

## Features

# Network Construction Brings Forth A Renaissance For Towers

*Don Bishop*

**T-Mobile US and First Net network construction creates a window of opportunity for the tower business. Cloud-based radio access networks bring small cells and macro towers together.**

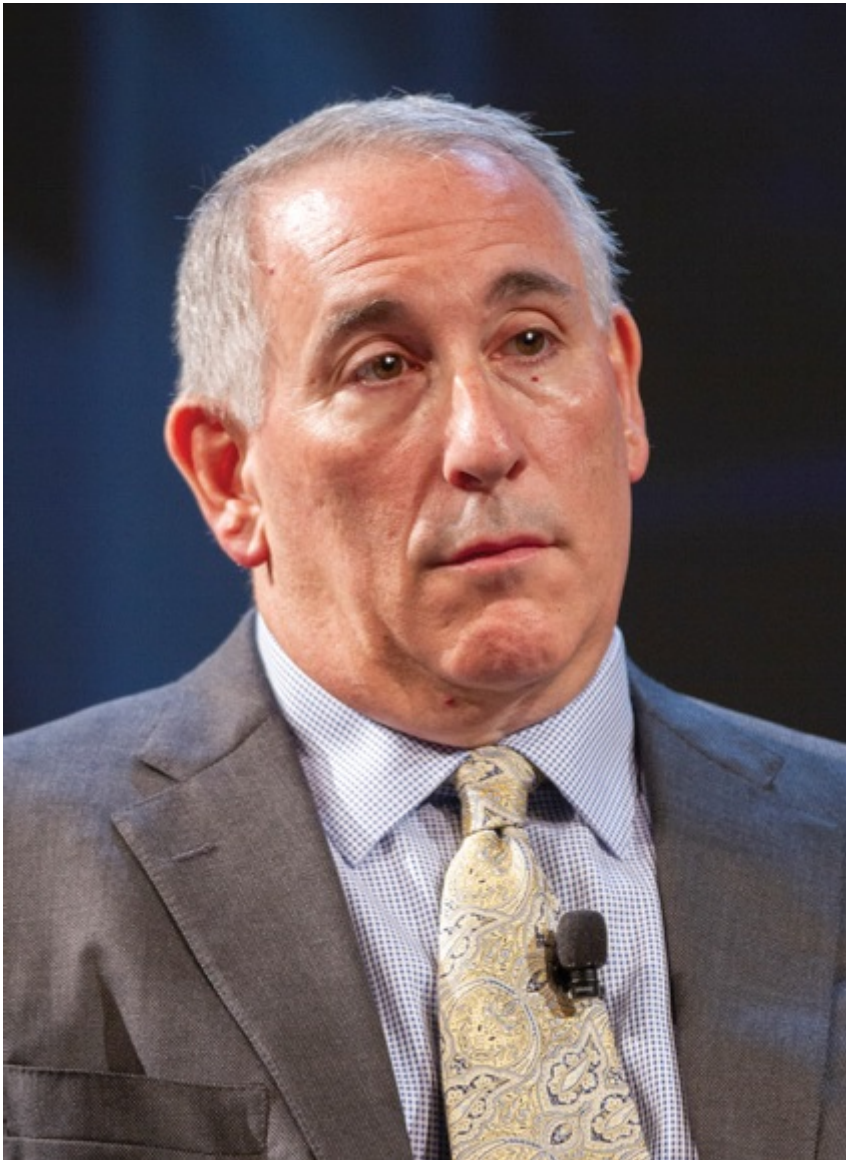
Prices for telecommunications towers are high, and they have been high for a long time, according to Alex Gellman, cofounder and CEO of Vertical Bridge, the largest private owner and operator of wireless communications infrastructure in the United States. Gellman reported that he has seen a willingness of buyers to take on much more risk than in the past. He described tower acquisitions conducted by public tower companies as having limited due diligence and an objective of closing transactions quickly. He said it makes sense, because "it is a way to go fast and win." Gellman spoke during a plenary session at the Connectivity Expo conducted by the Wireless Infrastructure Association in Charlotte, North Carolina.

In the last year, Gellman said, he has seen more and more private tower companies buying other small private companies in public-style deals that may carry too much risk. "If you don't underwrite your real estate, if you don't look at the physical structures, and if you don't look at the tenant leases, you're going to get your tail caught in the door," he said. "The prices have been high, but now we're seeing reckless behavior in some ways, and it will keep going until someone gets hurt."

