

DRAFT

cc: Mr L P Wright
Mr Moriarty
Mr Innes
Mr Marshall
Mr Bellchambers
Mr McLachlan
Mr Bedford

Mr Hyde

FREQUENCY REQUIREMENTS

We are to discuss with Sir Brian on 1 December the state of play concerning the frequency requirements of the land mobile services, and in particular BT's need for spectrum for the radiophone service. You might like to have a report on how matters stand at the moment.

2. First, the independent review. I have circulated a draft paper to MOD, DoI, Cabinet Office and the Broadcasting Department, and arranged to discuss it with these directly interested parties as a preliminary to its examination by the Official Committee on Government Telecommunications (T) before Christmas. I will submit the revised draft for your approval before it goes to T. Thereafter, the matter should, I think, be remitted to Ministers collectively (E or H). This may seem a slow business but I thought it prudent to give MOD ample time for reflection, and we needed to make more progress with our Mobile Radio Committee study and our inter-departmental work before we could get this proposal forward; its justification depends largely upon being able to produce a reasonably accurate assessment of what is likely to emerge from those studies.

3. A further complication about timing is that any announcement of such a review ought arguably to be accompanied by a decision about the future use of Bands I and III if it is not to be regarded as yet another excuse for inactivity; and that decision must defer to the completion of our negotiations with neighbouring Administrations about their plans

for broadcasting in these bands, and to consultation with our own broadcasters. These considerations, and the need to set up the administrative arrangements for the review, suggest that the earliest possible date for an announcement about it - assuming that it is approved - would be in February.

4. In the meantime we have to decide what to do about BT's spectrum needs in the VHF and UHF bands. The position is somewhat tangled. There is now no prospect of BT expanding their radiophone service before 1985 and there is technical agreement that in the first instance they will require 2 x 7.5 MHz for the following 5 years and ideally a further 2 x 11.5 MHz to take them to 1995. The aim would be to assign the first pair of frequencies in a contiguous block within the range 895-907 MHz and 940-952 MHz which Western Europe (CEPT) has in mind for an international integrated land and maritime mobile radio-telephone system; and it would be sensible to allow BT to expand beyond 1995 in the wider bands 892-915 MHz and 935-960 MHz which Western Europe would wish to allocate to integrated land and maritime mobile systems generally. To achieve this objective we need to:

- (a) secure MOD's agreement to our entering into a commitment which is sufficiently precise for BT's purposes;
- (b) ensure that we do not seriously prejudice our position in relation to other important claims on the spectrum and leave ourselves vulnerable to criticism on this score; and
- (d) settle in consultation with DoI whether BT should maintain their monopoly in this context.

5. As to (a) MOD will be pursuing their discussions urgently within NATO and will report the outcome to us shortly, but the probability is

that they will be able to agree in principle to the initial allocation of 2 x 7.5 MHz in the relevant band from 1985, and hopefully to some expansion thereafter although there is a complication about residual MOD requirements which is not yet resolved. We shall have to see what they say, and we should be a long way from making specific frequency assignments, but it may be possible to give BT a broad assurance which will suffice to enable them to make a start, provided that we can get over hurdles (b) and (c).

6. On (b) my preference has, as you know, been to complete our Mobile Radio Committee study before committing ourselves to BT, if only because with the certainty of a considerable excess of demand over capacity in the 30-960 MHz range the allocation of a very sizeable chunk of spectrum on a piecemeal basis could be heading for trouble. On the other hand, the MRC timetable might slip, and Ministers may want some time to digest its implications; so that on this approach it might well be March before we could give BT a firm decision. We should be able within the next few weeks to make some provisional assessments of how the frequencies

likely to be released for civil use in the 854-960 MHz band might be apportioned out, and what possible bids in this area might have to be excluded as a result of a radiophone allocation. It seems difficult, moreover, to contemplate at the end of the day that we should not be assigning frequencies for an expanded radiophone service to enable BT to keep up with developments in Europe, and such a service might well help us to deflect some demands for frequencies to meet mobile radio requirements. The best assessment that we can make at the moment is that it would be unsafe to commit ourselves to more than 2 x 15 MHz for a radiophone service and we may have to insist on BT relying upon the securing of economies in the use of the spectrum by means of technological improvements in order to meet the vast consumer demand

that they envisage in the long term. I think that BT might be prepared to go along with this if satisfied that it is the best that we can do.

7. The last obstacle is DoI's understandable anxiety to be able to introduce some competition into the radiophone service. Plainly, there can be no question of authorising two national radiophone services and there is no way in which we could undertake to plan frequency allocations as between BT and private competitors. On present information we find it difficult to see how we could avoid allocating all the necessary frequencies to BT and ^{leaving} ~~leaving~~ it to them to ensure the introduction of some element of competition. One possibility that DoI have floated is the creation of local monopolies although it is not clear how this would attract the benefits of competition. BT themselves are thinking this over but the indications are that it is in the field of supply of radiophone equipment rather than in relation to services that a solution will have to be found. I am considering further, in consultation with BT, how this delicate aspect is to be handled; the choice appears to lie between clearing it inter-departmentally (eg at the forthcoming meeting of T) before we finally respond to BT, and - assuming that the other obstacles can be overcome - leaving BT to fight this battle directly with DoI. There are attractions in the latter course but the situation is not clear-cut and I suspect that if we play matters this way we might get further embroiled in the argument.

8. Sir George Jefferson has not raised the point, but there is even greater difficulty at the moment about their plans for cordless telephones. BT want a short-term allocation of frequencies around 47 MHz, paired with 1.7 MHz, to be withdrawn when a longer-term substantial spectrum allocation (4 MHz) in the 900 MHz band could be made. We can agree to

the short-term allocation, but we need to be sure that the service could eventually be cleared from the band, because although it could co-exist with present 405-line TV and other uses we cannot assume that it will be acceptable when the band is re-planned. The only way of ensuring this withdrawal would seem to be to allow BT to lease equipment and maintain their monopoly in the short term but DoI are unhappy about this and are considering the matter further. As to the long term we now have misgivings about giving BT/^{for}what is essentially a convenience service an allocation in the 900 MHz band for which there are many claimants, and I fear that there would be criticism from private mobile radio interests if we did. We have asked BT to think further about the possibility of using for the purpose some of the higher frequencies within their gift. I have some sympathy with BT about all this and we may have eventually to accede to their demands. There is a substantial market here which industry want to see exploited and a legal alternative to the flood of illegal cordless telephones is urgently needed. CEPT are in disarray about this and there seems no prospect of standardisation within Western Europe for some time to come.

9. BT will be reporting to Sir George Jefferson and that may suffice to hold the position until the New Year. I hope that we shall be in a position to settle this one way or the other by January but you will see that there are many pitfalls.