11 June 2013

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Review of Communication Towers on Crown land
Independent pricing and Regulatory Tribunal
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Online :
www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

Dear Sir/ Madam,

Telstra Corporation Limited: Submission on Draft IPART report into the Review of rental arrangements for communications towers on crown land.

In response to the Draft report by IPART and its invitation of 30 April 2013 to all stakeholders to provide a further submission, please find attached Telstra's submission.

If you have any questions in relation to this submission, please do not hesitate to contact Bob Joice on 02 8576 3131

Yours sincerely,

[redacted]

Bob JoiceGeneral Manager,Site Acquisition
Network Infrastructure Management
Telstra Corporation Limited

11 JUNE 21013

INTRODUCTION

Telstra appreciates this further opportunity to participate in the Independent Pricing and Regulatory Tribunal's (**IPART**) review of the rental arrangements for Crown land in NSW. Telstra has reviewed the IPART Draft Report, *Review of rental arrangements for communication towers on Crown land,* April 2013 (the **Draft Report**). This submission provides Telstra's comments on IPART's Draft Report, and particularly its recommendation, and is intended to be read together with Telstra's earlier submission in respect of the IPART Issues Paper, *Review of rental arrangements for communication towers on Crown land December 2012* (**Issues Paper**).

The Draft Report states that IPART's task is to form a view on a rental arrangement that is market reflective, administratively efficient and transparent. Further, the terms of reference for the IPART review state that the policy objective for the NSW government is to achieve fair market-based commercial returns on publically owned land occupied for the purposes of telecommunications data transmission or broadcasting; and that the Government's preference is for a fee schedule that is as simple, transparent and cost reflective as possible. In Telstra's submission, the draft recommendations made by IPART would not achieve these objectives.

By way of summary, Telstra's postion is:

(a) There is insufficient reliable market evidence to substantiate the rentals proposed.

(b) A fair regime would connect the rent to the value of the land.

(c) The commercial value of a site is in the infrastructure (installed at the carriers expense).

(d) In the majority of cases, the proposed rent exceeds the land value (often by many times).

(e) Land valuation based rental is simple to administer and leverages existing processes.

(f) Sites are selected for optimal telecommunications service from the network, and not for the profit derived per site.

(g) Telstra is compelled under its universal service obligations (**USO**) to provide services to remote areas, and IPART's recommended rent for SCAX sites equates to an increase of 526.5% from the rentals currently paid, which already exceeds the value of the land in most instances.

(h) Rebating non-commercial users is not transparent and is discriminatory for purposes of clause 44 of Schedule 3 to the *Telecommunications Act 1997* (Cth) (the **Telco Act**).

(i) Litigation currently on foot in Queensland will provide guidance in determining if IPART's proposal is discriminatory against carriers, and therefore unlawful.

Set out below are Telstra's submissions in relation to each of the key issues raised in the Draft Report.

"MARKET EVIDENCE"

The Draft Report relies heavily on "market evidence" compiled by BEM Property Consultants Pty Ltd (**BEM**), and referred to in the BEM Report, *A review of the Current Schedule of Rentals for Telecommunications Sites Located in NSW*, 25 March 2013 (the **BEM Report**).

The BEM Report states that "market rental should be based upon accepted valuation methodology whereby market transactions are negotiated by willing, prudent and equally informed market participants."[1] This appropriately reflects the definition of "market value" typically adopted by valuers in Australia, which is:

> the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.[2]

However, this does not reflect the historical approach to rent setting for telecommunications sites in NSW. Many of the sites that are currently occupied by carriers were obtained during the period of dramatic expansion in the years following deregulation of the telecommunications industry in 1991. At that time there was significant competition in the growth of carrier networks,that reflected the uptake in mobile phones, among other things. Many of the leases and licenses that originated in that period included fixed annual rental increases that far exceeded CPI. Carriers were anxious to obtain sites in order to carry out network expansion, and the land management agencies **(LMAs)** were reluctant to permit development on Crown land by a "new" form of industry, where such development had not previously occurred. As such, the rental terms agreed to did not reflect a true "market value" as now defined. However, it is those rental amounts (as compounded over time) that informed IPART when it recommended the implementation of the 2005 Fee Schedule, and those compounded rental figures that are now used by BEM in assessing the current "market value" of communications sites.

