

Monday 11th February 2013

Review of communication towers on Crown land
Independent Pricing & Regulatory Tribunal of New South Wales
PO Box Q290,
QVB Post Office NSW 1230

Re- Review of rental arrangements for communications towers on Crown land

Dear Sir

General Communications is a Newcastle based business with over 30 years' experience in the radio communications industry. Since the inception of the Ipart recommendations Gencom has rigorously opposed the implementation of this legislation and continues to do so.

The effect on our business is devastating. For the past 30 years we have invested our time and effort into building a sustainable future for the industry and the government has single handedly done their best to destroy it.

We operate a number of sites which are on crown land. All of these were well in existence long before the explosion of telecommunications services and mobile phones. Our market is small and we have around 20 customers using our sites. Most of these are paying us less than the fees charged by government for the use of our sites. This does not make economic sense. The government has made no investment and takes no risk. It can only be assumed that it has no interest in the wellbeing of small business with this policy.

As an example we operate a site at Mt Arthur near Muswellbrook. The Valuer General as recently as July last year places a value of \$10,000.00 on the land. Our investment in establishing the site would now be around \$100,000.00. Gencom currently pays \$900.00 per annum to the Department of Lands which is fair & reasonable given the land value. However, under the current scheme the government wants to charge us \$5000.00 pa for the use of the land and my clients a further \$22,500.00 pa. This is simply a ridiculous state of affairs. As stated previously my clients would be faced with a 50-100% increase in their costs which would make these services uneconomic. How can the government expect to charge \$27,500.00 pa for land that is worth \$10,000.00?

Another example is our Mt Sugarloaf site which has a rateable land value of \$48,500.00. We currently pay \$15000.00 pa for this site. Under the Ipart scheme our cost would reduce to \$7000.00 pa but all our clients would have to pay a total of \$38000.00 pa. Again how can the government justify charging \$43,000.00 pa for a site with a land value of \$48,500.00. Our investment in this facility is massive. The replacement cost is over half a million dollars. It has taken nearly 7 years to get the power connected to this site because of government red tape and cost \$400,000 in the process. We cannot afford to lose customers because of government greed.

We would also point out that none of our sites are used by cellular telephone companies. They are for government and commercial two way radio users. The average clients pays \$3000-\$4000 pa to have their equipment and antennas on our tower.

Our response to the questions are detailed below-

1 What has driven the increase in the number of sites, leases or licences since 2005? Will the demand for sites, leases or licences continue to increase over the next 5 years?

Gencom believes that the increase is in part due to the start-up nature of the scheme and the explosion of cellular services. Very few (if any) sites would have been established by two way radio users and in fact many have closed due to this legislation.

2 Do you agree with IPART's proposed principles for this review? Are there other factors IPART should consider?

Gencom agrees with the principals for the review.

Market rentals for strategic sites

3 Does the current definition of a strategic site adequately identify sites that have strategic value? What are the characteristics of a strategic site that should be included in the definition? Please provide examples of sites that have strategic value but that do not meet the current definition of a strategic site.

Gencom does not support the establishment of strategic sites. When you analyse the users they are predominantly Cellular carriers and Government ie Police, Ambulance, Rural Fire, Fire & Rescue, State Forests, National Parks, SES, GRN etc

Other small users are potentially disadvantaged because of this government use.

Site rental would be better tied to an existing geographic formula such as the ACMA which has High, Medium and Low categories subject to spectrum demand.

4 What are the costs of negotiating rental agreements? Do the benefits of rental rates agreed through a negotiation process outweigh the costs?

Gencom prefers to negotiate its own rental agreements. The cost is minimal and realistic outcomes have always prevailed unlike the current system.

5 Should the definition of strategic sites be revisited to reduce the number of sites that would be subject to negotiation? If so, should an additional category be introduced in the fee schedule to capture the majority of strategic sites?

Gencom believes strategic sites should be defined by geographic location in line with the ACMA boundaries and all should have the flexibility of negotiation.

6 What changes, if any, would you suggest to the factors to consider when negotiating strategic sites as recommended by IPART in 2005?

