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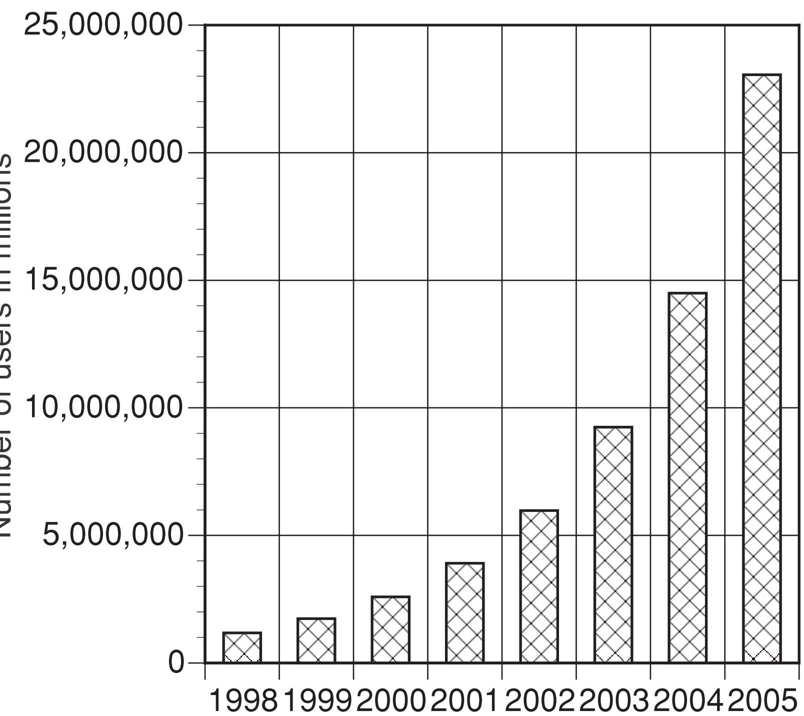

Number of Internet Users in Africa

Source: CRS

In This Issue...

Workers Raise $20 Million to Buy Shares in PTC

A trust fund set up by workers of the Zimbabwe Posts and Telecommunications Corporation (PTC) three years ago

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to buy shares when the telecoms utility is finally privatized has grown to $20 million, according to a workers' representative.

Gift Chimanikire, secretary-general of the PTC Workers' Union, said a majority of the parastatal's 10,000-strong workforce, including management, had been contributing $100 each a month to the fund, set up in 1996.

"As of December 1999, the trust fund had grown in excess of $20 million. Our fund managers have ensured that the contributions are always put in high-yielding investments," he told the *Financial Gazette* at the weekend.

The fund allows members who cease being PTC employees to retain their membership and to continue making contributions so they can benefit from the share ownership scheme. Chimanikire expressed concern at what he said was the slow implementation of the government's decision to privatize the corporation. The government indicated in 1995 that it planned to privatize the PTC within two years and, through the encouragement of the Zimbabwe Congress of Trade Unions, the workers set up the fund.

"We don't have a target of the amount we need to raise because in the PTC one is looking at a $30 billion business so we should raise as much as we can," Chimanikire said. "The longer the government delays in privatizing the corporation, the bigger our fund will become. When the PTC privatizes, there will be no need for us to go into the market to seek funds because we already have the money."

INTERNATIONAL

Italian Business Delegation in Algeria

An Italian manager's delegation, headed by the Italian Minister of Industry Enrico Letta, visited Algeria on February 16-17. Accompanied by the general director of the Treasury Mario Draghi, the delegation consisted of representatives from the largest Italian enterprises (ENI, Pirelli, Fiat, and Telecom) and banks.

Italy is Algeria's leading client (US$2.5 billion) and its third-leading supplier (US$800 billion), with a trade balance favorable to Algeria.

The Italian dealers are particularly interested in the Algerian market of pharmaceuticals, communication, and construction. The Italian delegation's visit in Algeria led to an Algero-Italian seminar about privatization, which was opened on February 16 by Prime Minister Ahmed Benbitour. Also present were the ministers of Finance, Abdellatif Benachenhou, and of Privatization, Hamid Temmar. The Algerians wanted to draw their inspiration from the "Italian model" of privatization, to "jump start" their own privatization process.

