

B-Day landings in World War 5G

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31/01/2020

Wow. What a week to have lived through. It started with UK prime minister Boris Johnson revealing that Huawei would be involved in the roll-out of 5G in Britain – potentially leading to a schism with the US – and ended with Brexit... a rift with Europe.

While taking no side on the Brexit debate (is anyone else calling today B-Day?) as it's not for *IJ* to espouse a political leaning, today's the day that the UK breaks free from the shackles of the European Union / descends into anarchy and disappears off the international financial radar (delete as appropriate).

However, it is to the 5G conundrum that we turn again this week as the role of Intelligent Infrastructure cements itself as a point of contention within the community, and questions increasingly crop up over how we can deliver the likes of Smart Cities.

This is the third in a series of articles written in close cooperation with *IJGlobal* partner Matthew Garver who runs Management & Excellence Global Inc. and is also president and managing partner of Liberty Street Capital.

The previous pieces – [Bring on the infra revolution](#) and [Battle lines drawn for Intelligent Infra](#) – focused on the application of Intelligent Infra in Smart Transportation Corridors, and the second on US attempts to limit the role played by Huawei in the delivery of 5G networks, citing security risks.

This week, we take the discussion to a new level – the impact of the UK PM's decision to open the door (partially) to the Chinese telecoms equipment giant and how, a lot sooner than some people expect, this will bring the finance community to the table.

Lay of the land

The UK – despite pressure from the US – is allowing Huawei tech to be used in its 5G network, but putting a 35% market share cap on its adoption, excluding the Shenzhen-headquartered telecoms giant from "sensitive parts".

This, of course, is rather good news for Nokia and Ericsson who will rise to the challenge of filling that gap, however BT groans that this decision will add £500 million to its bill for rolling out 5G across the UK.

Meanwhile, the European Commission has issued guidance on 5G and – while not directly identifying Huawei – points to the involvement of "high-risk" vendors, responding to US spying fears.

EC member states have until 30 April (2020) to agree on how to secure their 5G networks, with the commission leaving the decision on equipment suppliers to individual nations.

"5G networks offer more potential entry points for attackers. Cyber-security threats are on the rise and becoming increasingly sophisticated," the EC stated this week in a press release. "As many critical services will depend on 5G, ensuring the security of networks is of highest strategic importance for the entire EU."

Huawei, meanwhile, is seeking to build the UK's decision to allow it to build part of its 5G network, using it as foundations for its argument for Australia to overturn its ban.

According to sources, Boris Johnson's decision to open the door to Huawei is far from surprising as the US strategy is fundamentally constrained on a logic, finance and resource level... not to mention hugely constrained by supply chain.

The US is lagging the field on the tech front and its legislation – Utilizing Strategic Allied (USA) Telecommunications Act – that plans to use proceeds from spectrum auctions and \$1.25 billion in grants (spread across 10 years) to support advancements in 5G technology... falls a long way short of requirements to deliver a functioning 5G chip in time to keep up with the rest of the world in such a fast-pace environment.

Return of the PPP

Now we're veering into dangerous territory as every PPP specialist who bears the scars of tech-reliant projects will tell you free for the asking – technology obsolescence is a very real risk.

But that's the way we're heading – and for good reasons.

"The West has to figure out how to create an incentive for the private sector to do a public-private partnership to get 5G fully escalated into the market – rapidly," says Matt Garver.

"This is one of those moments where, like cyber, if you are going to create an industry from scratch, it's going to take a new approach to a public-private partnerships, creating incentives that are perfectly aligned to commercial profit and national security."

This truly is virgin territory and it's going to take a whole new approach to PPP and the roles played by all parties involved in the delivery of essential infrastructure – with the greatest need for change falling to the public side.

"There needs to be flexibility so that when your technology upgrades need to be implemented, you're not locked into some stupid contract that prohibits them," says Matt.

That statement will have every infra purist in the world sucking teeth and shaking heads at the folly of drafting contracts that aren't buttoned down on every point for the concession duration.

But that's what it's going to take and the market's going to have to find a way of delivering exactly that level of flexibility in an environment where the public side does not glory in throwing its private sector "partners" under the bus.

Matt draws a comparison to the US building power plants across America in the 1930s when power companies were given regulatory frameworks and guaranteed rates of return so that customers reap the benefits of upgrades and lower costs.

"The way the public sector does it is they beat down all the risks, push the risks to a contractor and then the contractor pushes the risks down to the people who can least handle it. So everybody pushes the risks down the line and takes the profit off that," says Matt.

And this view of how to deliver infrastructure is what needs to change.

"This is a call for a new approach to public-private partnerships where there is collaboration, but with thresholds where above a certain level capital is reinvested into the project – or something along those lines. We need to move away from a model where one side is trying to take all the profit and the other is trying to push all the risk," Matt adds.

"We need some sort of calibrated equilibrium where there is a balance between the incentives to achieve national security standards, commercial profit and usability for the next 10 years – as well as sufficient R&D.

"The way they are doing the math, it is giving one side or the other the advantage, but not the longevity of the projects. And that's a huge concern. The public sector has to build the framework for stability."

The biggest concern on this front has to be the systemic shift required by all parties on so many levels... which is akin to herding cats uphill in the rain towards a dog pound.

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