IPART
Independent Pricing and Regulatory Tribunal | NSW

Review of rents for communication sites on certain Crown land

Draft Report

July 2024

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Jonathan Coppel
Sharon Henrick
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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Monday, 12 August 2024

We prefer to receive them electronically via our online submission form.

You can also send comments by mail to:

Rental arrangements for communications sites on Crown Land
Independent Pricing and Regulatory Tribunal
PO Box K35 Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Executive Summary

In December 2023, the Minister for Lands and Property asked us to conduct a review under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*. The Terms of Reference (Appendix A) asked us to recommend a fee schedule which:

- is simple and able to be easily implemented by the responsible land management agencies, and
- results in a dollars per site charge that varies by location.

We are asked to update current rents to reflect commercial returns in the market, based on a statistically significant sample of a minimum of 500 data points that are representative of the geographic diversity of Crown land sites. We are asked to consult with stakeholders, including the land management agencies and communication tenure holders. The Terms of Reference also indicates that rebates are outside the scope of our review.

IPART last reviewed rental arrangements for communication towers on Crown Land in 2019. Our recommendations from that review were not adopted. The Government advised that it had concerns about the market data we relied on. The current rental pricing for communication sites is based on our 2013 review, indexed for inflation.[1]

We have been able to obtain a much larger data set of private market rents for communication sites than we had in 2019. We obtained publicly available data on leases from the NSW Land Registry Service (LRS). We also sought rental data from communication companies.

We published an Issues Paper on 26 February and received 15 submissions.[2] Many of these submissions made suggestions about the methodology that we should apply to determine recommended fees. We discuss these submissions and our responses to these suggestions in Chapter 2.

Our sample represents a significant fraction of identified leases in NSW that are used for communications purpose and had commencement dates from 2020-21 onwards. We analysed the data (using statistical regression analysis) to consider the effect of density classification (i.e. Low, Medium, High density or Sydney), other key characteristics of the site (i.e. airspace, rooftop) and whether the lessee was a primary or co-user. We used the results from our regression to recommend the draft fee schedule shown in Table 1 below, which also shows the current fees. We have found that market prices are lower than the current fees in all density categories.

Table 1 Proposed vs current rental fees ($2023-24, excluding GST)

	Sydney	High	Medium	Low
Proposed fees	$ 36,340	$ 30,156	$ 17,012	$ 8,545
Current fees	$ 42,132	$ 35,109	$ 19,505	$ 9,362

Source: Department of Planning, Housing and Infrastructure, Communication licence rent fact sheet, February 2023, NSW Land Registry Services and IPART analysis.

We propose that the density classifications (Box 1) remain the same from our 2013 review of rental arrangements for communication towers on Crown land (see section 2.5). We have made a draft decision not to amend the classifications. However, we are interested in hearing further from stakeholders on the benefits of updating the density classification and whether they outweigh the costs of implementing the change.

Box 1 Current density classifications

Sydney: local council areas in metropolitan Sydney with a population density of greater than 1,800 people per square kilometre.

High: local council areas in metropolitan Sydney with a population density of less than or equal to 1,800 people per square kilometre as well as the greater metropolitan area of the Central Coast, Newcastle and Wollongong.

Medium: areas within 12.5 kilometre of the centre of the 37 Urban Centres and Localities (UCLs) defined by the Australian Bureau of Statistics (ABS) as having a population of 10,000 or more based on the 2011 census.

Low: rest of NSW.

Source: IPART, Final Report – Review of rental arrangements for communication towers on Crown land, July 2013, pp. 28-29.

We have also made draft decisions to continue the price uplift policy for sites in National Parks to reflect the opportunity costs of development occurring on environmentally sensitive land (section 3.3). At this stage we have not recommended this be extended to other sites on Crown land including state forest land as it will add complexity when implementing our proposed fee schedule (section 3.4). However, we invite feedback from stakeholders on whether an uplift similar to one for national parks sites should be applied.

We have further proposed that each rooftop site pay an additional $3,821 as well as the relevant density category (section 6.3). We reached this draft decision because rooftop sites are more valuable to users and this added value was able to be quantified through our regression analysis on private market rents.

We made the draft decision to continue the 50% discount for co-users and to extend this to primary users deploying small cell technology (Chapter 5). This is in recognition that deploying small cell technology typically requires little additional land, if any, as is the case with co-users.

We have made draft decisions that these fees are to be escalated by 3% per year and are to be independently reviewed in 5 years' time (Chapter 7). These proposed decisions reflect our market evidence.

We estimate that the impact of this new pricing schedule would be to reduce the combined annual revenue to the Crown lands agencies by approximately $2.2m per annum before rebates.

We are interested in hearing from stakeholders on these draft recommendations and findings. Submissions will be open until 12 August 2024.

Draft Recommendations

1. The existing density classifications continue to be used to minimise the costs of implementing the updated fee schedule. 21

2. That National Parks and Wildlife Service's approach of setting rental fees one category higher should continue. 26

3. Co-users continue to pay a co-user fee that is set at 50% of the primary user's rental fee. 42

4. Co-user fee be extended to primary users deploying small cell and other similar technology in recognition of their similar land use. 44

5. Communication sites located on a rooftop are to pay $3,821 in addition to the fee for the relevant density classification. 47

6. The following primary user fees be adopted for communication sites in each density classification: 50

Sydney	High	Medium	Low
$36,340	$30,156	$17,012	$8,545

7. The published fee schedule is to be independently reviewed every 5 years to ensure it continues to reflect market conditions. 50

8. The rental fees set out in draft recommendation 6 are to be escalated by 3% per year in line with current private market practice. 50

Seek Comment

1. Should the current density classifications be updated to reflect changes in the ABS' Australian Geography Standard? Can stakeholders provide further evidence of the costs and benefits of this change? 20

2. To what extent do communication sites on lands reserved for conservation, including in national parks, create higher environmental costs? For example, do they cause greater mitigation and conservation costs? 26

3. Are stakeholders able to provide evidence of the size of these costs and how they directly relate to the communication sites? 26

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Chapter 1

Context

Current arrangements and recent developments in the communications industry

01

We have been asked by the NSW Government to recommend a fee schedule for communication sites that is simple and easy to implement by the responsible land management agencies. These agencies are:

- the Department of Planning, Housing and Infrastructure – Crown Lands and Public Spaces (Crown Lands)
- NSW National Parks and Wildlife Service (NPWS), which is part of the Environment and Heritage Group in the Department of Climate Change, Energy, the Environment and Water
- Forestry Corporation of NSW (Forestry Corporation) – a state-owned corporation.

The fee schedule is to result in a dollars per site charge that varies by location. In setting the fee schedule we are required by our Terms of Reference (Appendix A) to have regard to:

- updating current rents to reflect fair, market-based commercial returns
- recent and representative market rentals agreed for similar communication sites, reflective of different site conditions and locations across the State
- the land management agencies' requirements under legislation as well as any relevant state strategic plans and policies
- consultations with key stakeholders.

We are also to take all reasonable steps to use a minimum of 500 data points when recommending a fee schedule for communication sites. Our Terms of Reference also clarifies that the definition of communication sites includes:

- communication towers
- communication facilities (such as antennas and shelters)
- communication equipment co-located on other structures.

Unlike our previous reviews, we are not reviewing rebates provided for communication sites as it is outside of scope for this review.

1.1 Current rental arrangements

The current rental arrangements are set out in the 2023 communication licence rent fact sheet from the Department of Planning, Housing and Infrastructure.[3] The rental arrangements reflect the recommendations of our 2013 Review of rental arrangements for communication towers on Crown lands. There is a different rental fee for each of the four density classifications. These fees have been adjusted for inflation and a 50% discount is applied for co-users (Table 1.1).

Table 1.1 Current rents for communication licences for standard sites ($2023-24, excluding GST)

Financial year	Sydney	High	Medium	Low
2023-24	$42,132	$35,109	$19,505	$9,362

Note: Sydney refers to local council areas in metropolitan Sydney with a population density of greater than 1,800 people per square kilometre. High are those local council areas with a population density of less than or equal to 1,800 people per square kilometre. Medium refers to areas within 12.5 km of the centre of the 37 Urban Centres and Localities (UCLs) defined by the ABS as having a population of 10,000 people or more based on the 2011 census. Low is the remainder of NSW.

Source: Department of Planning, Housing and Infrastructure, Communication licence rent fact sheet, February 2023.

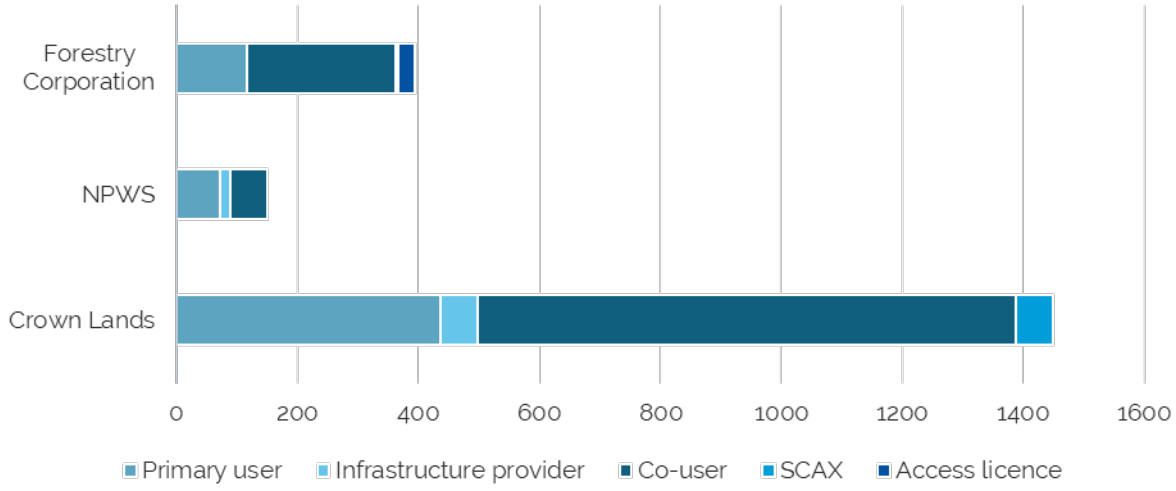
1.2 Current users of Crown land sites

Tenure of Crown land for communication sites is managed through a licence, which provides a right to occupy Crown land. A licence is required for each site a communication provider occupies, whether it is the primary user of the site or a co-user.[a]

There are currently 1,995 licences for communication facilities on Crown land. Figure 1.1 shows the number of licences by agency and user type. There are more co-users than primary users on land managed by Crown Lands and Forestry Corporation. This is not the case for land managed by NPWS where there are more primary users, though there are fewer licenses overall as well. There are also 62 licences for communication infrastructure providers on land managed by Crown Lands and another 18 for land managed by NPWS. There is also a small number of licences for small country automated exchange (SCAX) sites, which are owned by Telstra and used to meet its Universal Service Obligations (section 1.3.3).

The Forestry Corporation also issues access licences to mobile phone carriers so that they can use Forestry Corporation roads to access sites not on State Forests. We understand prices for access licences are set as a percentage of the relevant licence fee for standard sites.

