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# TELECOMMUNICATIONS Redialing discord?

New political landscape could bring Internet progress or leave the lines tangled



Internal Security Forces troops take control of a telecom ministry building in a stand off with ex-Telecom Minister Charbel Nahas

To describe Lebanon's telecommunications sector as politicized would be an understatement on par with saying the summer of 2006 was eventful, or that Hezbollah and Israel enjoy a good game of tag from time to time. Since its heyday atop the pyramid of Arab telecommunication industries in the early to mid-1990s, the sector has become little more than a wounded

lamb at the mercy of the packs of hyenas roaming Lebanon's political plains. Today the sector has the dubious distinction of having the slowest average Internet speed in the world and the highest prices for those same services in the Middle East.

"We are lacking so many basic things and the entire root cause of our despair is the governance of the sector," said Riad Bahsoun, telecom expert at the International Telecommunications Union (ITU) — the arm of the United Nations that deals



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with information communications technology. "It's the domination of politics over performance. It's the subjection of intelligence to force and collective interests to individual will. This is called tyranny and despotic governance."

This high-handedness was on full display in May, when the lack of reform and the hyper-politicized decision-making in the sector culminated in an embarrassing encounter between Charbel Nahas, then the telecom minister allied with the March 8 coalition, and hundreds of members of the security forces, who prevented the minister's team from entering one of the ministry's buildings in the Adlieh district to dismantle a non-commercial cellular network that had been operating in parallel to the country's two commercial operators.

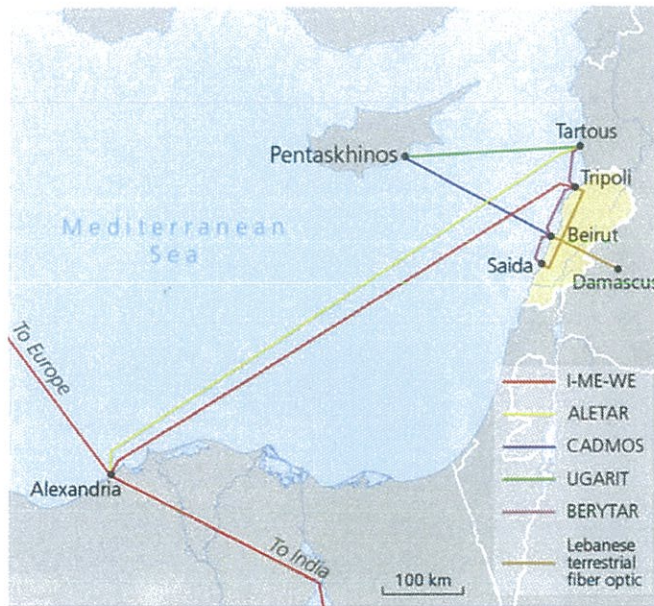
The confrontation apparently came about when Abdulmenaim Youssef, who is allied with the opposition March 14 coalition and heads Lebanon's incumbent fixed-line public operator OGERO, requested that the head of the Internal Security Forces (ISF), Ashraf Rifi, who is also allied with the opposition, guard OGERO's property from the ministry's prying eyes.

OGERO was created in 1972 and controls the country's fixed-line services as well as its current Internet infrastructure. It acts under the "supervision of the telecom ministry". However, it is also financially and administratively independent, in accordance with the law that created it, and answers to the directorate general of operations and maintenance at the ministry, which has also been headed by Youssef since 2007.

Immediately after the Adlieh incident, the political mudslinging began. The convoluted arrangement over who had authority to see, dismantle, own and operate the network descended into quarrelsome disputes over the constitutionality of the move, the civilian rule of the security forces, wiretapping, illegal phone lines and so on, until the issue finally faded into the background. Lebanon emerged from the fracas minus one favorably regarded and technocratic interior minister (Ziad Baroud, who resigned following the incident) and no further along the path to reform.

Legal arguments aside, the cellular phone network Nahas was attempting to confiscate from OGERO was given to the Lebanese government as a gift in 2007 by the Chinese government, through the multinational telecommunications company Huawei. At the time,

## Submarine cables coming to and from Lebanon



Source: EXECUTIVE research; IMEWE consortium, TATA communications, Lebanese Ministry of Telecommunications

