



Telefónica Group response to RSPG consultation on "Draft RSPG Opinion on the Radio Spectrum Policy Programme"

General comments

Telefónica would like to thank the Radio Spectrum Policy Group (RSPG) for giving stakeholders the opportunity to comment on their draft Opinion on the first European Radio Spectrum Policy Programme. In particular we support the RSPG's desire¹ to increase transparency and to allow the participation of all stakeholders during this important process.

Telefónica agrees² that the Radio Spectrum Policy Programme (RSPP) should address all types of radio spectrum usage and should not be restricted just to Electronic Communications Services (ECS, which are covered by the Regulatory Framework). Although the RSPP has been established following the review of the European regulatory framework for Electronic Communications Services³, many elements of the RSPP apply to all radio services. The revised Framework will be implemented in Member States over the next 13 months and should not be reviewed before the first RSPP has been given the time needed for full implementation.

There should be a global, holistic, rational approach to spectrum management; a gradual approach should be adopted to any changes that are made, with no "big-bang" changes since these do not encourage long term investment; and national differences need to be taken into account. We therefore support the RSPG view⁴ that the RSPP must reflect a longer-term and forward looking approach that includes perspectives beyond 2015. Although the first RSPP is envisaged to be targeted at the lifetime of the present institutional term (to 2015) it will need to take into account trends that extend to at least 2020. The trends that Telefónica has seen in recent months with the phenomenal uptake of Mobile BroadBand (MBB) suggest that more spectrum will be required for mobile services, in both high and low frequency bands, as the bandwidth per user increases. A long-term view (10+ years on end user requirements, technologies and markets) should be included in the RSPP and we support the RSPG suggestion⁵ that the RSPP should be continuously monitored, with a specific mid-term review, and that the process continues in a fully transparent manner with public consultations and workshops.

The RSPP will play an important part in the delivery of the Digital Agenda in Europe and on the creation of a competitive, connected and greener European economy, and Telefónica looks forward to continuing to contribute actively to the development and implementation of the first European Radio Spectrum Policy Programme.

¹ RSPG10-323, paragraph 4.

² Ibid, paragraph 21.

³ Ibid, paragraph 2.

⁴ Ibid, paragraph 5.

⁵ Ibid, paragraph 6.

Economic recovery and growth

Telefónica agrees that wireless industries can contribute significantly to the European region's economic recovery and enhance the quality of life of European citizens⁶. It is important to us that Europe remains competitive when compared to other regions of the world. Telefónica plans to invest billions of € over the next few years and developing the right RSPP will encourage us to retain the current high level of investment in Europe.

It should be noted, however, that our income is finite and limited; although we have seen the demand for services rise by a factor of more than 30 times in recent years, our revenues have decreased. This explains the increasing focus on cost, on investment, and on the need for regulatory authorities to avoid taking money away from investment programmes through poorly designed regulations such as spectrum auctions. When assigning spectrum, national authorities should not design auctions to raise large amounts of money to address budget deficits as this simply decreases the amount of money available in private enterprises to invest in modern electronic communications networks. There should be a focus on investment, not on tax, and we encourage authorities to consider alternative methods of spreading the cost of spectrum rights over time.

Electronic communications network operators like Telefónica need to coordinate the availability of and investment in spectrum, technology and sites, in order to deliver and offer our customers the modern broadband networks they require. Specifically:

- a holistic approach should be taken to the award of new spectrum (i.e. do not separate out 800MHz from other auctions);
- a gradual approach should be taken to the issue of licence expiry renewal (i.e. do not disrupt the market by withdrawing rights with insufficient notice); and
- Member States need to implement the GSM Directive to allow refarming of the 900MHz and 1800MHz bands for UMTS⁷.

In particular, as the recent EC study has shown⁸ the focus should be on the economic benefits that different radio services and applications could offer Europe as a whole. The Commission's 2009 study concluded that there would be an overall economic benefit if the existing DD allocation at 800MHz were to be extended in the future to include an additional DD band for the provision of mobile services.

Social inclusion

Using the radio spectrum to provide Mobile BroadBand services can help to achieve widespread broadband access for European citizens. The radio spectrum can be used more efficiently by the deployment of newer technologies, allowing the provision of a wider range of services to the customers, reducing the digital divide and sustaining a high level of infrastructure competition (between fixed and wireless networks as well as between wireless networks).

The increasing demand on new Electronic Communications Services and applications by users requires an increasingly efficient management of resources, including the radio spectrum. Telefónica's customers are demanding an increasingly wide range of services, with a high focus currently on social networks, hyper-connectivity and machine-to-machine

⁶ RSPG10-323, paragraphs 8, 9.