Figure 1.1 Number of licences by agency and user type as at March 2024



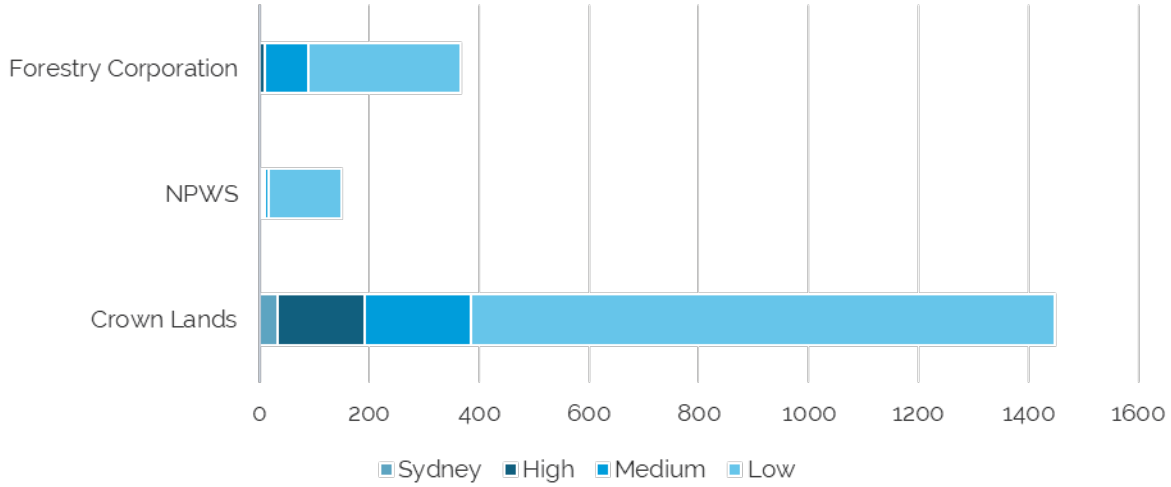
Note: For National Parks and Wildlife Service the category Infrastructure Provider includes 12 primary users and 1 co-user.

[a] A co-user is a communication provider that co-locates their equipment on an existing communication site. For example, a co-user may attach their equipment to an existing communication tower. This can be more cost effective for the co-user than building their own tower.

Source: The Department of Planning, Housing and Infrastructure, the Forestry Corporation and the National Parks and Wildlife Service.

Figure 1.2 provides a breakdown of communication licences by land management agency and density classification. It indicates that most licences are for communication sites that are located in the Low or Medium classification. There are also proportionally less sites in the Sydney and High classifications, particularly for land managed by Forestry Corporation and NPSW.

Figure 1.2 Number of licences by agency and density classification as at March 2024



Source: The Department of Planning, Housing and Infrastructure, the Forestry Corporation and the National Parks and Wildlife Service.

1.3 Recent developments in the communications industry

The communications industry refers to a wide range of businesses that provide very different services, such as radio broadcasters, mobile network operators and infrastructure providers. While many of these are for-profit businesses, there are also not-for-profit providers and community organisations. Since our last review, these segments have experienced distinct changes. Of particular note is the change in ownership of mobile infrastructure, such as towers and some rooftops.

1.3.1 Mobile network operators have divested their towers

Mobile network operators in Australia previously owned and managed their own tower and rooftop assets. This changed in 2021 and 2022 when mobile network operators sold or transferred most of their tower and rooftop assets to mobile network infrastructure providers.[4] Mobile network operators continue to retain control of their active assets that are attached to these assets.

In the case of the Telstra Corporation, the change in ownership has not removed the assets from the Telstra group. They were instead transferred into a new subsidiary called Amplitel, which was established as a mobile network infrastructure provider.[5] Singapore Telecommunications Limited (Singtel), the parent company of Optus, similarly established the Australian Tower Network (ATN) to hold its telecommunication assets.[6] ATN has since integrated with Axicom (another mobile network infrastructure provider), resulting in the creation of Indara and reducing Singtel's investment to 18%.[7]

We understand from stakeholders that these ownership changes have not necessarily had a lasting impact on rents in the private market. However, they have nominally increased the number of co-users on communication sites on Crown land without necessarily increasing land usage. We have observed an increase in co-users since our 2019 review and it is likely there will be a further increase as the new infrastructure owners deploy more sites.

1.3.2 Free-to-air TV broadcasters may have reduced capacity to pay

Commercial free-to-air TV broadcasters rely on advertising revenue to fund their activities, as there are no consumer charges for viewing free-to-air TV. Changed viewing preferences are leading to declining revenue over time, with metro area TV revenue declining by 6% between 2014 and 2018, and 17% for regional TV broadcasters.[8] Revenues also declined by 10% between December 2022 and December 2023.[9]

Declining revenue places commercial pressure on free-to-air TV broadcasters and may impact the viability of transmitters in less commercial locations. These are typically in remote and regional areas.[10] The transmitters do not provide a significant increase in viewership and consequently do not improve advertising revenue.[11] This may reduce the demand for communication sites by TV broadcasters in regional and remote areas in future, potentially placing downwards pressure on rents in these locations.

1.3.3 The Federal Government is currently reviewing subsidies

Currently a Universal Service Obligation (USO) is in place for telecommunication services. It provides a subsidy to telecommunications carriers who provide services to areas that would otherwise be uneconomic to serve. The USO is intended to ensure all Australians are able to access fixed phone services and payphones regardless of where they live or work.[12] Telstra is currently the primary provider for the USO and provides the majority of USO services over the National Broadband Network.[13] It also delivers the USO services over copper and other networks in regional and remote areas.[14]

The Federal Government announced in October 2023 that it is consulting on the delivery of a modern and more fit-for-purpose USO, in light of changes in available technology and consumer preferences over recent years.[15] Consultations have since closed and responses are being considered by the Federal Government.[16] The Federal Government has also completed consultations on funding for universal telecommunication services.[17] Changes to the USO may impact the deployment of infrastructure by Telstra, such as the use of SCAX sites and consequently the use of Crown land for communication sites. However, the impact will depend on how the USO is modernised and cannot be forecast at this point in time.

Chapter 2

Approach to setting rents

We explain our method and discuss stakeholder submissions about it

02

Our Issues Paper proposed to set a fee schedule that varied by location through benchmarking against rents paid in the private market. This is the approach that we have taken in each of our previous reviews of rents for communication sites on Crown land. We consider that this approach best meets our Terms of Reference (Appendix A).

The submission from the Crown land management agencies supported this approach.[18] However, submissions from communications industry stakeholders raised concerns about it:

1. In order to avoid unlawful discrimination against telecommunications carriers, it is necessary to base rental prices on the value of adjacent land, which would in most cases be agricultural land.[19]
2. Benchmarking against the private rental market may introduce unlawful discrimination inadvertently, as price discrimination against carriers is lawful in the private rental market.[20]

Having considered those arguments, we conclude that our proposed approach of benchmarking against the private rental market for communication sites is appropriate.

The alternative approach of referring to the valuation of adjacent land is inappropriate. Land that is especially well suited to the siting of a communications tower, perhaps because of its elevated position, location relative to other towers that may form part of a network, or ease of access to relevant services, is more valuable than grazing or cropping land. The Crown, as landowner, is entitled to a rent based on its highest-valued end-use. Published guidance from the Valuer General supports this position[b] (more information is provided in section 2.2.2).

We also consider that our proposed approach is not discriminatory for the purposes of the *Telecommunications Act 1997* (Cth) as it treats all users of communication sites the same.

Submissions also raised the idea that communications sites create positive externalities for society and for that reason they should receive discounted rental prices. We consider that argument below in section 2.4, but conclude that telecommunications carriers already receive a range of special rights (including the non-discrimination requirements) that recognise the special position held by communications networks in the economy. Our draft view is that no further special treatment in the form of discounted rental prices is justified.

We also made a draft recommendation to retain the location categories from our 2013 review.

2.1 We propose comparing against the private market

We proposed in our Issues Paper to maintain our long-standing practice of setting rents through benchmarking against the private market. We proposed to do so by basing rents for communication sites on Crown land to rents for similar commercial sites. We consider this to be the most efficient way to set rents as the private market is workably competitive. It also meets our Terms of Reference as we are required to have regard to a recent sample of private market rents for communication sites that are representative of different site locations and conditions.

[b] NSW Valuer General, Guidance note - Valuation of land leased as a telecommunications site, February 2024, p 5.

We proposed that the rents would continue to vary by geographic remoteness and contemplated updating the current density classifications to reflect changes to the Australian Bureau of Statistics' (ABS') Australian Statistical Geography Standard. We consider this approach to be simple to implement and it provides the agencies with a fair, market-based commercial return as required by our Terms of Reference.

2.2 Industry proposed an alternative approach

Submissions from the communications industry set out an alternative approach for setting rents for communication sites on Crown land. As they have done in previous reviews they proposed adopting a land valuation approach, which would involve setting rents as a return on the unimproved land value of the communication site. Some stakeholders proposed a 6% return as this is the rental return that has been adopted in Queensland, as set out in the *Land Regulation 2020* (Qld).[21]

For example Telstra submits:

> … that the unimproved land value as assessed by the Valuer-General should be, broadly, an important factor in IPART's review. For example, in Queensland, rent for most Crown leases is determined by taking the unimproved value and multiplying it by a percentage factor (i.e. 6%). As the unimproved value for Crown land is already undertaken, IPART could consider recommending a multiplier that reflects commercial returns for unimproved land.[22]

Free TV Australia similarly submits:

> In setting rents for communication sites in low density and remote areas, IPART should weigh this consideration in the balance along with the general objective of achieving fair, market-based returns.
>
> A simple and transparent way to do this would be to adopt an approach similar to that in Queensland, at least in outer regional and remote area sites, where rent is set as a percentage (indicatively 6%) of the unimproved capital value of the Crown land.[23]

In comparison, the land management agencies did not raise any concerns with our approach. They submit:

> IPART has proposed to recommend rents using a schedule that reflects efficient prices in a workably competitive market. If the term 'efficient' equates to 'fair', and if a workably competitive market means the prices reflect market-based commercial returns, then the land management agencies have no objection to this proposal.[24]

The Wireless Internet Service Provider Association of Australia and nbn co. also did not raise any concerns with the adoption of commercial benchmarking. nbn co. instead highlighted that their average private market rents are significantly lower than the current fee schedule.[25] The Wireless Internet Service Provider Association of Australia similarly highlighted that their members either pay no rental fee in return for their service or they pay licence fees between $1,200 to $12,000.[26]

2.2.1 Industry considers our approach may be discriminatory

Some submissions from the mobile communications industry put forward a land valuation approach as they consider our proposed approach to be discriminatory for the purpose of the *Telecommunications Act 1997* (Cth). For example Amplitel submits:

> By failing to reference the unimproved value of the freehold land or rents paid by non-communications tenants on Crown land, communications tenants, on the whole, are paying substantially more to rent Crown land than other tenants. The approach of the Crown has also resulted in communications tenants not being afforded the benefit of legislative rent review, which is available to other Crown tenants. Arguably, the existence of a special rent regime for communications sites in itself represents a discriminatory approach to charging of the communications industry.[27]

Under our proposed approach all communication leases are treated identically, so there is not any discrimination between carriers and other communications users. Our proposed recommended fee schedule also treats all carriers the same as other users of Crown land whose use of the land is similar to that of carriers.

We have previously taken the view that non-carrier communication users are the appropriate comparator group for the purposes of the *Telecommunications Act 1997* (Cth).[28] We contemplated other users of Crown land in our 2019 Review of rental arrangements for communication towers on Crown land such as electricity towers and windmills. After considering the facts we decided that these other users did not use the land in a sufficiently similar way to communication sites.[29]

Some stakeholders further argued that our benchmarking approach would be discriminatory, on the basis that the private market is not prevented from discriminating against communication firms and so it can freely negotiate rents. Benchmarking against the private market may then inadvertently incorporate this discrimination. They have instead argued a comparison should be drawn against Crown land in other states. For example, the Australian Mobile Telecommunications Association states:

> … such consideration of events in the private market where discrimination is not prohibited cannot be applied in the State and Territories sector where this discrimination is prohibited.[30]

It further submits:

> The Crown provides unimproved land, and carriers build the infrastructure and provide the service to consumers. There is no argument that the Crown is entitled to a land rental that reflects the Crown's perceived view of the value of the installation.[31]

Indara also submits:

> However, we do not consider that it is appropriate for IPART to compare commercial rents charged by private landowners with the rents that the State is permitted to charge under a regulatory regime.

