

A spectrum policy programme for Europe.

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Head of Economic Regulation, Three

30 November 2010



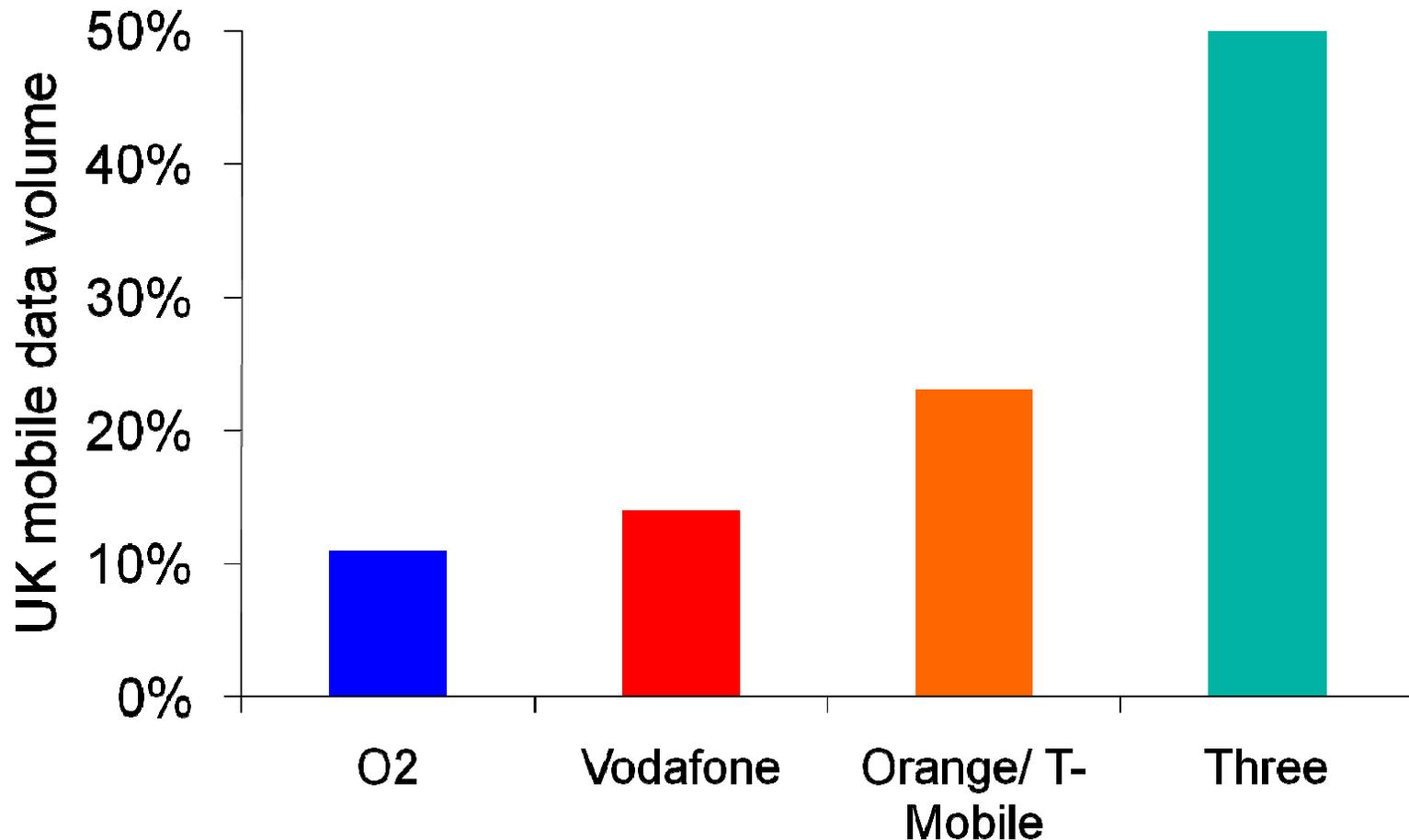
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About Three.

