



Amplitel's Submission to the Standing Committee on Communications and the Arts

Inquiry into co-investment in multi-carrier regional mobile infrastructure

10 November 2022

Executive summary

Amplitel has an asset portfolio of over 8,000 telecommunications towers, masts, large poles and antenna mount structures across Australia to support customers to deliver wireless communications. Amplitel participates in one segment of the value chain required to deliver an effective and contiguous telecommunications service.

Connectivity is a critical driver of regional development, however, often the economic case for a telecommunications provider to invest in regional areas is not strong. Amplitel believes there are strong public benefits associated with continued Government investment in regional telecommunications infrastructure and removal of investment barriers, in particular:

1. co-location models for infrastructure which support multiple users, especially in regional, rural and remote areas;
2. continued co-investment programs; and
3. streamlining of regulatory barriers to investment in infrastructure.

There are clear efficiencies with sharing existing infrastructure and maximising utilisation of existing assets both for Amplitel and its customers. Co-location (where multiple mobile network providers will install their own equipment on a single tower) is often more economical than self-supplying new infrastructure and reduces duplication. This is particularly acute in regional, rural and remote areas where commercial incentives to invest can be challenging.

Amplitel is committed to maximising utilisation of its existing and future network infrastructure assets, in line with its mission to be Australia's leading provider of towers infrastructure to support customers to deliver wireless communications.

The commercial incentives for investing in regional Australia are often challenging, with generally low commercial returns from sparsely populated areas.¹ There are limited commercial incentives outside Government subsidisation to improve the quality or depth of coverage in circumstances where costs far outweigh the potential returns.² There is, and will continue to be, an important role for Government to help co-fund infrastructure that would otherwise be uneconomic.

There are opportunities for change that governments could consider to reduce the disincentives to invest. These include the harmonisation of State and Territory planning and development approval processes, the exemption from planning and development approvals being extended to non-carriers infrastructure providers for telecommunications towers, and reconsidering the required lot size for telecommunications towers should be reconsidered.

The actions of landlords, including Governments as landowners, can cause the business case for tower locations to become marginal or negative. This is particularly problematic in regional, rural and remote areas. Government landowners are in a unique position to reduce the cost of providing new telecommunications infrastructure by reducing rents on Government lands. This would have the additional benefit that the effects of co-funding from Government would be more effective as grants would not be blunted by increased rents by Government.

There would be benefit in reducing the current regulatory arrangements for access to telecommunications infrastructure owing to the structural change in the sector. The current regulatory arrangements impose a burden on infrastructure providers in a carrier group that are beyond the benefits they yield.

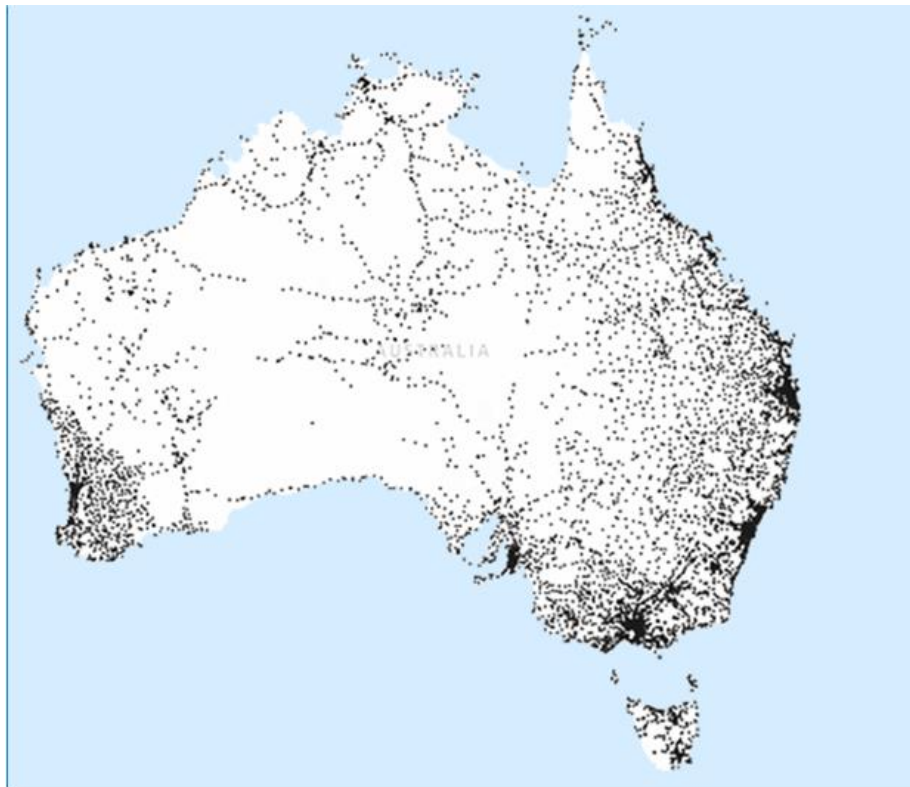
¹ See for example, ACCC's Regional Mobile Infrastructure Inquiry Consultation Paper dated 1 July 2022, p5