> Clause 44 of the Telco Act is specifically designed to protect against disadvantageous or discriminatory treatment by a State or government. Indara does not propose that the provisions of the Telecommunications Act are intended to ensure consistency of approach between private and public land use. The resulting dichotomous nature of these markets means that using private commercial land rents as comparisons to determine rents for public or Crown land is inappropriate and erroneous.[32]

2.2.2 A land valuation approach does not meet our Terms of Reference

We note the industry's concerns but do not agree that it is possible to ignore the private market as a land valuation approach would also require private market evidence. The alternative, using generic land values, would not provide a fair, market-based commercial return as it fails to consider the best use of the land. This does not align with economic principles where an efficient price is based on the highest-value end-use for an input, in this case land for a communication site.

It also does not reflect the Valuer-General's published guidance for the Valuation of Crown lease restricted land. This guidance states that the land is to be valued at its highest and best use as required by sections 6A and 14I(1) of the *Valuation of Land Act 1916*.[33] This is assumed to be the use prescribed in the Crown lease as required by section 14I of the *Valuation Land Act 1916*.[34]

In the case of Crown land subject to a licence for a communication site, the highest and best use would be as a communication site. The Valuer General's published guidance for valuing Crown lease restricted land and the valuation of land leased as a telecommunications site both state that market evidence should be used to value the land. The guidance for the valuation of land leased as a telecommunications site also states that:

> In the absence of comparable sales evidence, the preferred valuation approach for land used as a telecommunications tower is the capitalisation of net ground rental. In calculating the net ground rental only outgoings paid by the owners should be deducted, noting that in most leases the outgoings are the responsibility of the lessee.[35]

Clearly, market evidence is required to establish the value of the land either in the form of comparable sales or rental information. It is our view that rents paid by commercial users of communication tower sites on private land are the best available indicator of efficient prices and reflect market-based returns given the nature and extent of the use of the land.

The alternative land valuation approaches suggested by stakeholders would result in rents that less accurately reflect the rents we have observed in the private market for land used for communication tower purposes. These other approaches do not provide a fair, market-based commercial return to the land management agencies.

Further, we do not consider that our proposed approach is discriminatory. To be discriminatory in the prohibited sense, our recommended rents would need to place carriers generally, or a particular carrier, in a worse position than the relevant comparator. Using the approach adopted by the High Court in *Bayside City Council v Telstra Corporation Ltd* [2004] HCA 19, we consider that the relevant comparator is other users of Crown land whose use of the land is similar to carriers. Because our recommended rents apply equally to carriers and the relevant comparator, they are not discriminatory.

2.3 Our proposed approach meets the Terms of Reference

We are maintaining our approach as it will address all the requirements of our Terms of Reference and, for the reasons outlined above, does not result in discriminatory pricing. Our propped recommended fee schedule, as set out in Chapter 7:

- is simple and able to be easily implemented by the responsible land management agencies
- results in a dollars per site charge that varies by location
- has been updated to reflect fair, market-based commercial returns
- is based on a sample of more than 500 recent and representative market rentals for comparable communication sites
- meets the requirements of relevant state and federal legislation
- reflects our consideration of the submissions we received in response to our Issues Paper.

Alternative approaches do not meet all these requirements, as outlined above. In particular, a land valuation approach would not be simple and able to be easily implemented by the relevant land management agencies. This is because valuing a site requires consideration of relevant characteristics, including its land size. The land management agencies do not consider any approach that is based on area footprint to be simple and easy to implement. They submit:

> The terms of reference for this review are for IPART to recommend a fee schedule that is easy and straight forward to implement. A schedule that is based on area footprint calculations to determine rental values could be costly to implement, both for the land management agencies who would need to establish new systems and processes to administer the schedule (which would also take time to develop and implement), and to telecommunications licences holders who would need to organise land surveys to support applications for licences.[36]

2.4 Communication network externalities

Several stakeholders have set out the positive benefits of communication sites in their submissions, such as access to emergency services.[37] We have taken note of these benefits but have not considered them when recommending our fee schedule. We have adopted this approach as there are other policy mechanisms that have been implemented in recognition of these positive benefits. Setting our fee schedule in isolation of these other mechanisms would be distortionary and potentially lead to communication site users being overcompensated for the positive benefits created.

For example, there are several rebates provided by the state government to different communication site users.[38] Review of these rebates are outside the scope of this review, as set out in our Terms of Reference. Setting rents without considering these rebates would lead to substantially lower returns for the land management agencies than can be justified by the benefits of communication sites. There are other similar scenarios, such as the legal protections afforded to telecommunication carriers. As such it is not feasible or efficient to incorporate the positive benefits of communication sites into our fee schedule.

2.5 Retention of density classifications from 2013 review

We proposed reviewing the density classifications in our Issues Paper, such as by aligning them with the updated Australian Bureau of Statistics' (ABS') Australian Statistical Geography Standard. We proposed this as the current density classifications are based on the first edition of the Australian Statistical Geography Standard, which was the most current at the time.[39] The density classifications also reflect population figures from the 2011 census rather than current census information.[40] Population figures are relevant as they are one factor that influences the value of communication sites to communication providers. Accordingly, increases or decreases in an area's population can influence what is considered a commercial rent.

However, it is not clear that the improvements in accuracy justify the costs of implementing any changes to the density classifications. This is reflected in submissions from the land management agencies and industry stakeholders. For example, the land management agencies submit:

> The land management agencies continue to support a fee schedule based on the existing density model (low, medium, high and Sydney). It provides an easy and straight forward way to reflect the impact of different geographic locations on site value. Significant departures from the location categories (by, for instance, adding or removing categories) could impose a significant administrative burden on the land management agencies in reassessing the applicable category for each site.[41]

nbn co. acknowledged that its average rents did align with the Australian Statistical Geography Standard though there was considerable variation in each area. However, it is concerned that any amendments to the density classifications may significantly change licence fees for specific sites. It submits:

> The proposed change in area classification to a methodology which uses [Australian Statistical Geography Standard] areas would lead to a significant change in site specific licence fees. For example, there are a number of sites currently classified in the existing fee schedule as Low and Medium (with an approximate 50/50 split) which are located in Inner Regional [Australian Statistical Geography Standard] areas. In one example for the nbn [fixed wireless] site at Menangle, the existing site licence density classification of 'Low' would change to 'Major Cities of Australia' and presumably the change in fee would be very significant.[42]

Telstra also raised concerns that a change in approach would make it more difficult to consider the viability of Crown land sites. It submits:

> If a categorisation approach was to be taken by IPART, consideration needs to be given to the fact that the ABS defines the Remoteness Areas as 'dynamic' and notes that 'changes may occur over time.' A dynamic system of categorisation may impact a carrier's ability to forecast, plan for rental costs and accurately consider the viability of Crown land sites.[43]

In comparison, other stakeholders considered that the use of density classifications was flawed as it did not necessarily align with underlying land values. For example, Amplitel submits:

> Amplitel does not support adoption of the existing ABS categories, which are too limited. Any categories used to assess rent should correlate more closely with the underlying land value.[44]

The density classifications provide an administratively simple way of setting rental fees for communication sites across broad geographic regions. The density classifications also align with the differences in private market rents for communication sites across NSW. However, we acknowledge that updating the density classifications to reflect the current ABS Australian Statistical Geography standard may impose costs. For example, upfront administrative costs and reduced certainty for existing licence holders.

We are interested in hearing further from stakeholders on the benefits of updating the density classification and whether they outweigh the costs of implementing the change.

Seek Comment

1. Should the current density classifications be updated to reflect changes in the ABS' Australian Geography Standard? Can stakeholders provide further evidence of the costs and benefits of this change?

2.6 Summary of our proposed approach

Our proposed approach to use private market evidence to propose rents addresses all the requirements of our Terms of Reference and, for the reasons outlined above, does not result in discriminatory pricing. Our proposed fee schedule, as set out in Chapter 7:

- is simple and able to be easily implemented by the responsible land management agencies
- would result in a dollars per site charge that varies by location
- reflects fair, market-based commercial returns
- is based on a sample of more than 500 recent and representative market rentals for comparable communication sites
- meets the requirements of relevant state and federal legislation
- reflects our consideration of the submissions we received in response to our Issues Paper.

Alternative approaches do not meet all these requirements, as outlined above. In particular, a land valuation approach would not be simple and able to be easily implemented by the relevant land management agencies. This is because valuing a site requires consideration of relevant characteristics, including its land size. The land management agencies do not consider any approach that is based on area footprint to be simple and easy to implement. They submit:

> The terms of reference for this review are for IPART to recommend a fee schedule that is easy and straight forward to implement. A schedule that is based on area footprint calculations to determine rental values could be costly to implement, both for the land management agencies who would need to establish new systems and processes to administer the schedule (which would also take time to develop and implement), and to telecommunications licences holders who would need to organise land surveys to support applications for licences.[45]

Draft Recommendation

1. The existing density classifications continue to be used to minimise the costs of implementing the updated fee schedule.

Chapter 3

Approach to National Parks and environmentally sensitive land

NPWS applies a price uplift for sites in National Parks. This chapter considers the arguments for and against this approach.

03

In addition to our broader approach, we have also considered how best to approach setting rents for communication sites in national parks and on other sensitive land. There are additional considerations for these lands that are not necessarily captured in private market rents. For example, it is possible communication sites on these lands may:

1. degrade the visual amenity of National Parks
2. damage the ecosystems of National Parks and other environmentally sensitive land
3. be located on higher ground with the ability to project signals to greater distances or are situated in places where network coverage is poor.

These outcomes may then require adjustments to any proposed rental schedule, including higher fees.

We understand National Parks and Wildlife Services currently sets rents for communication sites higher than the rents set by the other two land management agencies. It does this by assigning sites to the next higher price category than the one that would apply if it were not located in a National Park.

We have heard from some industry stakeholders that, in their view, this approach is arbitrary and does not consider the additional social benefits from the communication sites. For example, the benefits of ensuring adequate mobile services.

While we note the social benefits from communication sites, our draft recommendation is for National Parks and Wildlife Services to continue to set its rental fees one category higher. We consider this is appropriate to reflect the opportunity costs of development occurring on environmentally sensitive land.

We are currently not proposing to recommend this approach be extended to similar land that is managed by the other two land management agencies. We would welcome evidence from stakeholders about the damage caused by access roads and communications-related traffic or the higher communications value of such sites outside of National Parks.

3.1 National Parks and Wildlife Services' current approach

We understand that since our 2013 review, National Parks and Wildlife Services (NPWS) has adopted the approach of increasing the rents for communication sites on land they manage by one density classification. For example, a site in a low location managed by NPWS would pay the rental fee of a site in a medium location. We understand this approach was adopted to reflect the unique environmental, social and cultural characteristics of the land they manage.

We first considered this approach as part out of our 2019 Review of rental arrangements for communication sites on Crown land. We recommended that National Parks continue to set rental fees for communication sites at one category higher than the relevant density classification.[46] We considered this recommendation was appropriate to reflect the social, environmental and cultural values of national park land.[47] We also noted that our recommended rent schedule was based on recent market rents for similar sites on private land so our standard rent schedule at the time did not necessarily reflect these non-monetary values.[48]

3.2 Industry does not support NPWS' current approach

We have not received any submissions from members of the communications industry that support maintaining NPWS' current approach to setting rents for communication sites. Submissions from industry members generally consider the approach adopted by NPWS simply inflates rents and does not recognise the benefits of having communication sites in national parks. For example, the reduction in mobile black spots which allows access to emergency services and improves coverage during times of national disasters such as bushfires.

