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O₂ demands equivalent opportunities for the allocation of new mobile radio frequency

- **Germany's largest frequency auction in the last ten years**
- **Unequal allocation of important frequencies below one gigahertz must be eliminated**
- **Fair allocation of frequencies is the precondition for broadband expansion in rural regions and more competition in mobile telecommunications**

MUNICH. Telefónica O₂ Germany welcomes the frequency auction planned by the Federal Network Agency for 2010 and has demanded fair access to the important frequencies below one gigahertz for all mobile telecommunications providers. "Due to their early market entry, D-network operators are better positioned in terms of the allocation of frequencies below one gigahertz", says Markus Haas who is responsible for all regulatory matters in his capacity as Managing Director for Telefónica O₂ Germany. "The upcoming frequency auction provides the unique opportunity to eliminate this disadvantage and enable us to go ahead with the expansion of the broadband infrastructure in rural regions, while it further ensures fair competition in mobile telecommunications." In this context, O₂ has submitted a concept which includes fixed spectrum limits for all mobile telecommunications providers as well as transparent obligations for the expansion of the broadband in rural regions which have so far been unserved.

The unequal allocation of frequencies on the German market represents competitive distortion. Vodafone and T-Mobile today have 12.4 megahertz each on the GSM 900 spectrum, O₂ and Eplus, however, only five megahertz each. This spectrum below one gigahertz is particularly suited for the area supply because large regions can be supplied with mobile voice and data services via comparatively few radio masts. The spectrum around 1800 megahertz, on which O₂ and E-plus have larger frequency bands, is, in contrast, suited for cities and densely populated areas.

The digitalisation of the TV market has resulted in the release of additional frequencies in the 800 megahertz range (digital dividend) which are to be auctioned off by the Federal Network Agency in the first half of the year 2010 in combination with frequencies in the range above one gigahertz. This will be the largest frequency

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auction since the allocation of the UMTS licenses in 2000. In the 800 range, a bandwidth of a 30 megahertz paired spectrum will be auctioned off in six blocks á five megahertz. "The allocation of these frequencies will not only determine the market opportunities in the next ten to 20 years," Haas emphasizes. And, it will set the course for mobile broadband supply and competition in mobile telecommunications in Germany. "The right general conditions for the allocation of frequencies ensures that really all investments in the location Germany will be exploited. Customers will be the ones who will primarily benefit from it."

Prior to the upcoming procedure, O₂ has demanded the equal allocation of existing frequencies among mobile telecommunications providers. This could be realised by the reallocation of the GSM900 and GSM1800 spectrum. If D-network operators are not prepared to, O₂ will demand a hard spectrum cap by the Federal Network Agency. "No mobile telecommunications operator may have more than 20 megahertz in the range below one gigahertz", Haas claims. As a total of only 30 megahertz will be allocated in the range below one gigahertz, but all interested bidders are expected to have a demand of substantially more megahertz, this proposal would result in fair competition.

O₂ expressly welcomes the plans of the Federal Government regarding the expansion of the broadband. The Federal Network Agency will therefore allocate frequencies in combination with obligations for expanding the so-called "white dots" which have not been supplied with broadband so far. "We clearly support the Federal Government's objective to close the broadband supply gap in rural regions," Haas explains. "The quickest way to achieve this goal is to allocate the obligation for the expansion on the blocks to be allocated regionally." In this context, O₂ has submitted a detailed plan to the Federal Network Agency.

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