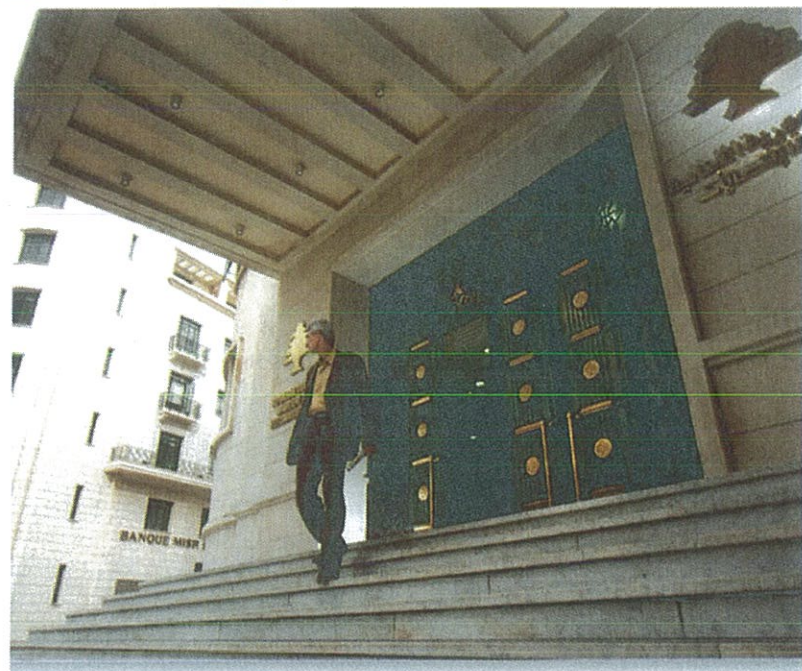
Lebanon was preparing to liberalize the telecommunications market and introduce Liban Telecom, a legally mandated government-owned body with a corporate framework that would eventually replace OGERO and take on most of its assets. The gift provided the Chinese with an opportunity to enter the market as it was opening up and to prove that its companies were capable of running a high quality network. At the time, the technicalities of the donation were negotiated by OGERO under Youssef's purview as director general of the company.

According to ITU's Bahsoun, when questions were raised about whether the network should be monitored by the Telecom Regulatory Authority (TRA), Youssef said that it would be used solely for testing purposes and hence, as a non-commercial network, it would be overseen by himself and not the TRA. Youssef did not respond to repeated requests for comment.

The gift, however, did not arrive until 2009, when the current Energy Minister Gebran Bassil was heading up the telecommunications ministry and plans to set up Liban Telecom had effectively been scrapped due to political wrangling. By this time a row had erupted regarding a new wiretapping law that would take au-



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Out with the old and in with the new at the Ministry of Telecommunications

thority over such issues away from the Information Branch of the ISF and split it between the ministries of justice, telecommunications and the interior. In 2007, after the network had been pledged, the interior minister put in a request to the Council of Ministers, Lebanon's cabinet, to allow the Information Branch to use the network for intelligence purposes. The permission was denied.

"In my opinion this was rejected in turn by the Information Branch," said Bahsoun, though he stressed that he could not confirm such information. "The Information Branch probably decided to [use it] anyway without formal legal coverage," he added.

Whether or not the network was used for intelligence purposes will likely be an ongoing source of bickering among Lebanon's politicians, but the capabilities for such an operation were certainly there. The network was widely reported to have a capacity of 50,000 lines that could have been employed outside the two existing cellular networks. Speaking to the Lebanese Broadcasting Corporation last month, opposition Future Movement Member of Parliament Ghazi Youssef said the network contains a total of only 15 operational lines.

"They say that the OGERO equipment is made up of 62 base stations [part of the cell

phone network which handles communications between phones and the network] in addition to the core; the intelligence system that manages all of this is there," said Imad Tarabay, secretary general of the Lebanese Telecom Association (LTA), which represents Lebanon's private-sector data and Internet providers.

According to Bahsoun, a staunch opponent of Minister Nahas, this equipment was consolidated at some point at building in Adliyah and this allowed for a more powerful network which he suspects played a part in uncovering some of the Israeli spy networks in the country over the past several years.

"If this network is operating 15 lines, why does it need 400 people to protect it?" he asked rhetorically, referring to the reported number of security forces present at the building when Minister Nahas tried to enter. "The truth is that the Information Branch could not accept in any way the minister of telecommunications or a team apart from theirs to inspect the equipment."

## 3G connection

What ultimately emerged from the fiasco is that even if the minister was attempting to lift the lid on any alleged wrongdoing, he was also trying to speed up the implementation of the contentious 3G mobile Internet projects that he launched last January after the cabinet had collapsed, in conjunction with mobile operators Alfa and mtc.

