



Accelerating Broadband Deployment Through Network Sharing and Co-investment 15th Global Symposium for Regulators (GSR15)

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The policy and the problem

Most governments have as a key policy objective the **increasing availability of affordable broadband services**

- New mobile and fixed broadband networks will need to be deployed to meet these policy objectives - yet these networks are expensive to build + the construction and demand risks are high
- Achieving **further and faster broadband deployment**, particularly outside the main urban areas, is challenging and will require innovative solutions

Options available to governments

Options available to governments include:

- **Build their own broadband network** (and make available on an open access basis), e.g.
 - in access, NBN in Australia and QNBN in Qatar
 - In backhaul/backbone, in Brazil, Argentina and India
- **Incentivise** (e.g., through grants) **a single network operator to build**, e.g.
 - In Malaysia, TM rolling out a high speed broadband network
 - In New Zealand, Chorus rolling out a FTTP network



Network sharing/co-investment as an option

Another option is for government to **encourage or incentivise** network sharing and co-investment by multiple operators and potentially other sources, including the government itself, in building this new infrastructure

- Commercially-driven mobile network sharing has been prevalent, particularly in those countries with very competitive mobile markets
- Still relatively rare for co-investment to occur in the fixed sector



Benefits of sharing from government's perspective

There are a number of advantages from successful sharing arrangements from government's perspective, including:

- Particularly in the fixed sector, these arrangements **enable or facilitate investment into the industry from new sources** (e.g., utilities, local government, infrastructure funds)
- Co-investment is a **"big tent" approach**, where industry players negotiate and co-operate in deployment and operation of the shared infrastructure - in the absence of anti-trust concerns, a consensus-based outcome is usually superior to a regulated outcome
- To the extent that the incumbent is a party to the co-investment arrangement, it can result in **a lessening of market power** - with a corresponding reduction in regulatory burden for the regulator and for industry



Why doesn't it happen more often?

Why doesn't sharing happen more often, or in other circumstances, and why do a number of sharing deals not seem to last?

- **Loss of independence** – a sharing operator will no longer have full control over the direction that its network will take, its rollout strategies and vendor choices
 - Need to reach agreement on when/where to invest is time consuming + a prime area for contentious disputes
- **Partner selection** - a compatible sharing partner will alleviate some of these concerns – involves considerations of alignment on network evolution and deployment + investment plans and strategies



Why doesn't it happen more often, con't

- **Difficulty in reaching agreement with a competitor** - due to the healthy distrust that each management team has of the other
 - sharing deals often involve transfer of existing assets into a JV structure - disagreements over asset valuation are one of the main reasons why non-Greenfields sharing deals do not proceed
- **Incumbent reluctance** - In the fixed sector, where usually limited infrastructure competition, incumbents can be reluctant to depart from status quo and consider novel co-investment options - particularly where they are likely to lose control

Is sharing the solution?

To date, governments have generally encouraged sharing, in a light-touch way

- But **should governments go further** and actively incentivise/facilitate sharing as a way of achieving “further and faster” broadband coverage?

If it can be achieved, **sharing may well be a superior solution** – if the market is not meeting government’s broadband policy objectives

- Government-build networks are an expensive and high-risk alternative
- Incentivising a single network operator, if they participate in downstream markets, raises the potential for discriminatory behaviour, favouring the operator’s retail activities
 - requiring an intensive ongoing regulatory burden as compared to a sharing arrangement

What steps can governments take?

Government co-venturing - Co-venture with private sector operators to encourage broadband deployment, particularly in Greenfields areas - governments have valuable assets/infrastructure that, if available through sharing, would speed up + potentially reduce the cost of, broadband deployment

Use of spectrum licensing - A lighter-touch may be all that is required from government to encourage mobile network sharing - one of the most potent means available to the government is through 4G spectrum licensing conditions, e.g. by requiring widespread national coverage, creating a strong incentive to share; or requiring a licensee to build in one rural province, entitling them to roam in other provinces

Regulatory certainty - Provide high degrees of up-front regulatory certainty for co-investing entities, to address the risk of regulatory intervention post sunk investment – e.g., provide clarity that any access pricing will recognise the build and demand risk at the time of investment or allow long-term regulatory commitments from sharing entities



Conclusion

Incentivising sharing is one of the **key options available to governments to achieve “further and faster” broadband** coverage

- However, it is clearly a challenge for sharing operators to create, implement and maintain a successful sharing arrangement - given all the benefits available to operators, it is somewhat surprising that sharing does not occur more frequently
- It is more difficult to achieve co-investment in fixed networks, where there is less infrastructure competition than in mobile

This is an area where **government incentives**, including in-kind contributions, **could bring about a breakthrough** - there is particular merit in governments (including through utilities) co-venturing with telecoms operators to facilitate the rapid rollout of fixed broadband networks

