

**TELEFONICA comments to BEREC and RSPG BoR (17) 185**

**BEREC and RSPG joint report on**

**Facilitating mobile connectivity in “challenge areas”**

**28 November 2017**

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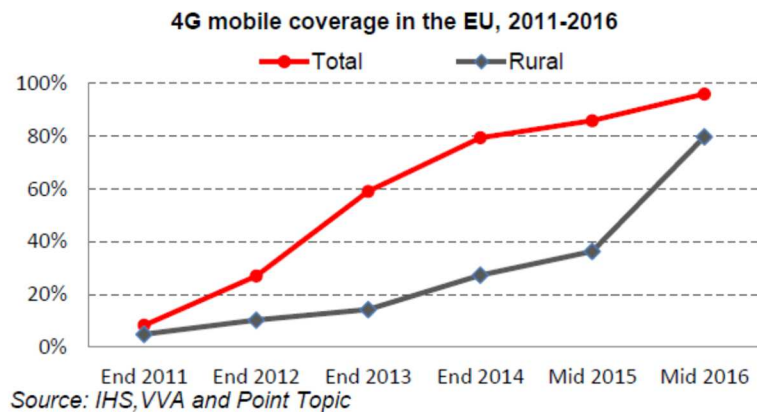
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## 1. Introduction

Telefónica S.A. (hereinafter Telefónica) welcomes the opportunity to provide inputs to BEREC's consultation on facilitating mobile connectivity in "challenge areas". We especially appreciate the acknowledgment by BEREC and RSPG of the high costs and operational challenges involved in the deployment of mobile networks, and consider the report is a valuable guide for Member States when trying to reduce barriers to deployment or provide public support in the most efficient way.

The mobile market is a competitive one in which operators have incentives to make their service available to as many people as possible in the EU and offer to their customers the best quality of service. In general, despite the challenges highlighted in the report, Europe has a good and extensive mobile network that provides quality mobile services. In 2016, 96% of homes<sup>1</sup> are covered by at least one operator in Europe with 4G mobile coverage, up from 86% a year ago. In recent years, deployment of LTE has been focused mainly on rural areas, where coverage went up from 36% in 2015 to 80% in 2016.



## 2. General Comments

Telefonica wants to highlight that mobile coverage is primarily a factor of competition among mobile operators. In a competitive market, such as mobile services, it is the operators themselves who are most interested in solving the problems of lack of coverage. However, in order to make the investments that guarantee the greatest coverage, the operators responsible for the deployment of networks need time and longer duration of the licenses, low regulatory barriers to deployment and a reasonable expectation of positive return on the investments. In this sense, NRAs should avoid any measure that could damage or discourage competition.

The report describes the difficulties encountered in the identified challenge areas, provides an assessment of different solutions and practices that have already been implemented by some of European Union members States and recognizes the economic and technical challenges involved in the deployment of mobile networks and the provision of quality mobile access services. This is in itself a valuable exercise, and reducing barriers to deployment should be the primary focus of Public intervention. We would encourage BEREC and RSPG to engage with all involved parties in order to ensure that competition among operators leads to the highest possible level of coverage. However, there is a clear need to leave an adequate capacity for decision and interpretation to the local NRAs considering the different coverage situation amongst the different countries in Europe.

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<sup>1</sup> Europe's Digital Progress Report 2017 – Connectivity. European Commission

There will always be challenging areas that will not be covered without public support, even when the barriers to deployment are low. In these cases, the intervention should be done through processes that promote efficient use of resources. The increased coverage should be provided at the lowest possible cost, and the areas covered should be those where the benefit to society is higher, both in terms of availability and quality. The attachment to licences of coverage obligations in places or areas that require large investments and that are non-profitable, implies a high economic risk for the operators and detracts resources that could be put to more valuable uses. Regulators should be cautious in this respect and for example refrain from imposing indoor coverage obligations where there are commitments to deploy fibre, especially where there is already a public subsidy for the deployment of the fixed infrastructure.

### 3. Extending coverage within non-profitable areas

Non-profitable areas, by definition, require a public subsidy. This subsidy should preferably be granted by directly funding the investment on those areas, as well as the demand of services. As a second best alternative, the subsidy can consist of auction revenues foregone when encumbering a spectrum licence with a coverage obligation. Either approach carries social costs, in the form of resources that are not employed in other public services. It is therefore important that a rigorous cost benefit analysis is done prior to any decision in that respect, and that measures are taken to minimize the cost of provision and ensure that the intervention is focused to areas where externalities are highest and demonstrable.