For example, the Australian Mobile Telecommunications Association (AMTA) submits:

> AMTA strongly disagrees with this recommendation. It is worth noting that the NPWS only developed this category step increase in rentals after the previous IPART review and that there was no nexus with the increase and the social and cultural values of the land.
>
> … AMTA notes the very real benefits in terms of ensuring adequate mobile services in National Parks especially during emergency situations, and from an operational perspective for NPWS staff.[49]

Telstra submits:

> Mobile phone base stations in National Parks play an important role in ensuring that the community can call and text family, friends and emergency services in the event of a natural disasters or other emergency situations. Ordinarily, Telstra's mobile network infrastructure sited in National Parks do not generate a considerable amount of mobile traffic and thus generate little commercial return. These sites are generally built to provide communities with a crucial service.[50]

Indara similarly submits:

> The community expect telecommunications services to work in all locations including National Parks and providing access to build infrastructure is essential. When national disasters occur such as floods and bushfires, emergency services rely on telecommunications infrastructure. Indara agrees that there should be strict guidelines **[about]** how telecommunications infrastructure in sensitive locations such as National Parks is sited - but should not preclude the ability to locate there if there is no other viable alternative, nor should the cost to site there be in any way discriminatory.[51]

The Wireless Internet Service Provider Association of Australia (WISPAU) also submits:

> WISPAU Members support the alternative sites to the Parks in the first instance however, our members are primarily supporting local smaller communities in a regional environment so access to Park lands, at a reasonable cost, will genuinely provide social benefits. Broadband Internet providers like WISPAU members often target narrow segments of the market and as such the willingness to proceed with a service to provide a community benefit to those in an area may not proceed at all due to higher rental costs.[52]

Stakeholders also submit that there are existing mechanisms to protect the social, cultural and environmental value of national park land.

For example, Telstra submits:

> It should also be noted that mechanisms already exist in planning legislation/codes to reflect and retain the 'social, cultural and environmental value' of National parks with respect to telecommunications facilities, including:
>
> - Areas of Environmental Significance (AOES) provisions in the Telecommunications (Low-Impact Facilities) Determination 2018 preclude the use of exemptions if land is specifically earmarked for conservation purposes.
> - It is anticipated that any development application process on National Park land would reasonably identify social, cultural and environmental significance and strategies to mitigate impacts.[53]

Amplitel also submits:

> Due to the location and the percentage of NSW land managed by [the *Crown Land Management Act* 2016], Amplitel often has no choice but to licence land from NPWS as no other options exist for tenancies in these areas. As required by the *National Parks and Wildlife Act 1974* (NSW), it is a last option when locating infrastructure on NPWS land.[54]

3.3 Our draft view on NPWS' current approach

Our Terms of Reference (Appendix A) asks us to update current rents to reflect fair, market-based commercial returns. We remain of the view that the private market does not necessarily adequately price the social, cultural and environmental value of the land. For example, private market rents do not necessarily incorporate the costs of protecting biodiversity. As such, adopting our approach as set out in Chapter 2 would not necessarily meet the broader policy goals of NPWS.

We consider that in the absence of sufficient market evidence, an administratively simple approach to setting rents is for NPWS to continue their current practice. The practice of setting rents one level higher balances the unquantified additional costs of their land management against any potential social benefit created by the communication sites. Additional evidence from stakeholders that helps to quantify the social costs and benefits would allow us to consider this recommendation further.

3.4 Should NPWS' approach be extended to other Crown land?

The land management agencies have also asked us to consider expanding this approach to other land that have environmental, cultural and social value. They submit:

> IPART should consider expanding this consideration to include:
>
> - DPHI-administered Crown land that is reserved for environmental conservation purposes, and
> - State forest land that is set aside for conservation and classified under the Forest Management Zoning system with a zone that is similar, in usage, to national parks.
>
> Such lands also hold social, cultural, or environmental value that means a rental price higher than IPART's standard fee schedule could potentially be called for. [55]

While noting this point of view, we currently lack sufficient evidence to determine if it warrants extending NPWS' special pricing arrangements. We are open to considering this issue further and ask the land management agencies to provide evidence of higher costs associated with these lands. For example, additional mitigation and conservation costs due to the presence of communication sites on lands that hold environmental value.

Draft Recommendation

2. That National Parks and Wildlife Service's approach of setting rental fees one category higher should continue.

Seek Comment

2. To what extent do communication sites on lands reserved for conservation, including in national parks, create higher environmental costs? For example, do they cause greater mitigation and conservation costs?

3. Are stakeholders able to provide evidence of the size of these costs and how they directly relate to the communication sites?

Chapter 4

How we measured market rents

This chapter explains our data sources and the process we applied to determine our schedule of market-based rents.

04

This chapter sets out how we procured the sample of private market rental data that is required by our Terms of Reference (Appendix A), and how we analysed that data to obtain our recommended schedule of rents, together with our recommended price escalation factors.

We obtained a list from the NSW Land Registry Services of all leases for which the lessee was a communications provider. There were approximately 3,000 leases in this sample that met our criteria (site used for communications equipment and prices agreed recently). From that list we randomly selected 1,300 (roughly one third of the total sample) ensuring adequate representation of sites in all population density categories (i.e. Low, Medium, High density and Sydney).

We obtained copies of these leases from public data sources and extracted rental price and other pertinent data from them. In doing this, we noticed that a significant number of leases did not contain prices. In most cases, that was because the lease price field referred to a previous lease. Our final data set contains over 600 leases with prices.

We are interested in understanding the effect on rental prices of various characteristics of the site, including population density category, whether the lessee is a primary user or co-user, and whether the lease is for a tower or rooftop installation. We determined the relative effect on price of these characteristics by conducting linear regression on the lease prices, using these characteristics as explanatory variables.

Separately, we examined the statistical distribution of price escalation provisions within the leases. We have used this information to inform our proposed recommendations about future price escalation.

4.1 Choice of method for identifying relevant leases

We considered two approaches for identifying registered leases for communication sites:

1. Identify registered leases for all radiocommunication sites that are registered with the Australian Communications and Media Authority (ACMA) in NSW.
2. Conduct a bulk data request of the NSW Land Registry Services (LRS) to identify registered leases of telecommunications carriers.

We chose the second approach because the first was not practical. It would have required us to:

- identify the property information (e.g. lot information) for each site based on latitude and longitude data from the ACMA database
- conduct a title search for each property to identify any leases registered on the title
- conduct a dealing search using the lease number, where available.

We took that approach in our 2019 review and found it to be laborious, as several of the steps had to be done manually. As a result, we were only able to compile a relatively small data set in 2019.[56] Not every communication site is necessarily subject to a lease and it is not possible to identify registered leases without title information.

In this review, we were able to compile a large list of potentially relevant leases by requesting from LRS all the lease numbers for sites where the lessee was a communications company. They conducted a search of their data base using a list of companies that included:

- mobile network operators
- mobile infrastructure providers
- other providers of communications infrastructure such as for radio and television.

While not all these leases were for communication sites, we were able to eliminate unsuitable leases by focusing on the particulars provided in the LRS bulk data.

Our bulk data request returned a significant number of potential registered leases for communication sites. We identified over 3,000 potential leases in which a communications company was a lessee. We further reviewed the results of the bulk data request to limit it to leases that:

- commenced from the 2020-21 financial year or later
- were negotiations for new sites (i.e. not roll-over leases or renegotiations)
- were for communication sites.

We then chose a representative sample of the leases based on their geographic locations. We selected a minimum number of leases within each local government area, subject to availability. Our initial download request contained 1,300 leases from the pool of 3,000. We selected these at random subject to constraints that ensured a wide geographic coverage (done through local government area quotas).

Some of the leases we initially downloaded did not contain prices, so we were not able to use all of them. We made a supplementary download request for a further 200 leases. Our final sample consists of 610 leases for communication sites across NSW with prices. Table 4.1 shows the breakdown of our lease sample by density classification and user type. Table 4.2 shows the number of rooftop sites in the sample by density classification and Table 4.3 shows the median rents by density classification. We have tabulated the number of priced leases available in each geographic and site characteristic category, and median rents.

Table 4.1 Number of private market leases for communication sites in sample by density classification and user type

	Sydney	High	Medium	Low	Total
Primary user	105	67	102	282	556
Co-user	5	15	6	28	54
Subtotals	110	82	108	310	610

Source: NSW Land Registry Services and IPART analysis.

Table 4.2 Number of rooftop sites in sample by density classification

	Sydney	High	Medium	Low	Total
Rooftop sites	65	15	5	3	88

Source: NSW Land Registry Services and IPART analysis.

Table 4.3 Median rents by category and density classification ($2023-24)

	Sydney	High	Medium	Low
All	$ 38,937	$ 28,749	$ 15,591	$ 7,795
Primary	$ 38,961	$ 28,982	$ 15,591	$ 7,159
Co-users	$ 33,066	$ 25,578	$ 15,402	$ 11,331
Rooftops	$ 39,350	$ 28,056	$ 26,656	$ 9,459

Source: NSW Land Registry Services and IPART analysis.

The full distributions of these rents are shown in Figure 4.1, Figure 4.2 and Figure 4.3 below. These figures depict the range of data points using "Box and whisker plots", which are explained in Box 2 below.

Box 2 Box and whisker plot – quick guide

Box and whisker plots tell us how a series of data is spread out. The different components of the plot signify key features of our dataset.

These are:

The **box** is the range which the middle half of our data falls into. The remaining half of our data will be found outside of our box, either above or below.

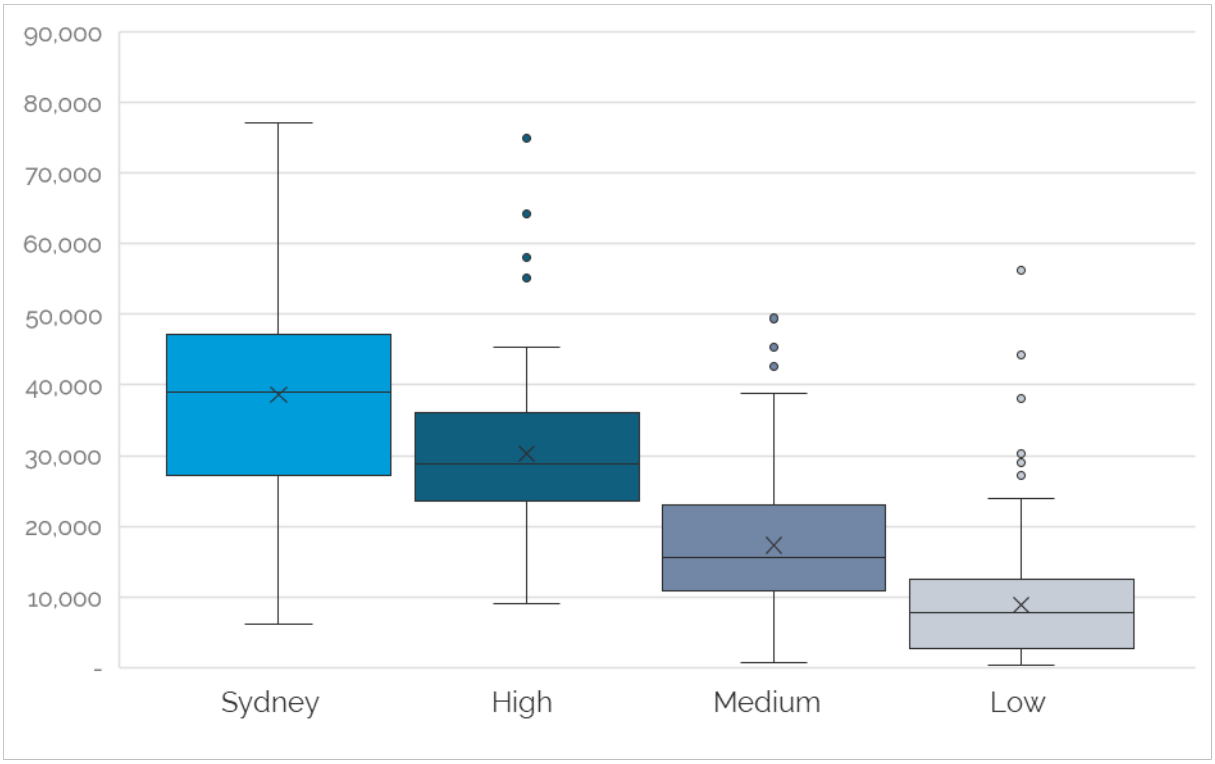
The **whiskers** are the upper and lower limits for what can be considered normal variation in the data.

