

Ed Vaizey

Minister for Culture, Communications
and Creative Industries

Adrian Bailey MP
Business, Innovation and Skills Committee
7 Millbank
House of Commons SW1A 00A

27 July 2010

Dear Adrian

I am writing to you today to notify you that a draft statutory instrument has been laid which sets out a direction to Ofcom with respect to spectrum management. The S.I. is subject to the affirmative procedure, so will be taken forward once Parliament resumes.

The Government has made it clear that one of its key priorities is to rebalance the economy, both in terms of supporting growth in a broader range of economic sectors and to see a more even distribution of economic opportunities across regions and industries.

Achieving these objectives will require Government to support the development of enterprise and ensure that business can flourish. This will involve Government making choices about training and education, science and technology, and infrastructure.

For this balanced economy to develop and thrive, a critical requirement is the right telecommunications infrastructure, specifically the provision of super fast broadband connectivity. My Right Honourable Friend the Secretary of State for Culture, Olympics, Media and Sport has already set out his agenda for accelerating the deployment of fixed, fibre connectivity, but we recognise that the widespread deployment of super fast mobile broadband services will also deliver significant benefits to businesses and consumers.

Key to this deployment is the availability of suitable radio spectrum. Spectrum is available, but its release into the market has been delayed by a set of complex issues surrounding existing spectrum holdings and use. Proposals to address these issues were consulted upon by the previous Administration prior to the General Election and a draft statutory instrument was laid before Parliament under the affirmative procedure, but not debated due to insufficient Parliamentary time.

I have considered carefully how best to proceed, taking into account responses to the previous consultation, as well as discussions with Ofcom and operators. The principal objective is the earliest possible release of this spectrum and to give certainty to the market, so that new mobile broadband services are available as soon as possible. We are already seeing 4G services being deployed across the world and we cannot

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afford to see the UK fall behind in the availability of these services. I have concluded that intervention by Government, in the form of a direction to Ofcom is desirable to achieve an early release of this spectrum, but I am also of the view that the previous set of proposals would have had a disproportionate impact on the functioning of the market.

I have therefore decided to lay the revised statutory instrument before Parliament to give effect to a simplified direction to Ofcom. Ofcom will be directed to implement the EU's revised GSM Directive, which came into effect on the 9th May 2010 liberalising the use of 900MHz spectrum in the hands of the incumbents for new technologies, and the accompanying Commission Decision harmonising the use of 1800MHz spectrum with 900MHz. These licences are indefinite, subject to revocation on spectrum management grounds on five years notice and will be made tradable. They will be subject to revised annual fees to be determined by Ofcom.

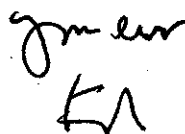
Ofcom will also be directed to amend licences for the use of spectrum at 2.1GHz. The licences will be made indefinite, subject to revocation on spectrum management grounds on five years notice after 2016. These licences will be subject to an annual licence fee once their initial term has expired in 2021. These licence holders will also be required to meet additional coverage conditions and will also be made tradable.

I have considered any possible competitive imbalance that might be created by the liberalisation of the 900MHz and 1800MHz spectrum. As part of this consideration, I have taken into account the rapid growth of smart phones and similar devices. This has resulted in the greater need for capacity on existing networks and I believe that this requirement cancels out any potential advantage of sub-1GHz spectrum in terms of rural reach and in-building.

We are therefore directing Ofcom to begin immediately with the 800MHz and 2.6GHz auction, but with a requirement to carry out an urgent competition assessment of the competitive position of operators in regard to further developments of 3G and future 4G networks. Ofcom will also consider the potential for new entrants and the measures that might be taken to encourage participation. This assessment will inform the design of the auction rules for this spectrum.

I believe therefore that we have met the obligation set out in the GSM Directive to consider the competitive effect of liberalisation and that this direction to Ofcom will permit the earliest possible release of this important spectrum, benefitting business, the consumer and the telecommunications industry alike.

Copies of this letter have been placed in the libraries of the House.

A handwritten signature in black ink, appearing to read 'Ed Vaizey', with a stylized flourish below it.

ED VAIZEY