

House of Lords Rural Economy Committee

Call for Evidence:

Response from Mobile UK

September 2018

About Mobile UK

1. Mobile UK is the trade association for the UK's mobile network operators - EE, Telefonica UK (O2), Three and Vodafone. Our goal is to realise the power of mobile to improve the lives of our customers and the prosperity of the UK.
2. As mobile increasingly becomes the device of choice for running daily life both at home and at work, customers have come to expect more extensive coverage, more capacity and greater capabilities. Our role is to identify the barriers to progress, and work with all relevant parties to bring about change, be they Government, regulators, industry, consumers or citizens more generally.

Introduction

3. Mobile UK welcomes the opportunity to respond to the Call for Evidence from the House of Lords' Rural Economy Committee.
4. Mobile UK has devoted most of its response to addressing directly Question 5: *"What barriers to growth are created by poor digital connectivity? How can connectivity be improved across the board?"*
5. That said, improving fixed and mobile connectivity provides some of the answers to most of the other questions in the Call for Evidence, because having good mobile connectivity is now an essential component of any policy that is seeking to reduce social exclusion, improve public services and promote economic activity.
6. The mobile industry has made huge strides in improving mobile connectivity in recent years (of which more below). The industry is re-investing over £2bn annually in new network equipment (around 15% of all mobile revenues), to improve capacity, footprint and performance.
7. The sector is playing its part and has a number of recommendations that will allow the amount invested to go further and faster.

Summary of recommendations

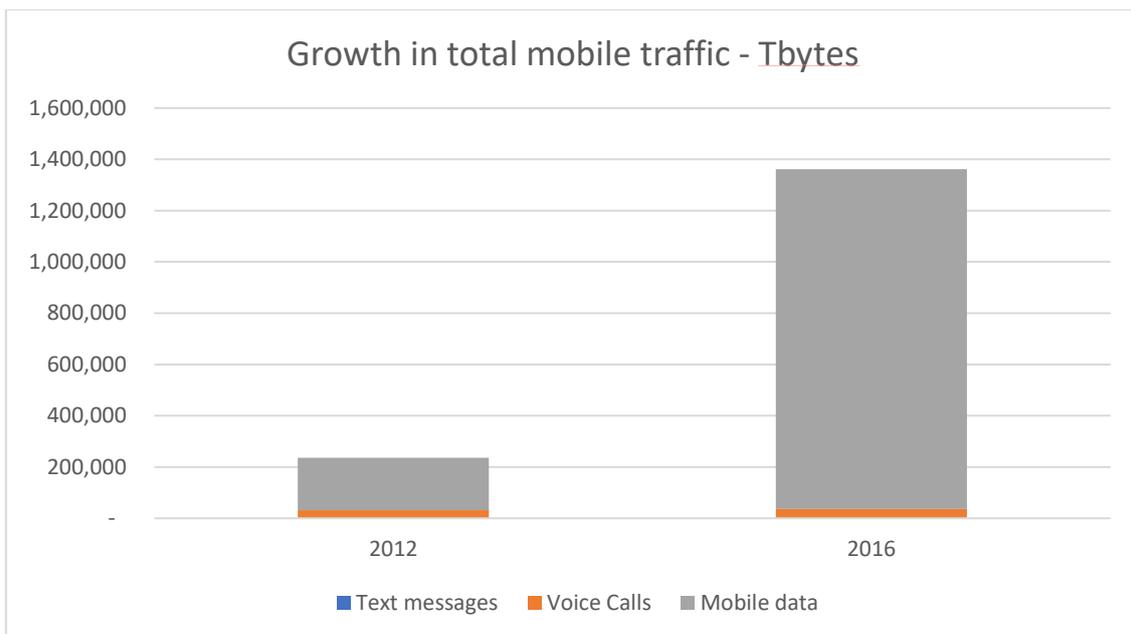
8. National Governments should reform the planning regulation so as to extend the Permitted Development regime for communications apparatus, to ease network deployment (detailed recommendations in Annex A).
9. Central government should commit to a date for a formal review of the recently reformed Electronic Communications Code (ECC). There are clear signs that some of the reforms are not working as intended or that the legislation is insufficiently clear in certain respects (such as sharing rights).
10. All Local Authorities should make specific reference to mobile connectivity in strategic plans and Local Plans. Providing this political leadership brings together the disparate

arms of local government to create a supportive environment for mobile investment.

11. All public bodies, such as Local Authorities, should formally confirm that they will make available their assets (such as rooftops) for mobile apparatus, on standard terms and at a cost based on the reformed Electronic Communications Code. The most enlightened public bodies already do this.
12. Local Enterprise Partnerships with land in the hardest to reach areas should evaluate whether there is public benefit in direct intervention to support mobile deployment (as some are already doing).
13. The Governments (central and national) should give business rates holidays for all new communications equipment (not just fixed), and thus make investment more viable, particularly in the harder to reach areas.

