

## XL Axiata & Indosat

### Reaping the benefits of Network Sharing

In 2011, two leading international Telecommunication Groups, Qtel (now Ooredoo) and Axiata agreed to explore the opportunities of entering a Network Sharing agreement between their respective subsidiaries in Indonesia.

“Inter-company collaboration has been challenging, but we are reaping the benefits and there is still great untapped potential. The collaboration would simply not have been possible without the drive and support of a neutral partner, and specifically the quality of service provided by Renoir.”

**Willem Timmermans**  
**Director & COO XL Axiata**

#### Key Results

9 digit USD savings

Joint build FO transmission

RAN sharing & roaming

In-building coverage

Wholesales

Joint procurement

#### ANALYSIS

Based on extensive Telecommunications experience in emerging markets, Renoir Consulting was jointly engaged by the second and third largest Mobile Network Operators (MNO) in Indonesia - Indosat and XL Axiata – to promote and manage their extensive collaboration in infrastructure sharing.

As a neutral and independent party, Renoir was responsible for facilitating the interactions, discussions and decisions as well as providing expertise in project management for this partnership.

The main objectives, agreed by both parties, were to:

- Reduce both capital and operational expenditure
- Speed up the upgrade and deployment of their respective networks.

#### PROJECT APPROACH

Network sharing is attractive and at the same time challenging, requiring a clear understanding of the priorities and aspirations of each operator as well as manage the tension that exists between them as competitors.

Renoir managed the changes in three stages:

1. Firstly, separate work streams were set up to efficiently manage the analysis and implementation of each cost-savings area. The commercial and legal aspects of the collaboration were handled separately for each identified area.
2. Secondly, an effective dual-project structure was put in place to ensure that Renoir, would not only take on a mediating role, but also truly perform a proactive project management role for the combined teams.
3. Thirdly, emphasis was put not only on performance and speed of execution, but strongly on achieving important cost savings, while preserving equity for both companies.

Network sharing is a complex undertaking with each party needing to realize the effect on their network, and also on their business as a whole. Involvement and sponsorship from all decision makers and the entire executive management was paramount to formulate a clear joint vision, and to ensure cultural alignment was fostered and managed throughout.

#### PROJECT RESULTS

##### Transmission

Transmission was approached quite simply, with each operator building half of the transmission link sections while sharing the total capacity, effectively reducing their investment by 50%. Nineteen fibre-optic links

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“The project has already achieved significant savings which means we have been able to get better returns on our investments. The success of this partnership with Renoir has motivated us both to extend their contract for another 12 months”

**Stefan Carlsson**  
**Director & CFO**  
**PT Indosat Tbk**

were initially identified consisting of fifteen backbones, five metros, and one submarine.

In addition, each operator was allowed to connect to their existing and future metropolitan hubs whenever possible, to reduce the distance for hub access.

### **National Roaming and RAN Sharing**

From a regulatory point of view, all operators in Indonesia are obligated to provide coverage in all regions – even where terrain, population, and low market share lead to a negative EBITDA. To mitigate this obligation, technical teams were tasked to look at the technical and financial feasibility of a joint roaming initiative to cover outlying regions.

To appreciate the parties' commitment, an even bolder initiative was considered and analysed for more complex and advanced network sharing. While technically possible, legal and commercial considerations have put this on hold for the time being.

### **In-building solutions (IBS)**

For both companies, in-building coverage is a loss-making business and is considered more of a hygiene factor than a real area of competition. It was therefore decided to jointly roll out all in-building sites. This was achieved by using a hardware RAN-sharing feature, with one operator considered the host and the other, a visitor. Over 162 shared sites have been implemented.

Trials for RAN sharing using 3G technology were recently successfully completed allowing for future sites to be built or upgraded using both technologies.

### **Wholesales**

In order to achieve further operating expense reduction, the two operators decided to enter preferred supplier agreements, with volume discounts:

- 30% discount below market price for leased lines; a win-win exercise as one operator would reduce its purchasing costs while the other would increase its revenue, eliminating other third-party competitors.
- Provide low price, hot-standby protection capacity for each other, in alternate route links.
- Capacity swap on transmission links on a one-for-one and like-for-like basis. This generates not only significant savings, but provides the partners with a strategic advantage, by gaining link access immediately, instead of waiting for building completion (1-2 years in some cases).
- Enjoy tower co-location at reduced rates.

### **Joint procurement**

The team also explored and identified non-network areas where savings could be realised through volume aggregation and joint negotiations with vendors. Targeted areas included travel (hotel and flight bookings) and computer equipment. A joint tender committee was established to bridge gaps and differences in approval and operational procedures. Even though savings were less than the other areas, it further promoted collaboration.

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## Mobile Initiatives

Two mobile initiatives were also considered: m-Advertising and m-Commerce. The first was presenting a collaborative mobile advertising package to advertising resellers, as well as brands, utilising the combined customer base. The m-Commerce initiative looked at aligning mobile platforms for cash transfer, online bill payment, and in-store purchases. After in depth exploration, the initiatives were not pursued as they were too closely connected with their marketing and commercial strategies.

## THE RENOIR GROUP

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