

CONTENTS:

PAGE 2:

- Editorial

PAGE 3:

- EASSy SPV takes shape

PAGE 4:

- Calendar of Events

- Zambian firm to lease fibre optic bandwidth

Comesa's telecoms project adopts Open Access

By Wairagala Wakabi

As wrangles continue between governments and telecom operators over the East African Submarine Cable System (EASSy), the Comesa Telecommunications Company (COMTEL) is getting back to its feet, one year after the Anderberg-Ericsson consortium's pull-out grounded the project. And the new-look COMTEL, which Comesa will unveil in June, is singing the Open Access song.

Sindiso Ngwenya, the Assistant Secretary General of the Common Market for Eastern and Southern Africa (Comesa), told CIPESAFOCUS that they have repackaged COMTEL, and will unveil it in June at a meeting for regulators, government officials and telecoms operators in the region. Comesa technocrats have over the last two months been holding talks with telecoms companies and ministers in member states ahead of the meeting at which the new-look COMTEL will be made public.

Originally mooted in 2000, the plan was for the COMTEL network to be built on the existing infrastructure where available, but in most cases new transmission routes employing a mix of fibre-optic cable and digital microwave infrastructure would be constructed. The envisaged COMTEL route traverses Angola, Botswana, Burundi, the Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Madagascar, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, DR Congo, Zambia and Zimbabwe.

Ngwenya said COMTEL would adopt an Open Access model "so that there is no monopoly player for any country," which he said would help lower the prices of bandwidth. He said costs of bandwidth in eastern and southern Africa were up to 90 times higher than those in the US.

COMTEL will work towards tariff harmonisation and reduction within the region, but its top priority mission is to reduce foreign currency out-pay-



Comesa Assistant Secretary General Sindiso Ngwenya.

ments due to external routing of intra-Comesa traffic. Comesa estimates those payments to be \$90 million per annum. The COMTEL network roll-out costs are estimated at \$240 million. COMTEL also plans to build internet backbones in eastern and southern Africa with exchange node in some countries.

At the New Partnership for African Development (Nepad) infrastructure meeting on EASSy held in South Africa in February 2006, it was recommended that a similar meeting be held between Nepad, regulators and the private sector, where the application of an SPV (Special Purpose Vehicle) ownership model to COMTEL would be discussed.

The meeting said an SPV model should also be considered for terrestrial network developers like the Sub-regional Information Infrastructure (SRII) programme of the Southern African Telecommunications Association.

Interestingly, critics of Nepad's involvement in
TURN TO PAGE 3

Kenyans Divided over EASSy

By Alari Alare

Amidst threats by government officials that Kenya could abandon the East African Submarine Cable System (EASSy) and build its own fibre optic cable between Mombasa and Djibouti, stakeholders in the country remain divided on the way forward.

While some want the country to remain part

of EASSy, others feel regional governments are working through the New Partnership for African Development (Nepad) to undermine Kenyans' interests by pushing for an Open Access model.

Kai Wulff, managing director of the Kenya Data Network (KDN), an EASSy consortium member, said that the approach taken by Nepad is "dangerous" and could delay commissioning of the project.

TURN TO PAGE 2

Kenyans on EASSy

Two projects critical to improving connectivity in eastern and southern Africa have reached a crunch point, and how they are handled in the next few months could be key to how well they serve the region. In early June, ministers from the East African Submarine Cable System (EASSy) member countries were expected to endorse the cable's Special Purpose Vehicle (SPV), while the Common Market for Eastern and Southern Africa (Comesa) is also due to unveil the new-look Comesa Telecommunications Company (Comtel).

By endorsing the SPV model drawn up by Commonwealth Telecommunications Organisation (CTO) consultants engaged by the New Partnership for African Development (Nepad), ministers will set the ball rolling for mobilisation of funds from equity holders and development finance institutions. They will also lay ground for the naming of contractors to embark on the construction of the system, whose completion date has been shifted from the second quarter of 2007 to the first quarter of 2008.

EDITORIAL:

Comtel should learn from EASSy

The rate at which Nepad is currently moving to make EASSy a reality is commendable – especially in the face of frustrations in certain circles, notably Kenya, that nearly four years after EASSy was conceived, nothing has taken off on the ground. While these endeavours led by Nepad are positive and could help reassure members like Kenya, there are lingering concerns that Nepad has not adequately consulted all stakeholders in its push to see through the SPV.