"Market rental" for telecommunications sites is now far out of step with the value of the land, or the amounts that other land users pay for similar parcels of land for similar utility uses. This has been exacerbated by the introduction of the 2005 Fee Schedule, which has filtered into the broader NSW rental market and is being used as a de-facto floor price for many government agencies and private landowners. This fact is acknowledged in the BEM Report.[3]

Seeking to charge rent that is largely based on the value of the infrastructure that was placed on the land by a carrier at its expense, often a considerable length of time ago, is an unjust outcome that takes advantage of the difficulties associated with relocating what is now essential infrastructure. Carriers, because of the nature of and significant investment required in many types of telecommunications infrastructure, as well as the physical characteristics of a site, are generally constrained in their ability to move the infrastructure should the rent rise beyond what would otherwise be considered reasonable by a commercial party. This is of particular relevance when dealing with the LMAs who essentially hold a monopoly over access to Crown land, which accounts for a large percentage of the State.

This monopoly has arisen as a function of the Commonwealth and State legislative regimes that govern, and restrict, the siting of communications towers. These regimes largely direct the siting of towers away from residential areas, and have had the indirect

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1 BEM Report, p 22.

2 As defined by the Australian Taxation Office, www.ato.gov.au/taxprofessionals/content.aspx?doc=/content/00161737.htm&page=3

3 BEM Report, p 15.

effect of compelling carriers to seek to install towers on Crown land – the vast majority of which is governed by the LMAs.

In Telstra's submission, the assessment of "market rent" for telecommunications sites based on historical agreements that did not accord with the accepted definition of "market value" does not reflect the intention of the NSW State Government in seeking to determine "fair market-based commercial returns". The rents paid for telecommunications sites in NSW need to be "reset", in order to more accurately reflect the underlying value of the land and the price that would otherwise be negotiated between a willing but not anxious lessee and a willing but not anxious lessor.

Telstra submits that the most equitable way to determine "fair market-based commercial returns" is to set rents as a percentage of land value. The BEM Report recommends against adopting land valuation as an alternative method of obtaining a rental fee, for the reason that it "would unnecessarily complicate the market".[4] The BEM Report acknowledges that land valuations would provide a wider scope of rentals than that provided for by the 2005 Fee Schedule, which is a "one size fits all" approach for the nine user categories.[5] However, BEM discounts the land valuation approach for added complexity, because BEM considers that each individual lease area would require an individual and new valuation.

Telstra submits that setting rent on the basis of land value is the most efficient, and equitable means of achieving true market-based commercial returns. There would be no additional complexity, as the office of the Valuer-General regularly values all rateable land (including the separate occupancies held by carriers and others owners of communication towers) in NSW, and those valuations are publically available. All that would be required of an LMA would be to calculate the percentage of the total value of the relevant parcel of land that is attributable to the area of land to be occupied by a communications user, and multiply it by an agreed percentage, for example 6%. Telstra has adopted 6% as it reflects the general rate of yield on commercial property in NSW.

While land valuations are based on the unimproved value of the land, Telstra submits that this is appropriate when setting rent for communications towers, as the sites chosen are almost always unimproved, and it is the development by a primary user that inflates the perceived value of land that may otherwise have no use. The value of these sites is in the infrastructure installed by carriers and is not intrinsically linked to the land value. It is noted that sites in higher density areas will in many cases attract competition from other commercial (non-carrier) users, but this is accounted for under the land valuation mechanism, as those sites will have much higher underlying land value than remote or rural sites.

It is also important to note that when co-users locate on a site, the LMA receives a further lease or licence fee,that is directly attributable to the investment made by the primary user – as distinct from any value added by the LMA.

The table below sets out IPART's recommended 2013/14 fee schedule, and a calculation of the rental amounts on a per square meter basis, assuming an average leased area of 50m2 – which is a conservative average, based on the general requirement for mobile phone base stations to accommodate a pole or tower and one equipment shelter with an area of 7.5m2. These $\$/m^2$ per annum figures are extraordinarily high when placed in context of the land that is used for communications towers – vacant unimproved land – and bear no relationship to the underlying value of that land.