The **outliers** are points which fall above the upper whisker or below the lower whisker. Outliers are usually considered to be the extremes of the dataset.

The **median** is the point above which the highest 50% of our data sits, and below which the lowest 50% sits. It can be thought of as the middle point and reflects what can be considered 'typical' for our data.

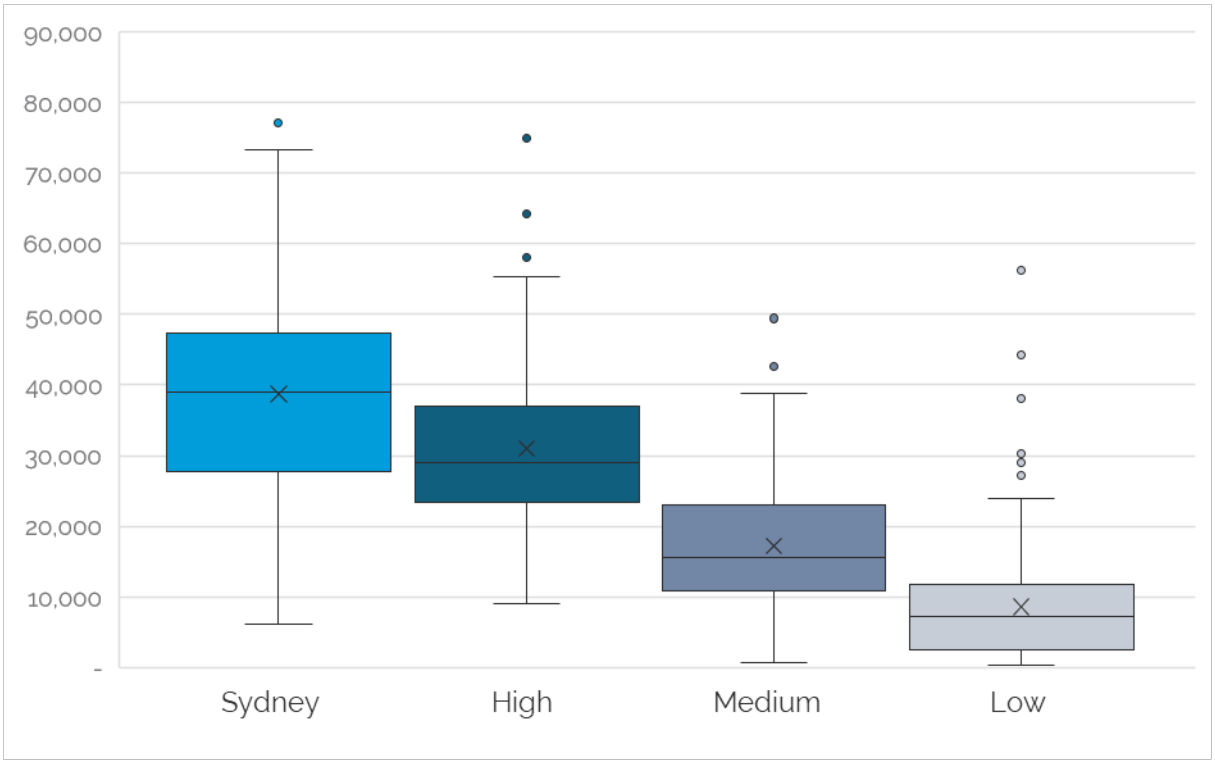
The **average** value is shown with an X.

Figure 4.1 Distribution of private market rents by density classification ($2023-24)



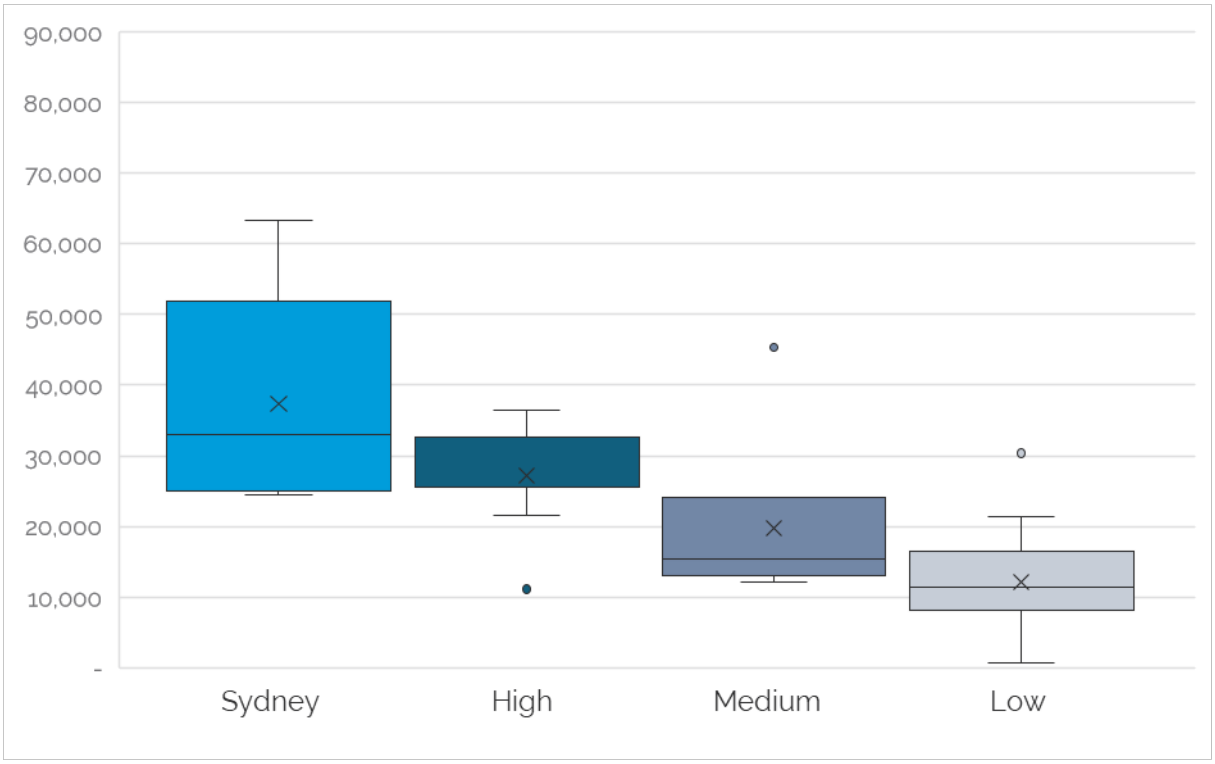
Source: NSW Land Registry Services and IPART analysis.

Figure 4.2 Distribution of rents paid by primary users by density classification ($2023-24)



Source: NSW Land Registry Services and IPART analysis.

Figure 4.3 Distribution of rents paid by co-users by density classification ($2023-24)



Source: NSW Land Registry Services and IPART analysis.

4.2 Lease data obtained from communication companies

We also requested a representative sample of lease data from 6 communication companies. We received price data from 4 of these companies, but 2 of them asked us to treat their information as confidential. One of the 4 companies, Amplitel, provided data in response to our request and set out caveats for its use and publication (see Box 3). Optus also provided a response with limited restrictions.

Box 3 Amplitel's response to our request for information

Amplitel noted its firm view that private market evidence is not the correct comparator to use when setting rentals for communications towers on Crown land. They say that the Federal Court of Australia confirmed this view in Telstra Corporation Ltd v State of Queensland [2016] FCA 1213.

Notwithstanding the above, Amplitel attached a file containing details of 30 recent leases for new Amplitel sites in NSW.

Amplitel emphasised the point that any evidence used must satisfy established valuation principles of "recent evidence". IPART, or any consultant valuer, should not rely on rentals that were established many years ago and that have now, through annual fixed increases, escalated well beyond the current market. Nor should IPART, or any consultant valuer, rely on rentals established for renewals of expired communications tower leases as, in this situation, the tenant cannot act without compulsion due to its significant investment in the subject site. Established valuation principles, including the concept of a hierarchy of evidence, are clear on this point. Fresh market evidence must be used where it is available.

They also state that established valuation principles also dictate that adjustments must be made to reflect the terms on which different leases are entered into. For example, a $10,000 rent on a standard lease (or other tenure document) is not the same as a $10,000 lease with more onerous terms – such as those imposed by Crown land management agencies. Please note that the leases referred to in the private market evidence provided here are permissive of co-location without the requirement for co-user agreements or additional rental of any form.

In Amplitel's view, the evidence provided confirms IPART's 2019 findings that there is no evidence of co-user fees in the private market. As set out in Amplitel's submission, IPART should again recommend the abolition of co-user fees, together with the retrospective implementation of its 2019 findings (including the commensurate refunds).

Source: Email to IPART, Amplitel, 7 June 2024.

The number of prices provided represented less than 10% of their portfolio of private market leases.

- Amplitel provided pricing data on 30 leases, compared to 318 leases that we identified Amplitel held in our pool of LRS leases.
- Optus provided pricing data on 42 leases, compared to 205 leases that we identified Optus held in our pool of LRS leases.

We made two comparisons between the prices they provided and our market data. We used our market data to develop the proposed prices. Using the regression method described in Appendix B, we established the expected price for each density category and the rooftop status of a site. We compared the prices provided by the communication companies to these expected prices. The first comparison was between the submitted median rents for each population density category and the median rents obtained from our own LRS-sourced data.

Table 4.4 below shows this comparison between median rents in the submitted samples and in the expected prices based on our market data.

Table 4.4 Median rents compared between data submissions and IPART benchmark model ($2023-24, GST exclusive)

	Sydney	High	Medium	Low
Amplitel sample	$ 26,228	$ 15,607	$ 16,986	$ 7,231
OPTUS sample	$ 30,103	$ 18,172	$ 9,211	$ 9,004
IPART benchmark	$ 36,340	$ 30,156	$ 17,012	$ 8,545

Source: Company responses to our data request, NSW Land Registry Services and IPART analysis.

The price samples submitted by the communication companies had lower medians in all density categories than the expected prices based on our market sample, which was based on a randomly selected market sample of sites. For some of these companies, the medians were well below the expected prices.

