

## 5G networks

# Telecom investors hit out over EU rule changes

Rare public intervention reflects belief Europe could be left behind in networks' race



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Nic Fildes, Telecoms Correspondent NOVEMBER 26, 2017

Some of the world's largest telecoms investors have warned that proposed European regulations will deter investment just as the industry is under pressure to spend heavily to build faster fibre optic and 5G networks across the continent.

The rare public intervention by institutional investors reflects a belief that Europe could be left behind in the race to build infrastructure.

The European Commission had proposed loosening the rules to encourage investment, having estimated a €155bn funding shortfall. [But the European Parliament](#) and Council of Ministers added amendments that could result in new entrants to the market, such as [Vodafone](#) and [Liberty Global](#), being regulated as if they were an incumbent such as BT or Deutsche Telekom.

Chris Whitehouse, an investment analyst at [T Rowe Price](#), which has \$971bn of assets under management, said: "We believe the potential introduction of regulation that risks the opening up of private networks will act as a disincentive for companies to invest capital expenditure. We want the status quo, ensuring the much needed investment in fibre continues."

Mandana Hormozi, portfolio manager at Franklin Mutual Series, which has \$752bn of assets under management, said: "Capital investments into infrastructure are the lifeblood of telecom companies — without advanced networks there is no pipeline of opportunity, but if you undercut the opportunity then there is no incentive to invest."

Investors have become concerned that telecoms regulation in Europe has held the sector back and allowed US and Asian technology companies to build huge businesses that rely on the

networks but are not regulated in the same way, if at all.

European consumers spend less on phone bills than they did a decade ago partly because new rules have cut some charges but cumulatively they spend more because of the higher cost of smartphones.

Carla Foucaud, telecoms analyst for Boussard & Gavaudan, a boutique investment fund, said: “Europe stands out as having some of the lowest access costs for citizens, creating savings that have effectively fuelled entire generations of smartphone upgrades. Citizens would benefit much more from having leading-edge connectivity.”

Bruno Lippens, senior portfolio manager at Pictet Asset Management, said: “We invest in European telcos for their ability to take costs out. In a deflationary environment, the only way to survive is by having the lowest and most flexible cost base. The current regulatory environment in Europe doesn’t reward investments in the type of innovation that is happening in the US and China.”

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