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4 BEM Report, p 27.

5 BEM Report, p 27.

IPART Recommended Fee Schedule 2013/14				
$2013/2014	Sydney	High	Medium	Low
Rent	$32,511	$27,093	$15,051	$7,224
$/m^2 (assuming an average lease area of 50m^2) p.a	**$650**	**$542**	**$301**	**$145**

These rates are generally more applicable to high quality, air-conditioned commercial office accommodation, not vacant land. This demonstrates the clear distortion in expectations by the LMAs, that is supported by IPART in the draft report.

To highlight the dramatic differences between the 2005 Fee Schedule rates, and the land valuation method, the table below sets out some additional information for the examples used by BEM at page 27 of the BEM Report.

Example 1 – Forestry Corp land		
Land value	$1716/Ha	
Value of 100m^2 site	$17.16	
Lowest 2005 Fee Schedule rental	$432 p.a (community based organisations at statutory minimum)	**2,517%** of the value of the land
Rent paid by a telecommunications carrier under the 2005 Fee Schedule	$8,810	**51,340%** of the value of the land
Rent paid by a telecommunications carrier under the proposed 2013/14 fee schedule	$7,224	**42,097%** of the value of the land

Example 2 – Generic Sydney metropolitan industrial land		
Land value	$2,500,000/Ha	
Value of 100m^2 site	$25,000	
Lowest 2005 Fee Schedule rental	$432 p.a (community based organisations at statutory minimum)	**1.73%** of the land value
Rent paid by a telecommunications carrier under the 2005 Fee Schedule	$26,432 p.a	**106%** of the value of the land
Rent paid by a	$32,511	**130%** of the value of the

telecommunications carrier under the proposed 2013/14 fee schedule		land

The percentage difference between the amount of rent paid by carriers under the two IPART fee schedules, and the value of the occupied land, clearly illustrates how far removed the 2005 Fee Schedule rents, and the proposed 2013/2014 rents, are from the underlying land valuation.

It is for this reason that Telstra submits that both the 2005 Fee Schedule, and the new approach recommended by IPART in the Draft Report, are inequitable and should be abandoned in favour of rental amounts based on land valuation.

PROPOSED CATEGORY OF "HIGH VALUE" SITES

Definition of "High Value"

IPART's proposal for a separate rental negotiation process for defined "high value" sites misconceives the nature of the telecommunications network.

Every location that a carrier selects has some physical characteristics that render it suitable for a particular piece of infrastructure – this is not determinative of market value, rather is the result of network requirements and the public benefit in achieving optimal telecommunications.

All infrastructure elements within a carrier network are located to meet certain network objectives – whether it be a small country exchange that is placed in a particular location so that it can provide wireline services to customers in remote locations; or a mobile phone base station that forms part of the mobile network, and must be placed in a particular location in order to meet line-of-sight transmission requirements and network demands, and provide the required breadth and depth of coverage to an area with limited existing coverage.

The decisions that are made by a carrier in selecting locations for these types of infrastructure are informed by the nature, and limitations, of radio communications technology, and not by considerations of any inherent "strategic" value of the piece of land that the infrastructure is placed on, in the sense that IPART is giving to that term.

Where there is a gap in a carrier's network, the carrier undertakes an assessment of potential sites that could host the infrastructure necessary to cover the gap. Generally, the number of potential sites that would be suitable for the infrastructure may be limited – particularly in the low and medium density areas covered by the 2005 Fee Schedule. In many areas in NSW, these potential sites are located on land managed by the LMAs, with no, or few options available on private land. This puts the LMAs in a near monopolistic position, and severely restricts the options available to a carrier to locate infrastructure on land for which more commercially realistic rent can be achieved.

