

# Network Simplification

Geert Standaert

EVP SDE&U

2013, May 16<sup>th</sup>

belgacom

together  
with

proximus  
belgium made

# Network simplification

## Leaner operations through a simplified all-IP-network



together  
with



Network Simplification aims at simplifying our network and decreasing operational costs. In its ambition to be an agile company, Belgacom will also focus on substantially simplifying its IT and product portfolios

### Approach in simplifying our networks

**Transformation** – Physical removal of legacy technologies, PSTN switches and technical buildings

**Consolidation** – Migration of products & services to the new IP based network

**Automation** – Optimization of network architecture towards fully automated customer activation

### Operational benefits from network simplification

- 1 Lower cost to maintain** – Lower maintenance, utility, powering and building cost of building facilities
- 2 Higher efficiency to operate** – Substantial cost savings in operating the network through efficiency increase of field force
- 3 Better customer experience with instant servicing** – Significant simplification & agility gain with one network for all services

# Network Simplification+

## Vision for a lean future

belgacom

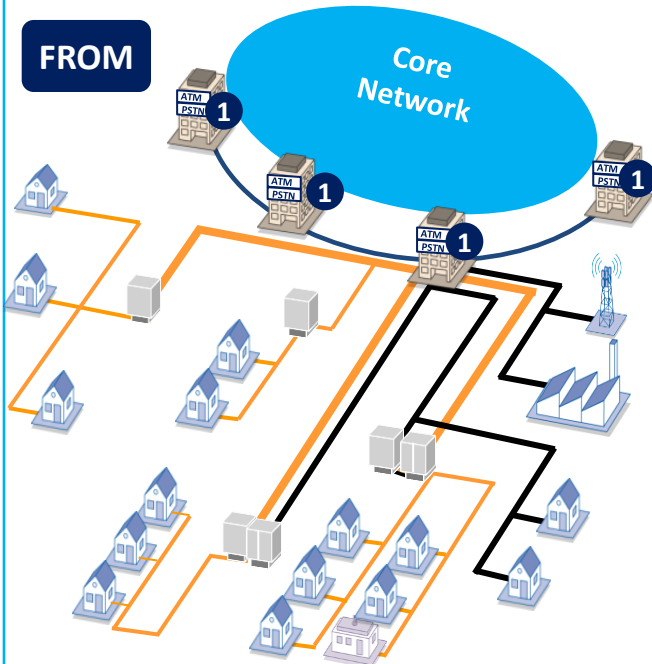
together  
with

proximus  
belgacom mobile

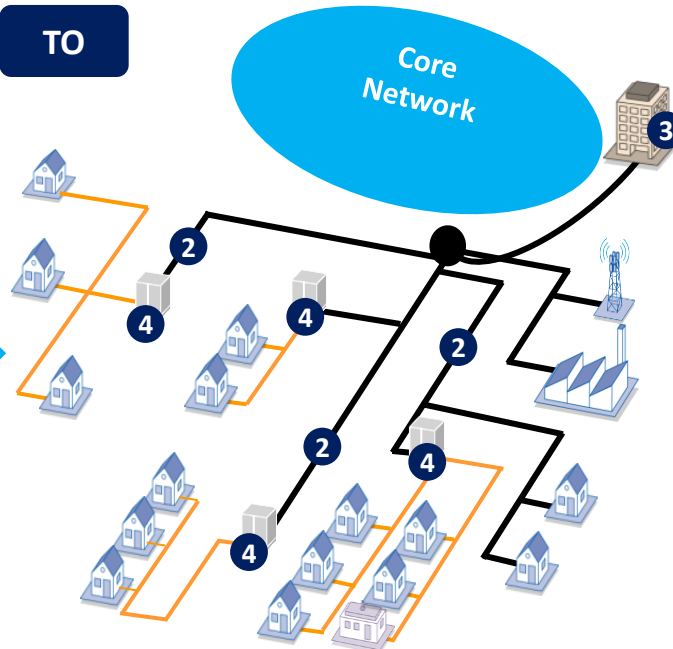
Thorough simplification towards a lean network

Simplification+ goals

FROM



TO



— copper  
— fiber

street cabinet

remote optical platform

central technical office

- 1 Outphasing of legacy equipment
- 2 Full fiber to the street cabinet
- 3 Eliminate technical buildings
- 4 Fully automated customer activation

