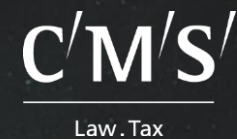


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# CMS Network Sharing Study 2014

Regulating for Innovation

Regulatory Policy Institute, Oxford, 9 September 2014

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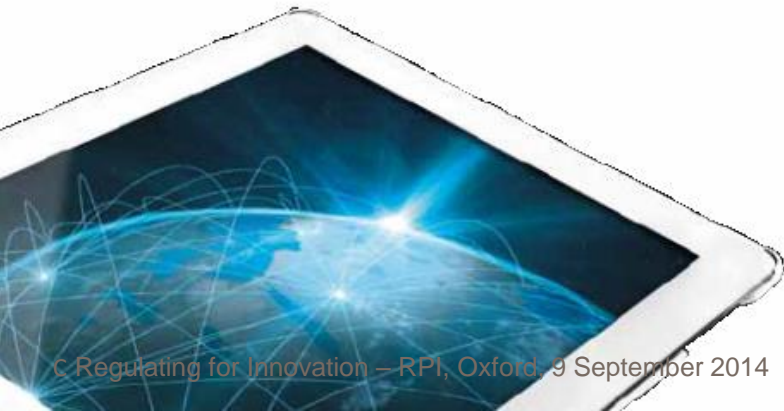
# About the study: Overview and purpose

- Provide an analysis of the major network sharing deals completed in 2013\*
- Identify the characteristics of each of these sharing deals
- Provide useful insight into the types of deals completed across a number of jurisdictions
- Assess the market situation in countries of interest
- Help make well-informed decisions about national and Pan European networks
- Track any developments, issues or trends emerging on an annual basis

\* also includes deals close to 2013

# About the study: The detail

- Information on major sharing deals completed across 22 countries in 2013\*
- The characteristics of these, more specifically:
  - Overview of the sharing deals entered into
  - Types of mobile networks affected (eg. 4G, 3G)
  - The shared network elements
  - Vehicles of coordination for sharing
- An overview of the regulatory landscape in each of these countries



# Economic environment: The future is bright for network sharing

- Strong growth in the mobile sector expected to continue in 2014 by 7.6%\*\*
- 61% CAGR mobile data until 2018
- Increase likely to be driven by tablet devices, hybrid lap-tops tablets and similar so called ultra-mobile devices
- Exponential growth in data traffic means investment in infrastructure and spectrum required by service providers
- Investors remain cautious of such investment combined with decreasing revenues
- Mobile operators seeking ways to consolidate costs for rolling out high-speed mobile networks

\*\* as predicted by Gartner

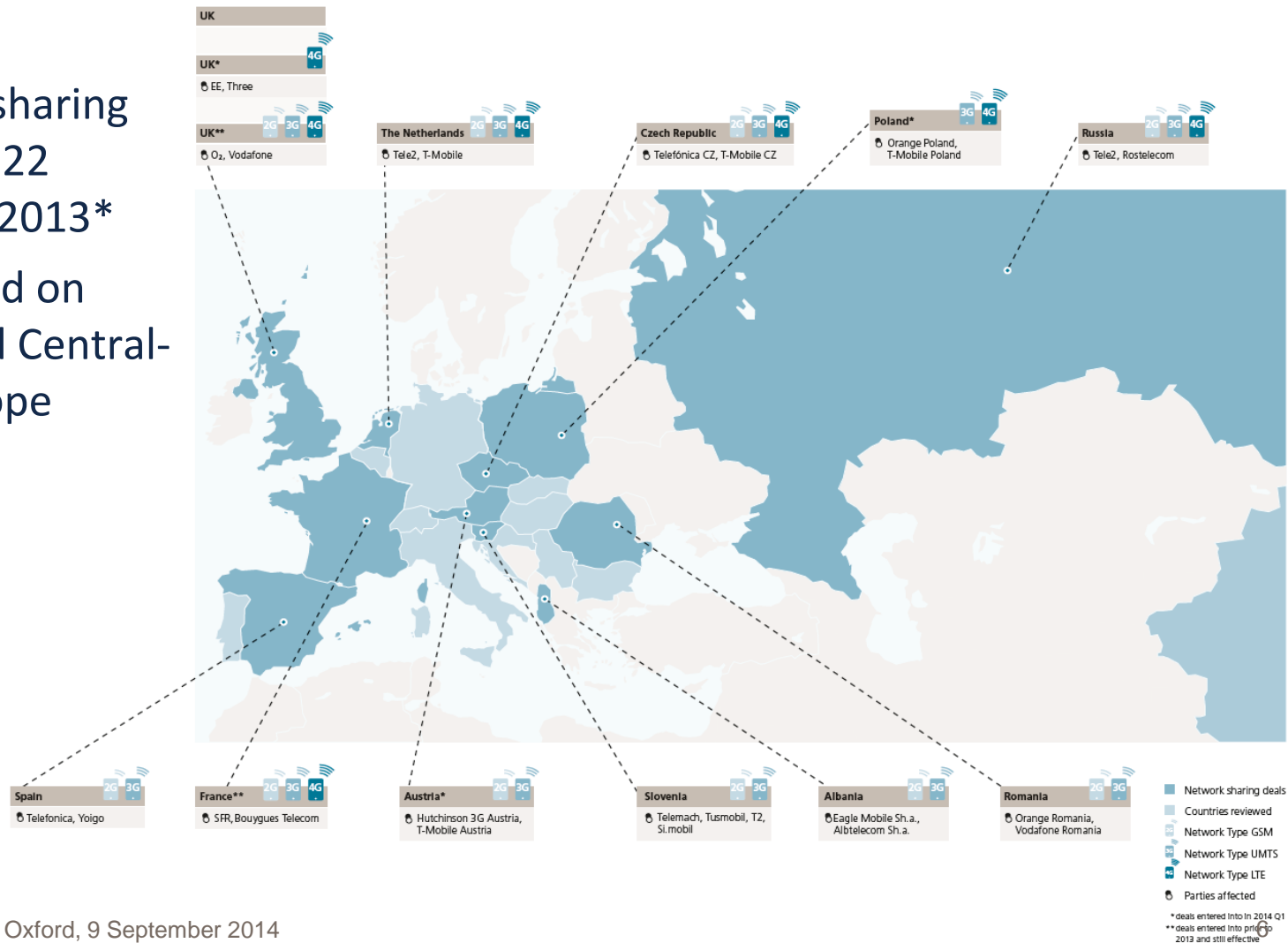
# Economic environment : What this means for the telecoms sector