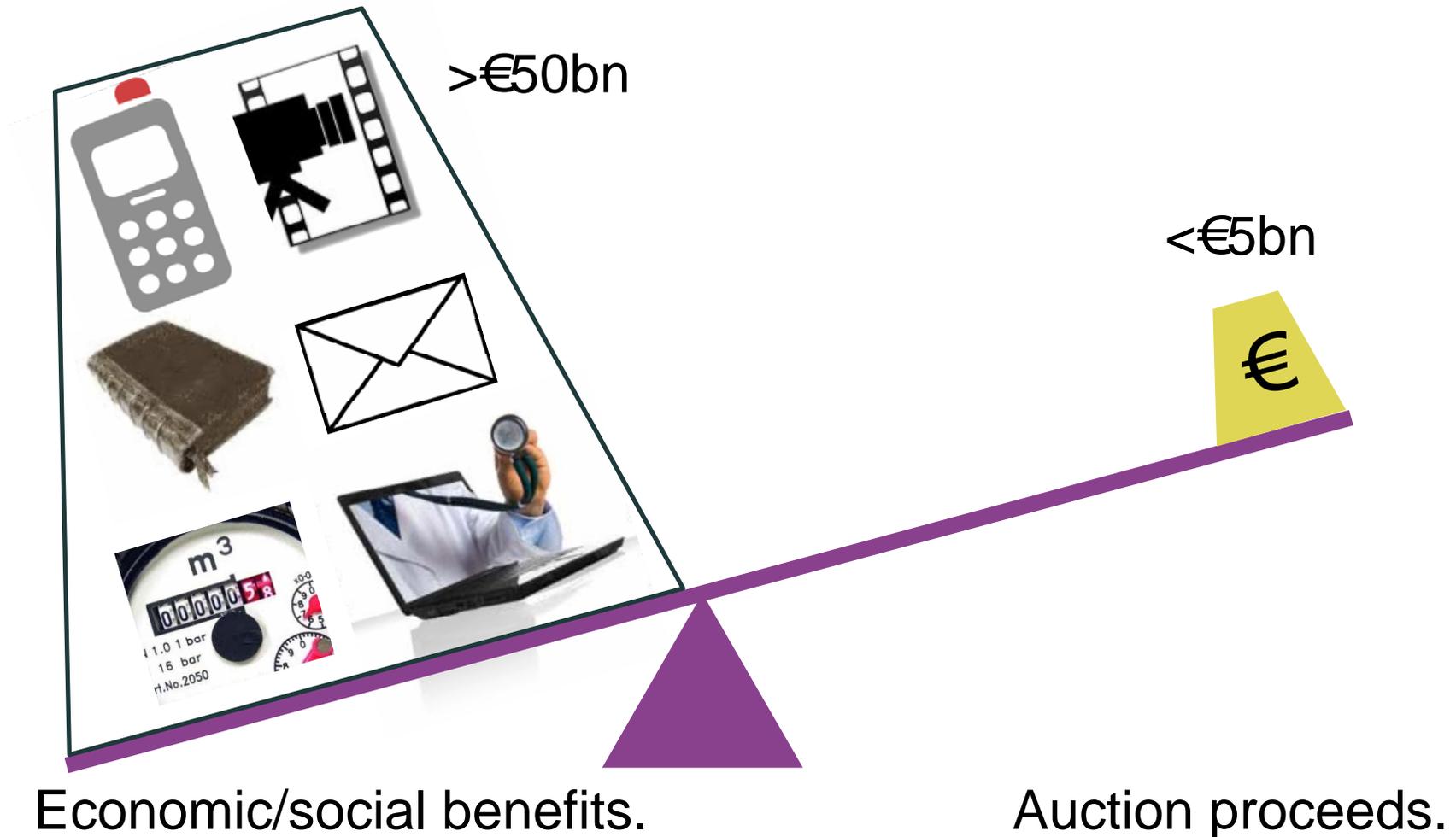


Hutchison
Whampoa
group