² Note 1

1. **About Amplitel**

- 1.1 Amplitel was established on 1 September 2021 following the transfer of the towers business of Telstra Corporation Ltd (**Telstra**) to Amplitel and sale of a 49 per cent interest in that business to a consortium of investors. This consortium includes the Future Fund, Australian Retirement Trust, Commonwealth Superannuation Company and Morrison & Co IP. The Consortium has appointed H.R.L. Morrison & Co as manager of its holdings.
- 1.2 Amplitel's mission is to be Australia's leading provider of towers infrastructure to support customers to deliver wireless communications. Amplitel operates over 8,000 towers, masts, poles, and other structures. Amplitel also has access to Telstra's equipment building rooftops and approximately 160,000 of Telstra's street side poles. Amplitel's tower locations are available at <https://www.amplitel.com.au/tower-locations>.
- 1.3 Amplitel's strategic objectives are to:
- (a) invest in new passive tower infrastructure to support its customers' mobile and non-mobile networks;
 - (b) increase utilisation of its infrastructure by providing better access;
 - (c) provide competitive market offerings;
 - (d) improve asset health;
 - (e) pursue growth and drive asset efficiency; and
 - (f) be the home of tower infrastructure expertise.
- 1.4 Amplitel is focused on investing in new services and solutions including:
- (a) implementing a new asset management system for asset inventory, workflows, and order tracking;
 - (b) creating digital twins of the network to enable available space to be visually shared for more cost-effective planning for customers;
 - (c) establishing an in-house engineering services team to provide customers more choice in engineering provider; and
 - (d) creating innovative approaches to reducing the cost to upgrade infrastructure to accommodate more customer equipment and to reducing the overall life-cycle cost of building and maintaining infrastructure.
- 1.5 Amplitel serves a broad range of customers including mobile carriers, public emergency networks, private wireless providers, major corporations, and not-for-profits.
- 1.6 **Figure 1** shows the locations of Amplitel's macro towers, masts, poles, and other structures across Australia.
- 1.7 Amplitel is not a mobile network operator, not a carrier and does not supply carriage services. As a provider of passive tower infrastructure, Amplitel is well placed to comment on the costs, feasibility and public benefits associated with the deployment of multi-carrier outcomes on passive site infrastructure.

Figure 1: Amplitel's macro towers, masts, poles, and other structures



2. The mobile network value chain and Amplitel's role in the chain

- 2.1 Passive tower infrastructure is one part of the total upfront and ongoing investment required to deliver a telecommunications service. The provision of mobile and non-mobile telecommunications services requires the installation and use of both passive assets and active assets. These assets will include, at a minimum, spectrum (for mobile services), radio/mobile antennas, radio units, network access equipment, power, shelter, and the infrastructure required to install antennas at height (e.g. a tower). Depending on where a tower is located, connection to the mobile network (backhaul) will be via the fibre network or via microwave dish connections between towers.
- 2.2 Amplitel is a passive mobile network infrastructure provider (**MNIP**) and provides most of the passive infrastructure assets at a tower site required to establish and operate a telecommunications tower. These include land, security fencing, access tracks, the tower and connection to the power network (where available). The active assets (those that require power to operate or can transmit data) are provided and operated by the customer. In addition, some passive assets (such as equipment huts) which are unique to a customer's equipment will be provided by the customer.
- 2.3 The construction of every tower is unique and is designed to meet customers' radio frequency requirements which have a substantial impact on site choice and tower design (height and capacity), and to withstand the local environmental conditions. Customers' radio frequency requirements determine the quantity of equipment and the height at which that equipment is installed. This impacts choice of structure and structural capacity of the tower.

