**Submission from the Ofcom Advisory Committee for Wales in response to the Joint Regulators Group's call for inputs on shared works, shared facilities and revenue sharing.**

The Ofcom Advisory Committee for Wales welcomes the opportunity to provide advice to Ofcom regarding the Joint Regulators Group's call for inputs on shared works, shared facilities and revenue sharing.

Infrastructure sharing can provide the most rational basis for economically efficient investment and the most economic input cost for the retail of communications services.

The best example of the adverse effects of not sharing infrastructure is provided by that part of the communications market served by mobile network operators (MNOs). For example, a customer in a mid-Wales location not covered by his MNO has no service coverage even if there is coverage by another MNO.

Roaming by infrastructure sharing is standard across fixed line networks and between mobile networks in different countries. It is even possible in the UK, for emergency calls. The Ofcom Advisory Committee for Wales contends that there are no technical, market distortion or legal grounds for opposing infrastructure sharing and that it resisted solely for commercial reasons.

The economic issue is whether a new supplier will conclude that it is more economic to rent or build capacity. If using existing capacity is considered best, there will be benefit to both asset owner and supplier from more efficient utilisation. If building new is considered most appropriate then the supplier will have lower input costs which will set a new price for the existing asset owner to compete against or use. The opportunity for either to propose joint new asset investment is also created but tempered by judgements about multiple retailers' willingness to buy. The outcomes of infrastructure sharing are improved service availability (to the totality of asset coverage); better use of existing capacity; lower capital spend; and more competitive input costs to retail.

The lack of shared infrastructure is anti-competitive: it enforces a barrier to entry; boosts monopolistic power of the owner of the unshared asset; is an inefficient use of capital (either from unused existing invested capacity or from poorly used provision of new capacity by another network). It is also anti-customer: either no service or higher costs if another supplier does enter.

Infrastructure sharing between a communications supplier and an entity not supplying retail communications (such as national grid power pylons and Energis), or between communications suppliers (physical space/real estate), has no regulatory implication because it is simply a function of the property market.

Infrastructure sharing with a communications connection (e.g. connecting masts, frames, cabinets) has regulatory implications because there will be connection costs and running costs associated with the set up and maintenance of the interface and an economic rent charge for use of the capital value of the electronic space on the competitors asset. Three conditions will ensure economic investment and valid retail input costs in this market and prevent the asset owner behaving anti-competitively.

1. The asset owner must only charge the same price to a sharing user as they charge themselves for the use of the asset.
2. There must be complete reciprocity for the asset owner to rent use of space on the other's network on the same price basis.
3. Any asset owner must allow access to any competitor.

Such an approach would remove the service denial from monopolistic coverage, remove potential for cross-subsidy between operators, create single communications market conditions in the UK (diminishing monopolistic power) and benefit the customer.

Infrastructure sharing is an option which could be of special benefit to Welsh customers as Wales has uneven concentrations of population and wealth. As several generations of communications build-out demonstrates, the present market arrangements repeatedly fail the same areas and the same people; even the timing of the market failure is predictable. Regulation and intervention should not be: this simply guarantees continuing deprivation as sections of society are condemned to be permanently at least one technology generation behind. Regulatory encouragement and/or mandating of infrastructure sharing could be one of a number of proportionate interventions: it should be subject of further study.

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On behalf of the Ofcom Advisory Committee for Wales

December 2012