

# Alcatel wins TEAMS contract

By [Zachary Ochieng](#)

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Alcatel Lucent, the French telecommunications giant, has been awarded the tender for the construction of The East African Marine Systems (TEAMS) a US\$110 million fibre optic cable system, connecting between Mombasa in Kenya and Fujairah in the Gulf of Oman.

Following the award of the tender, Kenya is now sure of getting connected to the global fibre network by 2009. The cable will last 25 years and is expected to lower the cost of bandwidth and increase access to the Internet.

TEAMS, a joint venture between the Government of Kenya and the private sector, will have 45% government shareholding, with Dubai's Etisalat taking 15%, while the rest will go to regional telecommunications companies and Internet Service Providers (ISPs), as well as fund managers.

Kenya got approval from its cabinet in September 2006 to establish the parallel cable project following squabbles over ownership and management of the East African Submarine Cable System (EASSy), an initiative to connect countries of eastern and southern Africa via a high bandwidth fibre optic cable system to the rest of the world.

Considered a milestone in the development of information infrastructure in the region, EASSy was expected to reduce unit costs for global connectivity, leading to increased profitability and lower tariffs and charges for end users, but became dogged in controversies about its ownership structure.

Dr Ndemo of the ministry of information said, "After we got frustrated with EASSy, we decided to seek a cabinet approval for the establishment of The East African Marine Systems."

But TEAMS has not been free from controversy either. In March, the cable courted bad press over a US\$2.7 million survey tender through single sourcing. Then in April, Wanjuki Muchemi, the Solicitor-General, blew the whistle upon discovering that records at the Companies Registry showed TEAMS had already been registered by two individuals, namely Jason Wachira, a businessman and Dickson Kahoro, a quantity surveyor.

Following the discovery of the anomaly, Muchemi wrote to various government departments, asking that the matter be treated with the urgency it deserved, given that the government had already invested US\$2.86 million in the implementation of the project.

"We are also aware that the government has extensively used the name TEAMS in a number of documents, including the memorandum of understanding with Etisalat," said Muchemi.

However, it later emerged that the two individuals had been asked to reserve the name TEAMS in equally mysterious circumstances by the Communications Commission of Kenya (CCK), the communications industry regulator, and also one of the project's implementing agencies. Whereas the two individuals have since transferred the ownership of the project to the government, with Information and Communications permanent Secretary Dr Bitange Ndemo and his Treasury counterpart Joseph Kinyua holding the shares on the government's behalf, questions are being raised as to why the government, having its own lawyers and investment advisers, opted to register the company in such mysterious circumstances.

Controversy over the registration and ownership of TEAMS mirrors a similar scenario in 2000 when, as UK's Vodafone Plc was preparing to enter into an agreement with Telkom Kenya, the sole landline operator, to form Safaricom Limited, it emerged that a Nairobi businessman, Joseph Chege had already gone ahead and registered a company by the name 'Vodafone'. Subsequent disputes over the use of the name 'Vodafone' almost scuttled plans to form Safaricom.

But the good news is that the contract for the construction of the cable has been subjected to competitive bidding. The government also appointed Standard Chartered Bank and PriceWaterHouseCoopers as lead financial advisers on the project, with a mandate to attract local investors to put their money in the project as well.

The cable is expected to connect East African countries and countries in the Horn of Africa to the rest of the world. According to Dr Ndemo, the government will soon announce the date to start of the installation of the cable that is expected to bring down the cost of Internet connectivity, as several operators will be licensed.

"We are also opening up rural Kenya faster than we thought," he observed. The local tariffs are also expected to go down early next year. Dr Ndemo also urged the business community to invest in outsourcing services, which are becoming increasingly popular in Africa.

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