BUSINESS

Lucent Technologies Wins Optical, Data Network Contracts Valued at US$145 Million from Saudi Telecom

Lucent Technologies announced that it has won two contracts from Saudi Telecom Co. (STC), to expand its optical transmission and data networks to meet customers' Internet and voice network needs. The total value of the two contracts is US$145 million (approximately Saudi Riyal 544 million.)

In one contract valued at US$110 million (approximately Saudi Riyal 413 million) Lucent will provide its WaveStar OLS 80G and WaveStar ADM 16/1 optical networking systems to increase STC's transmission and long distance capacity. This expansion is designed to respond to the growth in Internet traffic, the demand for rapidly growing GSM wireless traffic, and the need for additional land lines.

In another contract valued at US$35 million (approximately Saudi Riyal 133 million), Lucent will also provide its Asynchronous Transfer Mode (ATM), remote access and digital subscriber line (DSL) equipment, enabling STC to more than double its existing Internet capacity and offer DSL services to its customers.

Lucent's WaveStar OLS 80G uses DWDM technology to simultaneously transmit 16 distinct information streams across the same fiber strand. This enables carriers to increase network capacity without incurring the cost of laying new fiber.

For the second contract, Lucent will provide the GX 550 Smart Core ATM switches and GBX 500 and B-STDX 9000 Multiservice Wide Area Network (WAN) switches. These offer high performance, scalability, and capacity for building next-generation networks, Lucent claims. In addition, Lucent will supply its PacketStar Access Concentrators, which when combined with the GX 550 and CBX 500 switches, provide a comprehensive integrated ATM access and switching solution.

Lucent also will provide Saudi Telecom with the MAX TNT carrier-class WAN access switch for remote access at 28 locations. Lucent's NavisFamily network management systems will enable world-class monitoring and provisioning of the ATM and remote access systems. In addition, Lucent will install xDSL Broadband Access Interface equipment throughout the Kingdom – a first for Saudi Arabia.

Lucent Technologies has a workforce of about 3,100 in Saudi Arabia composed of 760 Saudi nationals as well as expatriates from 441 nations, and has offices in the major Saudi cities of Riyadh, Jeddah, and Al Khobar.

Veramark Receives Order from Burundi

Alcatel SEL AG has ordered a VeraBill system for a wireless customer in the Republic of Burundi with an initial configuration of 10,000 subscriber access lines. Burundi, located in Central Africa, has a population of approximately six million people. The predominately agricultural economy is known for its exports of premium coffee and tea.

David G. Mazzella, Veramark president and CEO, said, “There are two principal target markets for VeraBill in Veramark’s business strategy: industrialized economies undergoing telecommunications deregulation and emerging economies investing in new telecom infrastructure. The recent VeraBill orders in Africa illustrate the success of the second element of our strategy. We’ve had an opportunity to supply VeraBill to several African countries (a total of seven with this order from Burundi) that have just begun to offer cellular telephone services. Not only is there great potential because of the number of small countries in the region, but as these economies grow and industrialize there is even greater potential for expanded licenses. VeraBill is an ideal product for this market and Africa is a terrific market for Veramark."

"For Alcatel this contract is a further step in its successful story of the cooperation with Veramark all over the world," said Hans Loehle, vice president of Customer Care and Billing Systems, Alcatel SEL AG. "VeraBill's leadership in customer care and billing systems, together with Alcatel's worldwide presence and experience in the field of telecommunications helped us to achieve significant growth with the market."

Alcatel builds next generation networks, delivering integrated end-to-end voice and data communications solutions to established and new carriers, as well as enterprises and consumers worldwide. With 120, 000 employees and sales of Eur 25 billion, Alcatel operates in more than 130 countries.

VeraBill is a comprehensive billing and customer care system for wireline, wireless and other network service providers.

Veramark Technologies Inc. is engaged in the design, production and servicing of telecommunications management and billing systems for users and providers of telecommunications services in the global market.

Local Computer Firm Africom Set to Venture into SADC

Zimbabwean computer networking company Africom said it was talking to regional firms to participate in key telecommunications projects in the 14-nation Southern African Development Community (SADC).

