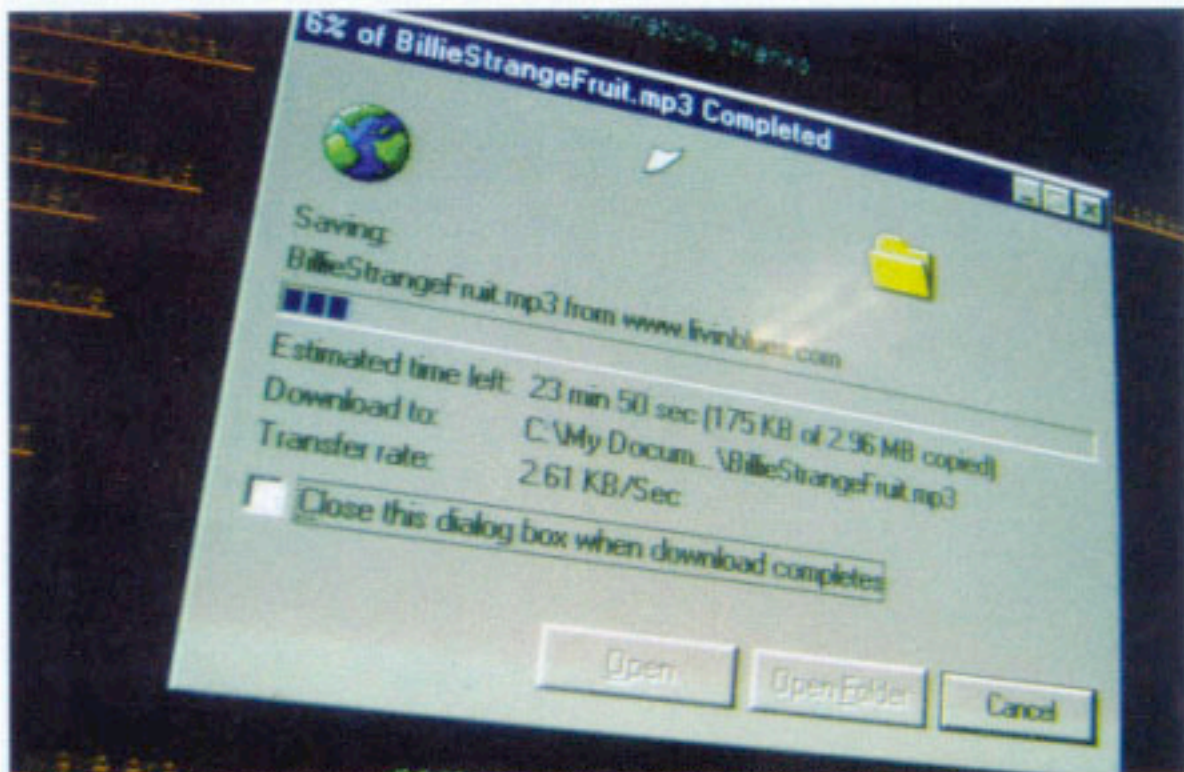


Broadband Internet

Taking the corporate business home



Broadband aims to bring high-speed Internet connections to a market previously caught between the choice of dial-up or cable

After long negotiations, last month the launch of a broadband Internet service for home users was announced. While this high-speed service had already been made available to the corporate world, home users were kept waiting until an agreement was reached between the Ministry of Telecommunications and the infrastructure provider GlobalCom Data Services (GDS). Three major Internet service providers (ISPs), IDM, Terranet, and Cyberia are today collaborating with GDS and together they hope to tap a potential market of 20,000 subscribers within one year.

HIGH DEMAND FOR HIGH SPEED INTERNET

In 2003 the Ministry of Telecommunication (MOT) cracked down on unlicensed cable Internet providers. Estimates of the numbers of users affected by the crack down differ, depending on who is asked - 40,000 according to *Bassam Jaber*, chief executive officer of Cyberia, and 100,000 according to *Iyad Tarobey*, chairman & CEO of Cedarcom. With unlicensed operators out of the market, and traditional modem connections providing a costly alternative, the market seemed ready for a qualitative

improvement to high speed Internet connection at affordable prices. In Internet language, broadband refers to a new generation of high-speed transmission services, which allow users to access the Internet and Internet-related services at significantly higher speeds than traditional modems. "GDS already served broadband services to banks, financial communities, and corporate clients," said *Mohaseb Ajwa*, the executive director of GDS. However, faced with a significant demand from the home-user market, GDS spent \$12 million on developing its infrastructure to serve a



Cedarcom will launch its real service in a few months' time

Jaber. In contrast to residential users, corporate users are able to hook up more than one connection to the service.

