EUROPEAN WIRELESS INFRASTRUCTURE ASSOCIATION

EWIA members can play a vital role in unlocking the investment needed in 5G network infrastructure to solve Europe's mobile connectivity challenge

EWIA

➔ Foreword by our Chairman:

Connectivity is not only critical for Europe's economy – it also improves immeasurably the lives of its citizens and acts as the glue linking people and wider communities. To deliver on the promise of a "connected Digital Single Market" and the Gigabit society by 2025 will require massive investment in new wireless infrastructure to support high speed, high capacity and pervasive 4G and 5G networks.

The European Wireless Infrastructure Association (EWIA) can unlock a pool of low-cost capital from long-term investors and infrastructure funds who seek investment in infrastructure rather than retail network services. **EWIA members enhance Europe's connectivity by attracting this investment into wholesale only, or 'neutral host' infrastructure, which is offered on an open access basis to all mobile and other wireless operators, and delivers greater levels of connectivity.**

Open access is at the heart of our business model, and EWIA's members build higher capacity infra-structure which is designed for sharing by multiple network operators from the outset. Our neutral host business model provides tangible benefits to our wireless operator customers by lowering the economic threshold for deploying new networks and reducing the costs through the increased adoption of sharing schemes. This in turn makes wireless services more available to end users and helps bridge the digital divide.

Globally, our sector is recognised as the prevailing model for infrastructure deployment and the 'wholesale-only' model, and the benefits it brings to achieving greater connectivity are recognised in the European Electronic Communications Code (EECC Art 80).

As EU Member States look to promote increased investment in wireless infrastructure over the coming years, we will face many policy debates in our domain. It is therefore absolutely critical that EWIA, as a valuable partner for the EU institutions, engages with decision-makers to help them understand our business model and to unleash the full potential of our sector for the deployment of future wireless infrastructure and for the roll-out of 5G technology across Europe.

I very much hope that we can continue to work together to put in place policies that incentivise greater neutral host investment in Europe's wire-less infra-structure. In the wake of the social and economic disruption caused by the corona crisis, we feel that EWIA and its associated members could be instrumental in executing the Next Generation EU recovery plan, which aims to strengthen the single market and accelerate the twin green and digital transitions.

I look forward to meeting you during my visits to Brussels and the EU Member State capitals and welcome any questions you may have.

Tobias Martinez, EWIA Chairman

→ About EWIA

The European Wireless Infrastructure Association (EWIA) is the European trade association of independent wholesale wireless infrastructure providers. Our members invest in and operate the wireless infrastructure which is essential to the delivery of mobile voice and data, wireless broadband, and other wireless networks, and they provide this 'neutral host' infrastructure to all mobile network and other wireless operators on an open access basis. This provides an efficient and competitive alternative to the vertically integrated business model, leading to better connectivity.

EWIA advocates policies that encourage the independent network infrastructure investment and deployment necessary to make advanced wireless broadband available everywhere for consumers, businesses, healthcare, public safety and the countless other sectors that rely on always-on wireless connections.

EWIA has ten members operating across twelve European countries who develop, acquire and operate communication towers together with investment in the fibre-connected small cell networks in buildings and on city streets needed for 5G. Together, our members operate over € 100bn of wireless infrastructure assets globally and operate a portfolio of over 75,000 assets in Europe, raising the share of independent infrastructure to approximately 20% of the wireless infrastructure in Europe.

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→ The pressing need for investment in 5G-ready infrastructure

By emphasizing "a Europe fit for the digital age" as one of the 6 priorities[1], the von der Leyen Commission presidency has demonstrated its ambition for Europe to emerge as a leader in the Gigabit society, especially with the 5G Action Plan, and has set the pace for ambitious reforms with full support from the European Parliament and the Council. As we look ahead to the new decade, we need to ensure that Europe is in prime position to launch 5G by 2020 with a full deployment by 2025 – but it can only do this if the conditions are right to incentivise investment.

While the policy-makers have already identified and addressed many hurdles, providing for the necessary input (spectrum) and preparing adequate legislation, there is a huge challenge to raise the necessary capital, estimated to be between € 56 billion and € 200 billion[2], and deliver on that vision faster than other regions whilst avoiding a digital divide.

To respond to that challenge EWIA brings a clear and powerful answer from a growing and forward-looking sector: **EWIA members enhance Europe's connectivity by investing long-term low-cost capital in high-quality shared telecom infrastructure.**

Our business model is well established in other regions, but is relatively new in Europe: for example, the percentage of towers which are outsourced to independent players is much lower in the EU than in the rest of the world –towers and rooftops held by independent operators make up just 20% of the total wireless infrastructure in the EU compared to 90% in the US or 55% in Central and Latin America, for example[3].

