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COMMITTEE B

Lebanon (Republic of)

EVOLUTION OF THE TELECOMMUNICATION LANDSCAPE - THE LEBANESE EXPERIENCE

Introduction

In 1995, Lebanon initiated a massive programme to build a telecommunication network offering a full range of market-demanded services. This has resulted in the implementation of a fully digital PSTN network (covering the residential, professional, urban and rural population), GSM mobile network with a national coverage, X25 and high speed data networks, digital leased lines and partnership with the private sector. Lebanon has always had a strong belief in reforming its telecommunication regulations so as to give its Ministry of Telecommunications (MPT) the flexibility in terms of decision-making for administrative, financial and marketing matters in order to be competitive with the private sector and thus provide better services to its customers.

Telecommunication services offered by the public and the private sectors

The MPT started in 1995 a plan to provide telecom services to 1.5 million subscribers, where the number of PSTN subscribers reached 550 000. The national network consists of fully-digital switches, a fibre optic backbone transmission network with SDH protocol, and an overlay network for high bit rate digital leased lines. Value-added services have also been introduced to the PSTN network. The cost of this project has reached the 1 billion dollar mark, which was financed from the revenues generated by the MPT. This project was executed over different stages to avoid the need for loans and depend solely on the MPT's generated revenues.

The telecommunication services have also improved with neighbouring countries where Lebanon participated in the development of regional submarine cable systems such as ALETAR¹,

¹ Egypt (Alexandria) - Syria (Tartous).

BERITAR², UGARIT³ and QADMOS⁴. The international traffic routes have also been improved by installing five Intelsat⁵, one Intersputnik (Rosetelecom) and one ARABSAT earth stations.

Furthermore, increasing awareness of the central role telecommunications plays in economic development has led Lebanon to implement strategies focused upon improvement in the performance of the state-owned operator in both deploying a state-of-the-art infrastructure and providing diversity of services.

Nevertheless, Lebanon is the only country in the region that has adopted the private participation strategy that has been widely embraced in Asia: Build-Operate-Transfer (BOT). Consequently, in 1994, two GSM operators were given licences to implement their mobile network, under MPT's supervision to guarantee the commercial success of this service. This contract is privately financed and operated but regulated by the MPT. The contract runs for 10 years, with a possibility for a 12-year extension period, during which the MPT's revenue sharing is divided as follows:

Years	Gross revenue sharing
1 - 8	20%
9 - 10	40%
11 - 12	50%

It is also worth noting that when the BOT contract expires, the MPT will eventually own the whole GSM networks, free of charge. This has proven to be a very successful experience where the number of GSM subscribers reached 425 000 in less than three years.

Additionally, the MPT has also formed a joint venture with France Telecom and ItalCable creating a local operating company, contracted to install advanced public telephone booths all over Lebanon, to provide data transmission and Internet services to the public. Another private company specialized in managing and producing telephone directories was also contracted to start operation in 1997

On another front, Lebanon followed a new open market strategy with regards to competition. This policy went as far as giving many private sector entities the freedom to compete in some niche-market. For example, licences were given to five operators of radio data transmission networks, 15 Internet service providers and to privately operated institutions such as banks, hospitals and universities.

Also, Lebanon has invested in international telecommunication organizations namely Intelsat, Intersputnik, ICO, ARABSAT and expectedly in the Thuraya project.

What is also unique is the fact that the MPT is not involved in the sale of telecommunication equipment. This lucrative market has been completely opened to the private sector with some ministerial regulations.

² Lebanon (Beirut - Tripoli) - Syria (Tartous).

³ Lebanon - Syria (Tartous) - Cyprus.

⁴ Lebanon - Cyprus.

⁵ Intelsat earth stations operating on 60, 61, 335, 342, 359 degrees.

Having said that, the MPT's innovative way of restructuring its telecommunication market is a clear indicator of its awareness of the global market trend and the changes that are affecting this dynamic form of technology⁶.

Reforms in the telecommunications sector

The policy that was followed by Lebanon in the last three years has shown that privatization, especially, in the early stages of a restructuring programme, is not beneficial to developing or LDC countries. These countries should get returns on their investments over a long period from this important revenue generating sector. However, reforms in the regulatory, administrative and financial aspects are necessary for these countries in order to be successful during the transition stage.

In this regard, Lebanon has shown success in the last three years in terms of financing its own telecommunication projects, forming successful partnerships with international and local private operators in addition to granting partial privatization to some companies that are active in this sector.

Moreover, recently, international tariffs have been reduced by almost 40%, International Direct Dialling services have been provided to every customer, after decreasing money deposits for this service by 40% as well, in order to increase the outgoing traffic. The results of these reforms have been summarized in the following table:

	1995	1997	Percentage increase
PSTN lines capacity	450 000	1 100 000	144%
Number of PSTN subscribers	320 000	500 000	72%
Number of GSM subscribers	0	425 000	
Internet service providers	0	15	
Number of Internet subscribers	0	25 000	
International circuits	825	3 500	324%
Incoming international minutes	150 000 000	250 000 000	67%
Outgoing international minutes	38 000 000	60 000 000	58%
MPT revenue	250 million dollars	400 million dollars	60%
PSTN penetration rate	9%	16%	78%
GSM penetration rate	0%	12.1%	

⁶ WTDC-98, Document 31, Annex 1.

It should also be mentioned that the average calling pattern on the national network was measured to be about 850 minutes for PSTN subscriber/month, and 500 minutes for GSM subscriber/month. The forecast revenue for 1998 is \$ 480 million dollars, a 20% increase over the previous year.

So, Lebanon proposes that in order to apply market-driven policies developing and LDC countries should plan a gradual restructuring and reforming of their regulations, administrations and finances. This could be achieved in taking gradual steps towards privatization, which would lead to losing the much-needed revenues of the telecommunication sector. Therefore, it is proposed that ITU formulates policies that help these administrations to be competitive and find the sources to finance its restructuring plans.

Thus, Lebanon recommends partnership with the private sector in some areas of the telecom market. It is also recommends the creation of an independent regulatory board, and possibly a regional regulatory board for a number of countries that are in agreement with the same policies. The regulatory board should set flexible rules based on market demands.

Furthermore, Lebanon recommends that administrations improve the financial returns and training expertise of their staffs in order to be competitive with the private sector.

Conclusion

Lebanon recommends that administrations recognize the importance of participating in all telecommunication events, especially those organized by the International Telecommunication Union, in which Lebanon has become a very active member. At the recent WRC-97 Conference of ITU, Lebanon has proven the success of this policy where it made a major contribution to the outcome of the resolutions and recommendations that were adopted with regards to the issue of low-Earth orbit satellite systems.

Finally, we should not underestimate the importance of the presence of qualified delegates in international conferences on telecommunications (during which decisions that affect all developing countries are taken and policies that shape the whole telecommunication market are being formed) which is as important as building the telecom infrastructure on the ground.

Thus, we sum up by indicating that the telecommunication sector is dynamic and has huge revenue returns upon which many developments in our countries depend. Therefore, we can not afford to lose any of the revenues that this sector generates. So to safeguard such resource, Lebanon believes that a comprehensive understanding of the different aspects of the telecommunication market is urgently needed. Then, a successful journey along the highways of the global telecommunication village can be assured.
