



WELCHMAN KEEN



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## **Welchman Keen’s contribution to the 2023 Global Symposium for Regulators (GSR-23) Best Practice Guidelines: “Regulatory and Economic Incentives for an Inclusive Sustainable Digital Future”**

Welchman Keen – a global technology advisory firm – is honoured to have the opportunity to participate in the GSR-23 consultation process concerning both regulatory and economic incentives for inclusive and sustainable digital development. We earnestly believe that such initiatives taken up by ITU-D will provide concrete outcomes to bridge the digital gap and eliminate barriers to connectivity as highlighted in the 2022 ITU [Global Connectivity Report](#). Welchman Keen fully supports ITU’s efforts in accelerating collaborations with key connectivity enablers and is privileged to share its expertise and experience from a wide range of projects delivered to Technology, Media and Telecom (TMT) clients globally.

### **Infrastructure roll-outs: drivers and barriers**

Welchman Keen believes that there are two undisputable economic and regulatory drivers for infrastructure roll-outs. These are:

- Fixed and wireless networks investments measured by capital expenditure (CAPEX) and operational expenditure (OPEX) in total; and
- Red tape limitations in relation to collaboration with local administrations.

As for the barriers to infrastructure roll-outs:

- Economic barriers are unpredictable or high investments related to the return on assets which, in a long-term scenario, cannot be recovered due to limited demand i.e. too few users or a very low average revenue per user (ARPU), mostly in rural and remote areas.
- Regulatory bottlenecks, namely bureaucratic challenges, delay the investment process due to costly production downtime and supply chain unpredictability. Furthermore, investors who have a limited understanding of local regulatory processes and technical deployment conditions will be less interested in these projects and search for other more profitable opportunities in other geographies instead.

## **Leveraging the regulatory toolbox for better investment outcomes**

Several regulatory tools and financial incentives should be implemented on a wider scale to ensure a smoother and more predictable investment process.

Firstly, for the benefit of private and public investors, all important economic facts and figures should be digitalised, consolidated and managed by one authority. The data should include retail/wholesale market indicators, geographical and technical conditions for network deployment, and the capacity of verticals. This can be delivered by imposing obligations on all three parties: access seekers/investors, other service providers, and the responsible authorities – such as a telecom regulator – which will be obligated to compile and preserve national information with the latest relevant data.

With a centralised information system in place, the next regulatory tool – passive infrastructure access – can help reduce investment costs and ease administrative bottlenecks. Establishing a rule to grant access to masts and towers, manholes, ducts, cabinets, in-house wirings, and non-network assets such as light poles, street signs, traffic lights, billboards, bus/tram stops, and metro stations can strengthen the development of fiber optics and 5G coverage.

At this point, wholesale collaboration with other service providers and verticals such as real estate, transportation and utility providers (gas, water, electricity) will allow access seekers to leverage passive networks. This would limit the multiplication of disproportionate investments in economically unreasonable areas. There is extensive evidence of such regulations ([Broadband Cost Reduction Directive](#) and [Gigabit Infrastructure Act proposal](#)) and experience as a result of collaborations between telecoms and verticals in Europe. In Asia, Japan [established Guidelines](#) for Use of Poles, Ducts, Conduits and Similar Facilities Owned by Public Utilities to provide a standard for the authorisation and arbitration of negotiations on rights-of-way. These regulatory guidelines can be replicated reliably in many other markets.

Finally, global practice has demonstrated that tax exemptions for co-investments are sound financial incentives to motivate service providers and verticals to cooperate. This type of solution should work in tandem with mandatory access to all networks co-founded by state aid or other stakeholders.

## **Creating value for all stakeholders in the value chain**

Stakeholders also need to consider the right incentives required for the introduction of emerging ICT technologies and commercial demands. For one, global discussions remain centered around the unfair and unequal split between investments and revenues among the telecoms and content value chain; over-the-top (OTT) providers extract high revenues from subscribers without investing in physical transmission infrastructure, which service providers build, operate, and maintain.

It should be a top priority for national regulatory authorities to cultivate and maintain a level playing field for all providers – whether delivering infrastructure, connectivity, content or devices – to have a reasonable chance at receiving a return on their assets. To some extent, the solution can be realised by tax exemptions. However, in the long term, a robust solution demands a complex regulatory approach based on wholesale collaboration while motivating retail competition.

There is also still a need to drive connectivity on the demand side, especially in developing markets. Capacity building will increase digital awareness and highlight the opportunities and resources created by ICT. Moreover, investors require better market intelligence and incentives to participate in the development of the digital ecosystem. States can play an important role in funding educational programmes in schools, trainings for the elderly as well as a wide range of digital solutions to help end users fully harness the capabilities and advantages brought about by the digital economy.

## **Connecting the unconnected: every stakeholder must play a role**

As an ITU-D sector member, Welchman Keen works with stakeholders across the entire connectivity value chain – including regulators, ministries, service providers, content providers, equipment vendors, and end users – to create an enabling environment for connectivity to flourish. We aim to be a trusted advisor and broker to allow safer, more secure, and more sustainable connectivity that benefits all actors in the value chain.

Welchman Keen will continue to share its expertise and highlight regional and global best practices to ensure that countries worldwide are one step closer to achieving equitable and accessible connectivity policies and regulations. We thank ITU for our continuing collaboration in developing a global approach and strategy for an inclusive sustainable future.