

# Award of 1492- 1517 MHz spectrum for mobile services

Consultation on Ofcom's proposals

BT's additional response covering  
Questions 16 to 19 (auction design)

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# BT Group

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# Executive summary

1. This is BT's additional response to Ofcom's consultation<sup>1</sup> on the proposed auction of 1400 MHz SDL spectrum published on 4 February 2025, focusing on Ofcom's auction design questions 16-19.
2. The recent spectrum trades between Vodafone and Telefonica UK are highly relevant to the proposed award of additional 1400 MHz SDL spectrum and raise important competition considerations in relation to the design of the auction.
3. BT remains of the view, as set out in our initial consultation response, that the available 25MHz of spectrum in the 1492-1517 MHz should be awarded as a single 25 MHz lot, using a second price rule sealed bid auction. This would be consistent with efficient use of the spectrum and would mitigate concerns in relation to possible strategic bidding if small packages of spectrum were offered.
4. Certain auction outcomes would further increase the existing asymmetric holdings of low band spectrum which, together with asymmetry in available sites, would lead to significant asymmetry in available capacity in certain locations.
5. Poor spectrum policy could harm competition and ultimately consumers, for example, resulting in less innovation, poorer quality/coverage and/or higher prices. We set out our concerns, proposed mitigation and next steps below.
6. We welcome the consultation, published on 18 July 2025, on Ofcom's proposed competition assessment for the award of spectrum in the 1492-1517 MHz band. We will respond to that consultation by the deadline of 12 September 2025.
7. Our response should be read in conjunction with BT's response of 25 April 2025<sup>2</sup> and with BT's response to Ofcom's consultation on its competition assessment for the award of this spectrum.

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<sup>1</sup> <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/269383-call-for-input-making-more-spectrum-in-the-1.4-ghz-band-available-for-mobile-services/associated-documents/consultation-award-of-1492-1517-mhz-spectrum-for-mobile-services.pdf>

<sup>2</sup> <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/269383-call-for-input-making-more-spectrum-in-the-1.4-ghz-band-available-for-mobile-services/responses-feb-25/btee.pdf>

# 1 Introduction

This is BT's additional response to Ofcom's consultation on proposals to auction the upper block of the 1.4 GHz band (1492-1517 MHz) for 4G and 5G mobile use, which addresses the auction design questions (16-19).

In **section 2** we discuss the recent Vodafone/Three merger and subsequent spectrum trades to VMO2 and how these, together with potential auction outcomes, are relevant for Ofcom's competition assessment for the award of this spectrum.

In **section 3** we respond to questions 16-19 about auction design, including auction format, packaging, reserve prices and information policy.

## 2 Impact of Vodafone/Three merger and subsequent spectrum trades

The merger of Vodafone and Three and the subsequent trade of spectrum to Telefonica UK are highly relevant to the proposed award of additional 1400 MHz spectrum:

- Firstly, following the merger, the existing 1400 MHz SDL spectrum became controlled by the merged entity and, following the post-merger spectrum trades, by two of the 3 UK MNOs (VodafoneThree and VMO2), with BT/EE the only MNO not having access to the band.
- Secondly, following the merger and subsequent spectrum trades, significant asymmetry in spectrum holdings arises, especially in bands below 1.5GHz, essential for indoor and rural coverage. This spectrum asymmetry, together with asymmetry in numbers of base station sites, leads to considerable and increased asymmetry in network capacity<sup>3</sup>.

### Competition considerations arising under certain auction outcomes

Under certain auction outcomes the asymmetry in capacity could further increase, to the detriment of competition and consumers. This requires further assessment of how increased asymmetry in network capacity could affect ability of MNOs to deliver certain services in certain locations and how this might affect downstream competition.

We will provide relevant evidence on competition considerations in our response to Ofcom's consultation on its competition assessment for the award of this spectrum.

### Spectrum packaging is also relevant to competition considerations

As we explain in the next section, in addition to potential competition measures, the spectrum packaging options that are offered in the auction are also relevant competition considerations

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<sup>3</sup> When considering immediately useable spectrum, going into the auction BT/EE has just 11% of sub-1.5GHz downlink spectrum. When also taking account of relative site numbers (and depending on what is assumed for these for other MNOs), BT/EE's share of downlink capacity delivered with sub-1.5GHz spectrum is around {> < %}. Depending on the 1400 MHz SDL auction outcome this could change to between {> < %} and {> < %}.

in so far as they may support different auction outcomes and could potentially enable strategic bidding, undermining Ofcom's competition objectives.

## 3 Auction design

### 3.1 Auction format

#### **Question 16:**

**Do you have any comments on the proposed format for the auction?**

BT supports the use of a single sealed bid second price auction format, as Ofcom proposes.

As we explain in our response to Question 17 below, BT considers the spectrum should be awarded as a single 25 MHz lot.

### 3.2 Spectrum packaging

#### **Summary**

The spectrum should be awarded as one single 25 MHz lot because smaller lots:

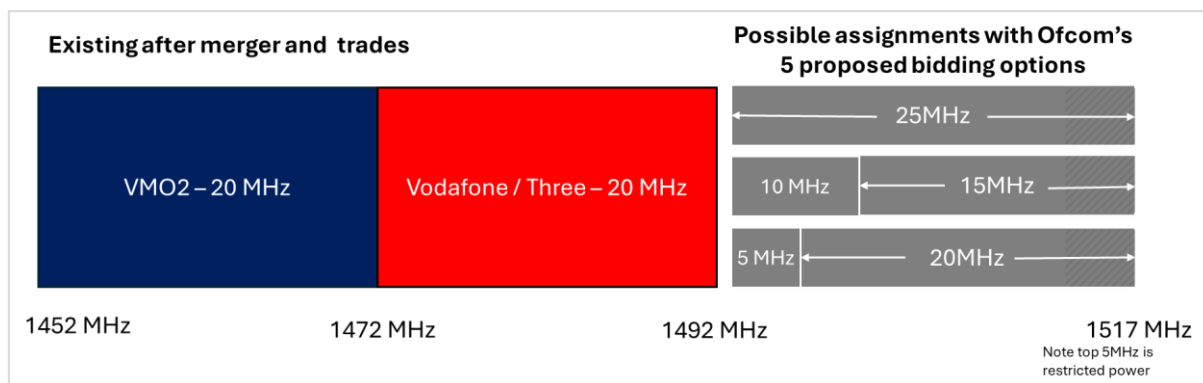
- are unlikely to be economically viable for an MNO not holding existing 1400 MHz SDL spectrum; and
- could support strategic bidding against an MNO not holding existing 1400 MHz SDL spectrum.

#### **Question 17:**

***Do you have any comments on the proposed bidding options for the auction? Do you believe we have excluded any bidding options which would be worth identifying?***

The change in market structure and subsequent spectrum trades, as we set out in Section 2 above, are highly relevant to Ofcom's assessment of the bidding options for the auction and to how the spectrum should be packaged. This is in addition to being relevant to Ofcom's competition assessment for the award of this spectrum.

Ofcom is considering 5 bidding options, which correspond to three possible arrangements of assignments in the award band. These, together with the existing holdings after completion of the proposed spectrum trade to VMO2, are illustrated in Figure 1 below.

**Figure 1: Existing 1400 MHz SDL holdings (post trading) and proposed auction packages**

Given technical and operational constraints on use of the award spectrum, a small assignment comprising only part of the award spectrum is unlikely to be attractive, other than to existing mobile licensees in the adjacent band.

To include smaller packages skews the award in favour of existing licensees which would amalgamate the new spectrum with their existing 1400MHz SDL assignment(s), and could resolve any fragmentation with trades, if necessary.

Whilst, with two existing licensees now confirmed, there might be an argument to include smaller packages than the entire 25MHz, there are important considerations against any bidding option other than the whole 25 MHz block:

- In BT's circumstance, {X}.
- There is a risk of strategic bidding to preclude BT from acquiring any MHz block. That risk is higher the smaller the blocks, as explained below.

In a single round second price auction such as this one, there is a significant possibility of strategic bidding. {X}

} That kind of price driving would be even more likely with smaller lot sizes, as bidders would need a smaller budget to bid strategically

Thus, even if smaller blocks than 25MHz packages were considered, a 5MHz lot option is unsuitable to include in any event, as it involves a much higher risk of strategic bidding, resulting in harm to downstream competition and consumers. The risk of harm from strategic bidding outweighs the remote potential benefits of enabling an existing licensee to increase their holding by e.g. 5MHz.

The risk of strategic bidding is amplified by the second price rule, as the party placing the strategic bid would know they are unlikely to have to actually pay the full amount bid.

That said, there is also a risk of strategic bidding with other auction formats too, including the possibility of price driving. Therefore, we would still suggest Ofcom adopts its current proposal of a single round second price auction, but avoids smaller lot sizes for the reasons explained above.

A further consideration in favour of a single 25 MHz package, is that with smaller packages, a situation could arise whereby not all the different sizes of packages attracted bids (e.g. if bidders only submitted bids for say 20 MHz and 25 MHz, or for 10MHz and 25 MHz), so unsold spectrum could arise.

In summary, we consider the spectrum should be awarded as a single 25MHz lot.

### 3.3 Information policy and reserve prices

#### **Question 18:**

***Do you have any comments on our proposed information policy or reserve price?***

#### Information policy

We agree with Ofcom's proposed information policy, apart from publication of non-winning bids. Non-winning bids should remain confidential as their disclosure would involve commercially sensitive information and could undermine reaching commercial trading agreements.

#### Reserve price

BT considers a reserve price of £0.5m per 5MHz would be sufficient to meet Ofcom's objectives. The proposed £1m per 5MHz would match the 700MHz SDL auction outcome and would be higher than some of the international benchmarks Ofcom shows in Figure 8.2 of the consultation. We further observe that in Figure 8.2, Ofcom has inflated past auction benchmarks to 2026 prices. As we explained in our response to Ofcom's December 2024 consultation on ALFs for the 1800MHz and 2100MHz band<sup>4</sup>, there is strong evidence that past auction values have declined in both nominal and real terms and, therefore, inflating these by CPI as Ofcom has done, is inappropriate.

## 4 Proposed next steps

#### **Question 19:**

***Do you have any other comments on the proposals or analysis set out in this consultation document?***

We note that a separate consultation was published on 18 July 2025 on Ofcom's proposed competition assessment for the award of spectrum in the 1492- 1517 MHz band. This is an important step in the process, given recent changes to UK market structure and the post-merger spectrum trades. Those developments have changed the existing 1400 MHz spectrum

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<sup>4</sup> BT response to Ofcom's consultation on 1800MHz and 2100MHz licence fees, 7 March 2025  
<https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/consultation-review-of-annual-licence-fees/responses-december/bt.pdf>

holders and the overall proportions of spectrum and network capacity available to each of the existing MNOs.

We will respond to the above consultation in due course, including our views on how competition concerns could be addressed in the auction design, e.g. spectrum caps.

Finally, we note that the existing licensees are not paying for use of the 1400 MHz SDL spectrum, which raises concerns around fairness. It is unclear how useful this auction will be to set market value of the existing 1400 MHz SDL spectrum given the significant constraints likely to be attached to its use. BT's competitors not only have access to far more valuable low band spectrum, they have that access for free.





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