

# **MOBILE RADIO NETWORK SERVICES**

## **Mobile Radio Network Services Market Investigation**

### **(DRAFT) The Mobile Radio Network Services Market Investigation Order 2023**

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## Background

1. On 25 October 2021, the Competition and Markets Authority (**CMA**) in the exercise of its power under sections 131 and 133 of the Enterprise Act 2002 (the **Act**) made an ordinary reference to the Chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 for an investigation of the supply of Land Mobile Radio (**LMR**) network services for public safety (including all relevant ancillary services) in Great Britain.
2. On 5 April 2023, the CMA in accordance with section 136(1) of the Act issued its report *Mobile radio network services: Final report* (the **Report**), which has been published on the CMA's website within the period permitted by section 137 of the Act.
3. In the Report the CMA decided, in accordance with section 134(1) and section 134(4) of the Act, that:
  - (a) features of the market for the supply of communications network services for public safety and ancillary services in Great Britain, individually or in combination, prevent, restrict or distort competition in connection with the supply of LMR network services for public safety in Great Britain and there is an adverse effect on competition (**AEC**) for the purposes of section 134(2) of the Act.
  - (b) The AEC gives Airwave Solutions (and its owner, Motorola Solutions) the ability to price services above levels the CMA would expect to prevail in a competitive market and results in a detrimental effect on customers.
  - (c) The CMA will take action under section 138 of the Act for the purpose of remedying, mitigating or preventing the AEC and the detrimental effect on customers so far as it has resulted from, or may be expected to result from, the AEC.
4. The CMA will through an order made in accordance with section 161(1) of the Act (defined in Article 2 below as the **Order**) impose a charge control limiting what Airwave Solutions and Motorola Solutions are allowed to charge customers for services within the scope of the charge control; and require

Airwave Solutions and Motorola Solutions to provide information to the Home Office and to the CMA to support the operation of the charge control.

5. On 18 May 2023 in accordance with section 165 of, and paragraph 2(1)(a) of Schedule 10 to, the Act, the CMA published a Notice of its intention to make the Order as part of a package of remedies to remedy, mitigate or prevent the AEC and any resulting customer detriment, which it had identified in the Report. On 11 July 2023 in accordance with section 165 of, and paragraph 2(4) of Schedule 10 to, the Act, the CMA published a Notice of its intention to make the Order with modifications to the version published on 18 May 2023.
6. The Explanatory Note accompanying the Order provides an explanation of how the Order is expected to operate.

## ORDER

The CMA makes this Order, in exercise of its powers under section 161(1), (3) and (4), sections 86 and 87 (as applied by section 164(2)) of, and Schedule 8 to, the Act, pursuant to the decision in the Report that there is an AEC in the relevant market and in performance of its duty under section 138(2) of the Act, within the period permitted by section 138A(1), to take action under section 161 of the Act to remedy, mitigate or prevent the AEC concerned; and to remedy, mitigate or prevent any detrimental effects on customers so far as they have resulted from, or may be expected to result from, the AEC.

## PART 1

### General and Interpretation

1. **Title, commencement and application**
  - 1.1. This Order may be cited as 'The Mobile Radio Network Services Market Investigation Order 2023'.

- 1.2. The purpose of this Order is to give effect to the Report and this Order shall be construed accordingly.
- 1.3. The Order shall come into force on the Commencement Date.
- 1.4. The Order applies to Airwave Solutions and Motorola Solutions.
- 1.5. The Order may be varied or revoked by another order in accordance with section 161(4)(b) of the Act.
- 1.6. The Schedules form part of this Order.

## 2. Interpretation

- 2.1. In this Order:

**Act** means the Enterprise Act 2002.

**AEC** means adverse effect on competition for the purposes of section 134(2) of the Act.

**Airwave Solutions** means Airwave Solutions Limited (a private company limited by shares incorporated, domiciled and registered in England and Wales under the number 03985643).

**Capital Expenditure** (or **capex**) on external (ie non-Motorola Solutions supplied) equipment means all investments in fixed assets acquired for the Airwave Network that are purchased from a person other than Motorola Solutions or a subsidiary of Motorola Solutions (within the meaning of section 1159 of the Companies Act 2006).

**CMA** means the Competition and Markets Authority.

**Commencement Date** means the day following the date on which the Order is made.

**Core Services** means Specified Goods and Services that are not Police Menu Services or Other Menu Services.

**Motorola Solutions** means Motorola Solutions, Inc. (a company headquartered in Chicago, Illinois, USA incorporated under the laws of the

State of Delaware, USA as the successor to an Illinois corporation, Motorola, Inc. and registered on the New York Stock Exchange).

