

Infrastructure Sharing is one of the key tools used by telecommunications operators to reduce the cost of their networks and to free capital and resources, which allows them to concentrate on the areas of the business that provide key differentiation and build sustainable value for their shareholders.

While infrastructure sharing can take many varied forms it is infrastructure sharing around wireless telecommunications networks which is growing in importance and popularity. Most examples relate to the passive sharing of sites, towers and support equipment, but movement is also underway in the sharing of active access components too, most notably in 3G network deployments within developed markets.

While the specific circumstances within each local market will be different, there are a number of key factors which, with trends, point to the accelerating use of infrastructure sharing in the future.

Key factors

Operational Factors. Increasing competitiveness within most of the world's mobile markets is leading to revenue squeeze and a focus on cost cutting and efficiency drives at every level of the business. Sharing infrastructure speeds network build time, increases operational efficiency and reduces capital expenditures, all of which help to support margins.

Strategic Factors. Coverage is essential in mobile service provision, but in many markets it no longer confers sustainable competitive advantage for the existing operators. Furthermore, passive access infrastructure, mobile base station sites and facilities for example, generally requires significant time, money and permissions to construct. Low strategic importance and high commitment costs therefore makes mobile access sites and facilities a prime candidate for outsourcing or sharing.

Growth Factors. The popularity of wireless is increasing everywhere. Whether it's the continued worldwide growth of traditional 2G services, enhancements brought by 3G and 3.5G, future developments with LTE and high speed broadband access through technologies such as WiMAX. But whatever the technology or form of implementation, one thing is clear - all of the operators and technologies need sites, towers, power and security. Market expansion means that in the future there will be a requirement for more of these facilities. Finding ways to secure access to these facilities more effectively and efficiently will become even more important in the future than it is today.

Regulatory Factors. As more and more sites are needed, so the environmental and public reaction to the positioning of these sites intensifies. In many

markets regulators are intervening, either to actively encourage sharing, or in some cases, to mandate it in order to reduce their numbers. From an economic perspective, competition effects and the associated impact on welfare and the overall economy are also important considerations and are supported by a controlled infrastructure sharing policy. Regulatory support therefore at the very least removes regulatory barriers to sharing, and in many cases may act as a catalyst to action.

An important element in asset management

All of these factors point to wireless access infrastructure sharing as a growth activity. In fact, we believe that if operators are not actively involved in looking at ways to share infrastructure, this could lead to competitive disadvantage in the future.

Engaging in infrastructure sharing, however, often involves a complex transaction which requires careful planning and management. Considerations include service level agreements, price structure and escalation, contract terms, rights of access and non-discriminatory practice provisions to name but a few.

The Middle East as a region has been relatively slow to implement mobile infrastructure sharing in any significant form to date. However, markets are becoming more competitive, especially in mobile, and some regional Governments have the stated intent to further reduce their stake in incumbents. Environmental factors are also becoming more important as site numbers grow. We believe that infrastructure sharing will become a significant and important factor in the wireless industry within the Middle East region in the short to medium term.

How we can help

Intercai Mondiale has been actively involved in understanding global trends in infrastructure sharing and how it might develop within the Middle East region. Our team of specialised economic, market, financial and technical experts can help operators to work with the future challenges of infrastructure sharing to ensure that your organisation maximises its potential.

More information

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