The company, formed in 1995, has been approached to provide infrastructure to facilitate the connectivity of data networks in the banking and retail sectors of other SADC countries. Africom business development executive Nobesuthu Mnkandla said the firm was ready to enter the regional fray following the success of its local operations.

"We have been invited by other players in the SADC region to participate in telecommunications projects where we would provide the platform for remote connectivity for data exchange," Mnkandla told the *Financial Gazette*.

The firm has been involved in several telecoms projects in Zimbabwe, including the provision of the infrastructure for intra and inter-bank communication. One of its major feats was the installation of infrastructure for the exchange of information by banks participating in the Zimswitch network, which allows cardholders from the eight participating banks to withdraw money from any of the banks' automated teller machines. The Zimswitch participating banks are Barclays Bank, Beverley Building Society, Central African Building Society, Commercial Bank of Zimbabwe, Founders Building Society, Stanbic Bank, Time Bank and the Zimbabwe Banking Corp.

The company is also involved in the Ministry of Finance's Public Finance Management System project, which will be crucial for the control of expenditure by government ministries. Africom also installed a 90 km microwave data communications link for the Grain Marketing Board between Murewa and Harare.

The news about Africom's regional adventure comes as Zimbabwe's telecom sector braces itself for far-reaching changes due to rapid technological developments which have rendered current legislation redundant. The government is in the middle of drafting the Postal and Telecommunications Bill which still seeks to place curbs and controls on a sector whose advancement and expansion may render these absolute.

UTL Imports 532 km of Cable

Uganda Telecom Ltd. (UTL) has imported 532 km of copper cable worth US$886,000 to maintain, upgrade and expand its network in the country.

The cables, manufactured by a South African company, ATC South Africa, were delivered to Kampala in 43 containers by the privately-owned Trans Africa Railway Corporation (TARC) Ltd., across the 44,000 km stretch from Johannesburg. They were handed over to the Uganda Telecom Chief Supplies Officer, Abdul Ssemakula by the ATC Reunert area representative, Daniel Warner-Meier.

Trans Africa Railway Corporation, owned by South African railways, won the contract to ship the cables at a cost of US$176,000. “We chose to use the Railway system because it was faster and now looks more efficient than the road system,” Warner-Meir said.

Shipment from South Africa to Kampala took only 19 days. Witnessing the delivery at Port Bell in Kampala, the Deputy South African High Commissioner, Coen Van Wyk said he was happy to see that business between South Africa and other African countries was gaining momentum. He said he would discuss with all other authorities in his country to facilitate this and help speed up such ventures.

Ssemakula said that this consignment, supplied in a range of pair combinations with a total length of 532 km each was totally financed by Uganda Telecom Limited.

He added that despite the fact that the company was in the final stages of being privatized, whoever will buy it will eventually have to proceed with the designed short-term plans. These involve expansion of the existing network and refurbishing the telecommunications whole system.

MTN Publicom has started another phase of extending its services to schools and rural areas. Publicom general manager John Paul Bagiire said, “Many head teachers have approached us to provide services. We are going to start at the beginning of next month to improve communication in schools. In three weeks time we shall have services from Kabale up to Busia along the way so that all drivers are able to communicate.”

Endesa and Commerce One to Set Up Company to Develop B2B in Spain and in Endesa’s Areas of Business in Europe and North Africa

Endesa has signed an agreement with Commerce One Inc. world leader in e-business, and with PricewaterhouseCoopers Consulting for the incorporation of a company that will develop business-to-business (B2B) e-commerce in Spain and its international areas of business (Europe, Latin America and North Africa). This initiative is oriented to giving value to its markets of companies, suppliers and current and potential customers. Endesa will also integrate its portfolio of services through this portal.

With this aim, Endesa, Commerce One and PricewaterhouseCoopers Consulting have signed an alliance in San Francisco.

The shareholders of this newly established company will be Endesa, with a majority stake, Commerce One Inc. and PricewaterhouseCoopers Consulting.

This move marks a milestone in Endesa's strategy toward an active involvement in the Internet business, allowing the development of an open market and offering all the advantages of e-business on a global scale.