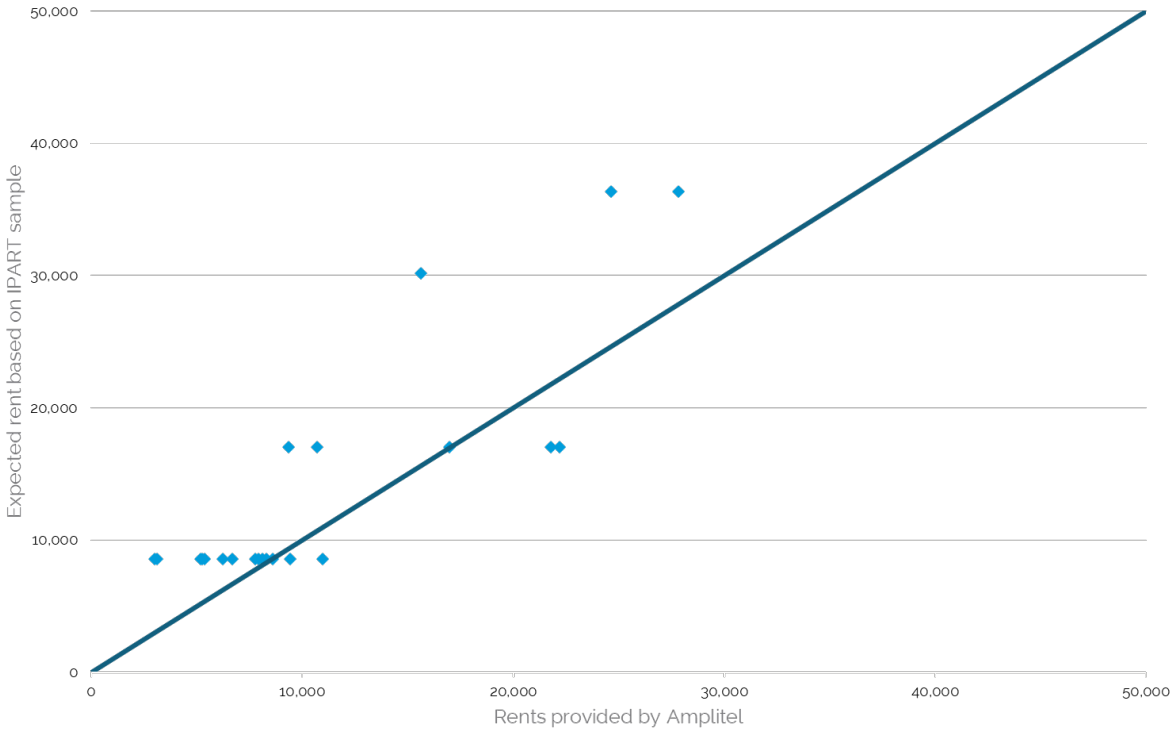
The second comparison was made by generating scatter plots showing each company's submitted prices (X axis) against the expected price for those sites (Y axis). The equivalence line (in dark blue) is the line on which submitted values equal the expected prices. If a data point appears above this line the price in the submission was lower than the expected price. If the data point appears below this line the price in the submission was higher than the expected price.

The scatter plots for two communications companies are shown below in Figure 4.4 and Figure 4.5. In each of these scatter plots, the data points are clustered above the equivalence line, indicating that the prices submitted by the companies were generally lower than the expected prices.

The sample submitted by the two companies combined, which totals 72 leases, is significantly smaller than our sample of more than 600 leases. Our sample was randomly selected.

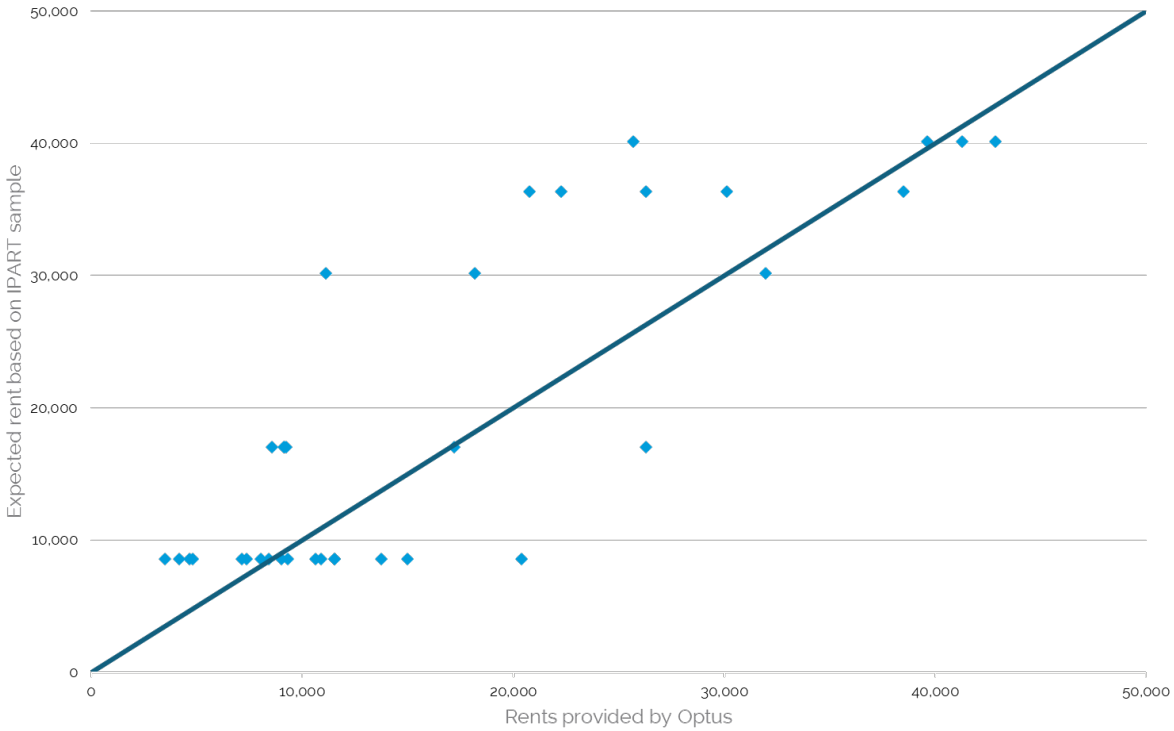
We have considered the data provided by the communications companies. However, given that the data provided represents only around 10% of their sites that we identified and also given that our analysis indicates that the rents are not consistent with our market data, our draft decision is not to include these submitted prices in our benchmark price analysis.

Figure 4.4 Expected rental fee based on analysis of our sample compared to Amplitel's submission ($2023-24)



Source: Amplitel data submission, NSW Land Registry Services and IPART analysis.

Figure 4.5 Expected rental fee based on analysis of our sample compared to Optus' submission ($2023-24)



Source: Optus data submission, NSW Land Registry Services and IPART analysis.

4.3 Results from regression analysis

The details of the random sampling and regression analysis are contained in Appendix B. We found that co-users typically pay less rent than primary users but we were not able to quantify this price difference statistically. We also found that primary users pay a higher fee when they rent additional airspace, but we were also unable to quantify that effect.

Given these results we decided to run our regression analysis while excluding co-users from our data sample and did not consider airspace. We considered this appropriate as we are using this analysis to estimate the appropriate primary user fee for each density classification. We found removing these elements did not significantly impact our regression analysis, while maintaining a sample of over 500 leases.

Our further analysis has led us to the following observations about market prices:

1. Communication sites located in higher density classifications attract a higher fee. with fees ranging between $8,545 for Low density sites to $36,340 for Sydney sites.
2. Communication sites located on rooftops tend to pay more rent. We have estimated that this warrants a further $3,821 in rent per year in addition to the relevant density classification.

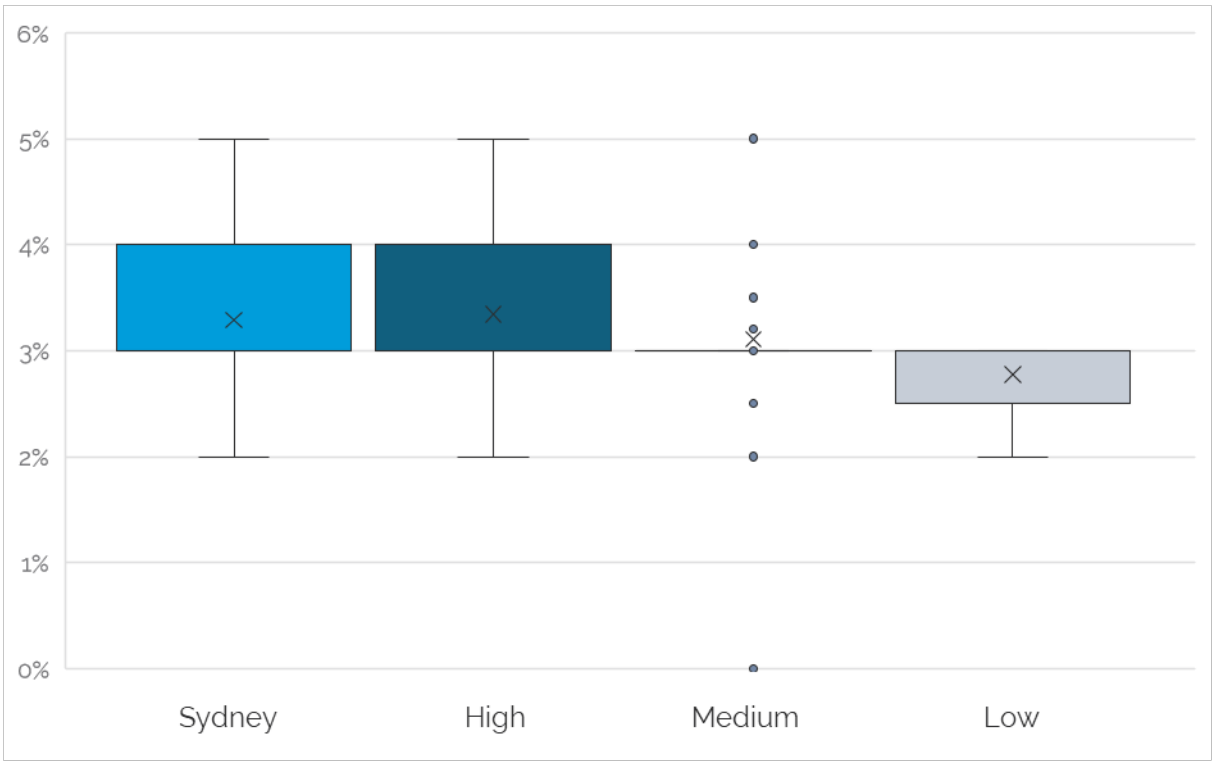
4.4 Price escalation factors used in leases

We compiled statistical information on the distribution of escalation factors set out in lease documents. The results are shown in the box and whiskers plot below (Figure 4.6).

This plot indicates that median escalation factors are around 3% per annum, except for the Low density category, which has lower escalation factors. These figures are specified numerically in the leases, rather than referenced to inflation of the day.

We consider that this market evidence suggests escalation for the Crown land rentals should also be based on these private market benchmarks, rather than on CPI.

Figure 4.6 Distribution of rental escalation factors by density category



Source: NSW Land Registry Services and IPART analysis.

Chapter 5

Approach to co-user fees and small cell technology

Co-users and lessees deploying small cell technology are proposed to receive a 50% discount relative to primary users, which is a continuation of the status quo

05

Our proposed recommended fee schedule in Chapter 7 reflects private market rentals for the "primary users" of each site. That is, the party that holds the lease for the land that is used to construct a communications tower. However, these are not the only users of the land. There are also parties that co-use the land, and communications firms that affix antennae for small cell technology (including 5G) to various structures that already exist. It has been the practice of the land management agencies to also charge rentals to co-users and small cell technology users, albeit at a reduced rate to reflect their smaller land footprint.

In this chapter, we explain how we have approached setting prices for co-users and small cell technology.

5.1 Identifying users in these categories

Co-users and small cell technology do not use land as intensely as primary users. Co-users co-locate on existing communication sites and often locate entirely within the primary user's compound. Small cell technology is smaller than macro technology used for mobile sites and can be deployed with a low impact on sites, including smaller land footprints. As such, we have considered whether separate fees are warranted for co-users and small cell technology.