**Order** means this Mobile Radio Network Services Market Investigation Order 2023.

**Other Menu Services** means Specified Goods and Services that are the Menu services provided by Airwave Solutions which are described in paragraphs 65 – 67 of Appendix K to the Report as those relating to the Police Traffic Unit, the Amber Lights Contracts and Catalogue/Growth sales and the revenues for which, in response to an information notice dated 26 May 2022, Airwave Solutions and Motorola Solutions identified as being affected by the volumes of services provided.

**Police Menu Services** means Specified Goods and Services that are Menu services described in Schedule 4 to the PFI Agreement (as amended) and that are not Other Menu Services.

**Report** means the report titled *Mobile Radio Network Services Final Report* dated 5 April 2023, which has been published on the CMA's website.

**Service Credits** means service credits or reductions in charge levels for Core Services and/or Police Menu Services resulting from Airwave Solutions' performance falling below defined service standard levels as more particularly defined in each of the PFI Agreement, the Police Service Contracts, the Ambulance and Scottish Ambulance Contracts and the Firelink Project Agreement (each as amended).

**Specified Goods and Services** means the goods and services provided to customers of Airwave Solutions by all the business lines of Airwave Solutions ~~to the police, fire and rescue, and ambulance services (or any of them) pursuant to all or any of the PFI Agreement, the Police Service Contracts, the Ambulance and Scottish Ambulance Contracts and the Firelink Project Agreement (in each case as amended)~~, with the exception of:

- (a) Ambulance Bundle 2
- (b) Pronto
- (c) the Command Central Control Room Solution (CCCRS)
- (d) radio terminals (except where part of a managed service); and

(e) services that are associated with the development and provision of any interface solution required for interworking and provided under the Interface Agreement.

2.2. In this Order:

- (a) Headings are for convenience and have no legal effect.
- (b) Reference to a government department or non-departmental public body or organisation or person or place or thing includes a reference to its successor in title.
- (c) References to persons includes bodies of persons whether corporate or incorporate and any reference to a person or position includes their or its successor in title.
- (d) References to Articles are references to the Articles of the Order unless otherwise stated.
- (e) Any words or expressions used shall, unless otherwise defined herein and/or the context otherwise requires, have the same meaning as in the Report.
- (f) Unless the context requires otherwise, words in the singular include the plural and words in the plural include the singular.
- (g) References to any statute or statutory provision shall be construed as references to that statute or statutory provision as amended, re-enacted or modified, whether by statute or otherwise.

2.3. The Interpretation Act 1978 applies to the Order as it does to Acts of Parliament except where words and expressions are expressly defined.

### **3. Review and termination**

3.1. Subject to Article 3.3, and without prejudice to its duties under section 162 of the Act, the CMA must in the year ending 31 December 2026 carry out a review of the ongoing effectiveness and appropriateness of the Order.

3.2. Subject to the review referred to in Article 3.1 and to Article 3.3, as well as the CMA's duties under section 162 of the Act:

- (a) save as provided for in paragraph 12 of Schedule 1, the limits on revenue and charges provided for by this Order will apply to the revenue and charges for the provision of Specified Goods and Services until 31 December 2029; and

- (b) the Order will cease to have effect once the final set of charges has been calculated and paid in accordance with paragraph 12 of Schedule 1 and Airwave Solutions and Motorola Solutions have complied with their obligations under Articles 6 – 9 below in respect of the year ending on 31 December 2029.
- 3.3. Articles 3.1 and 3.2 do not apply if the CMA is satisfied that the whole Airwave Network has been permanently shut down and the contractual obligations between Airwave Solutions and the Home Office have come to an end and that Airwave Solutions and Motorola Solutions have complied with all their obligations under the Order. Where that is the case, the Order will cease to have effect once the final set of charges has been calculated and paid in accordance with Schedule 1 and Airwave Solutions and Motorola Solutions have complied with their obligations under Articles 6 – 9 below in respect of the final year (or part year) of the carrying out of the Order.

## **PART 2**

### **Charge Control**

#### **4. Obligation to comply**

- 4.1. The existing contractual pricing arrangements under the PFI Agreement, the Police Service Contracts, the Ambulance and Scottish Ambulance Contracts and the Firelink Project Agreement are amended and supplemented by the charge control imposed by this Order. Each of Airwave Solutions and Motorola Solutions must comply with the charge control set in accordance with the methodology in Schedule 1. They must ensure that, irrespective of any existing contract price agreed with Home Office, the charges for Core Services and Police Menu Services are set in accordance with that methodology.
- 4.2. The CMA will assess compliance by Airwave Solutions and Motorola Solutions with Article 4.1 for the purposes of Schedule 2 by reference to the charge control methodology set out in Schedule 1.

