

REDtone joins forces with two local giants

BY Nadia S Hassan

REDtone International Bhd has entered into a 4G/LTE network collaboration and partnership agreement with members from two local telecommunication consortiums, according to its managing director Datuk Wei Chuan Beng.

"We have entered into an arrangement with the individual companies rather than the consortiums. We are planning to make an announcement on the matter once the Malaysian Communications and Multimedia Commission (MCMC) finalises the positioning of each spectrum block," says Wei.

The two consortiums are the partnership of Maxis Bhd and U Mobile Sdn Bhd and the tie-up between DiGi.Com Bhd and Celcom Axiata Bhd. Although Wei would not name exactly who REDtone is making the deal with, he reveals that it is more than one telco.

Wei would also not disclose the full details of the agreement, but says "the agreement will cover the full scope, which includes not only the sharing of technical expertise but also



include some element of commercial sharing as well".

Market talk has been rife over the past two weeks about REDtone possibly entering into a tie-up with another telco in order to rent out portions of its bandwidth. As a result, REDtone's share price has been climbing over the past couple of weeks, closing at a 24-month high of 34.5 sen last Friday. Over the past 12 months, the coun-

ter has been trading at an average of 21.4 sen.

Sources have named DiGi and Celcom as being REDtone's possible partners. A source explains that the rationale for REDtone to enter into such an agreement was to raise capital to fund the eventual rollout of its own 4G/LTE network.

"A substantial amount of capital expenditure is needed to build up a network. REDtone would be able to leverage on the 20MHz 4G/LTE bandwidth allotted to it in order to raise funding for the eventual rollout," he says.

Given its relatively small size compared with the other players, funding may have eventually proved to be an issue for REDtone.

The company is currently in the red, chalking up a net loss of RM870,000 for its first quarter ended Aug 31, 2011. However, in terms of cash flow, net cash generated from operating activities stood at RM2.2 million as at end-August. This was a definite improvement from the previous year's corresponding period in which cash flow was a negative RM4.9 million.

The company also has some well-connected shareholders. In October last year, Cheras Umno division chairman Datuk Wira Syed Ali

Syed Abbas Al Habshee emerged as the largest shareholder with an indirect stake of 28.6%. Syed Ali is also REDtone's deputy chairman. An industry observer adds, however, that network sharing was one of the guidelines laid down by MCMC when the commission awarded the licences in early December.

"In the letter of award given to the telcos by the MCMC, it is stated that collaborations between the providers was allowed. This would then result in a new kind of collaborative rollout between the players, and thus fulfill the MCMC's goal of maximising the use of available resources," he says.

There is no question that the number of collaborations between the players has been picking up. It started in 2010 when Maxis signed a deal with Telekom (M) Bhd to ride on the latter's high-speed broadband backbone. Packet One Networks (M) Sdn Bhd signed a similar agreement with TM. Then, DiGi and Celcom announced that they would collaborate on the sharing of network infrastructure, which would result in potential cost savings of RM2.2 billion over 10 years.

CONTINUES ON PAGE 12

Less than a year before 4G/LTE rollout

FROM PAGE 8

Last year, on Oct 21, Maxis signed a 10-year network sharing and alliance agreement with U-Mobile for the sharing of 3G infrastructure. According to the announcement, the partnership would go beyond the sharing of physical infrastructure and would include the sharing of active telecommunication systems and operating frequency spectrum. It would also eventually include the sharing of 4G/LTE.

Thus, REDtone's partnership with the other telcos at this time does not come as a surprise as the players have less than a year before 4G/LTE is made available for commercial rollout.

To recap, in late 2010, nine companies had been invited by the MCMC to submit their business plans for the 2.6GHz spectrum. The nine players were Celcom, Maxis, DiGi, U-Mobile, REDtone, P1, Asiaspace Sdn Bhd, YTL Communications Sdn Bhd and newcomer Puncak Semangat Sdn Bhd.

In December, all nine got their letters of award from the MCMC concerning their specific spectrum blocks.

Earlier on, there had been criticism over how the matter had been handled, with some voicing their fears that the spectrum would be allocated unequally. While MCMC has yet to come out with an official statement, Celcom, DiGi, Maxis, U-Mobile, P1, REDtone and YTL have all been allotted 20MHz. Asiaspace was awarded 10MHz, while the lion's share of 30MHz went to Puncak Semangat.

Sceptics had earlier questioned why the smaller players were given blocks that were as big as those allotted to the bigger telcos. The rationale was that since the bigger companies had proven track records, they should be given a larger portion of spectrum to utilise.

However, if the intention of the MCMC is to encourage collaboration between the players, then giving all sides an equal bargaining chip would ensure a greater possibility of success. ■