We have heard from most industry stakeholders that primary users already pay rent for land. They consider the land management agencies are already compensated for the land's usage and any further fees paid by co-users would be excessive. The exception is where the co-user occupies more land. We received few views on how to treat small cell technology. The views that were provided suggested small cell technology should only pay a one-off payment as they typically do not require additional land.

We do not agree that primary user fees always fully compensate land management agencies for the use of their land when there are co-users. A licence to use Crown land is non-exclusive and co-users are unable to sublet from the primary user. As such, co-user fees ensure that the rental received by the land management agencies reflect the intensity of land use by all land users.

We attempted to estimate the current market discount for co-users using statistical analysis of our data set of private market leases. This effort has not yielded statistically reliable results (as explained below). We are therefore recommending maintaining the existing 50% discount for co-users.

We have also recommended extending the discount to primary users deploying small cell technology. This reflects that these types of communication sites typically use existing infrastructure and require little or no additional land. That is, their usage is more similar to co-users rather than other primary users. A lower fee is therefore appropriate as our fees are based on private market rents for more intense land usage.

In our 2019 review, we recommended a different treatment for users deploying small cell technology. At that time, we recommended a minimum charge for these users, with the primary aim of allowing the rollout of 5G communications networks to proceed expeditiously. Further, we said that deployments that involved no additional land footprint should have a zero charge.[57]

We understand that it was impractical for the land agencies to administer a price schedule that depended on land footprints for specific sites, so the approach we proposed in 2019 was not accepted. This time we have proposed a different approach, which is designed for administrative simplicity, aligning the small cell charge to the co-user fee. Our current view is that this changed approach will not materially impact the rollout of 5G networks. This view is based on the following observations:

- 5G networks are principally deployed in urbanised areas (including regional towns), with antennae fixed to existing buildings and structures, as well as communications towers.
- We understand that there are few buildings and structures owned by Crown land agencies.
- Where 5G antennae are attached to communications towers, these sites could be characterised as co-user sites, so they would attract the proposed co-user pricing.

Therefore, our draft view is that the approach to small cell technology proposed here should not result in a material increase in cost to 5G network providers. We would like to hear from stakeholders about their views on these observations and the conclusion we have drawn from them.

5.2 Approach to co-user rental fees

Co-users are communication providers that co-locate their equipment on a primary user's infrastructure. Co-users typically locate within the same compound as the primary user, though they may rent additional land when needed. For example, they may rent additional land to house an equipment shed. Co-users require a licence to locate on Crown land even when located solely within the primary user's compound as they are unable to sublet from the primary user (i.e. licences for Crown land are non-exclusive). As such, they do not have a right to occupy Crown land without a licence.

Co-users are currently charged 50% of the primary user rental fee, as recommended by our 2013 Review of rental arrangements for communication sites on Crown land.[58] We recommended this fee to ensure that the total rent charged by land management agencies reflects the intensity of land use by all users.[59] We considered this fee was warranted in the absence of subletting by the primary user.[60]

5.2.1 Industry seeks removal of co-user rental fees

The industry has not supported co-user fees since they were first proposed in our 2005 Review. The industry has maintained this position in their submissions to our Issues Paper. For example, Optus submits:

> Similarly, co-user charges cannot be justified in Optus' opinion. Provided a Carrier, or indeed any Co-User, occupies space entirely within the Primary User's lease area, no additional rent can be justified as the Crown Land agency provides nothing but unimproved land.[61]

TPG further submits:

> By imposing additional levies on providers who access the tower infrastructure on the site (despite not taking up any extra land), the Crown is seeking fees for no service, as there is no effective impact on the Crown beyond minor administrative requirements and site access.[62]

The land management agencies instead argue that co-user fees remain appropriate, and consider it may be appropriate to reduce the discount provider to co-users. They submit:

> The land management agencies have investigated this relatively recently and found that co-users commonly pay between 75% and 83% of the primary use charge in the private market. On this basis the existing co-user discount of 50% may be lower than it should be. This discount ensures that the total rent charged reflects the intensity of land use by all users on the site.[63]

We do not agree with the industry that the land management agencies are already fully compensated for the use of their land because they receive rent from the primary user. We stated in our 2013 Review of rental arrangements for communication sites on Crown land that:

> If the co-user fees were removed, then the rent for primary users would need to increase to recognise the ability of the primary user to sub-let, with greater intensity of land use.[64]

As such, the current fee schedule does not account for the potential for sub-leasing and does not fully reflect the intensity of land use where additional users are present. It is also inconsistent with the licences for tenure of Crown land, which are non-exclusive. We therefore consider that a co-user discount remains appropriate and have attempted to review it as part of our statistical analysis, as set out below.

5.2.2 We have been unable to quantify current co-user discounts

We observed multiple instances of co-location in our data set of private market leases. However, it has proven difficult to correctly discern which of these leases are primary users and which are co-users. We have explored several possible methods for classifying the leases but we were unable to achieve sufficient accuracy to rely on the results. We instead manually examined each of the potential co-user leases and proposed a draft decision using available information.

We performed regression analysis to determine if there was a price effect from being a co-user. We found that co-users generally pay lower rents, which is consistent with the rights of the co-user being less valuable than the primary user's rights. However, the results are not statistically significant so we cannot say with certainty that our estimated price effect accurately reflects the market.

In most cases, a co-user does not cause the land footprint of the leased site to increase and for this reason, co-users do not impose any additional cost on the land owner. On the other hand, the right to be a co-user and situate one's communication equipment at a particular site is a valuable right. It is efficient to charge a non-zero price for that right.

Given these results we are proposing to not recommend any changes to the current practice of charging co-user fees or any changes to the co-user discount. We are proposing that the 50% discount would apply to the full primary user price for the site. For example, if the site was on a rooftop and it attracted the additional rooftop charge, then co-users would pay 50% of the entire price including that rooftop premium.

Draft Recommendation

3. Co-users continue to pay a co-user fee that is set at 50% of the primary user's rental fee.

5.2.3 Incentives for co-location

Several stakeholders raised concerns that co-user fees were disincentivising communication site users from co-locating. For example, TPG Telecom submits:

> Further, continuing to charge co-user fees would not align with views at the Commonwealth level. The requirement to co-locate is embedded in Federal legislation through Schedule 1 of the Telecommunications Act 1997.
>
> The Parliamentary Inquiry 'Connecting the country: Mission critical' report recommended prohibiting Commonwealth agencies from charging additional co-user fees on Commonwealth Crown land leased for providing telecommunications services.[65]

We consider maintaining a discount of 50% will maintain incentives for communication site users to co-locate as they do not need to pay the primary user fee. At the same time, the land management agencies remain fully compensated for the use of their land, as outlined above.

5.3 Approach to small cell technology

Small cell technology is not new and has been an essential part of telecommunications infrastructure for more than a decade.[66] It has become more popular with the ongoing roll out of the 5G mobile phone network.[67] Small cell technology is different from macro cell technology as it:

- uses less power
- has smaller antennas – never longer than 1.2 metres
- can be placed inside buildings
- gives coverage of 50 to 200 metres.[68]

Communication sites with small cell technology currently have the same licencing requirements as other technology. They pay the same primary and co-user fees as relevant, along with any relevant discounts or rebates. However, we understand that primary users deploying small cells pay the co-user fee instead when their site is on existing infrastructure, such as a light post.

5.3.1 A separate fee is needed for small cell technology

As outlined above, small cell technology is different from macro cell technology and communication towers. Communication sites using small cell technology can be smaller and do not necessarily require additional land. For example, they can be located on existing light or power poles and bus stops. As such they typically use less land than other communication sites.

Given this, our proposed primary user fees do not accurately reflect the land usage of small cell sites as they are based on rents for macro sites that occupy more land. An alternative fee is required to better reflect their land usage.

5.3.2 Diverse stakeholder views on small cell technology

There was not one clear approach proposed by stakeholders in their submission to the Issues Paper. The industry primarily focussed on the issue of co-user fees. The submissions that did discuss the issue supported removing rental fees for small cell technology unless they occupied additional land. For example Telstra submits:

> While Telstra is amenable to having a single one-off application fee for small cells in all settings, it considers that IPART should instead seek to facilitate the deployment of telecommunications infrastructure by removing cost barriers, such as co-user fees, entirely.[69]

Bai Communications similarly submits:

> Fees for Small Cell and other similar technology that are installed on structures owned by private or government entities are established based on the size and nature of the equipment (in a similar way to collocation fees are calculated). Typically, no fee is payable to the owner of the land under that structure if the Small Cell equipment is located solely on the structure.[70]

The St George Amateur Radio Society also considered that there were other similar technologies outside of mobile networks that should be treated similarly. It submits:

> The rationale for providing alternate pricing structures to advantage (or disadvantage) a particular technology (e.g. 'small cell technology') is unclear. We note there are other similar radio technologies (i.e. technologies with similar equipment size and/or population reach) which could/should be treated similarly.[71]

The land management agencies did not raise concerns with treating small-cells differently but did consider that small cell technology should be categorised separately from co-users. They submit:

> The land management agencies believe that co-users and small cell technology should be categorised separately in any proposed fee schedule due to the operational differences between them (i.e. small-cells may not be co-located with other infrastructure and co-user equipment may not necessarily be small-cell).[72]

5.3.3 Small cell sites to pay a discounted fee

We consider that all co-users should be treated the same regardless of the technology they deploy. We are proposing a different approach for primary users deploying small cell technology in recognition of their different land usage. We consider that these primary users use land in a similar way to co-users as they typically deploy their equipment on existing infrastructure and require little or no additional land.

As such, we propose to recommend that these primary users pay the same fee as co-users. That is, their fee is to be set as 50% of the primary user fee. We understand this is the current approach for small cell sites deployed on existing infrastructure and lack sufficient evidence to support an alternative approach. We also consider this approach should apply to all similar technologies as it is the difference in land usage that warrants the lower fee, rather than small cell technology.

While our draft recommendation is to apply a 50% discount to the primary user fee for small cell deployments, we would welcome any evidence that stakeholders can provide concerning the possible impact of this pricing approach on the rollout of 5G communication networks. We will take account of any evidence that is provided in reaching our final recommendations on the small cell pricing approach.

Seek Comment

4. What is the likely impact of our proposed pricing for small cell technology on the rollout of 5G networks? What evidence can stakeholders provide of this impact?

Draft Recommendation

4. Co-user fee be extended to primary users deploying small cell and other similar technology in recognition of their similar land use.

Chapter 6

Approach to rooftops

Rooftop sites are more valuable hence we are recommending a price uplift derived from our analysis of market data

06

We asked stakeholders in our Issues Paper whether communication sites located on rooftops should be treated differently from other communication sites. This reflected that we have previously found in our past reviews that these sites are typically more valuable than other communication sites on Crown land. We had therefore recommended that these sites be treated differently and have their rents set through negotiation rather than using a fee schedule.

In practice licence holders for rooftop sites have been charged the relevant co-user fee and have not been negotiated. Stakeholders provided three main options for how these sites could be treated going forward. Fees for rooftop sites could be set through negotiation; in the same way as other sites; or attract only a minimum fee. We have considered these options and propose to recommend that rooftop sites be set in the same way as other sites plus an additional charge to reflect their higher value.

6.1 Current approach to rooftop sites

Rooftop sites refers to the deployment of communication equipment on a building's rooftop. They are most common in metropolitan areas and, as such, are typically considered to be high value sites. There are currently few communication sites located on rooftops on Crown land with only 12 rooftop sites on Crown land. Only 5 of these sites are located in the Sydney and High locations, with the others located in Medium and Low locations.