Gencom believes that all sites should be negotiable under the published principals.

Market rentals for standard sites – location categories

7 What is the current market evidence on rentals by location? Does the market evidence still indicate that in general, higher rentals are charged for sites closer to metropolitan areas or population centres than regional and other

areas?

Gencom believes that many sites are overvalued both in metro & regional areas. The cellular industry has been the main driver of site expansion and their capacity to pay has been exploited by many land owners. Clearly exorbitant rents are charged in Sydney for example compared with the rest of NSW. The two way radio industry has been made to suffer as a result of these charges as land owners and government seek to increase revenue.

8 What are the implementation issues with applying the definition of high, medium and low location categories as per the 2005 Review? What are implementation issues specifically associated with the definition of medium locations applied by Parks and Wildlife and Catchments and Lands? 20

Gencom believes that the current system is flawed as not all agencies use the same criteria for assessment. Therefore it is cumbersome to find out how a particular agency would charge for a given site.

9 Are there alternative definitions for location categories that are better supported by market evidence or are simpler to administer? What would market evidence support as thresholds for high, medium and low location categories?

Gencom believes a system similar to that which the ACMA uses where geographic boundaries are set for high, medium and low density users is far more definable. This would be far simpler to enforce and would align with the spectrum use.

Market rentals for standard sites – user categories or occupancies

10 Are there implementation issues with the current categories of users or occupancies in general?

Gencom believes that the current system of users is both complex and cumbersome. There should be a minimal number of user categories.

11. Can the categories of users be reduced, for example, into the 3 broad categories of commercial enterprises (including government businesses), budget funded sector and community based organisations? What user categories are used by other lessors of communication tower sites?

Gencom does not support the current number of categories. When you analyse the number of licences the majority of them are Cellular Carriers followed by Government and then Community Based Organisations. For simplicity there should be only 3 or 4 categories. Other site lessors do not categorise users.

12. On what basis would we calculate the amount of community service

obligation for government businesses or concessions for budget funded and community based organisations?

Gencom believes it is not economical for the government to charge any other government department for land use. All government departments and not for profit community based organisations should be exempt from all charges.

13. What is the relevance of the development of new technologies for the user categories that were defined in the 2005 Review? What changes to user categories would better accommodate changing technologies?

Gencom believes that technology should have no bearing on land costs.

14. Should the National Broadband Network be added as an additional user category or can it be accommodated within the current user categories? Why?

Gencom's view is that whilst the NBN is a government owned corporation it is competing with other telecommunications and data carriers and hence should pay the same as they do.

Market rentals for standard sites – infrastructure providers and co-users

15. What are implementation issues from applying the 2005 fee structure for primary users, infrastructure providers and co-users?

Gencom believes that co-user fees should be abolished and the site owner should be the only one charged for the use of the site. Levies could be placed on additional buildings on the site where there is more than one or on Cellular Carriers and Broadcasters who have blanket population coverage.

16. What is the current market evidence on discounts being applied to Infrastructure providers and co-users?

Gencom again stipulates that the charging of co-user fees of any kind is not sustainable in the two way radio industry. Cellular carriers have literally millions of customers where as our industry has at best hundreds. We cannot afford these costs.

17. What are the reasons for continuing to apply a discount to infrastructure providers and co-users? What would be the consequences of lowering or removing the discount for infrastructure providers and co-users from the current fee schedule?

Gencom believes that the effect on the cellular carriers would be minimal by removing the discount but would be devastating to the commercial two way radio industry.

Other issues

18. Should rental rates for Small Country Automatic Exchange (SCAX) sites come under the fee schedule for standard sites? If so, on what basis should

we determine appropriate rental rates? Should SCAXs be considered as a separate category in the fee schedule?

Gecom has no comment on this topic.

We thank you for the opportunity to provide a response and look forward to the public roundtable discussion.

Yours Sincerely

A handwritten signature in blue ink, appearing to read "Martin McLeod". The signature is fluid and cursive, with a large, stylized "Q" at the end.

Martin McLeod
Managing Director
Gecom