3. **The benefits of co-location**

3.1 Co-location through passive mobile infrastructure sharing can offer a number of benefits to MNIPs, mobile carriers, and the public. These benefits include:

- (a) **more efficient use of land and increased access to favourable locations** - In Amplitel's experience, the location of a site and the benefit that the site will deliver to the overall networks of our customers is often the most important factor in determining the best location for the installation of a new telecommunications site. Amplitel's customers will specify a search ring to Amplitel within which to secure a new site, and that location and the size of the ring will depend upon expected network demand, spectrum to be used, distance to the core network (backhaul distance), distance to power and topology of the surrounding region. Often the best location for a tower is an elevated position. Site location must maximise benefit to a carrier's network, which limits the availability of suitable sites. In geographic locations where there is a lack of availability for suitable sites, passive mobile infrastructure which supports co-location can allow multiple carriers to gain access to these sites.
- (b) **economic efficiencies** – In general terms, it can be less costly to build a single tower that will accommodate multiple mobile carriers, than it is to build multiple structures that only support a single mobile carrier.
- (c) **increased choice for end users** – If multiple carriers co-locate on a tower, this can improve the choice of service providers available in that location, with the corresponding benefits that increased competition brings.

4. **Costs associated with building and maintaining telecommunications towers**

4.1 Amplitel recently responded to the ACCC's Regional Mobile Infrastructure Inquiry. For more detail on the costs of tower infrastructure and the complex factors that contribute to the costs of tower infrastructure, please refer to Amplitel's [ACCC submission](#).

5. **The business case for rural, regional, and remote towers is marginal without co-funding; government plays a key role in funding infrastructure that is otherwise not economically viable**

5.1 The decision to develop a new tower site ultimately comes down to an assessment of the relevant business case. For example, where there is a new tower request by a customer, Amplitel would consider whether the customer is willing to pay a charge that will recover Amplitel's costs plus a reasonable return having regard to the risks. Amplitel's costs will include the cost of ground lease, the build costs and the forecast operational expenditure.

5.2 Amplitel aims to recover on average returns above the direct construction and operating costs of the tower in order to fund the non-attributable costs of the business and provide a return to debt and equity providers. Returns above the direct costs will come from increased asset utilisation – thereby driving Amplitel's incentives to increase utilisation of its infrastructure.

5.3 Importantly, telecommunications towers in rural, regional and remote areas are often not commercially viable without Government co-funding. The costs of building networks are high and returns are generally low in such areas. This means that the commercial case for extending networks in sparsely populated areas is generally a difficult one to make absent some form of government subsidy.

5.4 Moreover, carriers usually make decisions to invest in a particular location at different times, based on their differing competitive business priorities to deliver attractive services to customers in the national mobile market. It can therefore become difficult to determine when the most efficient time is to invest in building additional capacity to support multi-carrier

coverage from a tower. The recent Peri-Urban Mobile Program, recognised this investment issue and through a staged process allowed carriers to express interest in co-location on sites to be developed by another party early in the development process.