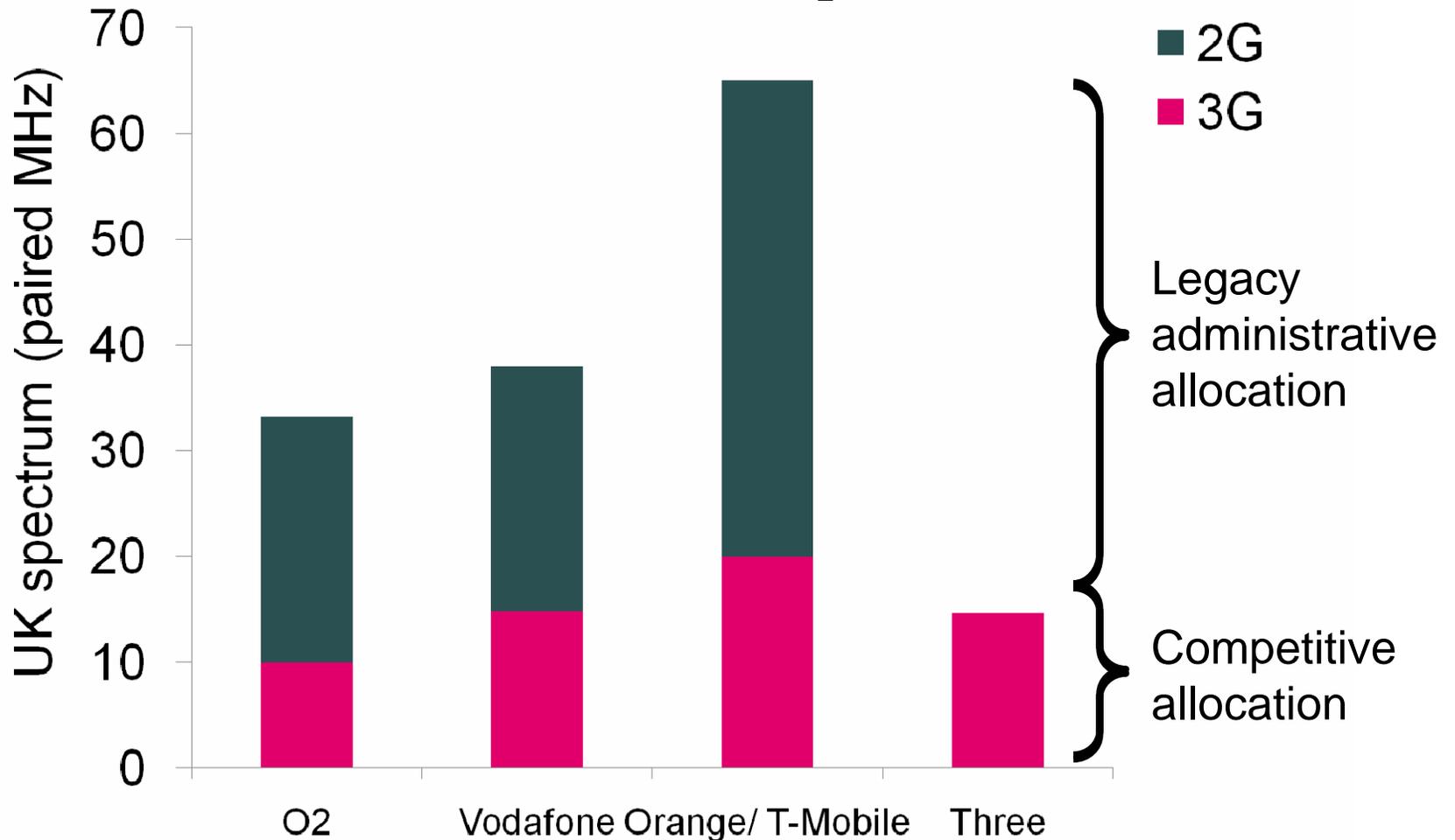
Three current market leader in mobile data.



