

MOBILE RADIO NETWORK SERVICES MARKET INVESTIGATION

Summary of hearing with the Home Office held on 2 March 2022

Home Office's overview

1. The Home Office explained that mobile radio communications, as a mission critical service, are vital for emergency services as well as being a vital part of the critical national infrastructure.
2. The Home Office noted that Airwave Solutions Limited (Airwave Solutions) was the current provider of the Airwave network, a mission critical service using a network designed specifically for the police and latterly for other blue-light services. The Home Office said that the Airwave network was a private, bespoke, dedicated network system and in the Home Office's view, it was now out of date, expensive and did not provide value for money.
3. The Home Office explained that, through the Emergency Services Mobile Communication Programme (ESMCP), it has been working on the Emergency Services Network (ESN) as an alternative to replace the Airwave network. The Home Office said that ESN is designed to provide a comparable voice capability with the addition of high availability broadband for the use of data to assist the blue-light services in their work in protecting themselves and others, including what is called a mission-critical-push-to-talk application (MCPTT). In order for the successful transfer from the Airwave network to ESN, the Home Office noted that the application and the servers on which it sits, must be reliable, resilient, secure and capable of working seamlessly with the network and of handling large volumes of traffic and transactions with multiple users concurrently. The Home Office noted that until the application can meet the requirements of the blue-light services, the Airwave network cannot be turned off.
4. The Home Office explained that it can extend Airwave Solution's contract, giving the supplier one year's notice, but it has limited ability to negotiate a change in price. The reason being that the Home Office cannot terminate the contract as there is no viable alternative at present.

Negotiations with Motorola

5. The Home Office explained that when Motorola¹ approached the government to announce that it intended to purchase Airwave Solutions, Motorola and the Home Office entered into a series of bilateral negotiations in the context of the acquisition which culminated in Motorola and the Home Office entering into a number of legal agreements. These agreements included an agreement that Motorola would not complete the acquisition of Airwave Solutions without asking for and obtaining the Home Office's consent (Deed of Undertaking), an agreement relating to mitigation for any loss as a result of Motorola's dual role in supplying both the Airwave services and delivering certain key elements of ESN (Deed of Recovery) and an agreement covering, inter alia, terms relating to extension and pricing of the Airwave contracts and settlement of disputes (Heads of Terms).
6. In the Home Office's view, it was not in an equal bargaining position during the 2016 negotiations as it did not have the choice to walk away from the negotiations, whereas Motorola did.

Motorola's dual role

7. The Home Office noted that Motorola was awarded the contract to provide a number of ESN services, including the provision of the MCPTT application (initially Wave 7000 and then Kodiak) that would eventually replicate the voice-comms functionality of the Airwave network.
8. The Home Office explained that Motorola (through Airwave Solutions) is the supplier of the interworking solution (the technology enabling users to communicate with each other across the Airwave network and ESN during the period of transition from one network to the other). The Home Office noted that if it were to try and use a different supplier for the MCPTT functionality, it would need the interworking solution to be an open interface to enable other suppliers to plug into the interworking solution.
9. The Home Office explained that the above gave Motorola a key role in both the Airwave network and the transition to ESN. In particular, the Home Office noted that Motorola was responsible for providing the application service that would enable ESN to replicate the voice capability of the Airwave network, which in its view, gave Motorola real power over the successful delivery of ESN.

¹ In this document the term Motorola refers to Motorola Solutions, Inc. and its subsidiaries.

User groups

10. The Home Office was of the view that it would be unlikely that users would not want to transition to ESN once it was ready for deployment. The Home Office explained that the operation evaluation and service acceptance period was designed to include user organisations in the testing process which allowed them to understand what they would receive, as well as providing sufficient time to feed in any concerns.

ESN Delays

11. The Home Office noted that, in relation to the transition to ESN, in its view there were a number of items for which Motorola is responsible that did not work as the Home Office would have expected or required, and that it was in discussions with Motorola about these.

Profitability

12. The Home Office said that in its view, Airwave Solutions was extremely profitable and had earned a return that the Home Office believed was significantly above what it would consider appropriate or reasonable. Due to the lack of transparency in the contract, the Home Office said that it was only able to assess this by inferring what it could from Motorola's published accounts.

Remedies

13. The Home Office noted that it wanted to make sure the right amount of money was being spent on the Airwave network. As a remedy, the Home Office suggested price control that would set a margin that would be regarded as reasonable for the market.
14. The Home Office noted that a requirement for greater transparency around price would be beneficial as well as a requirement that Motorola continue to provide access to the Airwave network for the purposes of interworking.