BROADBAND SERVICE NARROWS COMPETITION

To date, ISPs are working through GDS as it is the only company providing a wireless service, although they will soon be joined by Cedarcom. During the testing period, Terranet and IDM each claimed 50 percent of the market share, while Cyberia estimated that the market was almost equally shared by the three ISPs. "I believe that the competition between the ISPs will remain the same as it with the dial up," said Haje. The ISPs will be competing on the quality of the Internet service, the capacity, the redundancy, or the links, and the support. Cedarcom harbors great

doubts about the technical success of the currently implemented broadband. The company is preparing to launch a wireless broadband Internet service to residential users in three months. The technical solution will be a wireless unit for each house. No cabling inside the building

will be necessary and those who want to subscribe can do so without waiting for others in the same building to follow. Moreover, "our prices will be competitive," said Tarabay. Currently Cedarcom are offering a proposition for corporate and

selling them broadband Internet at a speed of 512 Kbps for \$450 per month while the market price is around \$500 for 64 Kbps, according to Tarabay. Cedarcom, which installed their network last year, claim to have gained 14 percent of the market share in five months. Soon, ISPs will have the opportunity to choose between GDS and Cedarcom, and the competition may prove of benefit to the users. Currently, IDM which is 62 percent owned by GlobalCom Holding - the owners of GDS - does not exclusively work with GDS.

SHARED REVENUES, SHARED CONNECTION

The success of the broadband project will depend on the volume of the market. Everyone is counting on there being at least 20,000 subscribers. "Below this

number, the feasibility does not work," said Ajam. GDS estimates it needs four years to break even on its \$12 million investment. Since the private sector and the MOT maintain this project, they will also share the revenues. Some revenues are not set yet

such as the amount that GDS will pay to the ISPs. However, after paying to the ISP, GDS pays 20 percent of what remains to the MOT. As for the ISPs they buy the Internet connection from the MOT, and have other costs such as operation and support. The

Everyone is counting on there being 20,000 subscribers in the first year

Ministry of Finance also charges 10 percent VAT once the subscription is paid by the customer.

THE BROAD FUTURE OF BROADBAND INTERNET

"The demand today is higher than the offer, therefore we are not planning to advertise for the time being," said Zohie Karoum, commercial manager of IDM. The next step to be done in the next three months is to cover other major areas of the country, like Nabatieh, Tyre, Zahlé, and Chitaura, and in nine months, more areas will have broadband Internet. Right now, Greater Beirut, Tripoli, Saïda, Jounieh, and Jbeïl are covered. During the testing period, the ISPs registered around 400 subscribers. However there is a fast deployment; at the beginning there will be 600 to 700 installation per month, and in few months, this number will rise to 1-2,000 installations per month, according to Jaber. As for GDS, it believes that 20,000 subscribers within the first year is feasible. "This figure is realistic," said Ajam. The ISPs, meanwhile, are counting on the new lower Internet costs, crucial for their business. Other factors may also contribute to make the business more attractive, such as a lowering of the costs of personal computers, and a government initiative to propagate the use of computers in schools around the country. As is in the world of technology, new developments could still bring new factors to bear on the way users and providers operate. Several Arab countries have upgraded their systems and equipment to offer broadband via a Digital Subscriber Line - a fast, cheap alternative to traditional dial-up connections. If implemented in Lebanon, the Internet business may yet undergo another transformation. The old adage that it takes a lot of running to stay in the same place is nowhere truer than in the high-tech business of the Internet. Let's hope the MOT and ISPs all remain in good shape.

Reported by Maya Bou Ayache

ON OUR WEBSITE

More information is available by typing the numbers below into the reference field on our home page

- L1104-46 How broadband works
- L1104-47 Related websites

● www.opportunities.com.lb