There are concerns too, that the SPV model as adopted by legal experts from member countries, and likely to be adopted by ministers, ignores some of the issues the private sector has strongly advocated for. In terms of equity, shareholders in the SPV will contribute between 20 percent and 40 percent of the total project costs. That would be the equivalent of between \$56 million and \$112 million.

Lending institutions like the World Bank will then contribute the bulk – between 60 percent to 80 percent. The EASSy members have always said they want to provide the bulk of the finances, and to minimise lending because it would eat into their returns from the cable. Such concerns will continue to bother signatories to the EASSy memorandum of understanding, and could also prompt more countries (or companies) to consider jumping out of EASSy and embark on alternative fibre systems.

And as Comesa gets set to sell its reworked Comtel project, which has also adopted the Open Access Model, it needs to be wary of the pitfalls that could further delay its implementation.

FROM PAGE 1

He added that Nepad had no right to dictate terms to consortium members but could only engage them in dialogue.

"We have been working for close to two and a half years, drawing up the rules of play and generally planning for the project, so Nepad cannot suddenly come in and do what they want," Wulff said. "They should consult with us on a roundtable given that we are the owners of the project."

Noting that Nepad is not an investor in the project, Wulff said that the consortium was not opposed to the Open Access model. However, "members need to recover their investment over a certain period of time," he said.

The need for consortium members to recoup their investments was also stressed by Joseph Mucheru, the immediate former chairman of the Telecommunications Service Providers of Kenya (Teskop), and a director with Wananchi Online, the biggest internet service provider in Kenya.

"I am not entirely sure about the whole definition of Open or Closed Access, [so] stakeholders better adopt a hybrid model," Mucheru told CIPESAFOCUS. This is because I think profits are important for the sustainability of any business or project... it is important to ensure a business model is adopted and not just a social model."

He added "EASSy should be a business like any other and be allowed to have competitors. This is the only way to ensure the region benefits and does not support another monopoly model; it can be an expensive mistake".

However, Waundo Siganga, chairman of the Computer Society of Kenya and a former member of the Working Group on Internet Governance (WGIG) ahead of last year's World Summit on the Information Society, supports the Open Access model. "EASSy should



Dr Henry Chasia, Head of the NEPAD e-Africa commission.

adopt an Open Access model so that all investors have equal opportunity and rights," he said, adding that the World Bank should be involved as a debt financier to the project.

What about Nepad's role? "Nepad should not be responsible for developing a Special Purpose Vehicle (SPV)," Siganga said. "They should also not be involved in choosing board members for the EASSy SPV," he added.

Jonathan Somen, Tespok's vice chairman, also supports the Open Access model. "Open Access model will increase competition, reduce prices to consumers, expand ICTs and help the Kenyan economy to grow and become more ICT-advanced, which will lead to job creation and more efficiencies in business," Somen said.

Michael Joseph, who runs Safaricom, the biggest mobile telecommunications company in Kenya, said that an Open Access model will give all investors an equal opportunity to access bandwidth at a low cost.

Though the Government of Kenya has indicated its willingness to quit the consortium, a member in the E-Government secretariat, Andrew Limo, has also shown support for the Open Access model, saying it will allow even small players to offer fibre-enabled services.

Hamish Govani, the executive secretary of ISP Kenya Limited, one of the largest ISPs in the region, says the

bottom line should be to get cheaper connectivity for Africa and the model chosen should achieve this.

However, Dr Shem Ochuodho, former chairman of the Computer Society of Kenya and currently the ICT adviser to Rwandan Minister of Energy and Communication, is mooted a hybrid model. "The hybrid model will accommodate open access principles, but at the same time making commercial sense," he said.

While some want the country to remain part of EASSy, others feel regional governments are working through the New Partnership for Africa's Development (Nepad) to undermine Kenyans' interests by pushing for an Open Access model

Comesa's telecoms project adopts Open Access

FROM PAGE 1

EASSy point out that COMTEL, which is overseen by Comesa, has failed to take off, just like the Regional Africa Satellite Community (Rascom) has hardly succeeded in meeting Africa's satellite needs, decades after it was formed.

And now some experts are saying EASSy could face the risk of competition in the pricing of its products and services from other providers using different medium like satellites, or those with a mix of satellites and fibre optics. They have suggested that such competition could affect the operations of EASSy, though it could also lead to efficiency and hence improved and affordable services for consumers.

There is a possibility for instance that while COMTEL will complement EASSy in some ways, like developing inter-country links, it could ultimately turn out to be a competitor to EASSy in other ways. And with Kenya threatening to break away from EASSy and build its own link between its coastal city of Mombasa and Djibouti, EASSy's efficacy could be undermined further.