⁷ In particular, Spain needs to implement the amended 900MHz Directive in a timely manner (i.e. in 2010) to support infrastructure competition, in addition to making the DD band available.

⁸ Commission study "A European approach to the digital dividend", September 2009.

communications. These content rich services require a transformation of existing networks from voice enabled communications to high data traffic enabled ones. In addition to increasing efficiency (for example through the switch to digital technologies), **there should be a review of spectrum allocations between at least 400MHz and 5GHz to ensure that there will be sufficient spectrum allocated to Mobile BroadBand through to at least 2020.**

Digital Dividend

Telefónica believes that the multi-annual Radio Spectrum Policy Programme is one of the most important elements of the European Institutions' Work Programme in 2010. The RSPG should include further work on increasing the availability and harmonised use of the Digital Dividend for mobile services:

- There are significant economies of scale to be reached when frequency bands with at least a regional applicability are deployed for mass electronic communications services.
- The 800MHz band is one of the most important bands to have been identified for mobile use in Europe in recent years, although it provides a relatively small amount of new spectrum for mobile service⁹.
- The RSPG should include the development and implementation of the EU roadmap for the Digital Dividend (DD), including a review of the need to include additional spectrum for mobile in the DD.

We therefore support the RSPG view¹⁰ that the utilisation of the digital dividend must be a key objective of the first RSPG. However, we consider that the draft RSPG Opinion is not as challenging in this areas as it should be¹¹. In particular, we highlight the difficulties being created in Spain with a DD release date of 2015, and in Ireland where a date for Analogue Switch Off has not yet been set – **spectrum should be released in advance of 2015 in all Member States and should be released in Ireland at the same time as 900MHz liberalisation is discussed.**

More effort needs to be put into the development of technology for handsets that will allow the full benefits of the DD to be reaped in the 800MHz band. The importance of achieving standardised levels of performance across all frequency bands should not be underestimated.

Continued work on the impact of new technologies such as Cognitive Radio will help to increase the efficient usage of the radio spectrum by providing new opportunities to share spectrum, (for example the use of "white spaces" in terrestrial broadcasting bands), as foreseen by the RSPG¹².

Refarming and competition

Telefónica believes that it is important for regulators to take into account spectrum management policy in conjunction with market regulation. We acknowledge that it will be difficult to find any "unique" and definitive solutions to the different issues facing Member States but note that, although members of the RSPG will be able to share their various

⁹ 2 x 30MHz in the 800MHz band allows 3 competing networks to use 2 x 10MHz each. This amount of spectrum can be used to provide an average of ~20Mbps in each cell, which equates to an average 2Mbps service for just 10 customers. (Source: Telefónica estimates.)

¹⁰ RSPG10-323, paragraphs 10, 11.

¹¹ Ibid, paragraph 12.

¹² Ibid, paragraph 14.

experiences and best practices (as envisaged in the draft RSPG Opinion¹³), national regulators retain the final responsibility for implementation of these measures. Telefónica is therefore not convinced that there needs to be a new mandate established within the RSPG to set up a team of experts in order to provide expert independent opinions on issues, even if they are solely technical in nature. We would prefer to see an increased level of cooperation between the other existing mechanisms, within the competent national authorities, the European Commission¹⁴, CEPT and ETSI, as indeed is also strongly identified within the draft RSPG Opinion¹⁵.

Many "markets" that rely on radio spectrum, such as mobile, are highly competitive. Spectrum should be managed with the main objective of ensuring business certainty: national regulators retain a high level of responsibility and they should not consider spectrum as a means to "intervene" in the market, but should take great care when considering spectrum issues. In particular, we note that licence expiry/renewal issues may be different in different markets, and that decisions need to be based on a market assessment of the relevant market in each country.

Effective coordination

Telefónica believes that the further development of a well coordinated approach to international negotiations is complementary to the longer term spectrum policy being developed in the RSPP:

- It is especially important as we prepare for the next World Radio Conference in early 2012, where there may be a need to include Agenda Items at the subsequent Conference to address any anticipated shortage of spectrum for mobile services.
- Political support from the European Parliament will help to reinforce the need for a well coordinated approach in Europe.

We therefore support the draft RSPG Opinion in its view that the European Union's interest in relevant international spectrum bodies should be driven at the political level¹⁶.

¹³ RSPG10-323, paragraph 24.

¹⁴ Including the Radio Spectrum Committee.

¹⁵ RSPG10-323, paragraph 19.

¹⁶ Ibid, paragraph 25.