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Beirut puts off plans to privatize cellular-phone networks – again

NO AUCTION EXPECTED BEFORE ELECTION OF PRESIDENT

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BEIRUT: The long-awaited auction of Lebanon's cellular networks has been delayed again and government officials admit that there won't be any privatization until a president is elected and a new cabinet is formed.

"We are going to issue a statement in May of this year recommending the postponement of the cellular auction until further notices," Ziad Hayek, the president of the Higher Privatization Council, told *The Daily Star* on Thursday.

He added that Prime Minister Fouad Siniora and Telecommunication Minister Marwan Hamadeh prefer to delay the privatization of the telecom until a new president is elected and a new government is formed.

The auction was first scheduled for February 22 but the government decided to review this step until May.

Lebanon pledged to privatize the telecom and electricity sectors at the January 2007 Paris III donor conference in a bid to raise grants and soft loans to the government, which is trying to reduce the public debt. The government received \$7.7 billion in pledges from donor states as a result of the reform paper, which included the privatization of the telecom and electricity.

Kamal Shehadeh, head of the Telecom Regulatory Authority (TRA), confirmed that delay but said all the firms that had expressed interest in the cellular networks have not withdrawn.

Sources told *The Daily Star* that at least 10 regional and international companies have

sent letters to the government expressing interest in bidding for the cellular networks.

The government believes it can fetch at least \$5 billion from the licensing of the two cellular networks.

MTC Touch and Alfa are currently operating the networks

|| 'The investors will not pull out. They know this crisis will eventually be over'

on behalf of the government.

The four-year contract expires in June of this year but sources expect the government to renew the contracts until the privatization is complete.

With little more than a million subscribers, the cellular

networks generate over \$850 million in revenues, making it the second source of income to the government after the VAT.

"The government can pursue the privatization program but decided not to take this step unless a new government is formed," Hayek said, adding that both the TRA and the Higher Privatization Council would issue a joint statement on the delay of the auction.

He dismissed any chance that the international firms would pull out from the race due to the constant delay in privatization.

"The investors are aware of the delicate political nature of Lebanon. But they won't pull out because they know this crisis will eventually be over," he said.

Hayek and Shehadeh said that the data rooms, which contain all the important details

about the networks, are constantly upgraded to allow interested firms better access to information on the companies.

The opposition parties have warned in the past that they will not tolerate any privatization of the telecom without the approval of the Parliament.

"The opposition wants a national unity government to examine all the offers to sell the cellular networks," a source said.

Some political quarters and trade unions are totally against the privatization of the telecom, arguing that this sector is a major source of revenue to the government.

But the supporters of privatization stress that the licensing of the telecom will help create more jobs and more importantly reduce the phone rates, among the highest in the world.