As indicated in Telstra's submission on the IPART Issues Paper, since 2005 it has been Telstra's experience that the LMAs have sought to apply the density categories established by IPART in a manner that maximises an LMA's rental revenue. The opportunity provided to the LMAs to selectively remove any site from the current and proposed geographic categories for nomination as a "high value" site for separate negotiation at rentals above those proposed by IPART, is little more that a regime for engineered profiteering, and is likely to be used by the LMAs as a further means of increasing carrier rents. This is particularly concerning given IPART's broad, and misconceived, approach to "strategic" value – and the fact that nearly every carrier site could, on the IPART definition, be considered to be "high value".

This would lead to the result that sites with very low underlying land value, and limited or no alternate land uses, would be listed as "high value" by the LMAs, who would then seek to charge rents far in excess of any reasonable assessment of the value of the land or the value of the land for any conceivable alternative use.

Existing sites

The IPART recommendation that the LMAs publish a list of existing sites that they consider "high value" and subject to negotiation at the next rent review, is of great concern to Telstra.

As above, given Telstra's experience since 2005, it is conceivable that the LMAs will apply this discretion as broadly as possible in order to maximise rental revenue. This will put carriers in the position where they will be required to negotiate rents for existing sites that are embedded in the carrier's network, and would be prohibitively expensive and difficult, or even impossible, to relocate without significant impacts on that carriers network.

This would limit one of the essential parameters in a "fair market-based" approach to securing tenure – the option for a commercial party to go elsewhere – and runs counter to objectives set out in the terms of reference.

There is no consistent application of the 2005 Fee Schedule by the LMAs, with all three applying a different interpretation of the "Medium Density" category. Catchment and Lands (**C&L**) manipulated the definition by extending it 12.5km out from the centre of the relevant townships, rather than of confining it to just the township. The Forestry Corporation of NSW (**Forestry Corp**) and NSW National Parks and Wildlife Service (**NPWS**) asserted that the medium density category was to be applied to the entire local government area, and persisted in this interpretation even after clear clarification by IPART. The LMAs seem happy to accept IPARTs recommendations when it is to their advantage, but ignore it or reject it outright where it is not.

By way of comparison, Telstra applied the C&L rental interpretations to the Forestry Corp and NPWS portfolios, as set out in the table below, to detail what rent Telstra would be paying if NPWS and Forestry Corp were applying the "medium density" interpretation adopted by C&L. In both cases, NPWS and Forestry Corp are overcharging by significant amounts and percentages.

LMA	Number of Sites	Current Rental	C&L Rental equivalent	Variation $	Variation %
NPWS	**45**	$357,419.19	$214,845.04	$142,574.15	+40%
Forestry Corp	**37**	$406,550.18	$185,063.10	$221,487.08	+54%

The current level of overcharging will only be further distorted by the willingness of the LMAs to adopt a perverted interpretation of "fair market".

Tender process

The tender process for "high value" new sites suggested by IPART is founded on a misconception of the nature of the telecommunications industry, and the site selection process.

Carriers generally work on the principle that the first carrier to select a site in a particular area becomes the "lead carrier", and any subsequent carriers follow behind after consultation with that carrier. The subsequent carriers do not approach the land owner, pending negotiation and agreement of tenure between the "lead carrier" and the land

owner. The "lead carrier" would build the tower and develop the site complete with access track, power reticulation etc, and the other carriers would co-locate their own equipment, either under an agreement with the land owner or pursuant to the powers set out in Schedule 1 or Schedule 3 to the Telco Act. As their interests are consistent and compatible, no question of a "competitive tension" to drive price discovery exists.

Negotiating rents for high-value sites

The LMAs and carriers have all highlighted the time and cost issues involved with negotiating rents,[6] it is therefore unclear why IPART is recommending that all new and existing "high value" sites be subject to negotiation. This would inevitably lead to higher costs, delay and greater administrative inefficiency, and less transparency than either the use of set rents, or rents based on land value. It is also noted that the LMA's have a tendency to recover their costs of negotiation by charging document fees for each document issued.

In Telstra's submission to the Issues Paper, we noted the difficulty and expense associated with negotiating rents with the LMAs. If IPART's recommendations for "high value" sites were to be adopted, rather than negotiate rents, Telstra would look for alternative sites that are not deemed "high value", or are not located on LMA managed land; or alternatively, continue to occupy existing sites pursuant to its powers under the Telco Act.