Mobile Communication – relevance to the rural economy

14. In the last 10 years or so mobile communication has joined other services such as power and water to become part the UK’s essential infrastructure. 95% of adults own a mobile device. As a key indicator of the mobile’s evolving place in our lives, advertising spend on mobile has risen from near zero in 10 years to £5.7 bn¹, more than the total annual spend on TV advertising, and about 50% of all digital advertising.



15. Even though the market reached maturity in terms of subscriber numbers some time ago, the introduction of smartphones in 2007 and the deployment of 4G from 2012 has led to a very rapid rise in total network traffic – a rise that is set to continue for the foreseeable future. The recent 7 times rise has arisen almost exclusively from the greater use of mobile data.
16. With respect to the **rural economy**, mobile connectivity makes a number of important contributions, for example:

¹ <https://www.statista.com/statistics/281750/mobile-advertising-spending-in-the-united-kingdom-uk/>

Social inclusion

- 95% of people own a mobile device. Entry cost is very low (£15 for a basic phone) and only 0.2% of households are now in a mobile 'not spot'
- Those looking for houses and jobs can be alerted by text message of new opportunities. Research shows that good mobile connectivity increases participation in the labour market.
- Mobile connectivity supports flexible/home working. 22% of people in rural areas are home workers v 13% in the urban areas²

Safety

- From April 2018, all new cars sold in the UK are fitted with E-Call (whereby an automatic call is made to 999, with location, in the event that an airbag is triggered)
- Tourists and visitors can use navigational tools and call for assistance, if required
- Lone workers in remote places can be better safeguarded

Economic activity

- Applications enable greater efficiencies in agricultural processes, and traceability in agricultural products' transport (improving productivity in agricultural will be important for food prices and security after the UK leaves the EU.)
- Providing access to services such as banking and retailing, where the physical footprint of such facilities is reducing
- Supporting other large parts of the rural economy, such as healthcare and other public services
- Providing mobile connectivity to the UK's 39 million incoming tourists (many of whom go to rural areas) and the 70 million visitors to National Parks (almost all of which are in rural areas)

Mobile Communication – coverage in rural areas

17. In response to this rapid rise in the importance of mobile connectivity, mobile operators have played a central role in driving this progress by continually investing in their networks, value-added services, and subscriber acquisition. As mentioned above, in the current cycle, mobile operators are investing around £2 billion per annum in new coverage, capacity and capability. In turn, business and consumer customers have shown extraordinary ingenuity in harnessing the power of mobile, to be more creative and productive, to offer new services, and to improve lives.
18. As a consequence, the measurements Ofcom publishes every six months or so have improved markedly.
19. 99.3% of premises in the UK have indoor data coverage (i.e. 3g or 4G) from at least two operators (and for 4G, the figure is 96%). Only 0.23% of premises have coverage from no operators. Perhaps unsurprisingly, 95% of those who have no indoor coverage live in the least densely populated areas (i.e. those with few than 2 residents per hectare)

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20. With respect to the geographic coverage, the improvement is even more marked.

	Geographic Coverage	
	2013	2018
3G – no signal from any operator	22.9%	6.8%
3G – signal from all operators	21.0%	70.0%
4G – signal from all operators	N/A	56.9%

21. In the last 5 years, there has been a **3.9m** hectares reduction in the area of the UK with no mobile signal (i.e. approximately twice the area of Wales). Also, in that time, **13.8m** hectares (roughly the area of England) have been upgraded to 4G across the UK by all 4 operators.

22. This huge improvement are the fruits of around £10 billion of investment in new coverage, capacity and capability.

23. Of the remaining parts of the UK still without a signal, the great majority lies within the remote regions of Scotland and Wales, including the road network.

24. The mobile operators will continue to invest in their networks, but the places that still need better mobile coverage are among the hardest to reach. To overcome the barriers to network rollut for such places, it will be much more productive if mobile operators can work more closely with Governments, Local Authorities and Local Enterprise Partnerships to unlock the difficulties that still face mobile operators.

Barriers (economic, technical, regulatory, other) to delivering improved mobile coverage in the rural areas.

25. As Ofcom identified in its Economic Geography³ study, practically all the variations in coverage between urban and rural areas are accounted for by population density (i.e. potential revenue) and topography (height above sea level being a good proxy for cost).

26. Many sites that mobile operators currently deploy are ‘loss making’ (Across the UK perhaps around 50% and in the remoter regions, heavily loss making), in that the cost of building and operating is not justified by the level of traffic handled, both directly by the extra customers covered and indirectly as a result of operators being able to demonstrate the most comprehensive coverage in a competitive market. The extent of coverage is one of the most important factors considered by customers at the point of sale, even if the customer never intends to visit some of the places covered.

27. But ‘loss making’ coverage increases operational costs, which in turn is reflected in consumer price, another key sensitivity and so mobile operators have to make a very careful judgement on the competitive advantage of extra coverage v the disadvantage of extra running costs.

