

SBA Communications' Contribution to the ITU – GSR 2023 Consultation on Regulatory and Economic Incentives for an Inclusive and Sustainable Digital Future

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Scope: Definition of regulatory and economic incentives to stimulate the deployment of sustainable digital infrastructures, especially in rural and remote areas, and identification of appropriate incentives needed to ensure the introduction of information and communication technologies (ICTs) and emerging business models.

The role of the independent passive infrastructure industry as an enabler of connectivity and closing the digital divide

Despite the advances that have been observed worldwide in terms of coverage, accessibility, and appropriation of mobile technologies (3G and 4G) and fiber optics, there are still great challenges to reach that 40% of the population that remains to be connected, as well as to deploy 5G, especially in rural and remote areas.

In this sense, this proposal is based on the experience accumulated by more than 30 years of SBA deploying passive infrastructure for the co-location of mobile communications equipment, under the **principles of neutrality and infrastructure sharing**, as effective tools to **reduce investment needs, recurring expenses, and deployment times by mobile operators, which also has positive impacts in terms of coverage, competition, quality, prices, environmental protection, economic development and welfare of the population.**

Some conclusions of a recent study "**Latin American telecommunications at the crossroads of passive infrastructure sharing**" developed by the consulting firm Telecom Advisory Services (TAS), and directed by the renowned expert Raul Katz, confirms this fact: the contributions of the independent tower industry to closing the digital divide, and therefore the relevance it has towards the future that **public policymakers and regulatory authorities (at the national and local level), deepen the promotion of infrastructure sharing**, especially through specialized agents, such as the independent passive infrastructure industry.

According to the results of the econometric exercises carried out in the study, supported by data from official sources, as well as the analysis of international best practices, there is a correlation between passive infrastructure sharing and 4G coverage. A country with 80% initial 4G coverage and unique mobile broadband user adoption, equivalent to 60% (common levels in the region), would benefit from the introduction of the implementation of infrastructure sharing regulatory best practices by:

- The level of 4G coverage, of 80.00%, would go to 93.03 %.
- As a result of increased 4G coverage, single mobile broadband users would increase from 60.00% to 61.55%
- The increase in unique mobile broadband users would, in turn, generate an increase in the gross domestic product (GDP) per capita of 0.41 %.

Furthermore, to check the direct relationship between sharing and coverage, it is also possible to verify the importance of specialization in the different links of the ICT value chain, in this case, the infrastructure deployment link, led by independent communications tower companies, where **countries with this more developed industry show clear progress compared to those with a less developed independent tower industry. Additionally, they present a causality between this industry and the development of the mobile industry:**

- Higher 4G coverage than in the rest of the countries (97% of the population compared to 90%.)
- Wireless broadband is 12% faster than others (33 Mbps vs. 29 Mbps.)
- Capital investment is 31% higher in countries with a higher proportion of independent towers (\$21 per capita vs. \$16 per capita.)

- Mobile broadband prices as a percentage of per capita income are 1/3 lower in countries with the largest installed base of independent towers than in other countries.
- As a result, leading countries in standalone tower deployment have higher mobile broadband adoption than the rest of the region (65% vs. 58%.)
- Competition in the mobile industry is most intense in countries with the highest proportion of independent tower deployment (HHI - Herfindahl Hirschman Index) of the HHI mobile band segment = 2440 versus HHI = 4135 for all other countries). By reducing pressure on capital spending, telecom operators can focus on better, differentiated services.
- It results in an improvement in the level of affordability of mobile telephony (measured as a decrease in the price of the service in relation to monthly GDP per capita) of 3.18%. This is because more intense competition lowers prices, which in turn increases affordability.

In addition, seven initiatives were identified that could contribute to the development and sustainability of a vibrant and competing independent tower sector:

- It is not necessary to agree on a concession of the service. Cell tower infrastructure does not represent a public good, as is spectrum; Therefore, their deployment should not be governed by a concessional framework.
- Need for rapid approval of deployment permits, based on consistent and reasonable time frames.
- Regulation to avoid the exaggerated deployment of infrastructure. Overpopulation of towers, in many cases driven by mere financial speculation, is a common feature in Latin America. The negative consequences of this situation are environmental and economic. Focusing on the latter, a simplified financial model developed for this study indicates that, on average, unless a tower does not house the radios of more than one operator (preferably three), its profitability is questionable, especially in suburban and rural environments over a ten-year time horizon. On this basis, Governments should promote policies and regulatory frameworks that prevent over-deployment and encourage sharing, especially in rural areas.
- Establishment of a limit on fees, taxes, and construction rights. Fees and taxes, also referred to as “compliance costs,” have an impact on the economic structure of the tower industry.
- Implement policies that promote the development of shared infrastructure for the deployment of 5G.
- Failure to impose regulation of tower companies' contracts with mobile service providers.
- Define long-term guarantees in regulations and permits. Heavy initial investment in tower deployment requires relatively stable and predictable rules to ensure profitability and reinvestment.

In conclusion, the development of an independent, vibrant, and sustainable tower industry is critical for the future development of mobile telecommunications. Additionally, given the growth potential of towers to support edge computing, the deployment of fiber optic network distribution nodes for mobile telecommunications, and future alternative power generation, governments must update policies and regulations to generate the right incentives for the development of the tower sector. This is how the successful development of the mobile industry and independent towers are intrinsically linked. Regulators and policymakers should recognize this and support its continued growth.