## 5. Charge control methodology

5.1. The charge control methodology set out in Schedule 1 specifies the method of calculating an overall revenue for each year (or part thereof) that this Order is in force limiting the level at which Airwave Solutions and Motorola Solutions charge for Core Services and Police Menu Services, subject to:

- (a) defined indexation arrangements set out in paragraphs 1, 5 and 7 of that Schedule;
- (b) adjustments as a result of the cost sharing mechanism set out in paragraph 10 of that Schedule applying to Capital Expenditure (**capex**) on external (ie non-Motorola Solutions supplied) equipment;
- (c) adjustments relating to other permitted costs (**OPC<sub>t</sub>**) as defined in paragraph 11 of that Schedule; and
- (d) the pro-rating of the charges for any part of a year where the Order is in force, as set out in paragraphs 2 and 3 (as applicable) of that Schedule.

## PART 3

### Compliance and Information

#### 6. Compliance

6.1. As further described in Articles 6.2 – 6.6 below, during the period starting with the Commencement Date and ending on the date this Order ceases to have effect in accordance with Article 3 Airwave Solutions and Motorola Solutions must provide compliance information to the Home Office (on its own behalf and on behalf of Airwave Network users) and to the CMA. Such information must include information on capex, charge control inputs and calculations as is necessary to demonstrate, to the CMA's satisfaction, compliance with the charge control in accordance with the methodology in Schedule 1. They must provide the information:

- (a) for the period beginning on the Commencement Date and ending 31 December 2023;



- (b) for each 12 month period (or part thereof where this Order ceases to have effect under Article 3 before the end of any year) falling within the time period beginning 1 January 2024 and ending 31 December 2029; and
- (c) in respect of the calculation of the final set of charges in accordance with paragraph 12 of Schedule 1.

Such information must be accompanied by a declaration in the form and meeting the requirements of this Article 6 and Schedule 2.

6.2. Airwave Solutions and Motorola Solutions must provide clear, accurate and complete information to the Home Office and the CMA explaining any:

- (a) Material changes to Airwave Solutions' capex plans: they should explain why those changes have been considered appropriate and should set out their assessment of what effects those changes may have on future services provision risks and cost requirements.
- (b) Material deviations between actual capex levels and: (i) those that were included in their capex plans; and specifically, the forecasts referred to in the Report as the 'May 2021 forecast' and the 'April 2022 forecast' (which were presented in the Report in Appendix G, Figure G-1); and (ii) those that have been allowed for within the methodology set out in Schedule 1- (which were set out in Table K-7, in Appendix K of the Report). This should include deviations between actual and forecast levels of capex that is Motorola Solutions-supplied, and that on external (ie non-Motorola Solutions supplied) equipment. They should explain the factors that have given rise to these deviations and should set out their assessment of the implications the deviations may have on future service provision risks and cost requirements.

6.3. Airwave Solutions and Motorola Solutions must provide to the Home Office and the CMA clear, accurate and complete compliance information necessary to demonstrate:

- (a) how the level of allowed revenue under the charge control has been calculated for the relevant year or, as the case may be, in respect of the calculation of the final set of charges in accordance with paragraph 12 of Schedule 1, including, as required, how the level of allowed revenue has been adjusted to reflect:
- i. the application of the specified Consumer Prices Index (CPI) and Retail Prices Index (RPI) indexation arrangements as specified in paragraphs 1 and 7 of Schedule 1;
  - ii. the calculation of the indexation factor  $(IF(MO))_t$  to be applied when calculating estimated revenue from Other Menu Services, specified in paragraph 5 of Schedule 1;
  - iii. the application of the cost sharing mechanism specified in paragraph 10 of Schedule 1 in relation to external equipment capex;
  - iv. the calculation of other permitted costs (**OPC**<sub>t</sub>) as defined in paragraph 11 of Schedule 1;
  - v. the pro-rating of the charges for any part of a year where the Order is in force, as set out in paragraphs 2 and 3 of Schedule 1; and
  - vi. compliance with the requirements relating to the calculation of the final settlement allowance in accordance with paragraph 12 of Schedule 1;
- (b) how the actual revenues received by Airwave Solutions and Motorola Solutions for the provision of services covered by the charge control compare to the level of allowed revenue identified under (a) for the relevant year (or part thereof); and