However, under the circular logic informing the conception of "high value" sites, a decision by carriers to locate on sites not currently deemed "high value" would be likely to see the new site re-characterised as a "high value" site, and thus attract a higher rental payment. The carriers would be in a "lose-lose" situation.

Head licence recommendation

In Telstra's submission, the adoption of head licence arrangements for new "high-value" sites or sites where new licence arrangements are negotiated, would not be accepted by carriers as it is inequitable and would increase the administrative burden for primary users, and create considerable operational uncertainty.

Without knowledge of the number of co-users at a site, no primary user would agree to a head licence and an inflated rent. Further, there is no guarantee that the primary user under a head licence would be able to recover the additional rent amount from co-users. Other carriers are entitled to co-locate pursuant to Schedule 1 and Schedule 3 of the Telco Act, subject to agreement on terms and conditions. However, there is no guarantee that co-users would agree to having the licence costs passed down, and if they did not, the primary user would be left paying an excessive rental amount with no means of recovery.

Finally, it is unfair to expect carriers to act as the LMA's collection agent, or to bear the LMA's administrative burden in relation to the management of licences.

REBATE PROPOSAL - CLAUSE 44 OF SCHEDULE 3 TO THE TELCO ACT

As indicated in Telstra's submission to the Issues Paper, Telstra has instituted proceedings in the Federal Court in Queensland, seeking a declaration that certain parts of the *Land Regulation 2009* (Qld) are invalid because they discriminate against carriers in contravention of clause 44 of Schedule 3 to the Telco Act.

That proceeding deals directly with an exercise of power under a law of a state, in relation to the setting of rents for telecommunications users, that Telstra says results in

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6 IPART Draft Report, p 30.

discrimination. The outcome of the proceeding will be highly relevant to this review by IPART, and it would not be appropriate for any revised pricing regime to be recommended or implemented before a determination by the Federal Court.

In essence, the effect of clause 44 is to render invalid any law of a State or Territory, or exercise of power under a law of a State or Territory, that results in discrimination against a particular carrier, a particular class of carriers, or carriers generally.

In its submission to the Issues Paper, Telstra stated its position that the 2005 Fee Schedule results in discrimination against carriers, in contravention of clause 44, for the reason that certain categories of communications site user are charged significantly higher rents than other categories of users for the same use of land.

The rebate system that is now proposed by IPART in the Draft Report makes it clear that carriers will not be afforded any rebate, and would therefore pay considerably more to rent the same land than other categories of communications user. The rebate system would clearly also result in discrimination against carriers, for the same reason as the imposition of rents under the 2005 Fee Schedule.

The ability of the Minister to grant leases or licenses over Crown land in NSW is confined to the powers granted under the four pieces of legislation set out in the Draft Report. Any exercise of discretion by the Minister necessarily falls within those powers. Therefore, any exercise of discretion by the Minister to apply a rebate to particular communications users, or a particular class of communications user, where that rebate was not also applied to all carriers in the same position, would result in discrimination against carriers, and contravention of clause 44.

In addition, the proposed discretion for the Minister is inconsistent with the objective of transparency outlined in the terms of reference, as it would result in a lack of clarity as to when and to whom the Minister would be granting the rebate.

Telstra again requests that IPART consider the implications of clause 44 when making recommendations on what would constitute fair and equitable arrangements for communication towers on Crown land.

In Telstra's submission, the only way to ensure that the State Government achieves fair market-based commercial returns, in a manner that does not offend clause 44, is to charge all communications users of Crown land the same rental amounts. Further, the only appropriate mechanism for setting rents is to base them on the underlying value of the land, as determined by the Valuer General.

