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READY FOR CHANGE

Lebanon's TRA is paving the way for liberalisation of the country's telco sector



AGAINST THE ODDS

Despite ranking among the region's least competitive telecom markets, Lebanon's TRA remains confident about transforming the country's telecoms sector.

By Roger Field

change the direction the industry has been moving in.

"I am optimistic in spite of everything," he says. "The potential is high. Lebanon has a lot of opportunities. In a sense no matter how bad it looks there is a lot of potential."

'Optimism' might not be a word that many telecom professionals would associate with Lebanon, but for Hoballah, it makes perfect sense given the pent-up demand for better services, and the fact that the market will be able to grow from such a low base.

Indeed, the fact that mobile phone, fixed-line and internet penetration are all so low also means that the country represents a rare growth opportunity in a region where most countries are fast reaching saturation, at least for mobile voice services. Lebanon's outdated infrastructure also offers the country an opportunity to potentially leapfrog older technologies.

But to tap this opportunity, Lebanon must overcome some major hurdles. The biggest single issue in Lebanon's telecoms sector is that the two mobile operators, Alfa and MTC, are owned by the government and only run by Orascom Telecom and Zain Group respectively, under temporary management contracts.

While the government has been planning

Dr. Imad Hoballah is optimistic that a decision will soon be made to move Lebanon's telecoms sector forward and improve services.

With Lebanon's telecom sector widely recognised as being one of the least competitive in the world, Dr Imad Hoballah, acting chairman and CEO at Lebanon's TRA, has his work cut out for him.

With just two mobile operators, both of which are owned by the government but run by private companies, it is not surprising that Lebanon came last in an annual survey that ranked the competitiveness of the region's cellular operators.

Indeed, Lebanon earned a score of just

31.2% in last year's Arab Advisors' Cellular Competition Intensity Index, which takes into account factors including the number of operators, packages and services available. The dismal result left Lebanon in last place, trailing behind other uncompetitive markets such as Syria and Libya.

But despite the state of the market, and a lack of any clear indication that the situation will change any time soon, Hoballah is remarkably upbeat about the potential of Lebanon's telecoms sector, and the likelihood that the government will soon

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to privatise the two mobile operators since around 2007, it has been unable to push any legislation through.

The situation appears to have changed little in the past three years. “There is a big question mark over privatisation for [the mobile operators of] Lebanon, because of the fact that three ministers that we have been working with, at the end, were not in favour of pushing privatisation in the current situation,” Hoballah says.

“They wanted to look for more buy-in from the rest of the government, from the rest of parliament, and they wanted to make sure there was a policy that governs all of the activities of the telecommunications

sector, and they wanted to make sure that they have a real plan for where this sector is going to go. For example, should we go for 100% privatisation or no privatisation at all? Unfortunately, it is still waiting for policy from the government in that regard,” he adds.

But despite the apparent lack of progress from the government, the TRA has made good use of the intervening time, which it has spent preparing regulations, details for licences or draft licences, and helping the government with request-for-proposal (RFP) documents.

“We have readied everything we could get ready. We are ready if the government

decides to move ahead, but I am not sure if the government is ready at this point.

“Once they come up with a policy, the TRA has to implement the law, enforce the law, but at the same time apply the policy that the government puts together.”

Hoballah believes that once Lebanon’s new government is announced – an event that is widely thought to be imminent – then a decision on privatisation of the telecom sector will have to be made “within two or three months”.

With neighbouring Syria having announced a plan to award a third mobile licence and privatise its existing two operators last year, Lebanon looks increasingly isolated as one of the last countries in the region to inject a greater degree of liberalisation into its telecom sector. The situation could add further pressure to the government of Lebanon in favour of privatisation.

Hoballah says that the decision will depend on which political groups form the new government, and adds that developments in the telecom sectors in other countries may have limited influence.

“Everything that happens around the world will probably play into what happens in Lebanon but I believe all of that depends on the government that is put in place, the political group that governs the country, their view on what is going on,” he says.

“The minister himself will play a major role in deciding how to move forward, not independently but with the government and the parliament when it comes to this decision. “I want to respect the institutions and whenever the policy is put together by



Lebanon’s new government will have to make some tough decisions including whether to push ahead with liberalisation and privatisation.



Fibre deployments are a step in the right direction, says Hoballah.

the government we will implement what the policy says,” Hoballah adds.

ROOM FOR IMPROVEMENT

Aside from the issue of privatisation, Lebanon’s Ministry of Telecommunications has made some headway in improving the sector in the past couple of years.

In January 2009, Lebanon’s Council of Ministers announced plans to cut tariffs by 40% and calls by 15% as part of a drive to increase the use of mobile devices. The government also set both operators a target of increasing their subscriber base by 400,000 each by the end of 2009, a target that was duly achieved.

This growth continued during the first nine months of 2010, when Lebanon’s mobile phone penetration increased 20.7% compared to the same period in 2009, according to data from the Ministry of Telecommunications.

At the end of September 2010, Lebanon had some 2.75 million subscribers, according to *The Daily Star*, a Lebanese daily newspaper.

There have been further positive developments in the past few months, with the MOT having announced plans to deploy a nationwide fibre optic cable infrastructure, while on the mobile front, Alfa and MTC were awarded 3G licences earlier in the year and are now deploying 3G networks.

Hoballah says that the government is investing in two main fixed infrastructure projects. Through the national fixed line operator, Ogero, the government has invested in projects including the Imewe cable, which will connect India to the

Middle East and Western Europe.

“We expect the international connectivity to be multiplied by at least a thousand with the deployment of the Imewe cable and some other projects that the ministry has worked on,” Hoballah says.

