

 Regulatory Policy Committee	Opinion
Impact Assessment (IA)	Removing partial not-spots in mobile phone coverage
Lead Department/Agency	Department for Culture, Media & Sport
Stage	Consultation
IA Number	Not provided
Origin	Domestic
Expected date of implementation	1 May 2015 at the earliest (SNR9).
Date submitted to RPC	23 September 2014
RPC Opinion date and reference	27 October 2014 RPC14-DCMS-2219
Overall Assessment	GREEN
<p>RPC comments</p> <p>The IA is fit for purpose. The Department has carried out pre-consultation with the sector and used this to produce an initial assessment of the likely costs and benefits. The estimates appear to be reasonable at this stage. The Department will use the consultation to gather more evidence and refine the estimates. The Department would prefer voluntary approaches for all the options, but will pursue a regulatory approach if it proves necessary.</p>	
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>“Research by Ofcom indicates that the public now consider mobile voice and text to be an essential form of communication. Currently 21% of the UK’s geographic area and 3% of premises have mobile phone coverage provided by only one or two mobile operators. Those living in such areas (known as partial not-spots) are limited in their choice of mobile phone operator. Those visiting these partial not-spots, either for short or long durations, are unable to get coverage if their own network is unavailable. The problem is particularly acute in rural areas, where over 35% of consumers report frequent lack of reception.”</i></p> <p>What are the policy objectives and the intended effects?</p> <p><i>“This policy aims to eliminate partial not-spots for voice calls wherever possible and maximise the area in which consumers can make and receive calls within the current combined network coverage footprint of the four UK mobile network operators (MNOs). The intended effects are to improve connectivity and overall consumer mobile experience to all. Doing so will provide incremental benefit to local businesses and economic activity, as well as less easily quantified social benefits (e.g. social inclusion and enhanced consumer choice).”</i></p> <p>What policy options have been considered, including any alternatives to regulations?</p> <p><i>“5 policy options were considered as a long list. These options are:</i></p> <ul style="list-style-type: none"> - Promotion of dual-SIM phones and broadband based solutions 	

- Infrastructure sharing
- Multi-Operator Mobile Virtual Network Operators (M-O MVNOs)
- Mobile roaming

These were assessed in terms of impact, technical feasibility, costs, risks and disruption to the market. Infrastructure sharing, MO-MVNOs and mobile roaming were taken forward to a shortlist and explored in more detail. For the purposes of this consultation and impact assessment the government is not proposing a preferred option. Government would prefer voluntary approaches to each option on the part of MNOs, but may consider implementing specific options through regulation.”

Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options

The Department states that parts of the UK have mobile coverage from one or more, but not all mobile operators. The Department proposes that these so-called ‘partial not-spots’ for voice calls should, wherever possible, be eliminated. This will maximise the area in which consumers can make and receive calls within the current combined network coverage footprint of the four UK Mobile Network Operators. As a result, the Department expects to see benefits to local businesses and an increase in economic activity, as well as less easily quantified social benefits (e.g. social inclusion and enhanced consumer choice). Ofcom estimates 21% of the UK landmass is in partial not-spots, and that under current network upgrade plans, this will be reduced to 13% by 2016.

The Department has provided a number of options for reducing partial not-spots. The Department explains that there is no preferred option at this stage. As the Department realises that it may need to legislate, it has presently classified the three options as INs.

The Department has carried out pre-consultation with the sector and has commissioned work to explore the technical feasibility of the options, and likely costs to industry. Costs vary widely, from £1 million for a multi-operator virtual network solution to £338 million for an infrastructure sharing option. The Department has utilised a willingness to pay (WTP) survey to provide an estimate of the likely benefits of the proposal at this stage. The estimates seem reasonable. The Department will use the consultation to gather more evidence and refine the estimates. The Department should use this evidence to estimate the costs and to quantify the benefits to business more fully.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

If Mobile Network Operators cannot come to a voluntary agreement, the Department will regulate, and therefore increase the scope of regulation on business. Therefore, a SaMBA is required.

The Department says *“The costs borne by business under each option will be borne by the mobile network operators. The nature of operating large scale infrastructure means that these are all large businesses and it is highly unlikely that a new entrant to the market in the future could be anything other than a large business. As such,*

there are no costs imposed on small and micro businesses. However, many of the businesses expected to benefit from increased coverage and connectivity will be small, micro businesses and single operators, for example agricultural and tourism firms in remote rural areas” (Page 36).

The SaMBA is sufficient. It provides an adequate explanation of the impact on small and micro businesses

Comments on the robustness of the OITO assessment.

The Department explains that the final One-In, Two-Out (OITO) position will depend on the option chosen and how that option is delivered. As the Department realises it may need to legislate, it has presently classified the three options as INS.

Based on the evidence presented, the Department’s assessment of the likely direction of impacts appears to be reasonable, and the OITO assessment is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10). If the Department decides following the consultation to legislate, it will have to demonstrate that it has fully considered non-regulatory options and strengthen the evidence supporting the equivalent annual net cost to business, so that the RPC can validate the estimate at final stage.

Signed



Michael Gibbons, Chairman