

Batelco, PCCW and Verizon Get Saudi Fixed-Line Okay

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Consortia led by Bahrain Telecommunications Co., Hong Kong's PCCW and U.S. Verizon Communications have won initial approval to operate Saudi Arabia's new fixed-line phone network, a Saudi regulator said on Saturday.

The three new firms set up to operate the fixed-line services would also sell shares in initial public offerings before the end of 2008, said Abdulrahman al-Fehaid, deputy governor at the Communications and Information Technology Commission (CITC).

"CITC has approved the applications by the three bidders ... The commercial and technical evaluation is finished and the three firms qualified," Fehaid said.

"Ideally, and if the council of ministers approves their applications, we will have four fixed-line operators," he added.

Saudi Arabia, the largest Arab economy, had shortlisted the three groups from 10 applicants earlier this month for licenses to end the monopoly of state-controlled Saudi Telecom Co. (STC).

The Verizon-led consortium, which also includes emerging markets telecommunications operator Millicom International Cellular SA , has paid a license fee of 5 million riyals (\$1.33 million) to operate a cable network in the kingdom, Fehaid said.

The two other consortia want to use radio spectrum technology to offer landline phone services and their financial bids for the kingdom's 13 regions were opened on Saturday. A total of 52 bids were made, four for each region.

For the more populous regions, such as Mecca, spectrum bids reached up to 69 million riyals, a bid submitted by the Batelco consortium.

"Determining the successful applicants will require the evaluation of the documents accompanying the bids for conformance," CITC said in a statement.

Saudi Arabia, the Gulf Arab region's biggest telecom market, offers room for growth for fixed-line operators.

STC has around 4 million fixed-line phone subscribers, giving it a penetration rate of around 16 percent of the kingdom's 25-million population.

Internet penetration barely exceeds 3 percent.

The three groups could start commercial operations a year after receiving their licenses, Fehaid said, adding that new fixed-line coverage should reach at least three regions in three years, and the whole kingdom in seven years.

"All of them must offer a 25 percent stake of their capital to the public and 10 percent to state pension funds before the start of commercial operations," Fehaid said. Capital of the firms could reach 2 billion riyals, he said.

The Verizon-led consortium, for instance, said in a statement it would operate with \$300 million capital and invest \$3 billion linking 21 cities

in seven years to its optical wire fixed-line network.

Saudi Arabia has already liberalized mobile phone services.

STC lost its mobile service monopoly to Etihad Etisalat (Mobily) in 2005, while a consortium led by Kuwait's Mobile Telecommunications Co. made the highest bid for a third mobile license in March, offering \$6.11 billion.

Mobily was able to capture 30 percent of the market within 18 months of starting operations.

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