



GSME response to the final report for the European Commission 'study on conditions and options in introducing secondary trading of radio spectrum in the European Community'

17 September 2004

GSME¹ welcomes the opportunity to comment on the final report for the European Commission 'study on conditions and options in introducing secondary trading of radio spectrum in the European Community' and the further debate that this report has stimulated.

The implementation of spectrum trading and liberalisation of spectrum in Europe will introduce many fundamental and far reaching changes for operators, manufacturers and regulators. These changes must not be underestimated. Whilst the final report on the study on the introduction of secondary trading in the European Community mainly considers the economic benefits of such implementation, GSME strongly believes that there has not been sufficient consideration given to the technical issues surrounding the implementation of both trading and liberalisation. For example, GSME considers that many potential changes of use could create significant harmful interference between users.

As stated in previous responses, GSME believes that, whilst the current spectrum management regime does in fact enable a certain amount of flexibility, the current regime is limited in its flexibility to respond quickly and effectively to market demands. Consequently, the introduction of secondary trading could offer additional value to the spectrum users.

To ensure that spectrum trading is successfully implemented and harmonised as far as possible throughout Europe, GSME strongly supports open and transparent debate regarding technical and competition issues at European level with all interested parties and, to this end, wholly supports the recent Commission workshop² held in Brussels on Secondary Trading.

GSME would reiterate that the global success of mobile communications, based on the GSM system, is widely due to the harmonisation of spectrum allocation and technology development at a European level. The mobile communications industry in Europe is now responsible for creating a vast number of jobs and income stream for Europe and any future structure for the development of spectrum trading and liberalisation at European level must be given due consideration to ensure that steps are not taken which would jeopardise any future similar European success.

¹ GSM Europe is the European interest group of the GSM Association, the premier global body behind the world's leading wireless communications standard. GSM Europe represents around 143 operators in 50 countries/areas in Europe serving around 454 million subscribers.

² 15 July 2004



Finally, GSME believes that there are a number of policy issues, such as those relating to competition, that need to be taken into account in order to maintain a level playing field between existing and potential new operators. Other issues that need to be taken into account in the difficult process of transition from the existing regime include the regulations attached to the use of spectrum, coverage obligations and the price paid for licences.

Economic model

Question 1:

The report is based on a model of quantifying the effect of public policy choices. How well does this model reflect the reality and scale of the issues of inefficiencies in spectrum use?

Answer 1:

GSME believes that the benefits the report expects would be unleashed from secondary trading are significantly overstated and that the report does not sufficiently address the costs that would result from trading.

Trading of usage rights

Question 2:

The report highlights the importance of clearly defined tradable rights. How important are common definitions at the European level? What is the base level of agreed definitions necessary to ensure a single market in spectrum?

Answer 2:

In the interest of harmonisation, GSME believes that it is important that common definitions are applied at the European level. Agreed definitions should include property rights and technical characteristics.

Flexibility of usage rights

Question 3:

The report indicates that secondary trading in combination with flexibility of use is necessary to achieve the maximum benefits. How can such flexibility be implemented in practice? What would be the minimal harmonisation necessary to ensure those benefits?

Answer 3:

GSME believes that a phased approach should be taken to the introduction of spectrum trading. In the first instance, simple spectrum trading should be introduced, followed at a later date by increased flexibility of use. Any flexibility of use could adversely affect the economies of scale and the availability of roaming. Further analysis is required regarding the potential benefits and costs of change of use.



The European dimension

Question 4

The report states that 30% of the possible benefits will only be realised if all Member States move together. How important is the European dimension of the secondary trading/ flexibility of use?

Answer 4:

GSME believes that the European dimension when considering secondary trading and flexibility of use is important. If only one MS moves forward with spectrum trading, it is unlikely to bring any major benefits to that particular MS. However, it is difficult to see how all MS could move together.

Innovation

Question 5:

A major part of the expected benefits of introducing secondary trading and flexibility of use consist of an increased innovation capacity in Europe and a faster introduction of new technology. What are the benefits in your field of such an increased capacity?

Answer 5:

GSME believes that it is unlikely that the introduction of secondary trading or flexibility of use will bring significantly increased innovation capacity or the faster introduction of new technology. This is mainly due to the requirements for roaming capability and interworking between operators and countries. However, it will enable the introduction of new manufacturers who comply with the operator requirements.

Competition

Question 6

Are there competition issues arising in your field from the introduction of secondary trading, alone, and in combination with flexibility of use?

Answer 6:

GSME strongly believes that all policy issues must be resolved before the introduction of secondary trading and flexibility of use and that there should be a level playing field between operators across sectors.



Interference management

Question 7

The report presents two options for interference management. In Option 1, The Spectrum management Authority continues to manage interference issues, while in Option 2, the spectrum users could solve interference issues between themselves. What are the consequences of each system, given the scenarios of second trading, alone and in combination with flexibility of change of use?

Answer 7:

GSME strongly believes that this report has not given adequate or serious consideration to the possible impact of flexibility of use on existing operators and supports the view of the consultants that the Commission should investigate the benefits of mandating a common, initial interference threshold.

Applications suitable for spectrum trading

Question 8:

The report makes a case that applications (Land Mobile PMR, fixed links, fixed wireless access, land mobile public and terrestrial broadcasting) are suitable for spectrum trading and flexibility of use. Are these the right applications? Is the foreseen annual trading volume realistic?

Answer 8:

GSME believes that all the above are suitable applications. However, in many sectors GSME expects there to be a thin market in secondary trading and flexibility of use.

Transition issues

Question 9:

Change in spectrum management on the scale proposed in the report would require managing transition issues. What are the major issues?

Answer 9:

All major policy issues must be resolved before the implementation of any form of secondary trading or flexibility of use.

Further consideration must be given to the technical impact of interference management, coordination and responsibilities.