

'Lebanese cellular rates can drop three months after privatization'

TELECOM AUTHORITY CHIEF SAYS MOVE CAN LEAD TO ECONOMIC GROWTH

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BEIRUT: Kamal S. Shehadi, the chairman of the Telecom Regulatory Authority (TRA), said Wednesday the cellular rates in Lebanon will start falling within three months after the privatization of the mobile networks and TRA issuing broadband licenses.

"If everything goes according to plan then I can say the cellular rates will fall in less than three months after the privatization of the mobile networks," Shehadi told *The Daily Star*.

He said the privatization of the cellular networks will also allow the firms to improve and upgrade the services and expand the capacity of the networks.

On Tuesday, Shehadi took part in a meeting that was attended by Telecommunication Minister Jebran Bassil, who said the privatization of the cellular

networks can be achieved before the parliamentary polls provided all parties agree on this step.

Privatization is a key element in the reform package which was endorsed during the Paris III donor conference that took place in January 2007.

But a series of political and security incidents that engulfed Lebanon over the past two years have torpedoed all attempts to sell the lucrative telecom sector to private companies.

The previous government was hoping to generate not less than \$7 billion from the privatization of the cellular networks.

In principle, all the proceeds from the privatization will be used to reduce the public debt which now stands at more than \$44.5 billion, or 171 percent of the country's GDP.

"I also pledge that two years after the implementation of the plan, not only will we have a mo-

dern network available in Lebanon but we can achieve a higher economic growth with the increased penetration of the cellular networks," Shehadi said.

He added that every additional 10 percent cellular penetration in Lebanon the GDP will grow by 1 percent.

"If the plan is implemented fully, Lebanon will become a leader in the telecom in the region in five years," he added.

Shehadi said it is feasible to reduce the cellular rates in Lebanon before the polls if the networks' capacity is expanded.

At present, there are 1.2 million cellular subscribers in Lebanon and some telecom experts stress that any plan to increase the capacity will require huge investments in the network.

"I don't think the current operators or the Telecommunication Ministry have the financial resources or the time to expand

the cell networks in such a short period. This capacity expansion will probably be left to the firms that will buy the majority shares of the mobile networks," a telecom expert told *The Daily Star* on condition of anonymity.

Bassil has suggested many times that he will do his utmost to reduce the cellular rates which are considered among the highest in the world.

Among the objectives of the TRA is to liberalize the mobile-phone market by launching the mobile auction leading to the privatization of the two state-owned mobile networks. It also aims to issue two mobile licenses for a duration of 20 years each; license and privatize the national fixed-line operator (currently known as the Telecommunications Ministry/Ogero), following the incorporation of Liban Telecom; and liberalize broadband by li-

censing existing Data and Internet Service Providers (DSPs & ISPs), issuing new National Broadband Licenses (access, metro, core and international licenses), and adopting an open regime for Access Licenses.

Shehadi said none of the companies that expressed interest in taking part in the cellular auction in Lebanon have pulled out of the auction. "As a matter of fact more companies have expressed interest in taking part in the cellular auction," he added.

Shehadi believes it is the best time to proceed with the privatization of the telecom thanks to the positive financial situation in the region.

The TRA said in its 2007 annual report that the mobile auction had initially been expected to take place in February 2008, but had been postponed to accommodate due-diligence requests from applicants.