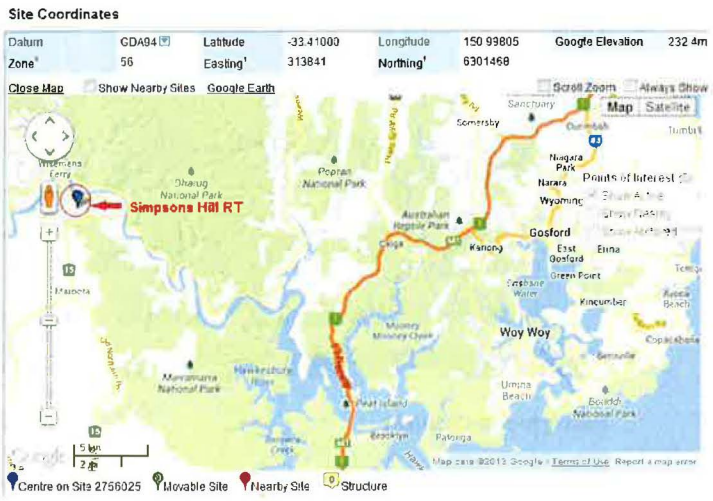
PROPOSED CATEGORY OF "SYDNEY METROPOLITAN"

IPART has proposed to excise the Sydney metropolitan area from the existing "high density" category and place it in a new category, with a proposed rent of $32,511 per annum, on the basis of "market evidence" that suggests that sites in Sydney attract rents that are on average 20% higher than the 2005 Fee Schedule rate for "high density" sites.

It is Telstra's understanding that this "market evidence" is based on the rent paid for a single carrier site in the Sydney CBD. We note that, as set out in the table at Part 2 above, $32,511 equates to **$650** per m^2 per annum for a 50 m^2 tower site. Communications towers are installed on vacant, generally unimproved, land where there is no contribution by the landowner towards the development and installation of the infrastructure. The rent for Sydney sites proposed by IPART is equivalent to the rent paid for high quality office space in the Sydney CBD. Clearly, this does not accord with the objective of "fair market-based commercial returns".

Further, the greater metropolitan area of Sydney includes significant areas of land that are low or medium density, or even rural in nature, and in which Telstra has a number of

tower sites. These sites already attract the "high density" fee under the 2005 fee schedule, despite some of them being in effectively rural areas. For example, Telstra has a site at Simpsons Hill, Maroota (Licence 41316), near Wisemans Ferry for which it is currently required to pay the "high density" fee. Below is an image of the Telstra facility. Clearly, it is difficult to justify why Telstra should be required to pay $32,511 per annum, or an amount equivalent to CBD office space, for this site. Noting that the improvements on this site are owned by Telstra, not the LMA. The broader market rate for communications sites in an area such as this is significantly less than this CBD rate.



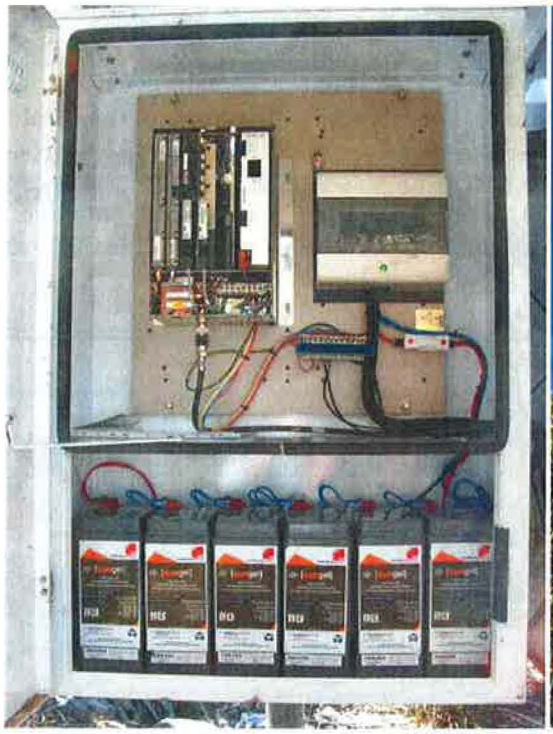
SCAX SITES

SCAX sites fall outside of IPART's terms of reference as they are not "communications towers". Accordingly, it is inappropriate for IPART to make recommendations about the rents that should be charged for SCAX sites.