As EXECUTIVE reported in March, there have been numerous unanswered questions over the legality of the 3G project, due to the fact that it was launched while a caretaker government was in place, and neither the legally required licenses nor frequencies from the TRA and the cabinet have been granted to the companies that will conduct it. Moreover, the prospect of a faster, better service being provided by the public sector, without private sector access to the market, has fueled a campaign against the plan, spearheaded by Tarabay, chief executive of the private sector company Cedarcom and distributor of the Mobi wireless Internet service. Tarabay co-owns the company with the son of opposition MP and former Telecommunications Minister Marwan Hamade, and contends that Nahas is attempting to nationalize the telecommunications sector.

He says he has prepared legal files against the telecommunications ministry and is prepared to submit them to the Shura council,

**"If this network is operating 15 lines, why does it need 400 people to protect it?"**



Lebanon's highest court. This comes after an unsuccessful attempt at arbitration through the TRA that, perhaps predictably, did not take action against the ministry it depends on for financing; the TRA spent several months this year without the money to pay its employees. The TRA also did not respond to repeated requests for an interview.

Most of the controversy surrounding the legality of 3G stems from two contentious issues. The first is telecom Law 431, which states that licenses and frequencies must come from the cabinet and the TRA respectively. Second is unfair competition as a result of exorbitant tax discrepancies between public and private service providers, which would likely come about if the project moves forward.

With regards to Law 431, former Telecommunications Minister Nahas's response has always been the law is not applicable, ostensibly because it has not yet been implemented in its entirety. His position got a boost last month when he announced that he had seen a Shura council decision stating that the law had been "suspended" because of Article 51, which states that "all applicable [previous] legal or regulatory provisions remain effective until the enforcement" of the law itself. Translation: the law and all the institutions created under its jurisdiction, such as the TRA and Liban Telecom, would also be technically suspended. As EXECUTIVE went to print the ruling had not yet been made public.

Soldiers from the ISF prevent Charbel Nahas from entering a telecom ministry building



**"We don't decide to implement the law; the Council of Ministers decides. We are moving forward on the basis of the authority of the ministry"**

"Law 431 is applicable and being implemented," insisted Imad Hoballah, acting chairman of the TRA, at a press conference intended to respond to the minister's statements last month. Hoballah went on to describe the licenses and frequencies that the TRA had given out over its four-year term, though he admitted that these had been handed out before the Shura council decision. Previously, the Shura council has ruled against the ministry and in favor of the TRA but there is speculation this ruling could be particularly pernicious for the TRA.

"We respect the decisions of the Shura council and we will follow them," Hoballah said, insisting that the decision does not negate the entire law. Asked what the TRA would do if the telecommunications ministry issued 3G frequencies that the regulatory agency is legally mandated to allocate, he declined to comment, saying only that if the telecommunications ministry decides to go ahead without allowing the private sector to participate, "no one can stand in its way."

"Fundamentally, the TRA has eight months left," contended Antoine Boustani, an advisor to Minister Nahas, speaking to EXECUTIVE last month. Boustani's position, like that of Nahas, is that because the law that created the TRA is not fully implemented, "it's already obsolete".

"We don't decide to implement the law; the Council of Ministers decides. We are moving forward on the basis of the authority of the ministry. When they say they want to implement the law [in full] we are ready," he said, denying that the ministry officially seeks to shut down the TRA.

"I'm not stopping until I get my rights," Tarabay snapped back defiantly, adding that he will file court cases against the ministry but is waiting to see the Shura council decision to "fine tune" his lawsuit in line with the status of Law 431.

But according to Boustani, Tarabay will soon have little to complain about. Last month he told EXECUTIVE that the ministry plans on leveling the playing field between the private sector and public sector by decreasing the taxes on the former by "50 to 55 percent." Asked whether the private sector will be allowed to enter the market, he said "byiswa" — an Arabic word suggesting that something on this front could happen and would be a positive —



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though he couldn't confirm or deny it. "We will ask for it [in the cabinet]; we don't have a problem," he said, adding that such a request "is liberalization, not privatization."

He also said that a long-awaited policy statement that was promised by the minister one year after he took office would soon be issued. The issue has become a major talking point for opponents of Nahas, including the TRA, who say that he has no policy and works according to his own whims. Nahas's response has always been that the ministry's policy is a matter of "practice not paper."

Of course, Boustani is not an advisor to the newly appointed Telecommunications Minister Nicholas Sehnaoui, but the latter is widely seen as Nahas's protégé and has already stated that he will follow the same course as the previous minister. If he adopts Nahas's purported policy — which Boustani confirms is "almost done" — and makes it public, it would mean that the sector will have a general set of rules mandated by the ministry under Law 431 for the first time since former Minister Gebran Bassil was in office from 2008-09. This would be significant, as it would provide an indication of the minister's intentions *vis-à-vis* the many contentious issues in the sector.