In terms of domestic capacity, the government has also committed itself to the deployment of a domestic fibre backbone. The project, which was started a few months ago, will involve the deployment of 4,400 km of fibre over the next 18 months, according to Hoballah. A project to deploy FTTH has also been suggested, but remains in its infancy.

However, by looking at trends in the rest of the world, Hoballah has some concerns that the fibre backbone will be insufficient to meet the future demands of Lebanon’s young and growing population. “It is much below where we believe it should be, but it is still a step in the right direction,” he says.

“By the time it is completed I believe Lebanon’s demands are going to increase to the point where they surpass it. As good as what they are doing is, we need more investment pumped into the operation.”

The TRA has also achieved some significant goals in the past year that should help improve the telecom sector. For example, the organisation recently finalised the requirements for a spectrum management and monitoring

“The economy and society nowadays cannot advance without having the right telecommunications infrastructure, especially broadband.”

system donated by the U.S. Agency for International Development (USAID).

The system, which is expected to be up and running in the next four months is an advanced system that will help the TRA plan, manage and monitor spectrum for the country, according to Hoballah.

The TRA has also been focusing on cyber security, and has been busy assessing the security situation on the country’s entire telecommunications network, by working with different companies and providers.

MOBILE BROADBAND

With MTC Touch and Alfa both having signed deals with vendors to deploy 3G networks, Lebanon looks set to have 3G coverage by the end of the year.

While this is undeniably a positive development, it also raises questions about the position of Lebanon’s privately-owned

DR IMAD HOBALLAH – CV

Prior to becoming acting chairman and CEO of Lebanon’s TRA, Dr. Hoballah was commissioner, and head of the regulator’s telecommunications technologies unit.

Before joining the TRA, Dr. Hoballah was CEO of Omnic Media Networks and also held executive positions at Lucent Technologies and AT&T Bell Laboratories.

Hoballah has qualifications including a diploma from the program for executive development from IMD Lausanne, Switzerland, and a Master’s certificate in project management from George Washington University, Washington DC.

He also has an MBA from Columbia University, a Ph.D. in Communications from Syracuse University in New York, and an MS in electrical engineering, also from Syracuse University, as well as a B.Sc in chemistry from the Lebanese University.

“We expect the international connectivity to be multiplied by at least a thousand with the deployment of the Imewe cable and some other projects that the ministry has worked on.”



Hoballah says he views access to broadband as a human right.

ISPs, most of which use the copper network of Ogero, or WiMAX.

The problem is that the 3G services from the state-owned mobile operators will effectively be competing with the private ISPs, and could potentially run them out of business.

“The 3G by itself is an excellent move but the question that we have at this point is what happens to the private sector in the absence of a clear policy, and that is a discussion that is currently taking place.

“We need to be careful with that balance. We really do not want to create a monster that impacts the other companies. We need to make sure there continues to be competition,” Hoballah says, adding that infrastructure sharing could go some way to solving the problem.

“We will be working with the minister to try to speed up the issuing of the policy so at least the private sector and the rest of the world know where we are going.

“In terms of our role in 3G, we definitely will support any new services that come in place, because Lebanon needs them.”

A few issues also remain for the 3G deployments. For example, Hoballah says that the regulator has not yet received a formal request from the Ministry of Telecommunications for the spectrum required for 3G services.

While Lebanon’s track record of trying to privatise the telecom sector is weak, Hoballah is optimistic that the sheer need for better infrastructure and services will help to encourage a consensus towards a model that will deliver better services.

“The one thing I would like to say

is that the government of Lebanon needs to understand the value of the telecommunications network, especially broadband.

“The economy and society nowadays cannot advance without having the right telecommunications infrastructure, especially broadband.

“The country that does not keep up with broadband will face two major issues. There will be a divide between that country and the rest of the world, and then there will be a social divide within the country between those people who do get some level of broadband, and those who do not,” he says.

Hoballah adds that he views broadband as a human right “like water, health and education”. “It is not an option any more. The government needs to get to the point where every Lebanese citizen should have broadband connectivity.

“That is what the need the government needs to look at high on the list of its objectives to improve the economy, improve the competitiveness of the country and based on that come up with a policy that addresses the needs of the country but also of its social and corporate needs,” he says.

Hoballah adds that the

TRA hopes that the new government that is due to be put in place shortly will address the telecom needs of the country and introduce a policy “that works for Lebanon”.

“Investors should look shortly to Lebanon and say, ‘wow that is the place where I will invest in telecoms’.”

UPHOLDING THE LAW

With some analysts estimating that about 40% of Lebanon’s internet services could be provided by unlicensed service providers, the TRA is committed to tackling the problem.

The organisation has drafted regulations that give scope for some of unlicensed operators to acquire a licence, and is also working to prevent further proliferation of illegal SPs.

In April, the TRA called on all owners of buildings, broadcasting stations and antenna towers to help the government prevent illegal telecom operators from providing services. “We have some illegal operators operating in Lebanon and we are trying our best at this point with the current political situation to stop them from operating,” Hoballah said.

But remember that what you have in many cases is they are providing these services in areas where the legal operators are not providing, and then it is a double whammy – you are doomed if you stop them and doomed if you don’t.”

He added that the regulator was looking at the feasibility of offering some of the illegal operators the chance of gaining licences. He said that the TRA had already planned some regulations to allow some of the illegal operators to gain licences, but was waiting for the government to decide on a policy. “The faster the policy is made by the government, the faster our regulations are sent to the Shura council and the faster it is that we issue licences, and those illegal operators will be either out of business or they will get official licences to operate in Lebanon,” Hoballah said.