- 5.5 Federal and State Government co-funding initiatives seek to support the provision of new mobile coverage through investments that address coverage, capacity and competition issues e.g. the Federal Government's Mobile Black Spot Program. Co-funding programs are essential to ensure adequate coverage in regional, rural and remote areas.
6. **Opportunities exist for reform to make it more efficient to rollout infrastructure (with a focus on reducing costs in obtaining approvals and encouraging co-location)**
- 6.1 The challenges that Amplitel faces in rolling out infrastructure greatly impact the costs and feasibility of the deployment of infrastructure. An area where such challenges can be readily addressed by regulatory reform is the cost and time of obtaining approvals to install telecommunications towers.
- 6.2 There are several potential changes to increase efficiency in the development of infrastructure by MNIPs, to enable the fast and cost-effective rollout of new infrastructure. This would in turn lead to achieving better mobile connectivity in regional, remote and rural Australia.
- 6.3 Some potential regulatory changes that Amplitel considers may lead to more efficiency in rolling out infrastructure and encourage co-location are set out below:
- (a) the **harmonisation of State and Territory planning and development approval processes** would improve the efficiency, and could reduce the cost, of developing telecommunications infrastructure. Currently the planning and development approval process for mobile infrastructure varies between States and Territories. This adds uncertainty in planning new infrastructure and can increase the costs of the site selection, acquisition and planning approvals during the development phase;
 - (b) currently, certain telecommunications facilities are exempt from certain State and Territory laws for carriers. For example, low-impact facilities as defined in the Telecommunications (Low-impact Facilities) Determination 2018 (**LIFD**) are exempt from a range of planning and development approval requirements. This is critical to the efficient deployment and maintenance of telecommunications networks as exemptions minimise the regulatory burden on carriers so they can quickly and cost-effectively meet the community's need for access to affordable, fast and reliable telecommunications services in a nationally consistent way. However, the LIFD does not apply to non-carriers or telecommunications towers. **Exemptions from planning and development approvals should be extended to non-carrier MNIPs for telecommunications towers.** At a minimum the exemptions should apply for:
 - (i) towers built under a co-funding programs;
 - (ii) towers under specified heights;
 - (iii) towers in certain development zones (e.g. industrial zones); and
 - (iv) towers that a designed to support multiple mobile carriers in regional, rural and remote areas.
 - (c) **the required lot size for telecommunications towers should be reconsidered in planning and development requirements.** Currently, planning rules may mean Amplitel purchases more land than is required for a tower site. Amplitel typically seeks to secure a site that can accommodate at least two tenants. For a standard

pole location, this can be achieved in an 80-100 sqm plot, increasing to 10,000 sqm for a large guyed-mast. Minimum lot sizes may mean that Amplitel purchases more land than is required for a standard pole e.g. for a minimum lot size of 1,000 sqm, Amplitel will only need 100 sqm of the lot. These requirements are inefficient and unnecessarily increase Amplitel's costs in developing and maintaining infrastructure.

7. Incentives the Government, as a landlord, can implement to encourage co-location

Co-User Fees

- 7.1 Some government landowners have rent seeking approaches to telecommunications sites, leveraging additional fees (co-user fees) on sites with increased utilisation without any corresponding benefits. Such behaviour increases costs to the telecommunications carrier and reduces the feasibility of co-location.
- 7.2 These problems have been highlighted by the NSW Independent Pricing and Regulatory Tribunal (**IPART**),³ which identified that co-users of telecommunications towers on Crown lands are currently required to pay rents (in addition to the primary user), even where they occupy no additional land.⁴ This practice amounts to double dipping and is out of step with commercial practice and inconsistent with Commonwealth legislation which encourages co-location. Accordingly, IPART recommended that co-users should only pay rent to government land agencies for the additional land they occupy, so for co-users wholly within the fenced areas of the primary user's site IPART recommended that the government land agency charge no annual rent.⁵
- 7.3 While this recommendation has not yet been adopted by the NSW Government, Amplitel welcomes these recommendations and considers it should be implemented across all Federal and State government owned lands. Co-user rents are inconsistent with Commonwealth legislation which encourages co-location, such as the *Telecommunications Act 1997*. Co-location should be encouraged as it can offer a range of benefits including more efficient use of land and deployment of expanded coverage, and increasing the uptake of emerging technology for communication purposes such as small cell technology as required for 5G mobile telecommunications.⁶
- 7.4 Where the Commonwealth is investing in infrastructure that benefits a State or Territory, it should require that the State Government, Government agency or government-owned corporation remove any co-user fees.

Impact of rent on incentives to invest in regional infrastructure

- 7.5 The commercial incentives for investing in regional Australia remain challenging and the commercial returns from sparsely populated areas are generally low which makes the commercial case for extending networks generally a difficult one to make.
- 7.6 Government landowners are in a unique position to reduce the cost of providing new telecommunications infrastructure in regional and remote regions by reducing rents on government lands.
- 7.7 This is because Governmental agencies that increase rents on Crown lands in sparsely populated areas makes the commercial case for extending networks into these areas even more difficult. This will result in poor access to towers and associated passive and active

³ IPART's (**Independent Pricing and Regulatory Tribunal**) November 2019 report on 'Rental Arrangements for Communication Towers on Crown Lands'

⁴ IPART report, page 77

⁵ IPART report, page 77.