- (c) how any differences between actual revenues received by Airwave Solutions and Motorola Solutions for the provision of services covered by the charge control and allowed revenues identified under (a) for the relevant year (or part thereof) have been reflected in changes Airwave Solutions and Motorola Solutions have made to charge levels.
- 6.4. Airwave Solutions and Motorola Solutions must provide to the Home Office and the CMA:
- (a) the ~~Statutory Accounts~~statutory accounts of Airwave Solutions for each relevant year, ~~including~~and a detailed breakdown of the levels of opex and capex shown in those accounts; and
  - (b) a reconciliation between the information provided: (i) under Article 6(3)(a)(iii) (on external (i.e. non Motorola supplied) equipment capex) and Article 6(3)(b) (on actual revenue levels); and (ii) that included in the ~~Statutory Accounts~~statutory accounts of Airwave Solutions (as provided under Article 6(4)(a)).
- 6.5. Airwave Solutions and Motorola Solutions must provide independent assurance to the Home Office and the CMA in order to verify that their financial submissions in relation to charge control compliance under Articles 6.3 and 6.4 are consistent with the information included in Airwave Solutions' ~~Statutory Accounts~~statutory accounts. The form such independent assurance shall take and the party giving such independent assurance is in each case subject to the CMA's approval, such approval not to be unreasonably withheld.
- 6.6. Airwave Solutions and Motorola Solutions must provide the information specified in Articles 6.2, 6.3, 6.4 and 6.5 to the Home Office and the CMA by not later than 31 October in the year following the calendar year to which the information relates.

## 7. Compliance information

- 7.1. Airwave Solutions and Motorola Solutions must respond clearly, accurately and in full, and within 10 working days of the date thereof, to reasonable queries and requests from the Home Office or the CMA for further clarification and substantiation of the compliance information provided under Article 6. The CMA may, in exceptional circumstances, allow a longer deadline for responses to such requests.

## 8. Supply of information to the CMA

- 8.1. Any person to whom this Order applies must within any reasonable time period specified by the CMA provide such information and documents as may be required by the CMA for the purposes of enabling the CMA to monitor the carrying out of this Order or any provision of this Order and/or to review the effectiveness of the operation of this Order, or any provision of this Order.
- 8.2. The CMA may require any person to whom this Order applies to produce records relating to the operation of any provision of this Order.
- 8.3. Any person to whom this Order applies and whom the CMA believes to have information which may be relevant to the monitoring or the review of the operation of any provision of this Order may be required by the CMA to attend and provide such information in person.
- 8.4. The CMA may require, for the purposes of supporting its 2026 review of the Order, such independent expert advice and/or reports on the activities of Airwave Solutions as the CMA reasonably considers are necessary. Where such advice or reports are required, ~~the CMA will specify their scope, approve~~ the independent expert selected by Airwave Solutions or Motorola Solutions to provide the advice/report is subject to the CMA's approval (which shall not be unreasonably withheld), and the CMA will specify their scope, and will agree a reasonable time period for their provision. Airwave Solutions and Motorola Solutions must cooperate fully with any such requests for information and/or explanations as required by the CMA and/or its appointed advisors. The costs of any such advice must be funded by Airwave Solutions and may be included in other permitted costs (**OPC<sub>t</sub>**), as set out in Schedule 1 below.
- 8.5. Subject to Part 9 of the Act, the CMA may publish any information or documents that it has received in connection with the monitoring or the review

of this Order or any provisions of this Order for the purpose of assisting the CMA in the discharge of its functions under or in connection with this Order.

## **9. Directions**

- 9.1. The CMA may give directions falling within Article 9.2 to:
- (a) a person specified in the directions; or
  - (b) a holder for the time being of an office specified in any such direction in any body of persons whether incorporated or unincorporated.
- 9.2. Directions fall within this Article if they are directions:
- (a) To take such actions as may be specified or described for the purpose of carrying out, or ensuring compliance with, this Order; or
  - (b) to do, or refrain from doing, anything so specified or described which the person might be required by this Order to do or refrain from doing.
- 9.3. In Article 9.2 above, 'actions' includes steps to introduce and maintain arrangements to ensure that any director, employee or agent of Airwave Solutions or Motorola Solutions carries out, or secures compliance with, this Order.
- 9.4. The CMA may vary or revoke any directions so given.

## **10. Variation**

- 10.1. Without prejudice to any provision of the Act providing for the review, variation or revocation of the Order, where Airwave Solutions, Motorola Solutions and the Home Office agree arrangements for the setting of charges for Specified Goods and Services that differ from the charge control methodology set out in Schedule 1 but do not result in a material weakening of the constraints that the application of Schedule 1 would otherwise put on the level of revenue Airwave Solutions and Motorola Solutions receive for Specified Goods and Services, Airwave Solutions and Motorola Solutions may apply to the CMA for the variation of the Order. The provisions of the Order shall nonetheless continue to apply unless and until the CMA varies the Order by the making of a further order in accordance with section 161(4) of the Act.