Thanks to the alliance with Commerce One, this new company will be Spain's sole corporation with the possibility to access the Global Trading Web, which will allow the link of the Spanish Market Place with a Global Market Place created by Commerce One's different alliances in several countries. Through the portal set up by the new company, participating companies and organizations will be able to interact with the companies that participate in other portals set up by other leading industrial corporations in the world. Endesa also becomes part of a group of companies which have set up strategic alliances with Commerce One and which carry out B2B transactions through the Web. This will allow Endesa to profit from future relationships with new participants and suppliers, such as British Telecom, NTT, General Motors, Shell, Deutsche Telekom, Banamex, Suisse Telecom, and others.

The new company will be fully operational before June 2000. Its flotation is intended for this year. The company intends to launch a first series of operations, which will consist of the management of auctions of products and services among Endesa and an initial group of suppliers.

On a short term basis, Endesa estimates that this new company will manage over 13 million orders comprising over 1.7 million references.

The main objective is the operation and development of an Internet-based business community in which participating companies will be offered the possibility to trade their products and services, optimize their processes, and reduce the procurement costs by having access to homogeneous product and services catalogues, access logistics and payment services, access auctions for products, and materials all over the Web.

The new company will enable further savings both in costs and in administrative procedures for their procurement activities. It will also allow for the globalization of procurements by linking the purchases in Spain, Europe, Latin America and Northern Africa.

The Endesa/Commerce One alliance joins two leaders in their respective activities. Commerce One is the world leader in the supply of e-commerce solutions for real-time trading. Its stock enjoyed the highest revaluation in 1999 among the group of Internet-related companies (1,000 percent since its IPO in June 1999 in Nasdaq).

The organization consists of several interactive portals, which make the so-called Global Trading Web. They allow Internet-based trading among companies all over the world, including leading US and European companies.

The other partner, PricewaterhouseCoopers Consulting, is a leader in the implementation of e-business strategies and solutions, with over 30, 000 consultants in offices in over 152 countries.

Endesa has been a pioneer in the new technologies through its participation in important telecoms operators such as Retevisisn (29 percent share), Amena (23 percent share) and the various cable TV franchises which give it the leading position in Spain. Endesa had already set up VIPWEB, a technological solution that allows Internet-based transactions with the suppliers, and is fully interconnected with the administrative system of all the group companies (SIE 2000).

Endesa is one of the world's leading electric utilities with over 22 million customers in 13 countries. It is the leading Latin American electric utility and has recently focused its attention towards Europe, fostering initiatives such as the Amsterdam Power Exchange and the Polish wholesale electricity market and striking agreements with Morgan Stanley Dean Witter for the trading and wholesale selling of electricity in Europe.

Business to Business e-trade is an electronic market in which companies are able to carry out their procurement activities and have access to other value-added services such as auctions and advertising. This solution allows for a reduction of operational costs and an increase in efficiency through the automation of product and services chains.

In 1999, B2B e-trade showed a total turnover of US$90 billion in the US. In Spain alone, turnover is expected to rise to US$1.4 trillion in 2003. Recent studies estimate that in two years' time 82 percent of large corporations will carry out their purchases through this system. Utilities are expected to lead e-trade in the year 2003, with an estimated 26 percent of all the transactions involved.

JMicrospace Communications Corp. Doubles Transponder Capacity

Microspace Communications Corporation has doubled its transponder capacity on GE Americom's GE-1 satellite. The company's Velocity services is a point-to-multipoint satellite-based MPEG2-DVB technology designed to deliver digital video and high-speed data for businesses. GE Americom's GE-1 satellite is parked at 103 degrees West.

ATC Purchases Assets of US Electrodynamics

ATC Teleports has purchased the assets of US Electrodynamics for $60 million in cash and stock. The transaction will reach completion in the first quarter of this year. The merger includes 52 antennas and three teleport facilities. The teleports deliver voice, video, data and Internet services by satellite and nationwide fiber connectivity.

MARKET INTELLIGENCE

African Telecom Sector 'Unclear'

Uncertainty in the liberalization of the telecommunications market has closed the door on many would-be investors in the sector. The group chairman of African Information Technology Exhibitions and Conferences Ltd., Sean Moroney, said this made many international companies postpone investment decisions.

