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The changing face of mobile tower provision: An analysis of recent deals

Over the last few years, there has been a noticeable increase in the number of tower deals within the mobile telecommunications industry. These deals, which involve a change in ownership of the towers, range in size from the sale of a few hundred towers in Jamaica to the IPO of China Tower with its 1.9 million sites, reflect one factor in particular. Mobile operators, faced with the need to invest in their networks to widen their coverage and improve quality, no longer view towers as performing a core role in the provision of their services. Rather than owning their tower infrastructure, mobile operators are entering into long-term sale and leaseback arrangements with specialist tower companies and are using the capital raised from the deals to better effect elsewhere.

The deals enable mobile operators to focus on providing services, leaving senior management free from the distraction of managing towers. Not only are towers capital intensive, but the need to ensure that they are reliably supplied with electricity and are secure is a costly activity. Moreover, negotiating with local authorities for permission to site towers can be time consuming. As new specialist tower companies attract business, there are also environmental benefits – individual operators no longer need an exclusive tower infrastructure but can instead share towers. This reduces the overall number of towers that are needed, thereby reducing their impact on the environment.

While towers are a vital part of the mobile infrastructure, they have largely been overlooked by researchers. Given the increasing number of deals, as well as the financial sums involved, this is a surprising omission that this paper seeks to correct. To do so, this paper adopts a case study approach (Yin, 2009). Following Whalley and Curwen (2017, 2020), it will adopt a longitudinal approach that combines a range of secondary sources. These sources range from trade journals such as Tower Exchange and Total Telecom to the financial press as exemplified by the Financial Times. As some of the companies examined are public, the analysis will also draw on their stock market filings – particularly important and useful are those filings made when a deal is announced, not least because they shed light on the economic characteristics of towers.

As a result of combining a multitude of sources and adopting a longitudinal approach, the analysis will explore three issues. Firstly, it will identify those deals that have occurred. The aim here is to be as extensive as possible, not least so that emerging trends can be discerned among the deals that have been undertaken to date. Secondly, the analysis will explore the financial characteristics of the deals. One aspect of this is calculating the value of an individual tower, and then using this as a metric to ascertain the volatility of prices over time. Another financial issue that will be explored is the extent to which explicit cost savings for mobile operators are identified at the time of the deal being announced.

Thirdly, the analysis will identify the leading tower specialists that have emerged in recent years as the number of deals has increased. Some of these specialist companies were established independent of mobile operators, while others were spun off from them. These companies, such as Vantage Towers, which is in the process of being spun off by Vodafone, arguably epitomise the need of operators to raise new sources of income to fund investment in their core activities.

The paper will also explore the degree to which the issues identified in the analysis interact with one another to shape the deals that have occurred and the emergence of specialist tower

companies. Following Berne, Vialle & Whalley (2020), causal maps will be used to identify the key underlying issues and how they interact with one another.

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