## Money to make

Bickering aside, the ministry has been pressing on with the 3G project, as have both Alfa and mtc. The attempted takeover of the telecom equipment by Charbel Nahas in May can be seen as part of this aggressive push by the ministry to make the 3G project a fact on the ground as quickly as possible, before legal issues potentially complicate such plans.

According to Bahsoun and Tarabay, the equipment at Adlieh can technically be upgraded and used as part of the 3G rollout currently being undertaken by Huawei and mtc. Huawei won the contract to build the new network for Mobile Interim Company 2, the state-owned cellular telecom company managed by mtc. The Chinese company's winning bid was valued at \$25.6 million (not including a \$2.7 million control center that will be built by Nokia), \$10.6 million less than their counterpart Ericsson, who won the 3G contract at Mobile Interim Company 1, the state-owned cellular telecom company managed by Alfa.

Both Bahsoun and Tarabay estimate the value of the third network's equipment, once upgraded, to be around \$10 million, (thus making up the difference between the two bids).

Both Alfa and mtc stand to benefit greatly from the 3G project, on top of the revenues they already garner from the talkative Lebanese who pay 58 percent in taxes on all telephone services. Zain's mtc, for instance, has increased their net earnings from \$22.1 million in 2008 to \$46.1 million under their current management contracts. In January, under the caretaker government, Minister Nahas renewed their contracts for a year.

"We extended 12 months when the minister thought that if these two companies are going to go into the 3G project they need security. They said they need more than two to three months to do such things," said Boustani.

## India-Middle East-Western Europe III

So with the two companies locked in a yearly contract, the Shura council ostensibly on the ministry's side with respect to Law 431, the TRA hobbled and toothless and Tarabay's cases needing some time to come to fruition, there seems to be little stopping the 3G project from materializing sometime around the end of the summer. Except for one hitch.

In 2007 Lebanon entered an international consortium to construct a submarine fiber-optic cable from Europe to India — called the India-Middle East-Western Europe 3 (IMEWE3). Lebanon has already invested some \$53 million into the construction of the underwater sea cable to carry traffic and unclog the international bottleneck Lebanon has long suffered.

"Capacity has to be met at all levels," said Ghassan Hasbani, chief executive of the International Operations group of Saudi Telecom Company (STC), which is part of the consortium and is using the cable. "If you have a high speed local connection network and clogged capacity on your international gateway, then access to international content becomes very slow. These have to come together and the more connectivity there is in the country the better the prospects of lower pricing, of routing for traffic, and the better accessibility you have to the rest of the Internet globally."

According to a source from the consortium, who asked for anonymity because he

**"The minister thought if these two companies are going to go into the 3G project they need security"**



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The ex-telecom minister, whose policy was "in practice and not on paper"

was not authorized to speak to the press, the contract between Lebanon and the consortium was signed by "OGERO Telecom", which is not the official name of OGERO. At the time, the creation of Liban Telecom seemed imminent due to political consensus under the Saniora government and then Telecommunications Minister Marwan Hamade. Director General Youssef and the minister were ensconced on the same side of the political fence, enabling them to lay the groundwork for their political camp's control of the sector. By December of last year the cable was ready to go and all other member countries of the consortium had started to use it. But by then the political stars of the telecommunications ministry were anything but aligned.

Engineers at Alfa have already confirmed that the 3G project will need IMEWE3 to function. Currently Lebanon's international connection is through the Cadmos cable connecting the country to Cyprus, through which Boustani admitted a bottleneck would occur if there was a large amount of traffic as would be the case if 3G were introduced. The Cadmos cable also leaves Lebanon at the mercy of Cyprus for internation-

al bandwidth. This is ominous as trouble has been brewing between the two countries over a maritime economic zone agreement between Cyprus and Israel.

Official data is not available, but most estimates are that Lebanon is currently using 2.5 gigabits (Gb) of legal bandwidth. However, Boustani says that the Cadmos cable has 40 Gb available for use after its recent upgrade. IMEWE3 has an initial 30 Gb and can be updated to 1.4 terabits. Thus, according to Hoballah, Lebanon is currently blocking 97 percent of its international bandwidth.

In order to activate the IMEWE3 cable it is necessary to log onto the consortium's system with a secret code, which according to a consortium source is something only Youssef has the details of. Again Youssef did not respond to repeated requests for comment.

