

Econet wins reprieve from government

Econet Wireless International (EWI) can roll out its mobile infrastructure provided they withdraw all court cases filed against the government of Kenya in favour of an out of court settlement.

By [Zachary Ochieng](#) 20 Jul 2007

Kenyans could soon have the long awaited third mobile operator to take on Safaricom and Celtel Kenya, following the government's decision to soften its stand on Econet Wireless International (EWI).

"We have talked to Econet and agreed that the company withdraw all the cases it had filed against us. The matters will now be settled out of court and Econet is free to roll out its operations," said Information and Communications minister Mutahi Kagwe.

The case

Econet has been embroiled in battles with its local shareholders on the one hand and the government on the other. The long journey to controversy began early 2003 when the regulator, the Communications Commission of Kenya (CCK) invited interested parties to participate in a bid for a third mobile GSM license.

Among the bidders were MSI Cellular (now Celtel Kenya), Detecon Germany with Kenya Telecommunications Investment Group (KTIG) as their local partners and Econet Wireless with the Kenya National Federation of Co-operatives (KNFC) as the main partners. However, when results were announced in September 2003, KTIG lodged an appeal, claiming the process had been unfair to them.

Then, in March 2004, KNFC caused ripples in the Econet consortium when it wrote to CCK saying it had pulled out of the consortium. It said it was not party to a number of deals that were entered into by a former CEO Apollo Kariuki. As the lead investor, KNFC's letter of objection meant that the company had actually lost the licence.

But in a last minute deal between KNFC and Econet Wireless International, the letter of objection was withdrawn in May 2004, giving Econet some breathing space. Despite KNFC losing its controlling share in the consortium, CCK went ahead and awarded a license to Econet Wireless Kenya, thus sparking court battles.

Fraudulent?

Matters came to a head when the then Information and Communications minister, Raphael Tuju, purportedly withdrew Econet's licence. He dismissed Econet as a 'fraud', with no known case of success in other African countries, and said in parliament: "I will be failing in my duty as a minister should I allow Econet Wireless to operate. My first duty is to serve the people of Kenya. By allowing a company that has a troubled international record and no stable local shareholders to have a precious natural resource like a mobile phone licence, I will be letting Kenyans down." But Econet put on a brave face and took the minister to court, arguing that he was not the licence issuing authority.

Econet's Executive Director in charge of Business Development, Zachary Wazara, maintained that Econet's experience in Zimbabwe, where its managers fought the government for five years before getting a licence,

taught them many lessons. "As long as we have done no wrong, nothing can stop us from reaching our goal of providing quality mobile phone services in the country," he asserted.

He defended Econet, saying that despite being at the centre of controversies in most of its African operations, "it is not known to make losses."

"We are an international operator and whatever I say here can be verified," he said.

Wazara cautioned that investors were watching how Econet was being treated by Kenya. "We are a foreign investor and the US dollar remains a US dollar," he told reporters at Nairobi's Intercontinental Hotel. At the time, he threatened to take the dispute to the international court, should Kenyan courts fail to resolve the issue.

Econet's woes were fuelled by the government's controversial 30% rule that required that local shareholders in a winning consortium hold 30% of the stake. The government has since relaxed the rule, following its failure to license a Second National Operator (SNO). Following the latest development, Wazara can now breathe a sigh of relief. By the time its problems began, Econet had paid the Kenya Government \$15 million of the \$27 million licence fee and had recruited for various posts in the company.

The 2003 debacle was Econet's second attempt to enter the Kenyan telecommunications industry. In 2000 Econet proposed to buy a stake in the sole landline operator, Telkom Kenya. The move to buy into Telkom Kenya flopped after the government rejected the offer made by the Mount Kenya Consortium, a group that had Econet Wireless International and Eskom Enterprises as its shareholders. The consortium failed to meet the required standards.

History of Econet

Econet was founded in 1993 by a Zimbabwean entrepreneur, Strive Masiyiwa, and has, in a short period, grown to be one of the top telecommunications operators in Africa, and one of the few African businesses with a global reach. Though founded in 1993, Econet only began its operations as a cell phone operator in 1998 because the Zimbabwean government did not want to give it a licence. Masiyiwa took the Zimbabwe government to court, and after a legal tussle that lasted nearly five years, the company was eventually awarded a licence by the country's highest court.

Econet has been successfully running Mascom Wireless in Botswana with more than 410,000 subscribers and commanding 72% market share. In addition, it has the largest operation in Zimbabwe with 52% market share.

The controversial Nigerian operation, where it now holds 5% stake, boasts a 2.5 million subscriber base. In Lesotho, Econet runs a fixed and mobile phone network. In Europe it has a telecommunications licence, together with the first African teleport establishment, Econet Satellite Services (ESS), linking more than 61 African networks to the global telecommunications networks. The company has an annual turnover in excess of US\$100 million. ESS also has a subsidiary in Europe dealing with call cards.

Of all the success stories, Wazara singles out the Zimbabwean operation, which despite having started two years behind the competition, caught up within two months to become market leaders in six months.

But will the same scenario occur in Kenya? Only time will tell. What cannot be gainsaid is that Econet's ent

into the mobile telephony industry will lower call charges and allow more Kenyans to own handsets. As of now, Kenyans have to contend with expensive airtime charged by the duopoly of Safaricom and Celtel Kenya.

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