

Welsh Government Response to: Ofcom Consultation - Award of the 700 MHz and 3.6-3.8 GHz spectrum bands

We welcome the ambition of your proposals to provide services with greater capacity and wider coverage, and to pave the way for companies to take advantage of new wireless technologies, including 5G. However, we believe they do not go far enough.

The geographic availability of mobile services, particularly good quality data services, is still not good enough across Wales. We have significantly lower coverage than in the other home nations and while our mobile action plan will go some way to improving coverage the major levers that have the greatest potential to effect change rest with Ofcom and the UK Government. We consider it imperative that these levers are used to eliminate the gap to ensure that residents and businesses in Wales are no longer disadvantaged compared to other areas of the UK.

In terms of the geographic coverage obligation our position remains unchanged from previous discussions and consultations on this matter and we are disappointed that our views are not reflected in the proposals. The gap between the target for Wales and that for England and Northern Ireland is inequitable and unacceptable in our view. We believe that setting a lower target for Wales than that for England and Northern Ireland will simply perpetuate the current inequality of coverage. Additionally, your proposals also do not appear to address your own coverage objectives of ensuring that benefits are spread throughout the UK nations.

We have previously suggested a reduction in the target for England and Northern Ireland and a corresponding increase to the coverage targets for Wales and Scotland and would again ask you to explore this

In addition, we recognise that increasing capacity to meet demand for services delivered via existing mobile networks also provides the potential for this spectrum to be used for innovative 5G services. We agree that it is important to make these bands available in a timely manner to meet consumer demand, particularly for increasing capacity for mobile broadband services, and to enable the industry to take advantage of innovation opportunities. Our concern is that those areas of Wales that will not benefit from the coverage obligations will be fall further behind as 5G becomes prevalent. This has the potential to disadvantage rural areas of Wales and exacerbate the existing digital divide.

We, of course, recognise your concerns that if the coverage targets are too onerous then the spectrum may remain unsold. However, we see the auction of this spectrum as an opportunity to address inequities of coverage and deliver significant consumer benefit.

We welcome your proposal to allow mutually agreed roaming arrangements onto a host network should be allowed to count towards fulfilment of these coverage obligations - provided the service onto which the obligated operator roams meets the related requirements.

The introduction of a discount on the price of spectrum is something we have raised in response to previous consultations on this issue and its inclusion is very much welcome. We

agree that this should provide a strong incentive for bidders to bid for a coverage obligation alongside spectrum. However we believe there is scope to go further. We have previously set out our thinking on this, which is reprised below.

We consider that, 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. We would offer that, 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. This would require a mechanism 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 the amount mobile network operators would be willing to pay is unknown. However, the auction of spectrum in the 2.3 and 3.4 GHz bands realised, on average, approximately £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 knowledge of your modelling data, it is not possible to say what the impact on geographic coverage would be in this scenario, but we anticipate would mean a significant increase.

This approach would, of course, 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 (though this perpetuates the tenuous and misleading industry argument that these structures can be deemed loss making or revenue generating in their own right).

We note that you do not intend to impose use it or lose it license conditions and would urge you to look again at this as we consider use of these conditions in specific geographic areas, could give market innovators the ability to provide services where others cannot. The spectrum could revert back to Ofcom, to a public sector body, or be provided to another operator after a given period of time if the primary holder has not plans to use it in specific geographies.

We note the four year timeframe. You will be aware that we have previously argued that a three year timeframe is too slow, so this is disappointing and means some areas having to wait five years for any change at all. Again these are likely to be those residents, businesses and visitors in rural areas. 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 will further exacerbate the rural-urban divide on connectivity.

To conclude, the spectrum auction provides a rare opportunity to make a real difference to improving mobile connectivity in Wales. However, we consider your proposals fall short in those aspects we have highlighted and would urge you to explore these further some areas so that the people of rural Wales are not subject to continuing disadvantage.