

REQUIRMENT FOR A TOWER SHARING COMPANY FOR SRI LANKA

Background

At an industry both mobile and fixed network operators are facing shrinking returns given the impact of escalating capital costs (e.g. for the deployment of 3G and 4G data network infrastructures etc). Physical infrastructure and the accompanying resources needed to acquire, construct, operate and maintain where these structures represent a significant portion of an operator's operational budget - yet does not generate any meaningful revenue to the operator's books. Nonetheless, the need for towers remains an indispensable item for operators if it is to operate its network efficiently, a need that will continue to grow as operators expand their network coverage, directly increasing demands on an operator's budget.

Cost Optimisation

Based on the above, there is therefore compelling argument for having independent tower companies and the requisite regulatory framework conducive to the creation of such tower companies if for nothing else but for the optimization of operators' operational costs.

Value-Added Propositions of Tower Companies

However, the benefit of having tower companies extends far beyond the issue of costs and is also seen in the various value-added offerings that it provides, both to the local telecoms sector as well as to the nation as a whole :

- 1.1 Specialisation : Tower companies are able to provide a dedicated, aggregated and holistic (i.e. site acquisition, construction, power systems, field operations and related services) approach to the infrastructure needs of operators, thus allowing for essential economies-of-scale and specialization
- 1.2 De-cluttering Operators' Focus : By removing the responsibility of having to roll-out and maintain towers from the operators' obligations, operators are able to focus attention on their respective businesses while optimizing demands on their capital and operational expenditure (CAPEX and OPEX respectively)
- 1.3 Encourages Investments : The capital-intensive nature of the tower business and the relative financial predictability / stability in its attendant long-term commercial commitments (in the form of leases averaging anywhere upwards of 10 years per leasing operator) combine to present an ideal platform for the procuring of investments into the country
- 1.4 Operational Synergies and Sectoral Optimisation : By establishing an "operator-neutral" business platform, independent tower companies provide the following value contributions to the overall industry :
 - (a) CAPEX reduction : Operators no longer need to shoulder the entirety of construction costs for new towers, which will be undertaken by the independent tower company on a sharing basis (in joint-build scenarios with other operator/s) or leased outright, in respect of only that specific area on a tower as required by the operator (without having to construct or erect an entire tower solely for the purpose)

- (b) **Reduced Lease Rates** : Where once an operator would be compelled to expend large sums of monies to pay for the lease (of building or land), a neutral tower offering from an independent tower company would allow for such lease rates to be significantly reduced through the process of sharing and co-locating several operators on each of its tower
- (c) **Reduced Parallel Capacity** : Through collaborations with other operators, the independent tower company will be able to aggregate all demands received for towers and map tower construction in such manner as to eliminate or reduce the occurrence of parallel capacity and duplication, and subsequently, minimize the consumption of scarce resources
- (d) **Reduced Energy Costs** : Energy costs are substantially reduced, to the advantage of the operator and consumption (on an aggregated basis) places less demand on the national grid
- (e) **OPEX reduction** : The costs of operations and field maintenance work originally borne wholly by the operators now shift to the independent tower company, thus reducing the overall OPEX of the operators
- (f) **Technological Advancements** : The independent tower company becomes responsible for optimizing its own operations by taking advantage of new designs, innovations and advancements in the methods, materials and mechanics of towers and tower building, indirectly creating economies-of-scale and efficiencies that will benefit the operators' businesses and the growth of the telecommunications industry

Overview of the tower regulations across the region

The fact that tower companies represent a natural and logical extension to the communications industry is illustrated by the fact that most countries in the region already accept and subscribe to it, as shown in the table below :

No	Country	Details
a)	Australia	Installation of infrastructure requires both a Carrier License and a Facilities Installation Permit. Network operators using existing tower infrastructure need only hold a Carrier License
b)	Cambodia	Licensed network operators are able to provide the necessary infrastructure required for the provision of services under their existing licenses. Standalone infrastructure license awarded to edotco in Feb 2015
c)	India	Providers of infrastructure are required to hold an Infrastructure Provider license
d)	Myanmar	Class licenses for infrastructure services issuable under new telecommunications law since early 2015
e)	Indonesia	Regulatory landscape provides for separate tower provider license, with tower providers classified as either telecommunications operators or non-telecommunications operators

f)	Malaysia	Convergence licensing regime that classifies and recognizes infrastructure providers as Network Facilities Provider licensees
g)	Pakistan	Regulatory framework recognizes both Telecommunications Infrastructure Provider and Telecommunications Infrastructure (Tower) Provider licenses
h)	Singapore	Operators require a Facilities Based Operator license in order to construct network infrastructure

Conclusion

Based on above analysis backed by the current trends of the industry and regional outlook, it is suggested to looking in to setting up a regulatory framework conducive to the creation of such tower companies in Sri Lanka which will bring many benefits to the end client, operators as well as for the entire nation.