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Finding Syria's potential

Syria's telecom market finally looks set to realise its potential as the government hints at liberalisation



Syria's telecoms sector finally looks set to discover its potential.

News that Syria's government had finally approved a decision to award a licence for a third mobile operator came as welcome news to most Syrians, who are tired of paying over the odds for substandard telecom services.

The government's announcement that it also planned to award the country's two existing mobile operators, Syriatel and MTN Syria, with full mobile licences, is also a sign that the market looks set to be transformed in the coming years.

Indeed, the build, operate and transfer (BOT) licences that the two telcos have been operating under have long been at the centre of Syria's inability to develop its mobile network, and the telcos cannot really be blamed.

Most operators would shy away from investing heavily in developing their business if they were operating under the assumption that they could lose everything based on the decision of a third party.

A similar scenario is being played out in Lebanon, where Orascom and Zain Group also operate networks under BOT contracts, and a similar level of apathy is present in Lebanon's telecom sector as in Syria's.

While Syria's government failed to put a timeframe on the issuing of the third operator, or the process to award full licences to the existing operators, some industry insiders think it will happen soon - perhaps even by the end of this year.

Certainly, the Syrian market is attractive for a potential operator. The country has a population of some 20.5 million people, of which about 36% are below the age of 15, offering huge growth potential in the coming years.

Furthermore, the legacy of the BOT contracts is also a benefit for a would-be third entrant, with mobile penetration rates languishing at about 44% at the end of 2009, according to data from UAE-based research and consultancy firm, Delta Partners.

Added to this is the fact that Syrians are widely viewed as being eager for improved telecom services, and they are likely to respond well to new service packages, and the reduced tariffs that would follow liberalisation.

For these reasons, Fede Membrillera, a managing partner at Delta Partners, predicts that most of the region's telcos will be interested in the new licence. He is also convinced that the political risks of entering the Syrian market will preclude any telcos from outside the region from trying to win the licence.

So far, the two most likely contenders for the Syrian licence appear to be UAE incumbent Etisalat and Kuwait's Zain. Indeed, Etisalat's chairman, Mohammad Omran, last year expressed an interest in making a play for Lebanon and Syria. Zain, which is already present in Jordan and Lebanon, might be even more eager to gain the licence, to complete its presence in the Levant.

But it is likely that all of the larger players, particularly operators in the Gulf, will analyse the situation closely.

It will also be interesting to see the influence that Syria's proposed liberalisation exerts on Lebanon, which will become further isolated as the only country in the region with a mobile duopoly working under BOT contracts.

Pressure is likely to increase on the Lebanese government to liberalise its telecom sector, which could ultimately lead to a far healthier telecom market across the Levant.