**SCHEDULE 1****Charge Control Methodology**

- 1 For each year from 2024 through to and including 2029, other than where the Specified Goods and Services cease to be provided as a result of the permanent shutdown of the whole Airwave Network part way through any such year, the maximum amount of revenues that Airwave Solutions and Motorola Solutions can receive in relation to each relevant year from charges for Core Services and Police Menu Services will be determined by the following formula:

$$\text{RevMax(CPM)}_t = \text{AR(CPM)}_t - \text{SC(CPM)}_t + \text{Recon(CPM)}_{t-1}$$

Where:

$t$  means the relevant year, in each case running from 1 January through to 31 December.

$\text{RevMax(CPM)}_t$  means the maximum revenue that Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to year  $t$ .

$\text{AR(CPM)}_t$  means the Allowed Revenue that Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to year  $t$ , as determined by the formula in paragraph 5 of this Schedule.

$\text{SC(CPM)}_t$  means the total value of Service Credits provided for Core Services and Police Menu Services in relation to year  $t$ .

$\text{Recon(CPM)}_{t-1}$  means the reconciliation adjustment in relation to Core Services and Police Menu Services in year  $t-1$  as determined by the following formulae (and which may be positive or negative).

For the years  $t = 2025$  to  $2029$ :

$$\text{Recon(CPM)}_{t-1} = (1 + \text{AR}t) * [\text{RevMax(CPM)}_{t-1} - \text{Rev(CPM)}_{t-1}]$$

Where:

ARet<sub>t</sub> means the allowed percentage return on capital in relation to year t and will be determined by the following formula:

$$ARet_t = [(1 + [0.0640634^1]) \times (CPI_t/CPI_{t-1})] - 1$$

where CPI<sub>t</sub> has the meaning set out in paragraph 7.

Rev(CPM)<sub>t-1</sub> means the actual amount of revenues received by Airwave Solutions and Motorola Solutions from charges for Core Services and Police Menu Services in year t-1 (after the application of Service Credits).

For the year t = 2024:

$$Recon(CPM)_{t-1} = (1 + ARet_t) * [RevMax(CPM)_{2023(rem)} - Rev(CPM)_{2023(rem)}]$$

Where:

RevMax(CPM)<sub>2023(rem)</sub> means the maximum amount of revenues Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to the remaining part of 2023 starting with the Commencement Date, as determined in line with paragraph 2 of this Schedule.

Rev(CPM)<sub>2023(rem)</sub> means the actual amount of revenues received by Airwave Solutions and Motorola Solutions from charges for Core Services and Police Menu Services in the remaining part of 2023 starting with the Commencement Date (after the application of Service Credits).

2 For 2023, the maximum amount of revenues that Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to the remaining part of 2023 starting with the Commencement Date will be determined by the following formula:

$$RevMax(CPM)_{2023(rem)} = [(CCD_{2023} / 365) * AR(CPM)_{2023}] - SC(CPM)_{2023(rem)}$$

<sup>1</sup> Note: This 6.434% real return ~~will be~~ updated ~~prior to~~ following publication of the ~~Final Order Report~~ using ILG yields for the period from 1<sup>st</sup> December 2022 to 31<sup>st</sup> May 2023. ~~All other elements will be as set out in our Final Report.~~

Where:

$CCD_{2023}$  means the number of days the charge control is in force for in 2023 (ie the number of days remaining in 2023 starting with the Commencement Date).

$AR(CPM)_{2023}$  has the meaning set out in paragraph 5 of this Schedule (where  $t=2023$ ).

$SC(CPM)_{2023(rem)}$  means the total value of Service Credits provided for Core Services and Police Menu Services in relation to the period starting with the Commencement Date to the end of 2023.

- 3 If the Specified Goods and Services cease to be provided as a result of the permanent shutdown of the whole Airwave Network part way through a calendar year between the start of 2024 and the end of 2029, the maximum amount of revenues that Airwave Solutions and Motorola Solutions can receive in relation to that year from charges for Core Services and Police Menu Services will be determined by the following formula:

$$RevMax(CPM)_{FINAL} = [(CCD_{FINAL} / 365) * AR(CPM)_{FINAL}] - SC(CPM)_{FINAL} + Recon(CPM)_{t-1}$$

Where:

$RevMax(CPM)_{FINAL}$  = the maximum amount of revenues that Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to that part of the year in which Specified Goods and Services are provided prior to the permanent shutdown of the whole Airwave Network.

$CCD_{FINAL}$  means the number of days in the relevant year in which the Specified Goods and Services are provided prior to the permanent shutdown of the whole Airwave Network.

$SC(CPM)_{FINAL}$  means the total value of Service Credits provided for Core Services and Police Menu Services in relation to the relevant year.

$Recon(CPM)_{t-1}$  has the meaning set out in paragraph 1.