First wave includes outphasing of 30 buildings and outphasing of our legacy ATM and PSTN switching

Combined with product & process simplification

# The Mantra program

## Implementing Network Simplification



together  
with



A thorough Network Simplification program as critical enabler for future efficiency

### Three major components

**Fixed voice consolidation** – 3.800.000 PSTN equivalent lines to migrate

**Fixed data consolidation** – 250.000 ATM customers to migrate

**Building outphasing** – 263.000 m<sup>2</sup> floor space to consolidate

### Major Milestones

- 1** Total customer base of ATM customers on Ethernet based alternatives by EO 2013
- 2** No more SIEMENS EWSD switches by EO 2015  
(~40% of install base)
- 3** No more ALCATEL LUCENT S12 PSTN switches by EO 2018  
(~60% of install base)
- 4** 30 buildings freed up by EO 2020, with an average of 5 buildings/year

# The Mantra program

## Main benefits



together  
with



Mantra business case combines costs of new network equipment, customer migrations and revenue impacts. Benefits are generated through operational cost savings & revenue from sale of technical buildings real estate.

### Switching outphasing

#### Reduction in operational costs as of 2018

- Maintenance contracts
- Energy saving
- Operational efficiencies

### Building outphasing

#### Reduction in operational costs

- facilities
- building maintenance
- major repairs
- taxes
- office space consolidation
- security...

### ATM outphasing

#### Reduction in operational costs

- maintenance contract
- energy saving
- internal manpower managing ATM network

MANTRA program is estimated to generate **savings as of year one, growing to 35M€ recurrent savings as from 2018.**  
**In 2013, 16 buildings will be put for sale on the real estate market.**

# Building Outphasing

## 30 buildings representing 25% of floor space



together  
with



### Belgacom Technical Buildings :

- 3 data centers
- 600 exchanges housing a Main Distribution Frame (MDF)
- 460 smaller nodes

**Under study:** factorized approach to outphase 400 smallest exchanges



**Today** – targeted at high real estate value



- **30 buildings selected for outphasing before 2020** based on real estate value versus outphasing cost & operational feasibility
- **18 buildings already notified to regulator BIPT**
- **BIPT imposes a 5 year up front notification period**

1. Container concept allowing mass scale factorized approach
2. Real estate value is additional benefit



# Building Outphasing

## How it's done



together  
with



### Critical prerequisites

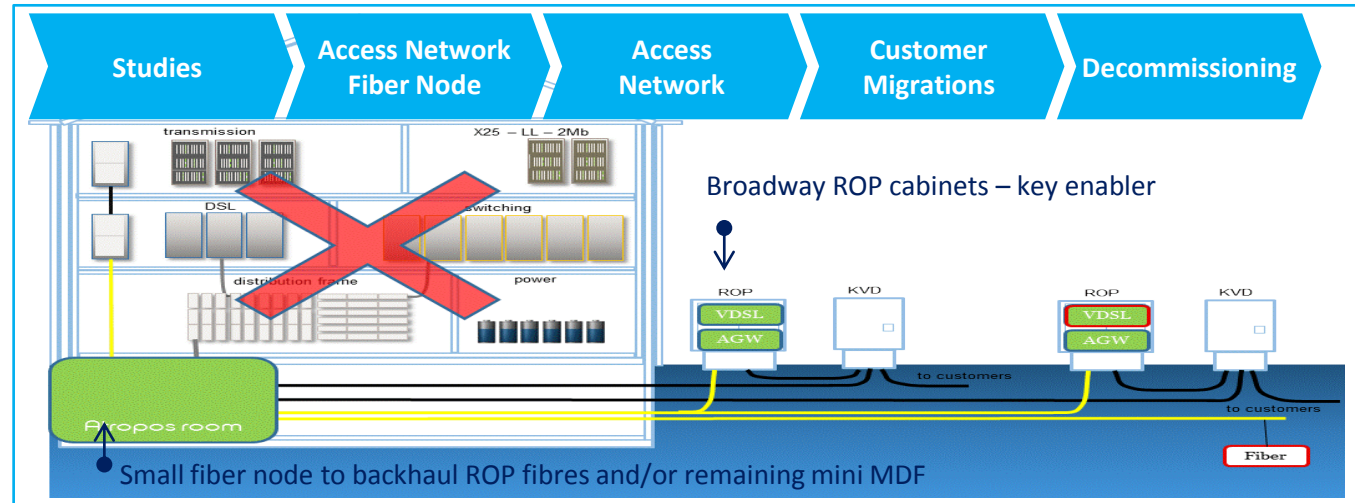
#### Prerequisites

- Fibre deployment to ROP for higher bandwidth broadband services (i.e. Broadway)
- Switching out phasing by installation of access gateways in the ROPs (copper backhauling obsolete)

