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Lebanon's internet could get quicker by year's end

Matt Nash



Lebanese in an internet cafe in 1999. The notoriously slow internet speeds in Lebanon may get faster soon. (AFP Photo)

Imad Tarabay is convinced there is a conspiracy afoot. The government, he thinks, is trying to squeeze the private sector out of the internet business to consolidate its already nearly -monopolistic control of telecommunications in Lebanon.

Tarabay, CEO of the internet service provider Cedarcom, is worried there are ulterior motives behind the Ministry of Telecommunications' recent decision to upgrade the nation's mobile phone networks.

By October, according to a February [press release](#), MTC Touch will be managing what is known in the business as a third generation (3G) network. Alfa also [announced](#) plans to upgrade in February but did not specify a completion date. These improvements were decided on by the Telecom Ministry - which actually owns the networks - and will be paid for with public funds, according to [Executive](#) magazine.

A 3G network can transfer large amounts of data quickly. This means internet access around 20 times faster than the average connection speed currently available in Lebanon, according to Khaldoun Farhat, CEO of Terranet, an internet and data service provider.

People with internet-friendly smartphones are not the only potential beneficiaries. There are devices on the market similar to the Mobi, which Tarabay's company sells, that can enable users to get fast internet connections on their computers via the phone network. So Alfa and MTC Touch will become internet service providers, competing with the private sector, but offering a far superior product.

For Tarabay, this whole system is out of order. First, the Telecommunications Regulatory Authority (TRA) did not issue Alfa and MTC Touch licenses for the radio frequencies they will use to transmit internet wirelessly via the mobile networks. Tarabay calls this illegal (based on Article 19 of Law 431 passed in 2002), but the ministry disagrees.

During a late January press conference, caretaker Telecom Minister Charbel Nahhas argued that because the government owns the networks, it does not need a license. Tarabay counters that the TRA gave the networks licenses to carry voice data and gave licenses for frequency use to Electricity du Liban and the Lebanese army, both also owned by the state.

Secondly, Tarabay contends, Alfa and MTC Touch will likely avoid the exorbitant fees private internet and data service providers currently have to pay (\$1,350 for a data-transfer rate of 1 megabit per second compared to \$100 in Dubai, Amman and Cairo, and \$10 in London, Paris and Chicago, according to Farhat). Therefore, Tarabay argues Alfa and MTC Touch will be able to offer internet to customers at prices far lower than the private sector can afford.

He's suing the government to stop the rollout of 3G, though he insists he does not want to stop fast internet. He wants free and fair competition in the market. The ministry did not respond to requests for comment, and the TRA said it does not comment on ongoing legislation. Tarabay's suit angered many of his peers, and companies that last year were criticizing the ministry's 3G plan for the same reasons laid out in the lawsuit did not join Tarabay in filing it.

Unlike Tarabay, Farhat and others in the industry are playing ball. The ministry's plan to involve the private sector in the 3G bonanza involves internet and data service providers becoming mobile virtual network operators (MVNOs), essentially resellers of internet purchased from Alfa and MTC Touch.

Farhat said he is negotiating with the ministry to hammer out details of the MVNO agreements as well as trying to lower the price internet and data service providers pay for access. He said he's hopeful the price could fall from \$1,350 per megabit to as low as \$600 or \$300.

3G rollout will be a boon for state coffers. Under the management contracts held by Orascom Telecom and Zain, Alfa and MTC Touch, respectively, the government pays the companies each \$2.5 million per month plus 8.5 percent of the revenues they generate. That means 91.5 percent of all the money Alfa and MTC Touch bring in goes to the government.

Zain's earnings statement for the fourth quarter of 2010 said the company earned \$106.7 million in Lebanon in 2010, noting, however, that "disclosed revenues are those from the management contract and not the total revenues of the operation."

In set fees, Zain made \$30 million in Lebanon, meaning the rest of reported revenues (\$76.7 million) represent the 8.5 percent of what it earned that it gets to keep. The other 91.5 percent, transferred to the government, amounts to over \$902 million. Orascom Telecom does not publish its earnings in as much detail, but given the companies have a similar-sized customer base, it's safe to say the government earned over \$1.5 billion from mobile phones in 2010.

When the mobile companies start offering fast internet connections, they will no doubt earn the state a lot more money. Both Farhat and an official from Ogero, the state-owned company that controls the fixed phone lines and sells internet to customers, said they doubted that new, faster internet packages would be cheaper than those offered now.

However, they said, speeds would be much faster - 20 times the current average, Farhat said - and monthly caps on uploading and downloading data would likely be raised. Farhat did warn, however, that there is a very serious risk of 3G stifling competition and hurting the private sector.

"If we have fair play, the private sector could take 50 percent of the market [of internet provided via the 3G networks]," he said. "If not, the two companies can play cat and mouse games like Ogero ... and could eat up almost 80 percent of the market, which is the situation with DSL [internet] today," he added.

Ogero not only controls the physical lines that carry internet to users' houses - even if those users are paying a private

company for service - but it also gives data and internet service providers access to internet bandwidth, which they sell to customers. This gatekeeper position allows Ogero to drag its feet when dealing with private companies, and gives it an unfair advantage, many in the private sector contend.

However, an ongoing fight between the ministry and Ogero could still thwart the internet via the 3G plan. The core reason Lebanon's internet is so slow is a lack of international bandwidth. That problem was solved in December 2010 when the IMEWE submarine internet cable began operating.

Lebanon alone among the eight countries involved in the IMEWE project is still not using the cable because the council of ministers has to issue a decree authorizing Ogero to operate it and distribute the bandwidth, two sources familiar with the project, one of whom from Ogero, told NOW Lebanon on condition of anonymity as they are not authorized to speak with the press.

Because of the legal framework Ogero operates under, the cabinet has to approve any new activities the company undertakes. With Telecom Minister Nahhas currently arguing with the company to renegotiate employee contracts, the Ogero official said he is not hopeful Lebanon will begin benefitting from the IMEWE any time soon.

For the mobile companies to offer internet services over 3G networks, they need the bandwidth the cable provides.

"With no IMEWE, there's no 3G," the Ogero official said.



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