- 4 Airwave Solutions and Motorola Solutions must, ~~based on their best estimate of relevant input values,~~ set charges for Core Services and Police Menu Services such that they would expect to receive revenues from the



provision of those services equal to the maximum level of revenues that Airwave Solutions and Motorola Solutions are allowed to receive in that year,  $RevMax(CPM)_t$ , as determined (as relevant) by paragraphs 1, 2 and 3 of this Schedule 1. This Forecasts of inflation used when meeting this requirement should be based on inflation forecasts from a UK public authority which publishes regular inflation forecasts, such as the Office of Budget Responsibility or the Bank of England. Other assumptions used in meeting this requirement should be based on Airwave Solutions' and Motorola Solutions' best estimate of relevant input values. Charges set when meeting this requirement must take account of any positive or negative amounts arising under  $Recon(CPM)_{t-1}$  (as defined in paragraph 1), and Airwave Solutions and Motorola Solutions must ensure that the finalised amount of  $Recon(CPM)_{t-1}$  has been returned to, or requested from, users by the end of year t.

- 5 The Allowed Revenue that Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to year t will be determined by the following formula:

$$AR(CPM)_t = AR(ALL)_t - ER(MO)_t$$

Where:

$AR(CPM)_t$  means the Allowed Revenue that Airwave Solutions and Motorola Solutions can receive from charges for Core Services and Police Menu Services in relation to year t.

$AR(ALL)_t$  means the Allowed Revenue that Airwave Solutions and Motorola Solutions can receive from charges for all Specified Goods and Services in relation to year t, as determined by the formula in paragraph 6 of this Schedule.

$ER(MO)_t$  means the estimated revenue from Other Menu Services in year t, and will be determined by the following formula:

$$ER(MO)_t = \text{£}[8] \text{ million} * (1 + IF(MO)_t)$$

Where  $IF(MO)_t$  means the indexation factor to be applied when estimating revenue from Other Menu Services and will be equal to a reasonable estimate of the weighted average of the percentage increases that Airwave Solutions has applied to the level of charges for Other Menu Services between 2022 and year t, where the weightings to be used when calculating this weighted average are the value of sales at 2022 prices from the

charges to which each different percentage increase in the level of charges has been applied.

- 6 The Allowed Revenue that Airwave Solutions and Motorola Solutions can receive from charges for all Specified Goods and Services in relation to year t will be determined by the following formula:

$$AR(ALL)_t = OPEX_t + \text{DEPDEP}_t + RET_t + CSA_t + OPC_t$$

Where:

OPEX<sub>t</sub> means the allowance for opex in relation to the provision of all Specified Goods and Services in relation to year t as determined by paragraph 7 of this Schedule.

DEP<sub>t</sub> means the allowance for depreciation in relation to the provision of all Specified Goods and Services in relation to year t and will be £[§<] million.

RET<sub>t</sub> means the allowance for a return on capital in relation to the provision of all Specified Goods and Services in relation to year t as determined by paragraph 8 of this Schedule.

CSA<sub>t</sub> means the cost sharing adjustment associated with Airwave Solutions' capex on external (ie non-Motorola Solutions-supplied) equipment as determined by paragraph 10 of this Schedule.

OPC<sub>t</sub> means other costs that Airwave Solutions and Motorola Solutions are permitted to recover through charges as determined by paragraph 11 of this Schedule.

- 7 The allowance for opex in relation to the provision of all Specified Goods and Services in relation to year t will be determined by the following formula:

$$OPEX_t = BOPEX_t * [(RPI_t/RPI_{2021} + CPI_t/CPI_{2021}) / 2]$$

Where:

BOPEX<sub>t</sub> means the Base Opex allowance for the relevant year t shown in the table below (in £ millions).

t =	2023	2024	2025	2026	2027	2028	2029
BOPEX <sub>t</sub>	143	146	145	143	142	140	139

RPI<sub>t</sub> means the annual value for the relevant calendar year t of the Retail Price Index, series ID: CHAW, published by the Office for National Statistics (or any successor series as produced by the Office for National Statistics), expressed on the basis that January 1987=100.

CPI<sub>t</sub> means the annual value for the relevant calendar year t of the Consumer Price Index, series ID: D7BT, published by the Office for National Statistics (or any successor series as produced by the Office for National Statistics), expressed on the basis that 2015=100.

- 8 The allowance for a return on capital in relation to the provision of all Specified Goods and Services in year t will be determined by the following formula:

$$RET_t = AvRAB_t * ARet_t$$

Where:

AvRAB<sub>t</sub> means the average value of the Regulatory Asset Base in year t as determined by the approach set out in paragraph 9 of this Schedule.

ARet<sub>t</sub> has the meaning set out in paragraph 1 of this Schedule.