#### Tailored out phasing per building

- Consolidation in “green” state-of-the-art technical rooms (optimized space and powering)
- Elimination of local office terminating copper lines

### Rolling window of 5 years



**Technical migrations** for new products and services replacing old technologies: transparent for the customer, with unchanged contract & product description

**Commercial migrations** for discontinued products and services: requires commercial negotiation with the customer and change of contract

# Building Outphasing

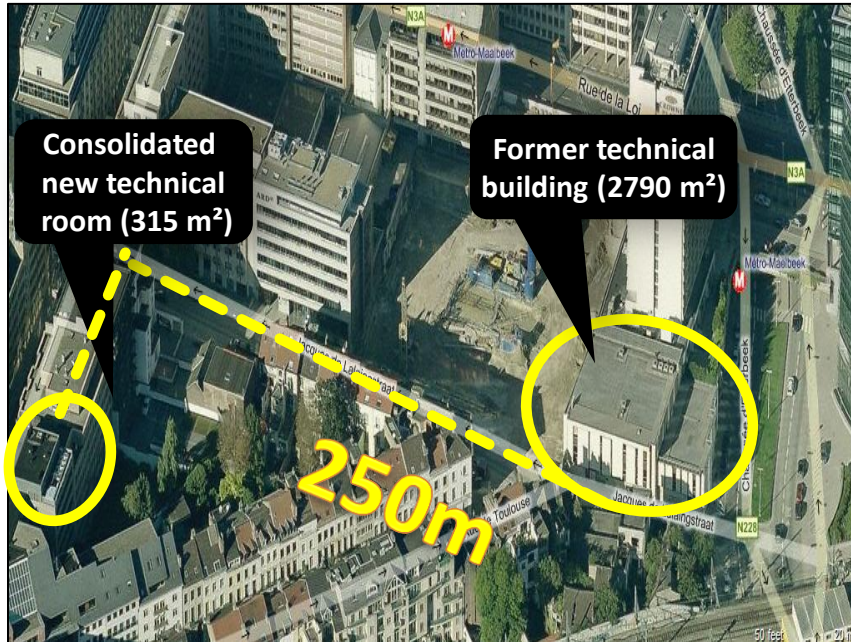
## We've done it before and are scaling up

belgacom

together  
with

proximus  
belgacom mobile

Belgacom already successfully completed a major outphasing endeavour in 2012 with the outphasing of the Exchange serving the Brussels European district



- Network construction
  - 2.2km trenching
  - 100km fiber
  - 10.250 splices
  - 22 indoor & 18 outdoor ROP's
- 13.000 lines migrated
  - Key customers
  - 6 Other Licensed Operators
- Power usage reduction from 889 to 120 MWh/year

To upscale size of outphasing operations, **an RFQ has been issued to select a global sourcing partner**. Field force subcontractors have meanwhile been already chosen



# The Mantra program

## Regulatory framework



together  
with



Regulatory constraints have to be respected by the MANTRA Network Simplification Program

### Planning commitment on **Building outphasing**

- **Notification to BIPT 5 years in advance** prior to end-of-service declaration of buildings to be outphased
- **Allows OLO to prepare move of their customers** on unbundled lines and avoids exceptional write-offs of their co-located equipment

### Planning commitment on **Switching outphasing**

- **Notification to BIPT 1 year in advance** for each individual switch on which percentage of lines will have been migrated one year later
- **Communication on these outlooks are done every quarter to allow OLO to timely** assess impact on local interconnect

Next to that, a **Network Transformation Outlook document has to be provided to BIPT on yearly basis**, giving a view on the entire Building Outphasing till 2020 and Switching outphasing plan till 2018. This outlook is however indicative and therefore without commitment.