

# Towershare on the challenges and opportunities in Pakistan



Towershare is using its experience and local know-how to shape the future of telecom networks in this unique market



Farid Madhani, Manager, Strategy and Planning, Towershare

The telecom and tower markets in Pakistan are still somewhat of a mystery to outsiders. We spoke with Farid Madhani, Manager Strategy and Planning at Towershare, to shed some light on the unique conditions on the ground, how this market is progressing and how his team are using their extensive experience to contribute to its development. Farid's background is in finance and investments; before joining Towershare, he worked with Dawood Hercules Group, an agro-energy conglomerate, where he specialised in new investments.

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## Read this article to learn:

- The current operational challenges on the ground in Pakistan
- The number of towers and overall coverage
- The potential for IBS in Pakistan
- Regulatory initiatives in Pakistan
- Current grid conditions and what to expect over the next two to three years

**TowerXchange:** Please give us a brief overview of the telecom and tower markets in Pakistan.

Farid Madhani, Manager, Strategy and Planning, Towershare: Pakistan is a unique market from a number of perspectives. In terms of demographics, it is the world's sixth largest population. At the same time the population is very young and hungry for data services which is driving growth. It has a very competitive MNO market with five operators, all owned by international groups including VimpelCom, Telenor, the Abu Dhabi Group, China Mobile and Etisalat. With all of this scale the pricing is very low; ARPUs are sitting at US\$2 and they have been declining for the past five to seven years. All of these factors make Pakistan a textbook case for tower sharing as operators are struggling to remain profitable.

The operators in Pakistan are already open to sharing and are actively sharing infrastructure; approximately 30% of the towers on the ground are currently being shared. There is also a lot of parallel capacity and in some areas it's not unusual to see four or five towers grouped together. Whatever the number of towers is, it's not representative of what should have been built for optimal coverage. Currently the majority of towers are held by the MNOs and broadband providers, and Towershare is the only towerco with a footprint.

**TowerXchange:** Can you give us an idea of the number of towers on the ground and the overall coverage?

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**Farid Madhani, Manager, Strategy and Planning, Towershare:** It's difficult to pinpoint the exact number but we estimate it to be between 34,000 and 38,000, including small cells and rooftops. In terms of geographic and population coverage, more than 90% of the geography has 2G, and more than 95% of the population. 3G and increasingly 4G are being rolled out especially in the major cities; this has been progressing well and demand is continuing to grow.

There are some areas yet to be covered in Pakistan, particularly in the Federally Administered Tribal Areas (FATAs) which are still proving challenging. There are some towers that were already on the ground; Mobilink owns some that were built in the

early part of this century. Towershare is currently the only company building in this last frontier using our combined experience in Pakistan and working closely with the tribal lords. Our local team has built more than 10,000 towers in Pakistan with Towershare and in previous roles; almost all of Telenor's phase one towers were previously managed by experts who now work with us.

**TowerXchange: As demand increases in Pakistan do you expect to see new tower rollouts in the short term?**

**Farid Madhani, Manager, Strategy and Planning, Towershare:** We predict that 1,000 to 2,000 new towers will be built per year in Pakistan over the next couple of years, and all of these will be built by towercos. The MNOs are squeezed for investment capital and have turned their focus completely towards achieving profitability.

Towershare goes where our clients need us, and our strategy is to solve their problems as they arise. We predict that there is likely to be demand for increased coverage and capacity in urban areas, including in-building sites. To date all in-building sites have been deployed by MNOs but this is likely to change.

**TowerXchange: What is the regulator doing to support the tower industry and the development of telecoms in Pakistan?**

**Farid Madhani, Manager, Strategy and Planning, Towershare:** The regulator in Pakistan is

very supportive and has actively encouraged MNOs to share infrastructure. The Pakistan Telecommunication Authority (PTA) released an MOU that set an unofficial target to increase the sharing ratio in Pakistan. This has been progressing steadily and the MNOs and towercos are working closely with the PTA. It's a non-binding agreement but it does indicate the regulator's commitment.

**TowerXchange: What are the main obstacles facing the growth of the tower industry in Pakistan?**

**Farid Madhani, Manager, Strategy and Planning, Towershare:** Security issues are often cited as the main obstacle in Pakistan, but with the exception of the FATAs this isn't the case. Instead this perception itself is probably the main obstacle as it has discouraged international investment. However, Pakistan is being considered to be included in the emerging market index; this has the potential to be a game changer.

Another obstacle in Pakistan is the operational expertise required in this market. The conditions on the ground are unique and very different from other emerging markets, and therefore can be very challenging. The operational realities in Pakistan vary from place to place, from Karachi to Lahore to Mardan. Each city and region has its own regulations with regards to right of way; in some areas there are housing societies with strict controls on the height of towers and how close they can be built to homes. But in other areas you can see really tall towers right in the middle of houses. Refuelling,

providing electricity, security, insurance, testing, overhauling and maintenance all come with their own challenges unique to this market and they all require feet on the ground and a team with experience operating here.

Taxation is another obstacle in this market; there can be some complications due to complex federal and regional policies that can lead to tower deals becoming unprofitable with either the towerco or MNO being caught out. There have been efforts to find an optimal structure but this is challenging due to the different Federal and regional layers of sales tax, capital gains tax, and withholding tax. That being said this is business as usual for us and our team has experience managing it.

**TowerXchange: How would you characterise the extent and quality of grid power in Pakistan? For example, are a significant proportion of sites off grid or on unreliable grid connections?**

**Farid Madhani, Manager, Strategy and Planning,**

**Towershare:** This is part of the reason towers and tower sharing have become so important in Pakistan. The power situation has been challenging for the past four to five years; the average national outage is eight hours per day. This is higher in rural areas, and it increases everywhere in the Summer months. Sometimes even when there is grid access there are issues with quality and consistency. A site can be connected to the grid, but it may still need to use gensets for up to four hours per day during grid supply.

However, there has been a lot of investment in the grid recently and there are a number of power plants to come online over the next few years, including coal, solar and hydro.

For our part, Towershare is looking to improve this situation by using our expertise to develop energy solutions designed for each unique situation. We're also implementing new RMS equipment and our own NOC to improve reporting and customer experience. The NOC is up and running now at our HQ in Islamabad with some basic features, but it will be fully operational in a few months.

**TowerXchange: There has been talk of both Telenor and VimpelCom selling their Pakistani towers; what will be the impact on the market?**

**Farid Madhani, Manager, Strategy and Planning,**

**Towershare:** This will be very good for the market and has the potential to create a pan-Pakistan tower company. Telenor and Mobilink have the most towers in the country and any change in ownership of portfolios of this size will represent a big opportunity, will result in a lot of consolidation, and will also create a big barrier to entry for any other companies interested in this market.

**TowerXchange: How do you think the Pakistani tower market will change over the next three to five years?**

**Farid Madhani, Manager, Strategy and Planning,**

**Towershare:** We predict that there will be at least one pan-Pakistan towerco that will emerge. There

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will also be consolidation in the market, resulting in some of the overlap issues being addressed. The number of tenancies will definitely increase, and the overall number of towers will actually decrease so that you won't see five towers grouped together within 20-50 metres anymore.

The power efficiency of the telecom network will increase to address the issues with the grid; this will be achieved by more infrastructure sharing, and the introduction of hybrid solutions which everyone is already working on. These will be adapted to meet the specific conditions region to region and the needs of the market. Overall this is a very ripe market and hopefully we will see a lot of deal activity soon ■