⁶ IPART Report, pages 85-86.

infrastructure provided by telecommunications and other infrastructure providers in regional, rural, remote and peri-urban areas within Australia.

- 7.8 Federal and State Government co-funding initiatives seek to support the provision of new mobile coverage through investments that address coverage, capacity and competition issues e.g. the Federal Government's Mobile Black Spot Program.
- 7.9 There is a fundamental inconsistency with State Governments potentially seeking to increase rents on Crown lands in rural and regional areas while there are these types of co-funding initiatives. In considering the appropriate rents, Government land agencies should explicitly consider:
- (a) the maximisation of social welfare outcomes;
 - (b) the positive externalities generated by mobile towers; and
 - (c) the self-defeating effect of increasing rents while at the same time providing co-funding from public funds which in part goes back to the Crown in the form of increased rents for sites in these areas.
- 7.10 In Amplitel's view, the public interest in Governments setting rents at a level which does not make it harder to establish a business case for a regional and remote area wireless telecommunications infrastructure are clear and override maximising revenue collection by Crown agencies in these areas.
- 7.11 In the overall public interest, a whole-of-government and consistent approach, e.g. through the National Federation Reform Council, should be adopted to promote the availability of accessible and affordable carriage services that enhance the welfare of Australians in accordance with the main object of the *Telecommunications Act 1997* (Cth).⁷
8. **Reduction in regulatory arrangements for access**
- 8.1 The industry structure has dramatically changed. The historical vertical integration of the major market participants has rapidly shifted with significant movement in the industry structure with MNOs divesting their telecommunications tower assets into new tower entities which run as self-contained business enterprises.
- 8.2 Amplitel expects that the shifts in industry structure will result in increased competition for additional tenancies creating downward price pressure from carriers. Tower companies are likely to pursue profitable tenancy growth through agreements with carriers as a way of increasing asset utilisation and generating returns for their new investors. In addition, Amplitel expects carriers to exert downward pressure on pricing for co-locations as historical carrier-to-carrier reciprocal relationships will be replaced by supplier relationships. Such carriers will vigorously pursue arrangements with tower companies in order to secure low-cost access to infrastructure. Each carrier will likely seek to exert pressure on pricing via better procurement.
- 8.3 In the absence of vertical integration, the need for access regulation has diminished. Rather, commercial incentives on both sides should drive appropriate access outcomes through competition. There is clearly a greater enthusiasm for increased access to infrastructure than previously, but the industry is still in an adjustment phase. These changed commercial incentives should be permitted to play out with reduced regulatory access provisions which impose cost and burden on tower operators.
- 8.4 Taking Amplitel as an example, it has a clear commercial incentive to provide access for customers. It aims to deliver strong returns to shareholders from its network infrastructure

⁷ *Telecommunications Act 1997* (Cth), section 3(1).

assets through achieving its mission to be Australia's leading provider of towers infrastructure to support customers to deliver wireless communications. Following from the separation of Amplitel's business from Telstra, Amplitel is an independent company, which is 49 per cent owned by a consortium. Amplitel is committed to maximising utilisation of its network infrastructure assets.

- 8.5 Amplitel has the opportunity and incentive to increase returns on its assets through an increase in, and a widening of the diversity of, its customer base, including by reducing barriers to access.
- 8.6 There is a promising opportunity and commercial incentive for Amplitel to deliver on its plans to increase tenancies. Amplitel, and other tower operators, will be vigorously pursuing growth and seeking to drive asset efficiency in the coming period, in order to justify the investment made. In these circumstances, Amplitel considers that there is workable competition for access to tower infrastructure, and that the impact of the current regulatory access regime could be reduced.

As Australia's leading wireless tower infrastructure experts, Amplitel supports Australia from the ground up. Our extensive infrastructure network is made up of over 8,000 towers, masts and mobile poles in every Australian state and territory. We believe big ideas need solid foundations and it's our mission to lift Australia higher with our cutting-edge technology and know-how.

For more information, please visit www.amplitel.com.au