

Egypt state firm looks to cash in on thriving mobile sector

CAIRO, Egypt: As Egypt's mobile operators thrive, state-owned Telecom Egypt is entering the market in an effort to boost state revenues.



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In a country with more mobile phone subscriptions than residents, Egypt's only fixed-line operator is hoping to get in on the action with its new mobile service, WE.

But some established players say they fear the state-owned firm, which already owns 45% of top existing operator Vodafone Egypt, will enjoy unfair advantages.

Egypt, with around 96 million residents, had nearly 100 million mobile subscriptions in 2016, according to a July report by the National Telecom Regulatory Authority.

That compares with fewer than 10 million subscriptions for landlines and DSL phone line-based internet services.

As the mobile sector booms, Telecom Egypt's entry into the market aims to introduce competition, the NTRA said in a report.

"Upgrading quality of services provided"

That could upgrade "the quality of services provided... at more affordable prices", it said, adding that it hoped to boost state revenues and create new jobs.

Within a month of its September launch, WE have attracted a million customers. But its polished advertisements may not be the only reason for its success.

It entered the sector at an opportune time, the same month as the official launch of 4G mobile internet services, repeatedly delayed by the government.



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Also in September, the NTRA announced it would enforce a 30 percent increase in prices for mobile services -- from which Telecom Egypt's offering would be exempt.

While the price hike was sudden, it met repeated demands by Vodafone, Orange, and Etisalat, which have objected to being forced to freeze prices despite 30 percent inflation as the Egyptian pound dived against the dollar following its flotation in November 2016.

But some fear Telecom Egypt's exemption from the hike may be part of a broader pattern of unfair privileges.

Orange Egypt has invested some 15 billion pounds (around 730 million euros, \$850 million) in its 4G services.

"It is a big responsibility for the government to ensure that competition regulations are implemented in an equitable manner," said Jean-Marc Harion, Orange Egypt's chief executive officer.

Such rules "have not always been respected in the field of telecoms," he said.

But Telecom Egypt says its entry into the mobile market was inevitable and should not be surprising in the age of smartphones.

"It's a matter of life and death," said CEO Ahmed El Beheiry.

"Over time people will give up on fixed internet"

"Over time people will give up on fixed internet and move to the mobile."

Critics have argued that Telecom Egypt's ownership of 45 percent of Vodafone Egypt constitutes a conflict of interest.

But Beheiry denied any government favouritism towards his firm, adding that its rivals are anything but "weak, small players".

"There is no more difficult terrain than this in which we are entering," he said.

Telecom Egypt argues that its countrywide landline and DSL coverage is a major asset.

But analyst Ahmed Adel of the investment bank Beltone Financial said the firm's landline monopoly constitutes "a big challenge because of the number of complaints about the quality of these fixed services".

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Telecom Egypt currently relies on Etisalat Misr's mobile network as it develops its own.

The company will eventually have to show "its ability to acquire a market share in the absence of any operational advantage," he added.

Mostafa Abdel-Wahed, regulator NTRA's executive chairman, did not respond to repeated requests for an interview.

In an emailed response to questions, the NTRA said: "the entry of the fourth mobile operator helps to increase competition between companies to benefit the citizens in terms of quality of services and prices".

It added that it "treats all companies equally without distinction".

Source: AFP via I-Net Bridge

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