EU process.
- As we stated in our (Telefónica Group) response to the 2007 EC consultation on the selection and authorisation process of the systems providing MSS, it is right that authorisation fees should be discussed at a national level. In the UK, we believe that Administrative Incentive Pricing should be applied to the CGC licences, and it should be consistent with the prevalent rates for other comparable bands (Q9). O2 considers that Ofcom has proposed a reasonable indicative rate, but that the figure of £554,000 per 2x1MHz should be reconfirmed following further consultation, as it is unclear what the prevalent comparable rate will be at the time of the CGC award (Q10). Once again we believe that this further consultation should be conducted after completion of the EU process. The follow up consultation that we suggest (both here and above) could be of shorter duration than the current 10-week consultation to ensure that it does not significantly delay the CGC award.
- Any CGC licence(s) should be technology neutral but, given the circumstances under which they are to be award initially, we believe that it would be

inappropriate to make them service neutral (Q7). As we noted in our response to the 2007 EC consultation, the CGC is intended solely to complement the MSS component, as this is the basis upon which the EC Decision designating the spectrum was agreed, and it would therefore be inappropriate to allow other services to be provided in this spectrum. In addition, any future trade must fully respect this obligation, and we therefore believe that Ofcom must be consulted prior to any trade taking place (Q8).

In addition, we offer the following comments:

- It would be appropriate for the CGC licences to be in standard form and that they should be issued as national licences (Q1 & Q2).
- Ofcom should authorise the set of frequencies to mirror exactly the frequencies assigned under the EU award of MSS spectrum (Q3).
- If, for some reason, the EU process fails to conclude with an award of an MSS licence, Ofcom should consult again on other options for the terrestrial use of the 2GHz band spectrum.

Yours sincerely



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