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Clive Carter
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6 December 2007

Dear Mr Carter,

Hutchison 3G UK Limited (“H3G”) response to “Future Broadband: Policy approach to next generation access” published by Ofcom on 26 September 2007 (the “Consultation”)

The Consultation focuses almost exclusively on the role to be played by fixed broadband access in the provision of “next generation” broadband (which is not fully defined by Ofcom). This ignores the role increasingly being played by mobile broadband in providing current generation broadband services both now and in the future, especially in light of planned future speed increases within the 3G standard. H3G firmly believes that this role will only increase both in terms of adoption and functionality. H3G considers that Ofcom’s exclusion of mobile is a serious omission. Mobile broadband is complementary to fixed broadband, providing greater ease of use and accessibility to customers with lower cost of ownership. Further, mobile pre-pay services are likely to provide an important alternative form of connectivity for the less well off, reducing the “digital divide”. Any consideration of the future policy and regulation in relation to next generation broadband must include a consideration of the mobile platforms.

Current generation mobile broadband

H3G has invested billions of pounds in the UK’s telecommunications infrastructure. H3G’s broadband 3G network now covers over 90% of the UK population, more than meeting H3G’s licence obligation and, H3G believes, offering considerably greater coverage than any other 3G operator.

H3G’s 3G network provides mobile broadband services through handsets, USB modems and datacards. H3G is currently rolling out its High Speed Downlink Packet Access (“HSDPA”) network which provides download speeds of up to 2.8MBps. H3G is selling a broadband service based on a plug and play USB modem marketed as H3G’s turbo broadband.¹ Pricing

¹ Details of this product can be found at:
http://www.three.co.uk/personal/products_services/mobile_broadband/index.omp



for this service is based on clear price points between £10 and £25 per month.² In addition, through both mobile broadband and handset based services H3G offers mobile use of major internet branded services such as Google and Yahoo search, Skype (internet telephony), Microsoft Live Messaging Service and Yahoo Messenger (instant messaging), SlingBox (access to home television services through a mobile) and Orb (access to content on a home PC through a mobile).

H3G has also recently launched the innovative Skype phone. H3G has offered Skype services on its network since November 2006. The Skype phone makes the use of this service even easier with a co-branded handset with a dedicated button to make Skype calls. Skype to Skype calls and Skype instant messages sent from such handsets are included for no extra cost in the tariffs on which this handset is sold.³

Next generation mobile broadband

The original wideband CDMA standard for 3G networks provided for download speeds of up to 384KBps. A number of operators, including H3G, are now rolling out HSDPA networks, increasing available download speeds up to 2.8MBps. Future evolutions of the 3G standard are expected to allow download speeds up to 14.4MBps in the next two to three years.⁴ High Speed Uplink Packet Access ("HSUPA") will also enable increased upload speeds to 5.7Mbps. This will further increase 3G's ability to provide so-called Web 2.0 services, which involve greater amounts of user generated content. HSDPA and HSUPA Evolutions have also been specified by the relevant standard body ("3GPP") to increase downlink and uplink data rates to 28-40 Mbps and over 10 Mbps respectively in 5 MHz bandwidth. Multimedia Broadcast Mobile Systems ("MBMS") is an additional feature of the 3G standard, expected to be rolled out in the next two years, which will enable data to be "multi-cast" to all users or specific groups of users across the entire network. This will enable popular content to be provided to multiple 3G users in a way which uses spectrum and network resource more effectively for one to many communications. 3GPP has also been specifying on the "long term evolution" ("LTE") of 3G. LTE aims to provide download speeds of up to 100Mbps in 20MHz bandwidths. LTE is expected to be available by 2012 (and on current timetables, the first release of the standard will be agreed by 2008).

It is therefore clear that next generation mobile broadband access is something which will also need to be considered by operators, and investment decisions made, over the coming two to five years. Further the most likely spectrum bands in which such technologies could be deployed are becoming available over the next two to three years. This will clearly be a factor

² For between 1GB and 7GB per month download allowances, with additional data charged at 10 pence per megabyte.

³ See H3G press release dated 29 October 2007 available at http://www.three.co.uk/news/h3gnews/pressnewsview_omp?collcid=1019745742912&cid=1193312792265&index=1

⁴ 3 Austria is already selling datacards and USB modems which provide HSDPA based download speeds of up to 7.2MBps. See <http://www.drei.at/webshop/searchHandies.do?feature=4791#handyanker>



influencing operators' decisions on whether and how much to bid in the forthcoming UMTS Expansion Bands (2.6GHz band) auction planned by Ofcom for early next year.

Regulatory certainty is also required for mobile broadband

The Consultation identifies the importance of promoting competition to deliver next generation broadband investment. Ofcom also sets out the importance of reflecting risk in returns available to such investments and in providing regulatory certainty "to allow investors the clarity that they need to invest with confidence". These principles apply just as much to investment in mobile broadband. Ofcom must ensure that there is a level competitive playing field between mobile operators, and between different technologies such as fixed, fixed wireless (e.g. WiMax) and 3G mobile. This needs to include ensuring that appropriate backhaul products are available. There needs to be certainty for mobile operators on regulated services such as RBS backhaul which will affect mobile operators' ability to roll-out such services. Ofcom should also provide regulatory certainty around policy issues such as spectrum allocations, the liberalisation of existing mobile spectrum and the regulation of termination rates. All of these regulatory policies should ensure appropriate investment and innovation incentives for operators, without providing a competitive advantage to individual operators (especially incumbent operators such as the 2G MNOs).

If Ofcom can provide this regulatory backdrop, mobile broadband can and will be an important part of the provision of next generation broadband.

Yours sincerely,

Tim Lord
Regulatory Director