"Some ground has been covered, but a lot remains to be done. People are looking for clear signals and emphatic action. From the interactions we have had with players, this is the impression that comes out," Moroney told a media briefing for Telecom 2000, a telecommunications exhibition organized by his firm.

Moroney said AITEC spent more than Sh10 million to stage the fair which attracted 32 firms, from South Africa, Israel, Sweden, the UK, and elsewhere. The three-day fair also featured a conference which included several top speakers, added AITEC's executive director Harry Hare.

Moroney said continued state monopoly in high potential services like Very Small Aperture Terminals technology had prevented the country from playing its "rightful role as the hub of telecommunications services in this region." Kenya currently has the highest cost for telecom services in the region which has resulted in very low coverage.

The average mobile phone peak tariffs for Kenya is $0.44 (Sh32) against $0.35 (Sh25.5) for Uganda and $0.24 (Sh17.52) for Tanzania. A plan to get a strategic partner for Safaricom, Telkom Kenya's mobile telephone wing in the form of Vodafone Airtouch of Europe has been on the negotiating table since 1997, while a similar plan for Telkom is yet to yield tangible results.

African Telecoms for the New Millennium

Over the past few years , we have been considering issues such as sector liberalization, regulation, universal service, private participation, growth of wireless solutions, and the rapid pace of technological change. However, if we recognize that particularly in telecommunications, we are affected by the rapid changes taking place globally, it may be that we need to think less about some of these matters and more about what lies just beyond the horizon – not so much in technology but in terms of global players in the continent.

Privatization in the industry is gaining pace. In Southern Africa, the state-owned telcos in Lesotho, Malawi, Tanzania, Zambia and Zimbabwe are all at some stage of government investment. The government of Botswana announced plans for privatization in its recent budget and BTC could well be amongst the first to be sold. The Mozambican government also has expressed considerable interest in following the asset sell-off route to improved telecommunications. In East Africa, Uganda, Kenya, and Ethiopia are all likely to follow the privatization route. In the West, with the experience of some recent successes, Africa's largest market, Nigeria, is likely to see a privatized Nitel in the not-too-distant future. Hopefully, in all these privatizations, there will be opportunities for small investors to take a stand and reap the long-term benefits of the inevitable growth in revenues and profits. But who will be the big investors?

Indeed, will the potential big investors be similar to the existing investors like SC, Telkom Malaysia, Portuguese Telecom, and France Telecom? This seems particularly pertinent because of the changing landscape of players internationally. The Vodaphone and Mannesmann merger, with its potential for playing a dominant role in the European telecommunications, and the rumors that British telecom might be in the running for a takeover, are just the latest indications that the days of the large national telephone company are numbered. In Southeast Asia, there are strong rumors that a regional merger of Hong Kong Telecom and Singapore Telecom may go ahead. In Africa, the increased activity and planned growth amongst Internet service providers points the way to smaller players growing rapidly and wanting their share of telecom revenue.

With the increasing activity and consolidation in the sector, the future looks bright for Africa. Perhaps we will see some new investors making substantial inroads to the continent, or wireless providers investing in the traditional fixed networks. Perhaps there will be some regional mergers amongst African telcos – creating players who can deal with foreign competition from a position of strength. It is possible we will see seamless "roaming" around the continent. If the European pattern of calling begins to develop, as much as 19 percent of total revenue could come from roaming customers. Given all of these factors, the future for African telecommunications looks bright.

Bank Forecasts Financial Stability in Malawi

The Malawi currency, the kwacha, will stabilize against the US dollar in the long term, with only minor fluctuations occurring within a narrow range, one of the country's key banks has said. In its latest highlights on the economy, the Commercial Bank of Malawi says the kwacha will not experience any severe battering from its major trading currencies, as widely speculated.

The currency, which suffered a 68 percent devaluation in August 1998 fueling high inflation of up to 56 percent at the start of 1999, is currently pegged at around 47 units for one US dollar.

Commercial Bank of Malawi, the only commercial bank listed on the Malawi Stock Exchange, says the country's foreign reserves continue to maintain good positions at the current 4.3 months of import cover, up from about 3.8 months in early February.

The bank says there is no cause for alarm on the foreign reserves since there is considerable injections of foreign exchange from tea exports. "The foreign exchange position should improve after tobacco auction sales commence within the next two months," it said.

