

GSMA

Public Policy Draft Position on License Renewal

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Position

The regulatory framework for renewal of spectrum usage rights should be publicly available and be based on the principles of transparency and predictability.

Governments should clarify key terms and conditions for renewal, including:

- Potential re-issuing / re-awarding spectrum usage rights process where competing for new term of spectrum usage rights will happen
- Whether there will be any changes in the bandwidth, the amount of spectrum, for existing usage right holders
- Potential reshuffling of bandwidth within a band between existing usage right holders
- Any technology and/or service restrictions to be imposed for the new term of spectrum usage rights
- The cost of renewal of spectrum usage rights.

Governments should make decisions on the award of spectrum usage rights for the next term in a timely way before the expiry of the existing usage right term; ideally three to five years before the expiry of the existing usage right.

The cost of renewal of spectrum usage rights should be based on principles of achieving the most economically efficient outcome, rather than short term revenue maximization for governments. The greatest value to society stemming from the use of mobile bands is generated by the significant contributions to increased social welfare and economic growth contributions that the mobile industry delivers. The mobile operators transferring money to governments in renewal fees instead of investing in mobile networks and service developments is at the risk of reducing the overall contribution mobile operators make to society's social welfare and economic growth.

Governments should publish **Spectrum Road Maps** on availability of all mobile bands. Spectrum Road Maps outlining the timing of availability, bandwidth available per mobile band, vital terms and conditions for technically defining the usage rights and key information on the cost of holding usage rights for all the mobile bands are a key tool for all operators planning their network investments and defining their spectrum demand.

Background

The regulatory frameworks and policies governing renewal of spectrum usage rights and/or licences differ significantly between countries. Many countries have not developed and implemented a stable and transparent framework that provides predictability for existing operators to take potentially significant licence renewal investment decisions. This represents a risk factor that creates unnecessary uncertainty for consumers, governments and operators.

Where existing licensees are using the spectrum to provide services, they will have made long term investments based on using that spectrum. Existing operators planning to use the spectrum to continue serving their subscribers have a reasonable expectation of being able to renew the spectrum usage right.

Towards the last five to six years of a usage right term, rational investors are likely to reduce their investment. Potentially resulting in fewer mobile technology upgrade investments and market affected potentially falling behind on technological development and implementation of new innovative services. Consequently, it is in the interests of consumers, society and mobile operators to have a clear regulatory and policy framework for usage right renewal. Moreover, governments need to make decisions for the next usage right term in due time; ideally three to five years before expiry of the existing usage right term.

Governments should have a stable and predictable usage right renewal regime in place and avoid handling such situations on an ad-hoc basis. This approach will encourage mobile operators to develop and implement seamless investment plans for timely technology upgrades and service developments in line with market demand, fuelling economic growth and improving social welfare.

Spectrum road maps

Technology developments and the situation of number of mobile bands expanding into two lower frequency mobile bands (700/800 MHz band and 850/900 MHz band) and at least three higher frequency mobile bands (1800/1900 MHz band, 2100 MHz/AWS band and 2600 MHz band) combined with a more technology neutral approach to regulating the use of the bands, means increased opportunities and increased complexity for operators when determining their demand for bandwidth in various bands.

These developments have made it critically important for operators to know:

- What mobile bands will be available when
- What bandwidth will be available in each mobile band
- The terms and conditions that will technically define the usage rights in any mobile band
- The cost of holding a spectrum usage right in various mobile bands.

Operators' preferences, with respect to both renewing existing spectrum rights and acquiring new spectrum rights, will depend heavily on governments' mobile band spectrum road map. It is, therefore, important that governments make appropriate information publicly available in a systematic way.

Cost of renewal

Cost of renewal obviously matters to operators. Cost of renewal refers to all financial transfers from operators to government, including all kinds of one-off payments and all types of annual transfers related to the spectrum usage right for the next term.

Cost of renewal of spectrum usage rights should be based on principles of achieving economically efficient distribution of spectrum resources within society, rather than maximizing government's short term revenue collection. Pricing spectrum above the market price is obviously not sustainable.

High renewal fees may threaten to undermine vibrant competition in, and the development of, the mobile sector in any market. Emerging market economies are potentially more vulnerable to the negative impact on innovation and economic growth and the lack of improved social welfare that may result from governments setting renewal fees too high.

Questions that might be discussed in a renewal of spectrum usage rights context

In some markets, license renewal processes may coincide with processes related to a change of technology within a mobile band.

Depending upon market specific circumstances, changes to the bandwidth available per licensee and reshuffling of spectrum between licensees, could require different processes. If this is the case, both this position and the GSMA position on Change of Use of Spectrum will both be relevant.

More technology neutral approach

The lifting of technology restrictions to allow technology upgrades should be considered, regardless of whether existing usage rights to a frequency band are up for renewal.

However, if the renewal of existing usage rights and the lifting of technology restrictions coincides, a more technology neutral approach should be implemented for the next spectrum usage right term.

Simplified, a more technology neutral approach refers to governments allowing the deployments of various mobile technologies that can technically co-exist within any mobile band. For example, the IMT technologies GSM/EDGE/GPRS, UMTS/HSPA and LTE are standardised based on certain criteria for technical co-existence, and provided implementation is carefully handled, deploying different IMT technologies within the same band is possible – if governments lift technology restrictions that are imposed.

Changes to bandwidth

Changes to bandwidth, the amount of spectrum, available can have significant impact on an on-going business. This topic might arise for discussion in a license renewal process.

The GSMA recognises that spectrum should be distributed in a way that ensures competition in downstream markets. Governments must carefully balance the interests of consumers in being able to experience the benefit of wider carriers and the need to distribute spectrum between operators in a way that promotes competitive markets.

For new broadband technologies, such as LTE, wider carriers improve the consumer experience of using the mobile broadband services. For example, for LTE, consumers experience a four times improvement in average estimated user throughput (Mbps) when moving from a 10 MHz carrier to a 20 MHz carrier. For consumers to be able to enjoy the full benefits of the new mobile broadband technologies, mobile operators need the opportunity to deploy wide carriers. It is important that governments carefully consider how they can facilitate implementation of wider carriers when technically restructuring mobile bands.

Reshuffling of spectrum

How existing licensees are spectrally placed within a mobile band differs greatly, and is very often based on historical decisions and awards. Some technical parameters have changed. The mobile broadband technologies such as LTE and HSPA use wider carriers than a technology such as GSM. The implications for spectrum management frameworks and policies are that operators now need more contiguous bandwidth to enable them to deploy wider carriers for broadband capacity networks.

To create wider contiguous blocks of spectrum for operators reshuffling of spectrum between licensees in a band might be necessary. Different solutions for reshuffling will have different operational consequences and related costs for operators involved and this should be taken into account. Mobile operators affected should be consulted throughout the decision making processes.