Kenyan media on May 25 quoted Naushad Merali, owner of Kenya Data Networks (KDN), a member of the EASSy consortium, as saying inadequate consultations between Nepad, governments and EASSy stakeholders could lead to a multiplicity of undersea cables being laid on the Eastern coast of Africa, which would not be economical. A week earlier, the country's communications permanent secretary Dr Bitange Ndemo had said KDN planned to lay a cable from Mauritius to Mombasa.

COMTEL was conceived by Comesa as the first pan-African carriers' regional terrestrial fibre optic cable backbone network project. Originally, it was modeled to provide interconnectivity services for 21 National Telecom Operators (NTOs) towards seamless delivery of regional and international digital voice and

high capacity data traffic to and from Comesa. But with the repackaging it has undergone over the last year and the adoption of Open Access principles, the number of entities that will be allowed a stake in COMTEL will be higher, and these will not be restricted to NTOs.

The move to establish COMTEL followed a study on telecommunications network inter-connectivity and tariff harmonisation undertaken by Telia Swedtel on behalf of COMESA with financing from the African Development Bank.

Back in 2000, NTOs and governments signed protocols establishing COMTEL Investment Company (CIC), a private limited company, as the vehicle through which the NTOs would collectively invest in COMTEL Communications Company.

With support from Nepad, the Anderberg-Ericsson consortium was then appointed by Comesa and NTOs as the strategic equity partner to fund, construct, manage and operate the COMTEL network for 10 years. However, the group pulled out in the middle of 2005, dealing a blow to the implementation of COMTEL. Since then, officials at Comesa and CIC, which was registered in Mauritius in May 2000 as an offshore company to be used by the NTOs as a vehicle to invest in the venture, have been on the drawing board.

The shares of COMTEL were distributed as 25 percent for NTOs, 30 percent for Strategic Equity Partner, and 45 percent for private sector investors.

The restructuring it has undergone is likely to see change in the equity shareholding, the configuration and mix of fibre optic, microwave and satellite. The reception COMTEL will receive when it is unveiled remains to be seen.

EASSy SPV takes shape, cost up to \$280 million

By CIPESAFOCUS Writer

The EASSy project cost is now pegged at \$280 million, up from earlier projections of \$200 million, while the cable is expected to go live in the first quarter of 2008 and not in the second quarter of 2007 as had earlier been anticipated.

Legal experts from member countries adopted the EASSy protocol on May 23 in a meeting organised by the New Partnership for African Development in South Africa, and communications ministers from member states were expected to follow suit in June.

It has been recommended that in terms of equity, shareholders in the EASSy Special Purpose Vehicle (SPV) should contribute between 20 percent and 40 percent of the total project costs. That would be the equivalent of between \$56 million and \$112 million. "On the assumption that as many as 56 shareholders will participate in the EASSy SPV, each shareholder will be required to contribute an equal amount of between \$1 million and \$2 million," Dr Henry Chasia, the head of the New Partnership for African Development (Nepad) e-Africa Commission told legal experts on May 22.

The protocol, which was drawn up by Commonwealth Telecommunications Organisation (CTO) consultants, says the funding structure should optimise capital structure using mainly Equity, Debt and Quasi-Equity to ensure affordable communication service to the citizens of the region. It also aims to ensure affordability of equity by prospective shareholders and to achieve a regulated equity return through appropriate pricing.

It is estimated that capital expenditure for the submarine cable system will be \$240 million, new terminal stations \$20 million, upgrading existing terminal stations \$10 million, and initial working capital \$10 million.

Dr Chasia said EASSy was being developed within the framework of Nepad, and it must therefore embody the Nepad principles. Key among these principles are "collaboration amongst African countries, African ownership and leadership, regional and continental integration." Nepad also sought to build competitiveness of African economies, and accessibility to affordable communications.

The SPV specifications indicate that EASSy will have a Board of Directors composed of 11 professionally qualified directors. Shareholders will appoint 10 of them, "bearing in mind the need to ensure geographical and gender representation"; while the Inter - Governmental Assembly (IGA) will appoint one director. There will be independent professional management appointed by the board of directors.

Nepad officials said the objectives of the ownership model adopted by the legal experts include ensuring equal opportunity for participation by eligible entities in all countries of the region; ownership to reflect collaboration between African countries; and owners to be predominantly African-owned entities.

There will be two categories of owners: Licensed International Gateway operators and other international operators so recognised by the respective regional governments; and non-operator entities that the governments of the region may nominate, subject to approval of the IGA.

