

Spectrum Licensing Best Practice Spain

Enabling long-term investment through multi- band licensing extensions



Key lessons

- **In June 2022, Spain's Ministry of Economic Affairs and Digital Transformation revised the General Telecommunications Law to include a provision for a one-time, 10-year extension of all existing spectrum licences.**
- **All Spanish mobile operators applied to make use of this provision, which extended existing licences in six mobile bands with no up-front costs and at current annual fees until between 2038-2048.**
- **This process provides Spanish MNOs with long-term investment certainty, enabling a focus on expanding their mobile infrastructure.**

Background

In June 2022, Spain's Ministry of Economic Affairs and Digital Transformation revised its General Telecommunications Law (LGTel). The revision added an article enabling a one-time extension to any existing spectrum licences, at no upfront cost, for a period of up to 10 years, and with a maximum licence term of 40 years.

All four Spanish mobile operators (Telefónica, Vodafone, Orange, and MasMovil) requested an extension of their licences in the 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz, 2.6 GHz, and 3.5 GHz bands.

The 700 MHz and 26 GHz bands, which were awarded in 2021 and 2022, were not subject to the LGTel revision, as both bands already had the maximum licence term of 40 years. Overall, these decisions highlight a trend in Spain towards long licence terms.

In May 2023, the Ministry launched a consultation in response to the requested extensions, stating that these would “*confer greater stability*” and enable operators to “*amortise [a] period of investments demanded by the telecommunications sector for a longer time*”.¹

In response to the consultation, the Spanish competition authority, CNMC, argued that not auctioning the spectrum could affect competition. However, as there were no objections from either the existing operators, potential entrants, or other market stakeholders, the extensions were approved in June 2024.

¹ Press Release, “The Government launches a public consultation on the extension of the duration of concessions for the use of the public radioelectric domain”, Ministry of Digital Transformation, 11 May 2023

Benefits from the policy

European Digital Decade 5G targets require investment across the EU by 2030 of an estimated EUR33bn² – at a time when mobile operators face stagnating revenues and increasing network deployment costs.

The 10-year extension of existing spectrum licences provide clear investment benefits to Spanish MNOs:

- Longer licences encourage the network development required to meet Digital Decade targets as operators can recover investments over longer amortisation periods.

- Avoiding the financial pressure and uncertainty of one-off auction fees frees up capital for future network investment. Between 2011 and 2021, Spanish operators spent around EUR5bn (inflation adjusted to 2024) in spectrum awards.

It is important to note that the licences are not extended for free, as MNOs will continue to pay annual spectrum fees, currently amounting to ~2% of service (fixed plus mobile) revenues.

Challenges

As mentioned above, the CNMC voiced concerns about removing market mechanisms (i.e. auctions) from the spectrum assignment process and the corresponding risk on the efficiency of spectrum use.

No market parties (including the four MNOs operating and the potential new entrant) raised objections to

the proposed extensions. This is a clear indication that the current spectrum assignment is being considered efficient by all market participants. This shows that extensions can be a valuable alternative to auctions in mature markets or when the circumstances are right elsewhere.



Renewal based on market consensus



Increased investment stability from long licences



Avoiding one-off auction fees enables network investment

Final impact

The Spanish MNOs had to commit to considerable network investments as part of the 700 MHz award, including specific 5G coverage obligations for towns with a population of over 20,000 inhabitants as well as infrastructure investments on roads, ports, and airports. This removed the need for tying up the extensions with further coverage commitments – but these substantial obligations required long-term investment certainty for the MNOs.

Furthermore, the MNOs were incentivised to accelerate investments in 5G infrastructure, as regulation permitted redirecting part of the annual spectrum fees from the three European 5G pioneer bands (700 MHz, 3.5 GHz, 26 GHz) into 5G investments in underserved areas in the first two years after assignment.

2 European Commission, "Investment and funding needs for the Digital Decade connectivity targets", 12 July 2023