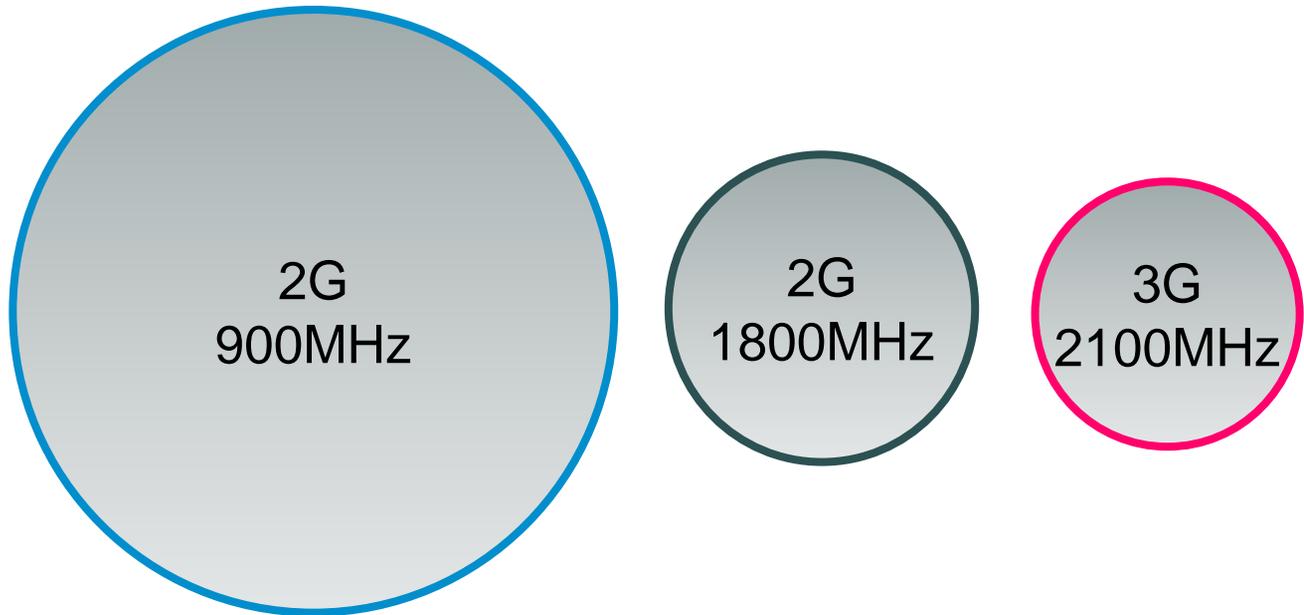
Auctions must target economic /social benefits, not proceeds.



2G/3G spectrum liberalisation must ensure competition...