In any event, only Telstra owns and operates SCAX facilities, and they are provided as part of Telstra's USOs. Generally, SCAX facilities are located in rural or remote areas, and service a small number of customers. Without SCAX facilities, those customers would otherwise not have access to fixed line telephone services. SCAX facilities should be accorded the same status as other "essential services" such as electricity and water.

Contrary to IPART's assumption in the Draft Report, Telstra does not recover the capital costs associated with the installation of many SCAX facilities from the fees charged. This is a particular issue for high capacity radio concentrator (**HCRC**) sites which only cater for between 1- 6 remote customers. The images below show typical HCRC sites, for which IPART is recommending that the LMAs charge $7224 per annum:

(a) Little Boree (Swing Arm) HCRC - serves two customers (DPI Licence 456728 Lot 60 Locality Boree, Parish of Burragurra, County Northumberland)



Equipment Cabinet **Antenna Pole**

(b) Darkes Forest Rd Maddens Plains - roadside cabinet (site approximately 1.5m2)

Telstra currently pays C&L a fixed rent of $1080 per SCAX site. Generally Forestry Corp charges $1,146, although some sites attract significantly higher fees. However, there is no consistency in the fees paid to NPWS. The proposal to include SCAX sites in the "low density" rent category, would result in an increase in rent for all SCAX sites to $7,224 per annum.

Telstra has 95 sites on Crown Land in NSW categorised as Small Country Automatic Exchange (SCAX) (including Radio Tower (RT), High Capacity Radio Concentrator (HCRC), Small Country Automatic Exchange (SCAX), Optical Fibre repeater (OFR)) for which it currently pays **$130,353.01**. These sites are broken down as follows: C&L - 73 sites, $78,850.22 per annum; Forestry Corp - 15 sites, $40,259.79 per annum; and, NPWS - 7 sites, $11,243 per annum. Under IPART's recommendation, Telstra would pay $**686,280**

per annum for sites designated as SCAX's. This would be an increase of **$555,926.99** or **526.5%.** The subsequent contamination in perceived rental values by the broader market may result in a national distortion increasing annual rental costs by many tens of millions.

EXTENT OF THE "MEDIUM DENSITY" CATEGORY BOUNDARY

In the event that IPART does not accept the most equitable and transparent method of determining rentals is a percentage of the unimproved value, Telstra submits that the "medium density" category should be confined to an area extending 5km out from an Urban Centre and Locality (**UCL**) with a population of 15,000 people.

We note that IPART has adopted the recommendation set out in the BEM Report, which in turn has accepted the interpretation of "medium density" adopted by C&L. The C&L interpretation was the result of a compromise agreed by Telstra, under sufferance, and has no justifiable basis.

Telstra submits that a 5km radius from a town centre is consistent with the original intent of IPART in 2005. Telstra seeks an increase in the applicable population levels to 15,000 people, as this would now, seven years later, be more reflective of a township of significance. In five years' time, there would need to be a further increase in this parameter to reflect growth in population.

CONCLUDING REMARKS

The BEM report recommends that the 2005 Fee Schedule remain unchanged, and it has been widely reported that the rental market in NSW over the last few years has been soft. Further, the proposed 2013/14 fee schedule, with a single category of rent for each of the "high" "medium" and "low" density categories, is generally in line with the "telecommunications and data carrier" category rents in the 2005 Fee Schedule, with modest increases for the "high" and "medium" categories, and a modest decrease for the "low" category.

The rent figures selected by IPART for the new single category appear to reflect the fact that the vast majority of communications users in NSW are telecommunications carriers. Of the carriers, Telstra holds the largest number of leases and licences with each of the LMAs.

While it may seem that IPART is proposing a simplification of the current regime with only modest change, when the impact of the new "Sydney" category and the proposed inclusion of all SCAX sites is included in the calculation, the net effect of the IPART recommendations, without accounting for the effect of the proposed "high value" sites, would be an increase in Telstra's underlying cost base in NSW by nearly 14%.

This is not something that Telstra can accept, especially in an increasingly mature and competitive market, and at a time when the economy is subdued, inflation low, and the property market depressed. Further, the IPART recommendations enshrine and exacerbate a disjunct between land values and rents for communications users that has now reached a point that is totally unsustainable.

Bob Joice

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