- Greater consolidation across Europe
- Two different approaches:
  - Increased M&A activity
  - Shared investment by service providers
- Regulators seemingly prefer network sharing to consolidation activity below a certain number of players
- Marked increase in infrastructure and spectrum sharing deals



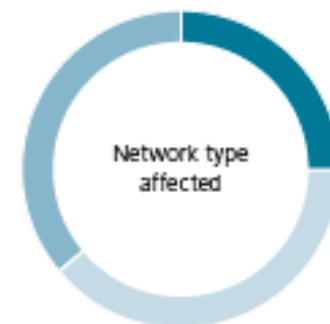
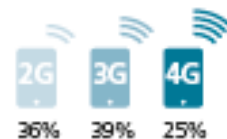
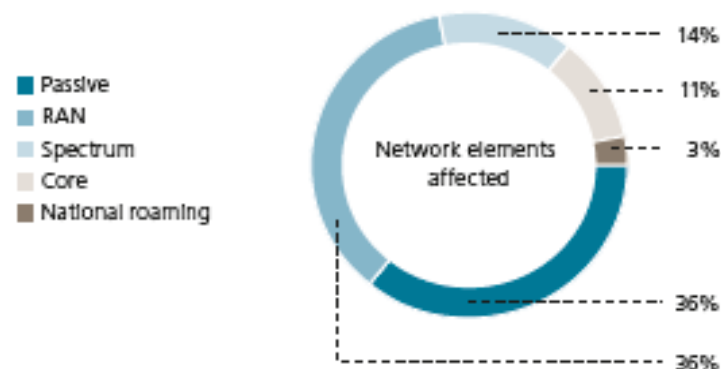
# The study findings: Sharing deals completed in 2013

- 12 network sharing deals across 22 countries in 2013\*
- Deals focused on Western and Central-Eastern Europe



# The findings of the study: Mobile networks affected and shared network elements

- Deals affected every possible network element
- Notable that network sharing did not cover 4G in most jurisdictions
- RAN sharing is now the minimum – in most cases this needs to cover sharing of passive elements
- Spectrum sharing is still not universal amongst the deals but is no longer exceptional
- Choice of element shared is arguably driven by regulatory burdens



# The findings of the study: Vehicles for coordination of sharing

- 7 of the 12 deals completed were the stand-alone horizontal form
- Remaining 5 were joint ventures
- Of the joint ventures (JV) all except one were asset light
- Popularity of horizontal agreements is probably due to being perceived to raise less competition law and authority scrutiny
- Asset heavy JVs were rare across Europe; network based competition still top of regulatory authorities agenda





# The findings of the study: Regulatory developments

- Of the 22 countries surveyed, 7 had ‘No regulatory measures’ in place
- In 8 countries the ECS has issued formal or informal guidance
- All EU members have to comply with the EU Radio Spectrum Policy
- 2 countries had special spectrum measures in place (UK; NL)
- In 3 countries Competition authority investigations were started in 2013 (FR, SP, UK)
- 5 countries had other special network sharing measures in place
- In a small number of countries, operators identified as having significant market power can be subject to elements of network sharing obligations
- In others this is a merger remedy

# The findings of the study: Conclusions and observations: Spectrum sharing

- Whilst still underutilised spectrum sharing could provide significant savings to many countries
- Authorities are still reluctant to give clear message on the conditions they will allow sharing
- Unclear conditions are not conducive to secondary trading of spectrum
- Authorities should consider cost for provider to obtain necessary rights to spectrum when considering whether to support a type of sharing
- Regulatory certainty is expected for the further uptake

# The findings of the study: Conclusions and observations: Network sharing

- When the EU authorities raise concerns about a type of network sharing they often cite a potential decrease in network based competition
- Network sharing and network based competition are inimical to one-another
- Time to consider service based competition
- Stronger cooperation between competition and communications authorities could result in a greater take-up of network sharing

# The findings of the study: Closing conclusions and observations

In light of the vast pressure on operators to deliver growth both in terms of network coverage and profit, and the lack of 4G coverage from EU member states when compared to the likes of Japan and Korea, it is time to give a new, more investment friendly meaning to network based competition. This could change soon following the most recent merger cases in Germany and Ireland where the EU Commission agreed to a reduced number of networks subject to certain remedies which supports service based competition.



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