

Infrastructure, Transport, Regional Development, Communications and the Arts

Committee Inquiries Question on Notice

Standing Committee On Communications and the Arts

Inquiry Into Co-investment in Multi-carrier Regional Mobile Infrastructure

IQ23-000009

Division/Agency: DIV - Communications Services and Consumer

Hansard Reference: Written (15 February 2023)

Topic: MNOs - Recent divestiture of tower infrastructure

Mr Brian Mitchell MP asked:

Is the recent divestiture of tower infrastructure by some MNOs likely to encourage co-investment under current regulatory arrangements? Any details and examples?

Answer:

The three major carriers in Australia have divested their interests in the entities who own their towers:

| | Telstra | Optus | TPG |
|----------------------------------|---|--|--|
| Divested entity | Amplitel | Indara (initially Australian Tower Network) | WaveConn |
| Effective date | 1 September 2021 | 17 November 2021 (initial divestment of 70 per cent stake) 1 April 2022 (90 million new ordinary shares were released, which further reduced the ownership stake) | 15 August 2022 |
| Value of divestment | \$2.8bn | \$1.85bn | \$950m |
| Who purchased the divestment | A consortium comprised of Future Fund, Commonwealth Superannuation Corporation and SunSuper | AustralianSuper | OMERS Infrastructure (part of the Ontario Municipal Employees Retirement Scheme) |
| Proportion of ownership retained | 51 per cent | 18 per cent | 0 per cent |

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Given the divestitures themselves are relatively recent, it may be too early to determine their effect on co-investment under the current regulatory arrangements.

Telecommunications firms shifting to structurally separate their network infrastructure or divest passive infrastructure to independent tower companies is a trend internationally. This trend is advanced in the United States, is newer in Europe, and is in its early stages Australia. A range of factors contribute to this trend, including service providers freeing up capital to invest in 5G network expansion, such as spectrum acquisition and network densification.

Drawing clear implications from international experience for co-investment in the Australian context is difficult due to differences across international markets, different policy and regulatory contexts, and Australia's large land mass and low population densities, which can make the provision of mobile coverage to less populous and less travelled areas challenging. As the Department's submission notes, co-location (the sharing of passive infrastructure) has been used extensively in Australia, but rates of co-location drop in outer regional and remote Australia.

All three major tower entities advertise the ability to co-locate active infrastructure assets on their websites. Amplitel also noted in its testimony to the Inquiry on 8 March it was 'agnostic' about which carriers were able to install active infrastructure on its assets.

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Inquiry into Co-investment in Multi-carrier Regional Mobile Infrastructure

IQ23-000010

Division/Agency: DIV - Communications Services and Consumer

Hansard Reference: Written (15 February 2023)

Topic: Government role in encouraging co-investment

Mr Brian Mitchell MP asked:

What role is the Government playing to encourage more co-investment and are many newer regional towers going ahead with co-investment?

Answer:

The Australian Government's mobile coverage programs are designed to encourage co-contributions towards the cost of new mobile base stations funded under the programs.

The Government's priorities with regards to co-investment are outlined in the response to IQ23-000012. More generally, under rounds 1-5A of the Mobile Black Spot Program (MBSP), applicants were able to seek up to \$500,000 towards the capital costs of a new base station. Since Round 6 the MBSP has permitted applicants to claim up to 50 per cent of the total capital and operational costs, based on the approach taken under Round 1 of the Peri-Urban Mobile Program (PUMP).

The MBSP rounds were also designed to encourage state governments to co-contribute towards base stations by providing flexibility for them to work with potential applicants to develop proposals that target areas of common interests.

To date this approach has worked well, with rounds 1-5A of the MBSP attracting \$175 million in state government co-contributions, complementing the Commonwealth's contributions of \$298 million, and funding recipients' co-contributions of \$400 million. However, as the regional communications programs continue to move into higher cost areas with lower population densities, the level of Commonwealth contribution may need to increase. As such, in Round 7 of the MBSP, the Government has increased the amount of the funding applicants can seek to up to 75 per cent of the total capital and operational costs for proposals in remote and very remote areas, and First Nations communities.

The Committee may also be interested in the Australian Competition and Consumer Commission's *Mobile Infrastructure Report 2022*. This provides market information on the number of new sites built in years 2021 and 2022, including information on the number of sites receiving co-funding from other sources (see (pp. 12-14).

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IQ23-000012

Division/Agency: DIV - Communications Services and Consumer

Hansard Reference: Written (15 February 2023)

Topic: Geographical targeted areas to improve mobile coverage

Mr Brian Mitchell MP asked:

Are there any geographical areas being targeted as a priority for co-investment to improve mobile coverage? And if so, who decides the priorities?;

Answer:

The Mobile Black Spot Program (MBSP) prioritises expanding mobile coverage into areas with poor and no existing coverage, focusing on regional and remote Australia, where the high costs of rollout and low population densities make it less economic for the mobile network operators to invest.

Later rounds of the program have included provisions to encourage applicants to target specific priority areas at the time. For example, rounds 4 and 5 of the MBSP encouraged applicants to target Public Interest Premises. A Public Interest Premises was defined as a premises or location that the Program considered was used on a continuing basis for a public interest purpose, and which may include:

- (a) an economic centre;
- (b) an emergency services facility;
- (c) a health facility;
- (d) an educational facility;
- (e) an indigenous community organisation;
- (f) a local government facility; or
- (g) a not-for-profit organisation.

Round 5A of the program, included provisions to encourage applicants to target high priority natural disaster prone areas, and major regional and remote transport corridors.

Round 7 of the program, to be delivered in a combined grant opportunity with the Regional Connectivity Program Round 3, is open to eligible areas nationally and identifies priority funding for First Nations Communities. The assessment process for Round 7 will prioritise solutions that offer coverage outcomes from three national Mobile Network Operators (MNOs) over solutions that offer coverage from two national MNOs. Similarly, solutions offering services from two national MNOs will be prioritised over solutions with a single national MNO. Consultation on the draft Grant Opportunity Guidelines occurred during 20

December 2022 to 10 February 2023. The program opened on Monday 20 March 2023 and will close for applications on 31 May 2023.

In addition, the Government's Peri-Urban Mobile Program targets improving mobile connectivity in bushfire prone areas along the edges of Australia's major cities. The peri-urban fringe is where the bush meets the edges of the suburbs, creating natural disaster risks for those living and working in those areas. These areas have been traditionally underserved by the commercial market because of their high cost, difficult terrain and lower population densities.

Priorities for investment are determined by the Government of the day. As part of the Better Connectivity Plan for Regional and Rural Australia, the Government has committed \$20 million to a national audit of mobile coverage. It is envisaged that the results from the audit will assist with the design of future rounds of the program and guide priorities for investment.