³ https://www.ofcom.org.uk/__data/assets/pdf_file/0029/95708/Economic-Geography-2016.pdf

28. In addition to the economic barriers, mobile operators can also be faced with very challenging technical barriers in rural areas, where there may be a lack of suitable transmission sites with access to power, backhaul and access tracks. They also face competition from wind turbines, which are not suitable hosts or neighbours, as the movement of the blades interferes with the radio signals.
29. As the fibre network extends further through the UK, this will go some way to addressing the backhaul issue. And power and access can be addressed if enough money is spent, but this can often be very disproportionate in terms of the extra service delivered.
30. In rural areas, particularly in protected areas, there can also be problems with planning permission. Mobile UK has an MOU in place with the National Parks Authority, with a view to overcoming such difficulties. We would like to extend such agreements to Scotland as soon as we can. Visitors to National Parks expect connectivity and so the hosting organisations must bear their responsibility for providing sites that are suitable for the mobile infrastructure.

Recommendations to help overcome barriers

31. As an overriding point, industry remains strongly committed to further development and innovation in the UK and wishes to continue engaging with the respective Governments on how best to create a regulatory and policy framework that stimulates investment. The global competition for capital is intense.
32. It is therefore necessary that mobile operators work with reasonable regulatory certainty and that the demands placed on them are properly balanced and prioritised with an understanding that the private capital they invest is finite and must be focussed accordingly.
33. Moreover, they must have flexibility to allocate resources in response to evolving market demand. For example, areas already covered must be maintained and upgraded on a constant basis as customers use more mobile data. Thus, a focus on one area of policy, such as geographic coverage, will have implications on other areas such as urban densification. Policy needs to be sophisticated and multifaceted to recognise these tensions.
34. With respect to specific proposals, Mobile UK makes the following recommendations:
 - a) National Governments should reform the planning regulation so as to extend the Permitted Development regime for communications apparatus, to ease network deployment (detailed recommendations in Annex A).

This action will time and uncertainty involved in applying for the approximately 30% of sites that need to go to full planning (mobile infrastructure is now widely accepted and recognised by the public as necessary for better connectivity. Working with the much greater certainty of the 56 day timeline is enormously beneficial to the overall project management of site completion. When working to a deadline set in spectrum licence conditions it is almost a necessity to work with a very high proportion of sites that qualify for Permitted Development. If working with overly restrictive PD rights, the resultant network will be high cost and sub-optimal. (The UK has some of the lowest average mast heights in the EU, indicating that this is a historic problem that needs to be reversed for the remaining 4G work and 5G beyond that.

- b) Central government should commit to a date for a formal review of the recently reformed Electronic Communications Code (ECC). There are clear signs that some of the reforms are not working as intended or that the legislation is insufficiently clear in certain respects (such as sharing rights).

The new basis for valuation is intended to put downward pressure on the site costs, and thus allow more cashflow to be available for new network investment. But this will only happen if the ECC works as intended.

- c) All Local Authorities should make specific reference to mobile connectivity in strategic plans and Local Plans. Providing this political leadership brings together the disparate arms of local government to create a supportive environment for mobile investment.

- d) All public bodies, such as Local Authorities, should confirm that they will make available their assets (such as rooftops) for mobile apparatus, on standard terms and at a cost based on the reformed Electronic Communications Code. The most enlightened public bodies already do this.

Such an action would not only be of great practical use to make it easier for operators to find new sites, but it would also send a very important message throughout public bodies that the economic and social benefits of mobile connectivity far outweigh any short term consideration of maximising revenue from leasing space to operators.

- e) Local Enterprise Partnerships with land in the hardest to reach areas should evaluate whether there is public benefit in direct intervention to support mobile deployment (as some are already doing).

This is a very powerful way to improving the case for operators to invest in remote areas, where the public benefit is being realised through co-investment.

- f) The Governments, central and national) should give business rates holidays for all new communications equipment (not just fixed), and thus make investment more viable, particularly in the harder to reach areas.

Introducing Business Rates Relief for new mobile infrastructure deployment, similar to that introduced for fixed telecommunications infrastructure, could have the potential to improve the investment case in areas which are currently unfeasible.

Annex A – Specific Proposals for Planning Reforms

In relation to macro sites the Government should make the following changes:

1. The removal of all prior approval conditions from the exercise of Permitted Development Rights in relation to mobile infrastructure and the extension of such rights to cover larger structures (i.e. be able to work with a Regulation 5 Notice). This would make the process less costly (the operators estimate between £2k-£2.5k per application) and not only take less time of itself, but would also allow the other acquisition and build processes to be planned with much more certainty;
2. Removing limits on the width and thickness of mast equipment, particularly pole size for the upgrade of sites;
3. Increasing the radius within which operators can locate an upgraded tower to 50m;
4. Increasing the time allowed for emergency works to 2 years to allow sufficient time to be found for replacement sites without the loss of service, and
5. Obliging developers to offer site on the top of buildings where that building is the only suitable building for such infrastructure. Lastly clarity is needed on the rights of operators to install on pole mounts as well as masts without additional permissions to avoid situations such as the one at Forsythia House, Lewisham.

In relation to small cells:

1. The antennas for small cells are considered de minimis, consistently across the UK. The antennas for 'small cells' are expected to be comparable in size to the domestic alarm boxes and thus should fall outside the planning regime completely. It should also be possible for these to be deployed on telegraph poles.