We recommended that high value sites be negotiated in our 2013 and 2019 Review of rental arrangements for communication sites on Crown land. We understand that the land management agencies have chosen not to implement this recommendation. As such, the licence holders for the 12 rooftop sites are charged the relevant co-user fee.[73]

6.2 No consensus amongst stakeholders

Stakeholders put forward several different approaches that could be used to set rents for communication sites. These are for:

- rents to be set by negotiation on a site by site basis
- rooftop sites to be treated as other sites
- a minimal charge to be set for rooftop sites.[74]

As noted above, we previously recommended setting the rents for high value sites, such as rooftops, through negotiation. This approach has not been adopted to-date as the land management agencies submit:

> It is the land management agencies view that the fee schedule should set rates for rooftop communication sites on Crown land… The appropriate classification of these sites should be determined by analysis of existing sites on private land.[75]

Other stakeholders suggested rooftops should only have a minimum charge as rooftops have limited alternative uses and these rents are in addition to the rent for the base building. For example, Telstra submits:

> Rooftop rents are an additional rent on top of the base rent for the building itself. A building rooftop has no alternative highest or best use and as such Telstra would like IPART to consider minimal charges for these communication sites to cover property management costs.[76]

The Australian Mobile Telecommunications Association similarly submits:

> Rooftop rents that are in addition to the base rent of a communications site should be charged at a zero to minimum rate.[77]

The Wireless Internet Service Provider Association of Australia (WISPAU) also called for lower rents for rooftop sites, but on the basis that these facilities are generally considered to be low impact. It submits:

> Where rooftop facilities are proposed to be installed WISPAU members believe that a lower cost is appropriate for these sites, in addition to the discount provisions for Local Service Providers within the IPART pricing framework. In many cases these sites are low-impact facilities by definition of the Telecommunications Act.[78]

In comparison, other stakeholders suggested rooftops be treated the same as other sites rather than have a separate approach. For example, Bai communications submits:

> A universal approach would be best.[79]

TPG Telecom similarly submits:

> TPG Telecom believes a simple approach to charging rentals based on location is preferred, rather than treating rooftop communication sites differently.[80]

6.3 Our draft recommendation on rooftop sites

We have found that leases for communication sites on rooftops generally attract higher rentals than other sites. We have found that these leases generally attract additional rents of $3,821. Given this, we propose to recommend that rents for rooftop sites on Crown land are set as:

- the relevant density classification rental fee
- plus an additional premium of $3,821.

We consider that this approach is administratively simple and provides the land management agencies with a fair, market-based commercial return.

Draft Recommendation

5. Communication sites located on a rooftop are to pay $3,821 in addition to the fee for the relevant density classification.

Chapter 7

Proposed rental schedule

Our draft price recommendations are summarised here

07

We have used our data set to estimate updated rental fees for communication sites on Crown land. We have found that market prices are lower than the current fees in all density categories.

We propose retaining the approach of setting the fees for primary users as this aligns with the approach in the private market of primary users negotiating rents with land owners. We propose to maintain the existing location categories as it was not clear the benefits of updating the categories outweighed the costs (section 2.5).

We also propose to maintain the co-user category (section 5.2.2) and our draft recommendation is it be extended to primary users that are deploying small cell technology (section 5.3.3). We also propose to recommend all similar technology pay a reduced rental fee to reflect their less intense land use compared to larger deployments (section 5.3.3).

We have not considered positive externalities in proposing our recommended rental schedule (section 2.4). Accounting for positive externalities would require us to consider existing arrangements that have been put in place to encourage communication sites, such as the size and availability of rebates. This is outside the scope of our review, as set out in our Terms of Reference (Appendix A).

7.1 Updated rental fees

We have reviewed rents for similar communication sites in the private market and have found that rents have decreased compared to current Crown rents in 2023-24 (Table 7.1 and Table 7.2).

Table 7.1 Recommended draft rental fees by density classification ($2023-24, excluding GST)

	Sydney	High	Medium	Low
Primary users	$ 36,340	$ 30,156	$ 17,012	$ 8,545

Source: NSW Land Registry Services and IPART analysis.

Table 7.2 Current rents for Crown communication licences for standard sites ($2023-24, excluding GST)

Financial year	Sydney	High	Medium	Low
2023-24	$42,132	$35,109	$19,505	$9,362

Note: Sydney refers to local council areas in metropolitan Sydney with a population density of greater than 1,800 people per square kilometre. High are those local council areas with a population density of less than or equal to 1,800 people per square kilometre. Medium refers to areas within 12.5 km of the centre of the 37 Urban Centres and Localities (UCLs) defined by the ABS as having a population of 10,000 people or more based on the 2011 census. Low is the remainder of NSW.

Source: Department of Planning, Housing and Infrastructure, Communication licence rent fact sheet, February 2023.

We propose to recommend that the existing fee schedule be updated to reflect the changes in the private market. This will ensure that the land management agencies continue to receive fair, market-based commercial returns for the use of their land for communication sites.

We estimate that the impact of this new pricing schedule would be to reduce the combined annual revenue to the Crown lands agencies before rebates by approximately $2.2m per annum.

We propose to recommend that the published fee schedule be independently reviewed every 5 years to ensure it continues to reflect market conditions. We have observed that private market leases have a median term of 5 years. We consider a similar review period is suitable for the published fee schedule as it provides communication licence holders with some certainty of their rents, while ensuring fees continue to align with market conditions.

Draft recommendations

6. The following primary user fees be adopted for communication sites in each density classification:

Sydney	High	Medium	Low
$36,340	$30,156	$17,012	$8,545

7. The published fee schedule is to be independently reviewed every 5 years to ensure it continues to reflect market conditions.

7.2 Price escalation factors for rents

We recommended in our 2013 review that the rental fee be escalated by the Consumer Price Index (CPI) for Sydney for the year ending 31 March.[81] This continues to apply as the current fee schedule reflects our 2013 recommendations.

We have considered whether CPI continues to be an appropriate escalator for rents for communication sites by examining current private market practice. We tested this using information in our sample of private market leases (section 4.4). We found rental fees in private market leases tend to be escalated, though CPI was not the most common approach. The median rental escalator was instead a fixed rate of 3% per year (section 4.4).

Given this evidence we propose to recommend that our rental fee be escalated by 3% per year and that CPI no longer be used.

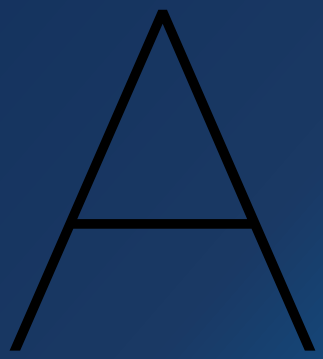
Draft Recommendation

8. The rental fees set out in draft recommendation 6 are to be escalated by 3% per year in line with current private market practice.

Appendices

Appendix A

Terms of Reference



TERMS OF REFERENCE

REVIEW OF RENTS FOR COMMUNICATION SITES ON CERTAIN LANDS OF THE CROWN

I, Stephen Kamper, Minister for Lands and Property, with the approval of the Premier, have entered an arrangement for the provision of services by the Independent Pricing and Regulatory Tribunal (the Tribunal) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*.

The Tribunal is to review the rents for communication sites on lands administered under the *Crown Land Management Act 2016*, the *National Parks and Wildlife Act 1974* and the *Forestry Act 2012*.

The Tribunal's report on the review is to recommend a fee schedule which:

- is simple and able to be easily implemented by the responsible land management agencies, and
- results in a dollars per site charge that varies by location.

In recommending this fee schedule, the Tribunal is to have regard to:

a) updating current rents to reflect fair, market-based commercial returns
b) recent and representative market rentals agreed for comparable communication sites drawing on a statistically significant sample size (taking all reasonable steps to use a minimum of 500 data points) reflective of different site conditions and representative locations across the State
c) requirements and objectives under relevant state and federal legislation, and under any relevant state strategic plans and policies, and
d) consultations with key stakeholders including the responsible land management agencies and communication tenure holders.

For the avoidance of doubt:

- the definition of communication sites includes communication towers, communication facilities (such as antennas and shelters) and communication equipment co-located on other structures
- comparable communication sites are those where rents have not been discounted in return for some community or other benefit, and
- reviewing rebates provided in respect of communications sites is outside the scope of the review referred to the Tribunal (the NSW Government will consider appropriate concessions balancing the benefits that the revenues collected via rents support and the need for digital connectivity in rural and regional areas).

The Tribunal is to provide the final report to the Minister for Lands and Property within nine months of receiving these final terms of reference.

[redacted]

12/12/23

The Hon. Stephen Kamper MP
Minister for Lands and Property

Appendix B

Technical details of regression analysis

B

B.1 Selecting our sample of leases to determine market rents

We developed an algorithm to randomly select 1,300 leases from the pool of leases we received from LRS. The algorithm was designed to ensure a broad coverage of all local government areas (LGAs) in NSW. To achieve this, it took a random sample of leases from each LGA. A target was set for each sample of either 10 leases or 30% of available leases, whichever was greater. LGAs with less than 10 available samples had their sample pools combined with those of neighbouring LGAs.

We also decided to aggregate all the LGAs within the Greater Sydney Region (excluding the Blue Mountains) into a combined Greater Sydney sample. We capped this combined sample at 144 leases. We made this decision to ensure our sample was evenly distributed across NSW. This helped ensure that the communication sites in our sample would reflect a variety of conditions and locations as required by the Terms of Reference (Appendix A).

B.2 Issues encountered with lease data

We discovered that some leases did not contain a rental figure as a term in their lease. They instead referred to a previous lease and indicated that the previously agreed (unstated) rental figure should be escalated for the relevant year. This problem was most common for leases that were rolled over (i.e. renewed after expiry of the initial term).

We developed a method of detecting rollover leases from other data contained in the initial LRS bulk download. We requested a supplementary download of a further 200 leases, taking care to avoid requesting rollover leases. The supplementary data allowed us to enlarge our data set beyond the target of 500 points.

B.3 Identification of rooftops

We also examined the leases to determine which leases referred to co-users (as opposed to primary users) and which were for rooftop sites.

We determined that a lease was for a **rooftop** site when the lease terms or site plan indicated the leased area was located on a building's roof.

B.4 Regression method and results

To quantify the effect on market rental prices of the site characteristics we have identified as important, we applied linear regression. The Y variable was annual site rental.

The regression model uses binary variables for the different density categories and excludes all entries flagged as co-users from the sample. The results are shown below in Table B.1.

Table B.1 Results of regression analysis of primary user lease data

Summary Output					
Regression Statistics					
Multiple R	0.76	**Y** = rent	($ March 2024, exc. GST)		
R Square	0.58				
Adjusted R Square	0.57				
Standard Error	10435				
Observations	556				

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	4	81887002153	20471750538	188.0192976	1.6486E-101
Residual	551	59993493708	108881113.8		
Total	555	1.4188E+11			

	Coefficients	**Standard Error**	**t Stat**	**P-value**	**Lower 95%**	**Upper 95%**
Intercept (Low)	8545	622	13.75	0.00	7324	9766
Medium	8467	1207	7.01	0.00	6096	10838
High	21611	1457	14.83	0.00	18749	24473
Sydney	27794	1529	18.18	0.00	24792	30797
Rooftop	3821	1571	2.43	0.02	735	6906

Source: NSW Land Registry Services and IPART analysis.

This model assesses prices directly for each of the density categories individually, by adding the intercept value to the coefficient that corresponds to the density category. The primary prices by location category are:

1. The model's intercept is $8,545. This is the rent for primary users in the Low density category.
2. Rent for Medium density is the intercept plus the Medium coefficient of $8,467. The total rent for Medium is $17,012.

3. Rent for High density is the intercept plus the High coefficient of $21,611. The total rent for High is equal to $30,156.
4. Rent for Sydney density is the intercept plus the Sydney coefficient of $27,794. The total rent for Sydney is equal to $36,340.
5. Rooftop sites attract a premium of $3,821, which is added on top of the price that would otherwise apply to the relevant density category.

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ISBN 978-1-76049-750-7