Malawi's economy is mainly agro-based with the sector constituting 40 percent of the GDP and earning between 70 percent and 80 percent of the country's foreign currency.

In view of anticipated trends in the exchange rate and inflation brought about by the anticipated fuel price hike, which according to the Petroleum Control Commission must rise by more than 15 percent, the bank said it is vital that the underlying economic fundamentals be made known to stakeholders "in order to douse speculation" in the market.

Malawi has a current inflation rate of 28.3 percent, down from 35 percent in November 2000 and 53.1 percent in November 1999. The bank says, according to revised national accounts data from the National Economic Council, the year's GDP is expected to grow by five percent, down from an estimated growth of 6.7 percent for 1999. This is a 1.7 percent improvement from the 3.3 percent growth in 1998.

"Most growth is expected to originate from the agriculture sector, particularly the smallholder sector," the bank said. It adds that chances are that production estimates for the 1999/2000 agriculture season will be revised downwards because of late and erratic rains. However, it says there should be a moderate growth outside the sector.

Commenting on the market's appetite for foreign exchange, the bank said there was an escalating demand toward the end of 1999 and early 2000 simply to finance imports.

"Month-on-month changes in the all items national consumer price index depict an uneven pattern. In general, inflationary pressures have dictated the trend for many months over the two-year period covered," it added.

Another commercial bank, the National Bank of Malawi, said total tobacco production for 2000 will be around 125 million kg compared to 134 million kg in 1999.

It added that other sectors like utility and transport and communication grew by 2.5 percent and 2.9 percent in 1999, respectively.

The communications sector grew due to an addition on the total number of new connections to the country's two cellular networks, the Malawi Telecom Network and Celtel Malawi Ltd. The transport sector was buoyed by a new wave of minibus operations and increased tonnage through the re-opened rail route to Mozambique's Nacala seaport. However, the manufacturing sector remains in turmoil, attributed to economic policies adopted by the government in 1994.

CONFERENCE REPORTS

Showtime Optimizes its Presence at CABSAT 2000; Dubai World Trade Centre

Showtime, one of the fastest growing, direct-to-home, digital satellite pay-TV service for the Middle East and North Africa, had its own stand at the Middle East International Cable, Satellite and Broadcast Exhibition (CABSAT 2000) held at the Dubai World Trade Centre February 29 to March 2, 2000.

"In the past we have been content to have our services promoted at this show through our distributors and dealers. While we will continue to support the seven Showtime distributors present at CABSAT, this year we will also have our own stand which will demonstrate the latest range of interactive digital broadcast services," said Cliff Nelson, Showtime senior vice president of marketing and sales.

"While all of the region's pay-TV providers typically have some sort of presence at CABSAT, their participation has, generally speaking, been relatively low-key. Showtime's commitment to occupy its own stand at the event is a break from tradition and is likely to attract significant interest. Visitors, curious to discover what has prompted the move, will likely stop to seek information and details," said Richard Davies, International Project Manager for CABSAT 2000.

With the impending launch of E-Vision's cable services in the region, pay-tv providers are anxious to secure their place in the market. Showtime, which provides pay-TV services throughout the Middle East and North Africa, including Morocco and the Levant territories of Jordan, Lebanon, and Palestine, claims to have more than 150,000 subscribers.

The full 14-channel Showtime bouquet, which claims to provide the best in Western television entertainment, is broadcast from NileSat, which provides a single satellite solution for the region. More than 200 additional channels are also available through the Showtime decoder and smart card.

Other organizations that provide programming services in the region, including BBC, E-Vision, Dubai Cable Vision and Orbit and Star Distributions, also participated in CABSAT 2000.

CABSAT 2000 is held in conjunction with Middle East Telecom, an event open to trade and business professionals in the telecommunications industry. More than 5,000 visitors representing 20 countries, among them Bahrain, Belgium, Cyprus, Egypt, India, Iran, Jordan, Kuwait, the Maldives, Oman, Pakistan, Qatar, Saudi Arabia, Taiwan, Turkey, the United Arab Emirates, the UK and the US attended CABSAT and M.E. Telecoms 1999, which encouraged millions of Dirhams worth of business transactions in the region.