- 9 The average value of the Regulatory Asset Base in year t, in £ million, will be determined by the following formula:

$$AvRAB_t = [(OpRAB_t + CIRAB_t) / 2] + £[8<] \text{ million.}$$

Where:

OpRAB<sub>t</sub> means the opening value of the Regulatory Asset Base in year t, and will be determined in the following way:

$$\text{For } t = 2023: OpRAB_t = £[8<] \text{ million}$$

$$\text{For } t = 2024, 2025, \dots, 2029:$$

$$OpRAB_t = CIRAB_{t-1}$$

CIRAB<sub>t</sub> means the closing value of the Regulatory Asset Base in year t, and will be determined by the following formula:

$$\text{CIRAB}_t = \text{OpRAB}_t + \text{CA}_t - \text{DEP}_t$$

Where:

$\text{CA}_t$  means the allowance for total capex for the relevant year shown in the table below (in £ millions).

t =	2023	2024	2025	2026	2027	2028	2029
$\text{CA}_t$	[&lt;]	[&lt;]	[&lt;]	[&lt;]	[&lt;]	[&lt;]	[&lt;]

- 10 The cost sharing adjustment associated with Airwave Solutions' capex on external (ie non-Motorola Solutions-supplied) equipment will be determined by the following formula (the output of which may be positive or negative):

$$\text{CSA}_t = 0.25 * (\text{EEC}_t - \text{EECA}_t)$$

Where:

$\text{EEC}_t$  means Airwave Solutions' capex on external (ie non-Motorola Solutions-supplied) equipment in relation to the Specified Goods and Services in year t.

$\text{EECA}_t$  means the allowance for capex on external (ie non-Motorola Solutions-supplied) equipment in relation to the Specified Goods and Services in year t, and shall have the value for the relevant year shown in the table below (in £ millions).

t =	2023	2024	2025	2026	2027	2028	2029
$\text{EECA}_t$	[&lt;]	[&lt;]	[&lt;]	[&lt;]	[&lt;]	[&lt;]	[&lt;]

- 11 The allowance for other costs that Airwave Solutions and Motorola Solutions are permitted to recover through charges will be determined by the following formula:

$$\text{OPC}_t = \text{IA}_t + \text{IEA}_t$$

Where:

$\text{IA}_t$  means the reasonable costs of independent assurance required for compliance with Article 6(5) of this Order.

$\text{IEA}_t$  means the reasonable costs of an independent engineering assessment or other independent expert advice or reports where required by the CMA under Article 8 of this Order.

- 12 Airwave Solutions and Motorola Solutions will apply a set of final charges for Core Services and Police Menu Services in relation to the termination of the Order under Article 3 in order to recover or – where relevant – refund an amount equal to the FSA calculated in accordance with the following formula:

$$\text{FSA} = \text{CIRAB}_{\text{Final}} - \text{NRV}_{\text{Final}} + \text{DC} + \text{IEA}_{\text{Final}} + \text{Recon}(\text{CPM})_{\text{FINAL}}$$

Where:

FSA means the Final Settlement Amount to be recovered from or refunded to customers of Core Services and Police Menu Services in relation to the termination of the Order.

CIRAB<sub>Final</sub> means the closing value of the Regulatory Asset Base on the termination of the Order and will be determined in line with paragraph 9 of this Schedule.

NRV<sub>Final</sub> means the Net Realisable Value of Airwave Network assets on the termination of the Order as determined by an independent engineering assessment or an arms-length market transaction.

DC means an estimate of an efficient level of required decommissioning (and associated redundancy) costs in relation to the termination of the Order as determined by an independent engineering assessment.

IEA<sub>Final</sub> means the reasonable costs of the independent engineering assessments required to determine NRV<sub>Final</sub> and DC.

Recon(CPM)<sub>FINAL</sub> means the final reconciliation adjustment in relation to Core Services and Police Menu Services (which may be positive or negative) and will be determined as follows:

If the Specified Goods and Services cease to be provided as a result of the permanent shutdown of the whole Airwave Network part way through a calendar year between the start of 2024 and the end of 2029, Recon(CPM)<sub>FINAL</sub> will be determined by the following formula:

$$\text{Recon}(\text{CPM})_{\text{FINAL}} = \frac{(1 + \text{ARet}_{(\text{FINAL}+1)}) * [\text{RevMax}(\text{CPM})_{\text{FINAL}} - \text{Rev}(\text{CPM})_{\text{FINAL}}]}{1}$$

Where:

ARet<sub>(FINAL+1)</sub> will be equal to ARet<sub>t</sub> as defined in paragraph 1 where t = the year after the calendar year in which Specified Goods and Services cease to be provided as a result of the permanent shutdown of the whole Airwave Network.