This leaves substantial potential to unlock investment in the sector. Indeed, the wholesale-only business model is ideally placed to help facilitate 4G completion and densification today, and – tomorrow – 5G in urban, rural, and "white spot" areas where small cells, distributed antenna systems and adequate backhauling capacities will be crucial.

So what actually is the independent wireless infrastructure sector and what is our added value in Europe?

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[1] "A Union that strives for more: My agenda for Europe" – Ursula von der Leyen

[2] Cf. Identification and quantification of key socio-economic data to support strategic planning for the introduction of 5G in Europe, SMART 2014/0008 study for the Commission, 2016
Cf. Building the EU Gigabit Society, a study by BCG for ETNO, November 2016

[3] EY-Parthenon Report for EWIA on the economic contribution of the European tower sector (November 2020)

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→ A vital catalyst in the connectivity chain

Wireless services require an underlying infrastructure foundation: a network of towers, roof tops, fibre-connected small cells and other wireless infrastructure. Historically, wireless service providers such as mobile network operators used to deploy their own captive infrastructure, but increasingly they outsource this infrastructure to independent wireless infrastructure operators, such as the members of EWIA.

EWIA members therefore play a vital role in providing connectivity for millions of Europeans by operating on a wholesale, neutral host basis a portfolio of 75,000 infrastructure assets hosting today's services and reducing the time-to market of a new service.

We also create new infrastructure, in anticipation of our support for national densification programs. Those who live and work in areas where coverage has traditionally been low or difficult benefit from improved connectivity and better services. We are well-placed to facilitate 4G, as well as the uptake of new technologies, such as 5G.

Finally, some mobile operators may choose to sell part of their captive towers to an independent infrastructure partner which then upgrades the infrastructure and markets it to other wireless services, improving the overall connectivity.

Through these three mechanisms, EWIA members facilitate access to wireless services and help decrease the digital divide, providing better coverage and wireless services to more people. It has been estimated that with greater outsourcing (e.g. 50%) to independent wireless infrastructure operators, up to € 28 bn could be unlocked in capital investment[4]. Recent transactions provide support for this — since 2018 until Mid 2020, as their share of sites grew from 17% to 20%, Independent wireless infrastructure operators have helped release circa € 3.5bn in capital via acquisition of various tower portfolios from mobile network operators.

[4] EY-Parthenon report mentioned in note 3 – available in www.ewia.org resource section

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→ The case for independent neutral host infrastructure

Independent neutral host infrastructure unlocks new investment that will be critical to 5G. An incredible opportunity exists to tap into the investment appetite from long term infrastructure focused investors; infrastructure funds alone have an estimated $160bn[5] dry powder available for investment in long term infrastructure assets. Globally, this is the preferred model with nearly two thirds of wireless infrastructure outsourced to neutral host players, as wireless operators take advantage of the long term, low cost capital in this sector; yet Europe falls behind with only 20% of such infrastructure held independently.

Independent neutral host infrastructure is twice as productive as vertically integrated infrastructure, leading to better connectivity. Independent wholesale only infrastructure operators can deliver a more efficient form of infrastructure. With a very different business model to the vertically integrated operators, they are incentivised to maximise utilisation of the assets, leading to higher productivity and ultimately better connectivity. Studies by EY for EWIA have shown that independent neutral host infrastructure delivers a collocation ratio almost two times higher than vertically integrated assets.

Neutral host reduces infrastructure costs, whilst offering a pro-competitive solution to infrastructure sharing. Independent wholesale players invest in more substantial assets, designed for use by multiple network operators from the outset. They lower the economic threshold for rolling out new coverage with just one anchor customer and reduce the total cost of ownership for that customer by anticipating future sharing by other wireless operators. Independent neutral host infrastructure facilitates competition and allows all players to access the infrastructure easily and quickly. Sharing infrastructure results in fewer barriers to entry or expansion. Therefore, independent neutral host infrastructure encourages smaller wireless operators and innovative new applications (e.g. fixed wireless access, Internet of Things), and in addition to the three or four mobile network operators, independent neutral host infrastructure supports hundreds of other wireless networks.

[5] Prequin Fundraising update page 5 (2017)

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→ Policy support is essential to support investment in neutral host wireless infrastructure

Our sector requires a different regulatory lens which recognises the very different incentives in our sector, if we are to increase our investment capacity and unleash the potential of our business model. We are hopeful that future policy will reflect, and indeed support, wider and faster infrastructure deployment through neutral host investment.

There is much work still to be done to match what is happening in other parts of the world. Europe needs to keep up with its neighbours, and policy needs to keep up with technological and sectorial developments.

In the development of European telecoms policy, we would like EU regulatory frameworks to view EWIA as a valuable partner in the EU connectivity debate. Appropriate policy incentives could lead to significant additional investments in Europe, and the EU would benefit from greater levels of connectivity that will make it a world class digital society.

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