It is worth mentioning the case of Spain, where the Administration is funding NGAs deployments in white areas in order to provide connections over 30 Mbps or 100 Mbps, depending on the region. In addition, there are funds to foster demand by subsidizing connection costs when the applicant fulfills the criteria specified.

In case coverage obligations are attached to a license and dully justified as the best alternative, the Regulator must take into account that the rights are of lower value, and reflect it through a clear reduction on the auction reserve prices, lower yearly fees, and an extended period of the license duration.

Facilitating all forms of voluntary network sharing, including infrastructures beyond telecom, is the most effective tool to reduce the cost of coverage in remote areas, and would have a very positive impact on the deployment and coverage of the mobile networks. We fully endorse the emphasis placed by the report in encouraging voluntary sharing as a solution, as it has been demonstrated (e.g. Spain) that commercial agreements between operators increase the total coverage of the network.

In addition, regional and local administrations should facilitate deployment. In this regard, some incentives could be given to ease their collaboration. In our experience, when those incentives exist public interventions are generally more efficient. As an example, there could be facilitating steps that should be taken by a municipality in order to be eligible for public aid or for that area to be included in a spectrum licence obligation. This is part of a wider issue, which is giving licensees the tools to deliver the coverage obligations that are contained within licences. There is little value to society in placing an obligation in a licence if local planning or other restrictions preclude the execution of that obligation – creating a *force majeure* situation.

Finally, in our view the report does not pay sufficient attention to the alternative of public tenders for subsidies. We encourage BEREC and RSPG to include in the final report best practices in this field.

### 4. Ensuring mobile connectivity in road and rail transport

The report notes that users have difficulties in connecting to telecommunications networks while travelling through infrastructures like roads, railways, tunnels or subways. The responsibility for the lack of coverage in these environments is clearly not unique to the mobile infrastructure operator. Telefonica welcomes the emphasis placed in the report on coordination between MNOs and the owners and managers of rails and roads. It is not unusual for the latter to require MNOs to reduce or even eliminate the emissions on those

areas, to prevent a risk of interference with their telecom equipment, but in general we do not see a sufficiently high effort on their side to minimize that risk. We consider that it has to be necessary for these other interested parties to become responsible for addressing the problem and ease the deployment of the mobile infrastructure in order to increase coverage. They have to compete in quality and service with other transport means, and have an interest in increasing the value of their assets yet often we find them resistant to providing access to land and assets that would allow mobile coverage to be delivered. Again, before placing spectrum licence obligations on rail and road network coverage, policymakers should ensure that utility access to roadside or line side assets is also secured.

Telefónica believes that, as a best practice, it is important to highlight the coordination needed between stakeholders to deploy the mobile infrastructures in the referred locations, especially in tunnels.

## 5. Indoor coverage

The operators of mobile services are the first interested in giving good mobile quality access to their users, and we would again like to emphasize that the focus of public intervention should be in reducing barriers to deployment.

There are four specific issues that we would like to highlight with respect to mobile indoor coverage:

- Indoor use of communications services is done primarily through fixed networks (up to 80% of the mobile traffic), usually in combination with dedicated indoor wireless solutions as explained in the report. Where fixed networks already offer a good indoor solution, the incremental value of the cellular connectivity is not as high, and the logic for dedicating public resources or imposing licence obligations is not as clear.
- Adding a correction factor to external coverage in licence obligations, to account for building loss, carries in our view the risk of increasing costs of deployment without a corresponding social benefit. Average correction factors can be misleading as there are very different types of buildings, even within the same geographic area. We would encourage, as an alternative, fostering Fixed Wireless Access solutions that have synergies with cellular networks and provide similar benefits to end users.
- Difficulties to densify the network with additional sites, or upgrade existing ones, is a major driver of lack of indoor coverage. In this respect, urban restrictions play a large role in hindering indoor coverage. We welcome initiatives that foster alignment between the incentives of local authorities and the incentives of operators, as for example the cooperation between the Spanish Ministry MINETAD and territorial Public administrations.
- In countries where a large part of the population is living in individual dwellings we have seen users install their own equipment to enhance indoor coverage. In the UK in particular OFCOM authorizes the use of repeaters. Our experience is that these repeaters have a negative impact on neighbouring users as they introduce interferences and constrain the network design. End user initiatives are welcome but should always be coordinated with the MNO.