

TE to remain only fixed line provider

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Fixed-line monopoly Telecom Egypt (TE) said on Tuesday it will keep providing fixed line services for any new licences tendered, while future private operators will only be allowed to supply data and video.

"Maybe triple play is not the accurate word, although that was what was announced. Triple play includes voice, data and video. What's on offer does not include fixed voice at all," Chief Executive Tarek Tantawy told reporters on the sidelines of an investor conference in New York.

"The two new license operators will not be allowed to provide voice services, they will have to give us access to their network to provide voice services."

The government had announced in late September it would invite bids for combined cable television, telephone and Internet licences which it expects will generate \$1 billion in new investments within five years.

Tantawy said the deadline for submitting the bids is on Jan. 12, 2010.

"I cannot accept the idea of having a competitor just cherry-picking higher income segments of the population," Tantawy said on the sidelines of EFG-Hermes & Auerbach Grayson investor conference.

"If we have a competitor it has to be a full fledged competitor which benefits from the upside and shares the agony of just providing the service even to uneconomical areas."

The new licences operators will initially be limited to working in Egypt's rapidly expanding new residential compounds of 5,000 units or less in suburbs and satellite cities near Cairo and Alexandria. The operators will have to work with Telecom Egypt's existing infrastructure at the start.

"This is not a second fixed licence, it's more a licence to provide value added services such as security services, smart tone services, it does not include voice. That has been made very clear from the request for proposal which came out a couple of days ago."

Regional mobile operator Orascom Telecom (ORTE.CA) has said it would likely bid for one of the licences.

Others tipped to bid include the UAE's Etisalat (ETEL.AD), which already competes against Mobinil (EMOB.CA) and Vodafone Egypt (VOD.L) in Egypt's mobile market.

Telecom Egypt is awash with cash but it has no plans to acquire other companies domestically or regionally, Tantawy said, instead, the company is likely to increase the dividend paid to its shareholders.

"The intentions (to acquire other companies) are there, but there is nothing contemplated in the time being," Tantawy said.

Meanwhile, the absolute amount of dividend has increased almost 2.7 folds in three years since going public in 2005 "and we gradually increase it if there are no investment opportunities," Tantawy said.

Asked if he expects to increase the dividend, he said "yes" but the decision is made by Egypt's General Assembly in March.

The government had plans to sell a stake of the company before the financial crisis but it was put on hold. By law the government has to retain majority in the company.

"I did not hear on any plans for the government to sell another stake but I am not ruling it out, perhaps they can consider it sometime in 2010," Tantawy said.

The company is state owned but 20 percent of its capital is in the hands of private shareholders -- two-thirds institutional investors and one-third retail investors, Tantawy said.

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