Calendar of Events

May 4-6 2006, ICT Africa investment summit 2006, Kigali Rwanda.

May 19, New round of consultations on the convening of the IGF, United Nations, Geneva.

May 18-20, The African Open Access Forum, Nairobi Kenya Organised by AITEC Africa.

May 7-12 and May 16-17, AfNOG and AfRINIC Meeting, Nairobi, Kenya. www.afarinic.net/meeting/

May 24-26, eLearning Africa: International Conference on Information Communication Technology (ICT) for Development, Education and Training, Addis Abba, Ethiopia.

June 26-30, ICANN meeting, Marrakech, Morocco

Sept 11-15, 10th Highway Africa conference, Grahamstown, South Africa. www.highwayafrica.ru.ac.za

July 21-23, 2006, Exploiting IT for Economic Development, University of Ghana, Legon, Ghana

Sept 11-15, 10th Highway Africa conference, Grahamstown, South Africa. www.highwayafrica.ru.ac.za

October, 25-27, 2006, World Congress on Communication for Development, Rome, Italy. Organised by the World Bank's Development Communication Division, The Food and Agriculture Organization of the United Nations and The Communication Initiative.

December 4-8, 2006, ITU Telecom World 2006, Asia-world-Expo, Hong-Kong.

About CIPESA

CIPESA is one of two programmes established under the Catalysing Access to Information and Communications Technologies in Africa (CATIA) initiative and funded by the UK Department for International Development (DfID). It aims to increase the capacity of East and Southern African stakeholders to participate in international ICT policy-making.

The programme focuses on stimulating discussion and policy analysis on international ICT issues. This is to enable African interests to be more effectively represented in international policy fora, and international policy decisions to be more effectively translated into positive outcomes in Africa. For more information see www.cipesa.org.

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Zambian energy firm to sell fibre optic bandwidth

By Brenda Zulu

The Zambia Electricity Supply Company (Zesco), which in mid May begun laying optic fibre on its pole lines in an \$11 million venture, says it will sell excess bandwidth to the public.

The laying of the fibre is expected to be completed within nine months and will help the energy utility to improve its communication and information systems. Nang'alewa Sitwala, the Zesco chief engineer for telecommunications, denied in an interview with *CIPESAFOCUS* that they were duplicating work as Zambia Telecom (Zamtel) has signed a memorandum of understanding with the East African Submarine Cable System (EASSy) consortium to link Zambia to the international fibre optic network.

He said Zesco fibre was primarily intended to enhance the company's business information, operations and monitoring systems.

Sitwala said Zesco was not aware what fibre optic systems EASSy would create within Zambia. Zesco will sell bandwidth to other licensed telecom operators, both private and public, but not to retail customers.

In Zambia's Copperbelt region, the Copperbelt Energy Corporation (CEC) recently commissioned a 520-kilometre fibre optic cable that it uses to supply power and information to its customers who include Konkola Copper Mines, Mopani Copper Mines, Chambishi Metals, NFC Africa Mining Plc, Chambishi Mine and Chibuluma Mines.

South Africa's Intrinsic Technology has built the CEC fibre system, which replaced about 520 kilometres of earth wire to link all of CEC's 220 kilovolt (KV) and 66 KV substations.

Sitwala said the rollout plan for Zesco will be for the whole country with optic fibre project on 66 to 330 Kv lines. ZET, a Chinese firm, was

Nepad's vision for ICT infrastructure in eastern and southern Africa



awarded the contract last year after detailed feasibility studies of the project had been carried out. The Times of Zambia has reported that Zesco Managing Director Rodney Sisala is calling for collaboration by utility providers in order to reduce the costs of bandwidth in the country.

The Zambia Electricity Supply Company (Zesco), which in mid May begun laying optic fibre on its pole lines in an \$11 million venture, says it will lease excess bandwidth to the public.

Sisala dispelled fears by some stakeholders that Zesco would disadvantage telecommunications service providers when it sells off excess bandwidth capacity. He said installation of the optic fibre network would be done in collaboration with Zamtel in order to reduce costs.

"Consultations between Zesco and Zamtel have continued to see how we can maximise utilisation of the network for the development of the ICT sector even if in

some cases we would be competing, but it is merely to reduce the cost of doing business," Sisala said.

Milner Makuni, president of the Zambia Computer Society, says there is need for more capacity to provide value added services for last mile connectivity following the laying of optic fibre by utility companies in Zambia