

MOBILE RADIO NETWORK SERVICES MARKET INVESTIGATION

Summary of hearing with Motorola Solutions, Inc. (Motorola) held on 10 February 2022

Motorola's overview

1. Motorola explained that the Airwave Solutions Limited (Airwave Solutions) contract with the Home Office for mission critical services was a long-term contract. It noted that the contract has been in place for 20 years and could be unilaterally extended by the Home Office.
2. Motorola stated that it was providing services at an agreed price pursuant to the long-term contract. It noted that at various points in the contract's lifecycle, since its ownership of Airwave Solutions, Motorola had agreed to provide discounts to the Home Office not to apply certain provisions within the contract.
3. Motorola explained that it has delivered on the Airwave Solutions contract and would continue to do so as long as the UK needed the Airwave network.

Negotiations with the Home Office

4. Motorola entered into negotiations with the Home Office as part of its acquisition of Airwave Solutions which culminated in a number of binding 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 the Emergency Services Network (ESN) (Deed of Recovery) and an agreement covering, inter alia, terms relating to extension and pricing of the Airwave contracts (Heads of Terms).
5. In Motorola's view, the Home Office held what it considered was a veto right over the completion of Motorola's acquisition of Airwave Solutions. Motorola explained that this put the Home Office in a very strong bargaining position

during the 2016 negotiations. Conversely, Motorola explained that the requirement for the Home Office to approve of Motorola's acquisition of Airwave Solutions left Motorola in a weaker bargaining position.

6. Motorola considered that the outcome of the 2016 negotiations was beneficial to both Motorola and the Home Office. Motorola noted that the negotiations in 2016 set the terms of provision of the Airwave services going forward and were agreed in a competitive context where the Home Office had significant bargaining power, as such it was not necessary to consider the current competitive dynamics.

ESN delays

7. Motorola asserted that allegations that it caused the ESN programme to be delayed were untrue.
8. Motorola explained that ESN comprised of a multi-tenant structure which would make it difficult for one supplier to have the ability to delay the entire programme. Motorola acknowledged that, in theory, a supplier on the critical path could have the ability to delay the programme if it was not ready and all other suppliers were.
9. Motorola noted that it would not be possible to identify whether delays by suppliers could result in delays to the overall programme until reaching near the end of the programme. Motorola acknowledged that while it may have introduced some delays to Lot 2, that those had not delayed the entire programme.
10. Motorola explained that, in the last two years, there have been an unprecedented number of change requests from the Home Office. In relation to these requests, Motorola noted that the Home Office expected there should be zero delay or cost on Motorola's part in resolving these.

User groups

11. Motorola noted that the sooner that the ESN product was acceptable to the user community, the sooner the transition from the Airwave network to ESN would be possible.
12. In Motorola's view, user groups had at least some degree of autonomy in deciding whether they move from the Airwave network to ESN, in that they needed to be confident in ESN before transitioning to it. In Motorola's view, once the delivery of the functional ESN product is complete, the Airwave

network would be decommissioned meaning that user groups would not have the option to remain on the Airwave network.

Interworking

13. The interworking solution is the technology that will enable users to communicate with each other across the Airwave network and ESN during the period of transition from one network to the other. Motorola has implemented an interworking solution, which is designed to function with its ESN Push-To-Talk (Kodiak) functionality, that allows the Airwave network to communicate with ESN.
14. Motorola explained that as part of the 2018 reset, it was agreed that in the event the Home Office decided it wanted to move to a different Mission Critical Push-To-Talk (MCPTT) solution (that was not Motorola's Kodiak solution), Motorola would provide a standards-based interface into the Airwave network to allow for a third party to connect to the interworking solution.
15. In Motorola's view, both the Airwave network and ESN would run in parallel for longer than the Home Office envisioned. Motorola explained that the ESN programme has been troubled for many reasons including devices, programme management and interfaces. Motorola was of the view that ESN would continue to go through a lot of evolution, but ultimately it would be deliverable.

Profitability

16. Motorola explained that in terms of the profitability assessment, it was looking at the profitability of the contract ex-post.
17. Motorola explained that there was one contract which started in 2001 and that it was currently expected to end in 2026. Motorola noted that in its view, the Home Office amendments to the contract in 2016 did not result in a new contract, but a variation to the existing contract.
18. Motorola explained that the modern equivalent asset would be a modern equivalent TETRA network.