Welcome speech

INA-ITU-EETT workshop on "Infrastructure Sharing Potential – Consideration of Separation Models", Athens, June 10, 2009

Prof. N. Alexandridis, President EETT

Ladies and Gentlemen,

Welcome to Athens. It' s a great pleasure for EETT to host in our premises the ITU workshop on "Infrastructure Sharing Potential – Consideration of Separation Models". We are convinced that such events foster the adoption of innovative practices and thus contribute to the development of the telecoms market and the strengthening of competition.

I will say a few words about infrastructure sharing (both for NGA and mobile communications networks) and on the functional separation model.

1) Infrastructure sharing

Infrastructure sharing has always been of critical importance in the development of telecom networks. In countries with the demographic, geographical and economic profile of Greece, this may be the most cost-effective way towards the development of modern and technologically advanced facilities. While this is true in general, it does acquire even higher importance in times of economic downturn, like the one that we are currently experiencing.

Cooperating for infrastructure sharing is a "win-for-all" strategy, where the term "all" covers the telecoms operators, the consumers, the overall market (which develops faster when underpinned by advanced telecommunications networks) and, eventually, the national economy.

Infrastructure sharing has the potential to reshape the telecommunications outlook in the two areas of Next Generation Access and Mobile Communications networks.

a) Next Generation Access Networks

With regards to the next generation access networks, it is true that some Asia Pacific countries have adopted a model of multiple FTTx networks. Today however it becomes obvious, at least for most of the EU countries, that this may not be the best way forward.

Since the main portion of capital expenditures for the development of fixed NGA networks concern civil works (such as trenches, ducts, manholes, passive cabinets,

optical distribution frames and housing, intra-building cabling and of course labour), such costs can be reduced significantly by applying various types of infrastructure sharing approaches. Some typical examples are the following:

- Alternative operators (possibly including the incumbent) could form a joint venture to lay out the new passive infrastructure and deploy an NGA network over new trenches. This joint venture would then act solely as a wholesaler, providing dark fiber to its customers. This way significant economies of scale are achieved, while at the same time procedural delays are minimized or even totally avoided.
- Utility companies (such as power companies, water & sewage companies etc.) which own critical infrastructures or today carry out civil works, could initiate joint ventures with telecom operators in order to deploy combined infrastructures. Alternatively, these utility companies, along with the development of their networks, could also deploy trenches and make them available to operators, thus generating additional revenues to expedite their return on investment.

b) Mobile Communications Networks

Infrastructure sharing in mobile communications can take various forms, including:

site sharing, where operators share the same physical compound (but install separate site masts, antennas, cabinets and backhaul);

mast sharing, where operators share the same mast or antenna frame (which could be a third party structure, such as a chimney or a steel power pylon);

radio access sharing, where operators share antenna, mast and transmission equipment (but continue to use separate radio frequencies); and

core network sharing, which typically involves the sharing of the core transmission network (e.g. by leasing capacity from another operator) and/or of special platforms in order to for offer Value Added Services.

In the case of Greece, it is well known that one of the main problems of Mobile and Fixed Wireless Access operators relates to the deployment and operation of base stations. Complicated procedures often leading to long delays and public reaction, including protests or even riots to bring down musts and antennas, result in increased operational costs and often even inability to maintain a proper wireless network. Infrastructure sharing, such as mast sharing, could potentially alleviate the problem by enabling increased coverage while minimizing rollout costs.

It is true that such a choice would require a bold stand on the part of the operators, as it would neutralize any advantages relating to network roll-out, and thus limit

competition in the service arena. On the other hand the impact on capital and operational expenditures, the environmental impact and the possibility of reducing public resistance could be heavily weighted and possibly lead to a more open approach by operators.

c) Goals and positive outcomes

Although one can outline more examples of infrastructure sharing, the **goals** remain always the same:

a) to turn a high risk network investment, characterised by significant demand and ARPU uncertainties, into a commercially viable and profitable project,

b) to achieve the critical mass which will enable access to the necessary funds for the completion of a fund-crunching project, particularly in times of economic downturn and,

c) to eventually develop long term and profitable business plans, rather than becoming subjects to “mergers and acquisitions”, or -- even worse -- to liquidations.

Furthermore, some **positive outcomes** of infrastructure sharing include the following:

- Positive environmental impact;
- Reduced capital and operational expenditure for network deployment;
- Possibility to improve roll out in underserved areas;
- Improved quality of service, particularly in congested areas;
- Product innovation, as operators compete on service differentiation;
- Increased consumer choice, as market entry and expansion become easier.

2) Functional Separation

When considering separation models, one has to make a reference to functional separation. In this case the incumbent’s infrastructure is separated (functionally but not in terms of ownership) and “shared” on equal terms between the incumbent’s retail arm and all other operators.

The European Commission considers that when properly used, functional separation may be a useful regulatory tool, in order to deal with persistent problems related to competition in the telecommunications market, when other solutions have

been proven ineffective. Actually, the Functional Separation remedy has been included in the proposed amendment of the regulatory framework. The proposal lays down procedures that the Regulators must follow in order to impose functional separation, but also procedures for voluntary functional or structural separation. This part of the proposal has been agreed among the Commission, the Parliament and the Council.

3) Conclusion

Infrastructure sharing can contribute substantially to the deployment of new facilities, particularly in relation to Next Generation Access Networks (which require heavy capital expenditures), and Mobile Communication Networks (the deployment of which in Greece is often hindered by public reaction.)

On the other hand, infrastructure sharing may lead to anti-competitive practices. Therefore, the Regulator and the Competition Authority need to continuously monitor the market and be extra vigilant in order to prevent such a possibility. Moreover, the Regulator should be available and open to hear the views and opinions of all stakeholders, to actively participate, to take initiatives and to contribute with a solution-oriented way of thinking.

In line with our philosophy so far, our goal for today’s event is to bring all actors around the same table and discuss the possibilities of collaboration towards the next generation in fixed and mobile networks.