RevMax(CPM)<sub>FINAL</sub> has the meaning set out in paragraph 3.

Rev(CPM)<sub>FINAL</sub> means the actual amount of revenues received by Airwave Solutions and Motorola Solutions from charges for Core Services and Police Menu Services in the calendar year in which Specified Goods and Services cease to be provided as a result of the permanent shutdown of the whole Airwave Network (other than revenues resulting from the Final Settlement Amount).

Otherwise, Recon(CPM)<sub>FINAL</sub> will be equal to Recon(CPM)<sub>t-1</sub> as defined in paragraph 1, where t-1 = 2029, or if earlier, the calendar year in which the Specified Goods and Services cease to be provided as a result of the permanent shutdown of the whole of the Airwave Network.

- 13 Airwave Solutions and Motorola Solutions will apply Service Credits at a financial value equal to that which would apply under the existing contractual arrangements for the provision of Specified Goods and Services (given prevailing charge levels) multiplied by a Service Credit Uplift Factor. The Service Credit Uplift Factor will be set equal to 1.6.

**SCHEDULE 2****Charge Control Compliance Statement for [Airwave Solutions Limited /  
Motorola Solutions, Inc.]**

[I/We], [insert name(s)], hereby on behalf of [Airwave Solutions Limited / Motorola Solutions, Inc.]

(A) Provide the information required by Article 6 of The Mobile Radio Network Services Market Investigation Order 2023 (the Order) showing:

- (a) how the level of allowed revenue under the charge control has been calculated for the relevant year and, where applicable, in respect of the final set of charges calculated in accordance with paragraph 12 of Schedule 1 to the Order. The information includes how the levels of allowed revenue have been adjusted to reflect (as required):
- i. the application of the specified Consumer Prices Index (CPI) and Retail Prices Index (RPI) indexation arrangements as specified in paragraphs 1 and 7 of Schedule 1;
  - ii. the calculation of the indexation factor  $(IF(MO)_t)$  to be applied when calculating estimated revenue from Other Menu Services, specified in paragraph 5 of Schedule 1;
  - iii. the application of the cost sharing mechanism specified in paragraph 10 of Schedule 1 in relation to external equipment capex;
  - iv. the calculation of other permitted costs (**OPC<sub>t</sub>**) as defined in paragraph 11 of Schedule 1;
  - v. the pro-rating of the charges for any part of a year where the Order is in force, as set out in paragraphs 2 and 3 of Schedule 1; and
  - vi. compliance with the requirements relating to the calculation of the final settlement allowance in accordance with paragraph 12 of Schedule 1;

- (b) how the actual revenues received by Airwave Solutions and Motorola Solutions for the provision of services covered by the charge control compare to the level of allowed revenue identified under (a) for the relevant year (or part thereof);
- (c) how any differences between actual revenues received by Airwave Solutions and Motorola Solutions for the provision of services covered by the charge control and allowed revenues identified under (a) for the relevant year (or part thereof) have been reflected in changes Airwave Solutions and Motorola Solutions have made to charge levels;
- (d) the statutory accounts of Airwave Solutions for the relevant year, including a detailed breakdown of the levels of opex and capex shown in those accounts; and
- (e) a reconciliation between the information provided: (1) under (a)(iii) above (on external (i.e. non-Motorola supplied) equipment capex) and (b) above (on actual revenue levels); and (2) in the statutory accounts of Airwave Solutions (as provided under (d) above).

(B) Confirm that during the period commencing on [insert date] and ending on [insert date], [Airwave Solutions Limited / Motorola Solutions, Inc.] has complied with the Order [with the following exceptions:]

*[description of any non-compliance].*

*[where appropriate]*

The following steps have been taken to remedy such non-compliance:

*[description of steps taken to remedy non-compliance].*

*[where appropriate]*

(C) Provide the independent assurance required by Article 6(5) of the Order to verify that Airwave Solutions' and Motorola Solutions' financial submissions in relation to charge control compliance under Articles 6(3) and 6(4) of the Order are consistent with the information included in Airwave Solutions' ~~Statutory Accounts~~ statutory accounts.

I/ we understand that:

it is a criminal offence under section 117 of the Enterprise Act 2002:



(a) for a person recklessly or knowingly to supply to the CMA information which is false or misleading in a material respect; or

(b) for a person recklessly or knowingly to supply to another person information which is false or misleading in a material respect, knowing that the information is to be used for the purpose of supplying information to the CMA for the purposes of this Order.

Breach of this provision can result in a fine, imprisonment for a term not exceeding two years, or both.

**FOR AND ON BEHALF OF [AIRWAVE SOLUTIONS LIMITED / MOTOROLA SOLUTIONS, INC.]**

Signature: .....

Name: .....

Title: .....