*"The prices have been high, but now we're seeing reckless behavior in some ways, and it will keep going until somebody gets hurt" —Alex Gellman, cofounder and CEO of Vertical Bridge*

## Small Cells Versus Macro Towers

As to whether small cells will take the place of macro towers, Gellman said the two are not mutually exclusive. He said the cloud-based radio access network (C-RAN) brings the two together. Moreover, in Gellman's view, macro towers are undergoing a renaissance, with T-Mobile US making use of more sites and with AT&T constructing a nationwide broadband public safety network for the First Responder Network Authority (First-Net). He said the macro renaissance is a limited window of opportunity, and that these are early days for small cell deployment.



"The fiber guys tried to rush into small cell and didn't do very well because they underestimated the vertical and radio-frequency (RF) components," Gellman said. "That leaves a great opportunity for our industry to evolve. LTE is called Long Term Evolution, but it really was not as much of an evolution as 5G wireless communications will be, because entire networks will have to change their architecture — their topology — and it will consist of macro sites as hubs, C-RAN hubs, more infill macros and then a lot of small cells."

As a real estate company, Vertical Bridge's responsibility is to have locations where its wireless customers can place equipment and antennas, Gellman said. As what Vertical Bridge customers want evolves and changes, he said, Vertical Bridge has to evolve, change and anticipate what they will want, where they are going to

go, and figure out the business case to make that work.

"The beauty of it is that it is fairly simple for us, because we're just the real estate," Gellman said. "We don't have to worry as much about what the radio is and what the technology is. We just have to make sure that we have locations that can accommodate." Gellman was drawing a comparison between Vertical Bridge and other tower owners that want to provide locations with active electronic equipment for customers to use.

After hearing about the plans that Dish Network's chairman, Charlie Ergen, announced on May 23 about constructing a nationwide, narrow band wireless communications network in 654 days or less to serve internet of things (IoT) customers, Gellman said it is a first step.

### **Big Plans at Dish Network**

"Dish has a lot of spectrum, and there are time frames," Gellman said. "I love the fact that Charlie knows exactly how many days he has. That's important. You can't hit what you can't see. So they're going to build the network to preserve the license. They will learn a lot. That's obviously not the end

game. Tying into T-Mobile US and Sprint merging together, there are many ingredients for new network elements. Dish is right in the middle of that with its RF spectrum. That's why I see this as a starter network."

Ergen said Dish Network would spend between \$500 million and \$1 billion constructing the network, and Gellman said he expects the spending to fall in the upper end of that range. "But this is not even the first inning of the game," he said. "This is batting practice."

In speaking about a coming addition of 5G wireless communications to existing 4G networks, Gellman alluded to the merger to which Sprint and T-Mobile US have agreed and that is awaiting government approval. "One of the four national carriers may go away, and the acquirer is a very efficient operator." He said. "They will be much more efficient around rationalizing that network. Based on how they have operated the last five to 10 years, which is very successfully, if the merger goes through, they will be very efficient around wringing cost out of that network."

*"As to whether small cells will take the place of macro towers, Gellman said the two are not mutually exclusive. He said the cloud-based radio access network brings the two together"*

T-Mobile said that in merging the two networks, it would decommission 35,000 antenna sites, Gellman said. He said he doesn't expect T-Mobile to decommission 35,000 sites; he believes it will decommission 20,000 to 25,000, while at the same time adding sites in new locations.

As uncertain as the timing may be for 5G upgrades, the Sprint network spin out, the Dish Network IoT system construction and other new opportunities, Gellman said they probably will happen sooner rather than later. He said he doesn't necessarily believe that going from four large wireless carriers to three is a good thing. He said Vertical Bridge would have to look at every Sprint lease it has and estimate how many would be terminated and when.

### **Urges FCC Caution**

Gellman urged caution with the FCC move to preempt state and local authority in an effort to speed wireless network construction.

"Our businesses work because it is cooperative, Gellman said. The LTE rollout has been a success story for the industry, the carriers and the country in terms of taking a leadership position, and it involved a lot of working together. You didn't hear words like moratorium, and the rollout functioned pretty well.

"The danger when you start talking about preemption is it doesn't feel very good when you get preempted, and I worry a little bit that we're maybe killing the fly with a bazooka. There are places where wireless network construction regulations are not reasonable, and they need to be addressed. But I'm not sure the answer to that is to weaponize everybody else. We've seen some of that in the

small cell legislation where the cities are really getting up in arms and starting to oppose things. You know it's hard to put that genie back in the bottle."

Gellman said he believes the use of a balanced, realistic approach to local regulation is important. "The United States wasn't built by the federal government just preempting everything," he said. "It won't go over well with the towns. I don't think we're too far down that road to bring it back. We should look at where we've been and how well working together has worked so far."

---

*The next Connectivity Expo is set for May 20–23, 2019, in Orlando, Florida.*