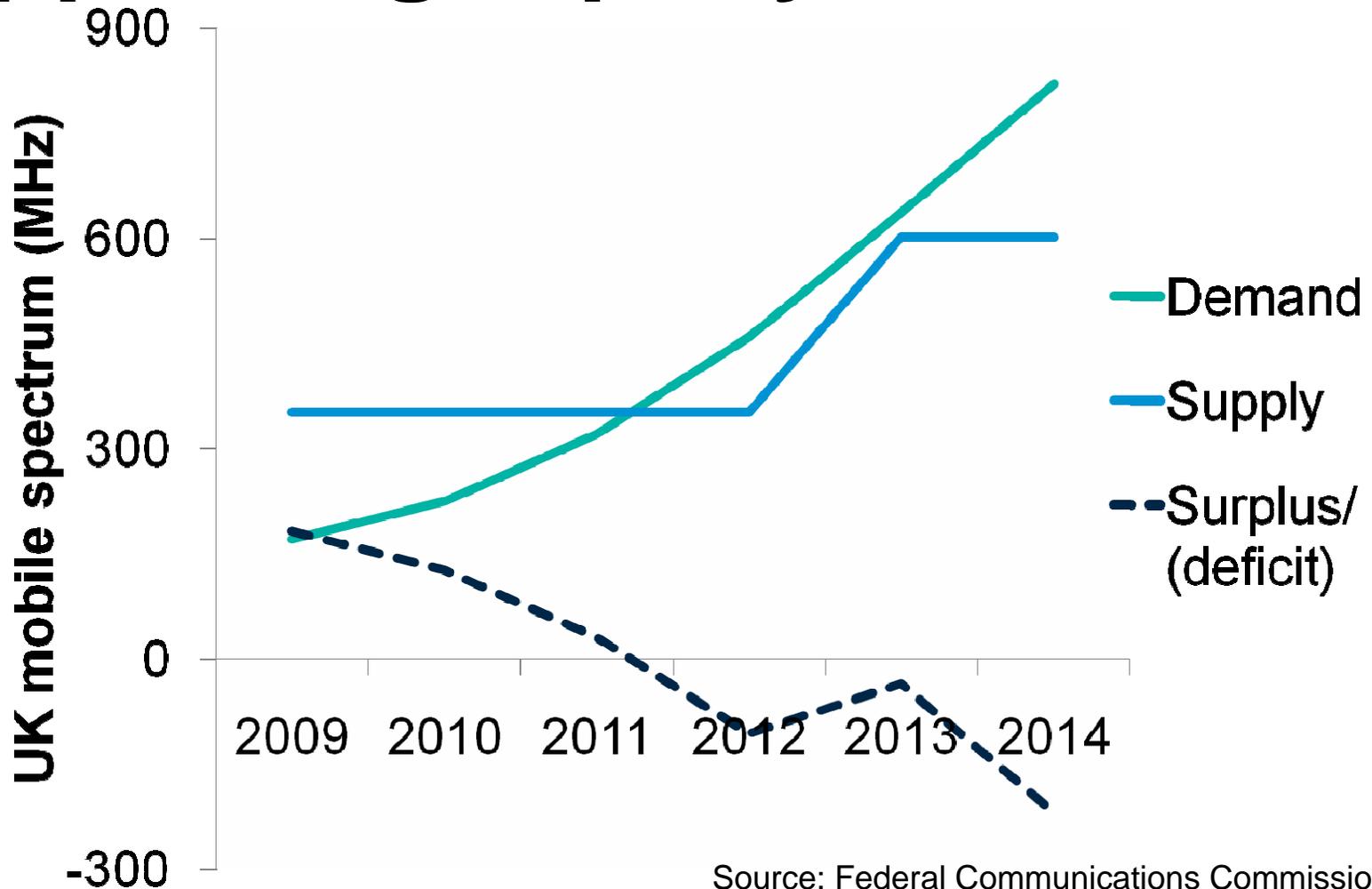


...Especially given spectrum coverage/cost differences.



Spectrum coverage	30km ²	12km ²	10km ²
Spectrum cost (UK)	€1m/MHz/ year	€1m/MHz/ year	€44m/MHz/ year

Mobile spectrum deficit now appearing rapidly.



Source: Federal Communications Commission, Ofcom.

Thank you.



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1. Thank you Ann. Good afternoon.

2. So who are Three?

Three are a challenger mobile network operator in six countries in Europe

- UK, Ireland
- Denmark, Sweden
- Austria, Italy

We acquired new 3G licences in each country and are owned by Hutchison Whampoa of Hong Kong.

3. Three is a pioneer of mobile broadband.

We are market leader for mobile broadband in each operating country.

In the UK, Three has 40% of the mobile broadband market and almost 50% of total mobile data traffic, including mobile broadband, smartphones and tablets devices.

We have built this position through network investment, innovation and price competition.

4. First point about the Radio Spectrum Policy Programme – from challenger perspective – spectrum auctions must target economic and social benefits, not just auction proceeds.

There are huge potential economic and social benefits resulting from competitive spectrum markets

- ever-developing communications services
- music, TV, video and multi-media on the move
- new sources of knowledge and e-learning
- smart energy solutions
- tele-medicine

These are just a few of the benefits that mobile spectrum will bring.

And these benefits far outweigh any direct auction proceeds, although greatly welcome in the current times.

If regulated want to maximise auction proceeds, then create a monopoly and auction it to the highest bidder. But this won't help consumers, nor economic and finance ministries when the economic benefits of a competitive market are lost.

5. Second point is that spectrum 2G/3G/4G liberalisation needs to promote and sustain competition.

In the UK, there is a big risk that the competitive 3G market created by the successful 3G licence auction in 2000 is entirely undermined by liberalising 2G spectrum for 3G and 4G use in the hands of the existing licensees.

This is because the 2G spectrum was allocated by administrative process in the distant past, not by new a competitive process.

6. It is also because most 2G spectrum is considerably more valuable, but considerably cheaper than 3G spectrum.

2G low frequency spectrum (e.g. 900MHz) typically provides over three times greater coverage than 3G high frequency spectrum (at 2100MHz).

In the UK, 3G spectrum costs – in annual terms – 44 times the annual fee for 2G spectrum, and there is no immediate plan to increase this.

7. Finally, there will soon be rapidly growing mobile spectrum deficit.

Yes, not a budget deficit, a spectrum deficit.

Taking analysis by the US Federal Communications Commission for the US National Broadband Plan, and applying this to the UK and Europe, the new spectrum from the Digital Dividend and 3G Extension Bands will only just meet the next three years' predicted growth in demand for spectrum to support mobile data traffic.

Therefore, we fully support the Radio Spectrum Policy Programme's call to identify new spectrum bands suitable for mobile as a priority.