"We paid a total of some \$53 million and we are not using [it] because one person [Youssef] says 'I don't want to' and the collective interest becomes subject to one person," said the ITU's Bahsoun.

According to Boustani, the ministry sent a commencement order to OGERO to oversee the project and has since asked for the ownership of the IMEWE3 to be transferred back to the ministry; this is what Youssef has refused to do. "There were some people who were supporting him politically. It used to be former Prime Minister Fouad Saniora but I don't think today that Saniora will cover him. We hope that this government will lift this political cover so we can work," he said.

What will also need to occur is the negotiation of an agreement with a European operator to purchase capacity in order to transfer information from Marseille, France (where the cable ends), so that traffic to and from the rest of the world via Europe can come into the cable. The going price for such traffic is about \$2 per megabit per second (Mbps) per month, which means that 10Gb of capacity would cost some \$20,000 per month. Given that the cellular network alone generates some \$3 million each day in Lebanon, this is a relatively trifling sum.

\* If Lebanon wants full redundancy, in case the European side is cut, they can also negotiate the same contract in India, at the cable's other pole. Such negotiations take about a month to complete but again this would need to go through Youssef's office at the ministry as long as he maintains control of the post of director general. Nonetheless, Boustani says the min-



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istry is in direct contact with France Telecom discussing such an agreement.

Since it was Youssef who negotiated and carried out the IMEWE3 project with the consortium, when the telecommunications minister contacted its management committee to try and wrest control of the cable, the consortium became predictably confused. In the end they decided to take a "hands off" approach, according to the source. Of course the fog of Lebanese laws, their seemingly inconsistent application, and the autonomy of public institutions, especially OGERO, has not helped.

"Youssef sent a letter to the consortium telling them not to hand [it] over to the minister, and he does not have the right to do so," said Boustani. He would not comment on whether the ministry would take legal action as a result.

Even if the consortium is convinced to transfer control, the procedure stipulates that when OGERO hands control of the cable over to the ministry it initially does so through the Directorate of Operations and Maintenance, whose head stamps the handover and transfers the asset to the minister's office. As Youssef himself holds that post, there seems to be scant chance of that happening.

According to Boustani, at the meeting of Arab telecommunications ministers held in Beirut last month the ministry received important political backing that he thinks will see the IMEWE3 handover soon, although this could not be independently verified. This would not solve Lebanon's Internet woes outright, however. "Even if IMEWE3 is activated, what use will it have if the ministry of telecommunications sells the international E1 line [2 Mbps] to [private sector] service providers for \$3,000, while costs on them is less than \$30?" asked Tarabay.

"The Internet cost to the consumer will remain high," he said, unless the price of E1 falls and Internet Service Providers (ISPs) have access to the bandwidth. Lowering prices requires a decree to be issued by the cabinet because the sector is still not liberalized as per Law 431. Bandwidth will then need to be handed out by the ministry under the directorate general of operations and maintenance — again Youssef's office.

**"It is very difficult if you ride a donkey to reach a high summit, even if you choose the direction"**

But while Youssef may be a major roadblock to better Internet, other projects will also need to be completed to see the sector reach an acceptable global standard. According to Jean Gebran, projects director at Consolidated Engineering and Trading Company (CET), the Court of Accounts, the government's public sector auditor, gave final approval in May to a project to construct the telecommunications ministry's \$40 million fiber-optic backbone throughout the country. CET and Alcatel will carry out the project, which has already begun in the South and the Bekaa valley. It is expected to take 16 to 24 months to complete, according to Gebran.

Furthermore, the 'last mile' connection from the fiber to homes will also need to be completed. But in the short-term, even without these projects, 3G service can technically run and allow speeds in the range of 21Mbps, compared to the current average of 0.1, even if this may kill private sector participation in the sector.

## Time for action

With a new cabinet and a new minister that are both technically on the same side, there is some renewed hope amongst those in the sector that the coming period will be less fraught with conflict. A government of a single color may be more willing to see off some of the old opposition guard (starting with Youssef), but who they choose as a replacement is entirely another matter, and what the market will look like after any reshuffle of institutions, laws and people may just end up resulting in the same stagnation that has plagued the industry for over 15 years.

"It is very difficult if you ride a donkey to reach a high summit, even if you choose the direction," said Bahsoun, referring to Lebanon's telecom policy decision makers. "It's impossible to reach it if you let the donkey choose the way. However, if you carry the donkey you will die. We are still carrying donkeys and paying for their food."

But today one side of the political divide can no longer blame the other for obstructing policy implementation. "You don't have two sides anymore so you don't have anyone to delay," said Boustani. Thus, there are no more excuses. ■