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PRESS RELEASE

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Subject	**Network sharing deals rapidly expand across Europe**

Frankfurt, 14 April 2016. Telecommunications companies across the EU are attracted by the benefits of sharing as they aim to deploy 4G fast and widely, according to a study from international law firm CMS. The report analysed major cross-border mobile network sharing deals completed across 24 countries worldwide in 2014-2015 as well as the regulatory frameworks behind them.

This second study looked at new deals in all European countries and extensions of existing arrangements, covered in the first study, in countries where deals have been in place since 2013 or earlier. The number of successful transactions indicates that market participants have correctly identified the economic drivers that make transactions desirable and have developed the commercial structures needed to give effect to them.

Germany, Hungary, Bulgaria and China joined the network sharing countries between 2014 and 2015. As part of the merger clearance process for Germany’s third largest operator E-Plus, the buyer had to agree to mandatory sharing of certain network elements. This was the basis for the transaction between Telefonica/E-Plus and Drillisch, another German telecom operator. In Hungary, network sharing was introduced in 2015 with a progressive scheme between T-Mobile and Telenor, the largest operators in the country. A large deal was struck in China when three operators formed China Tower, agreeing to transfer all their towers to the newly created joint venture.

As evidenced by the relatively small number of new sharing countries, 2014 and 2015 were the years of scope extension for existing deals. Due to the positive experiences of previous sharing transactions, parties were prepared to extend the scope of their sharing, most typically to include 4G networks or to accommodate national roaming.

National roaming has become a major element in network sharing deals. In 2013, it was included in only 23% of deals. However in 2014-2015, roaming was the joint second most shared element at 25%, together with radio access networks (RAN). Passive elements remain the most often shared despite a small drop to 30% in 2014-2015 from 36% in 2013. Spectrum and core elements both dropped slightly to 10% each in 2014-2015.

Chris Watson, Head of the CMS Technology, Media and Communications Group, said, “In our first study of calendar year 2013, we identified the regulatory issues in Europe that were weakening the continent’s competitiveness against the USA. This year our second study evidences an uptake in sharing deals, particularly those that include roaming and 4G. This is likely a consumer-driven trend aimed at attracting customers and remaining competitive, while generating capex efficiencies.”

The study also examines which network generations (2G, 3G or 4G) the sharing deals have affected. In 2013, only 24% of deals covered 4G. This has risen to 40% of deals conducted in 2014-2015. The number of European deals affecting 2G and 3G networks both fell from 9 and 10 to 7 and 8 respectively in 2014-2015.

4G is fast becoming a fundamental element of sharing arrangements: the latest technology is being shared, perhaps surprisingly. This can be attributed to the early successes of network sharing deals which have proved that they can serve as an alternative to consolidation of corporate ownership.

Horizontal deals, where competing service providers only enter into a commercial agreement, were once again more popular than joint ventures. The new Chinese joint venture and the Russian one reported in the previous study imply that this form of cooperation is perhaps something which takes place most easily outside the EU.

The study addresses the thorny regulatory landscape in the EU and provides guidance on certain practical aspects of network sharing as experienced by CMS experts during the preparation and implementation of such deals. It stresses the importance for telco operators of identifying regulatory barriers but also the stance that governmental authorities might take in regard to a sharing agreement – particularly when it comes to local law. Other points that it addresses are technical and commercial constraints as well as the importance of detailed analyses of the interoperability of the two parties' networks.

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