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## Airtel exit could create monopoly, says economist

Photo/ ENOS TECHE



**FRUSTRATED:** Airtel Kenya CEO Adil El Youssefi at a media briefing in Nairobi on September 8.

BY RICHARD MUNGAI

AIRTEL's threat to exit the Kenyan market should be taken seriously as it will expose consumers to a monopoly, a top African Development Bank economist has warned.

He said the Communication Authority and the Competition Authority of Kenya should mediate between Airtel and Safaricom to encourage competition.

"If Airtel leaves, that means Safaricom becomes a monopoly. And without competition it means Safaricom can continue charging the current rates or increase prices like all monopolies do," AfDB country economist Walter Odera said in a telephone interview.

Airtel last week threatened to close its Kenya operations citing displeasure by the regulators failure to act on Safaricom's market control.

"Airtel is likely to exit Kenya if the market structure is not ad-

ressed in terms of dominance," chief executive Adil El Youssefi told journalists in Nairobi.

The Consumer Federation of Kenya secretary-general Stephen Mutoro said Airtel's announcement is disturbing, adding its exit from the country will be a disaster to consumers.

"The notice that Airtel has given is causing a lot of anxiety from consumers who are wondering whether its products such as Unliminet will go. I think it is important for the regulators to assure Airtel about the dominance issue because they have been stabilising prices and encouraging competition," he said.

According to Airtel, the Kenyan market is lucrative but its shareholders have grown impatient because while the company has been in business for over five years it has not made any profit instead losing more than Sh50 billion.

In July, its main shareholder,

Bharti Airtel of India, announced it was exploring the sale of its subsidiaries in Burkina Faso, Chad, Congo Brazzaville and Sierra Leone to France Telekom which adds credence to its latest threat.

"Its unfortunate if its true but we would not want to comment or manage strategic decisions of any market player," CAK director general Francis Wang'ombe said in a text response.

CA chairman Ngenye Gutuku on the other hand said they are serious in the move to deal with dominant players in the communication sector to avoid the growth of monopolies.

"We are concerned about the issue of dominance and that is why we have a put a team on the ground to conduct research that will establish the entities that are dominant in various market segments. And I don't think Airtel can just disappear after investing so heavily here," he said.

## Kenya elected to the executive council of UNWTO

BY RICHARD MUNGAI

KENYA has been elected to the executive council of the United Nation World Tourism Organisation, Tourism Cabinet secretary Phyllis Kandie has said.

The nomination that was confirmed at the ongoing UNWTO general assembly in the Colombia gives the country a voice in the global

tourism decision making body for a period of two years.

"It is a big honor. East African Community is one of the fastest growing regional economic blocks in the world. It is also endowed with some of the most remarkable touristic attraction to be found anywhere in the globe," she said.

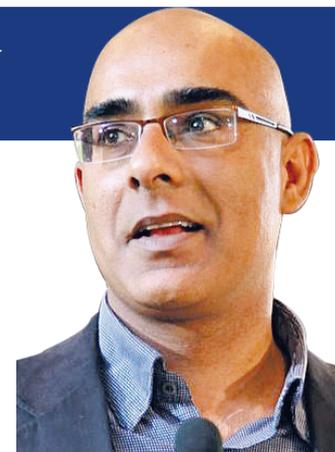
The executive council

comprises of 31 members and brings together 154 countries into single global tourism organisations.

UNWTO from time to time lends its support to countries facing challenges related to tourism matters, making the nomination to the council a big win for Kenya whose tourism sector has been dented by terror attacks at the coast region.

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## ARM'S TANGA CLINKER PLANT A STRATEGIC INVESTMENT

**W**hen Pradeep Paunrana asked if I cared to visit his clinker facility in Tanga, I, of course, said yes. I did not mention that the Satchus had lived in Tanga in the 1940s. I did not mention that last year I had read M.G Vassanjee's 'The Magic of Saida' which is a seriously powerful book. That book is based on Dar-es-Salaam and in Kilwa and there is an extraordinary dream sequence of story-telling where Kamal is seeking out his childhood sweetheart Saida and loses himself somewhere amongst the baobabs and the djinns and the hidden magical village life of Tanga.

"The past is a dangerous business," warned Akilimali "it is best to keep it buried."

Tanga is the most northerly seaport city of Tanzania and not that far away from Mombasa. I have a strong conviction that the Indian Ocean economy is set to enjoy a renaissance and that the world's centre of gravity is tipping in its direction.

Therefore, the first point to note about Tanga is that it is geo-strategic. The proximity to the port gives ARM access to the sea and access to the entire East African coastline.

Tanga was a German project for many years and you see that teutonic efficiency still in the way the city is laid out. There is a railway as well. Transport and logistics are one of the fiendish complexities of operating in Africa. ARM has a serious situational competitive advantage in my opinion.

ARM's facility in Tanga is a 1.2 million tonnes capacity per year clinker facility which cost \$140 million including capitalised interest [they calculate capacity on a 300 day basis which is

conservative i.e 4,000 tonnes per day x 300 days – by playing around with the number of days some folks are prone to beef up their numbers]. Clinker is the majority component in cement and is derived from limestone. ARM's facility has limestone deposits equivalent to 400 years of supply.

Now consider that clinker is priced in dollars and the majority of it imported into the region. Given the price trend in our currencies, the importation of clinker has become seriously expensive. ARM has found a sweet spot in what we can characterise as 'clinker arbitrage'. ARM's clinker is produced in local currency, sold in dollars and accessible to the Indian Ocean markets. The entire investment is a perfect natural hedge against currency weakness.

The cement demand curve continues to accelerate and is riding the coattails of increasing urbanisation and the infrastructure roll-out. If China starts to back up its words around the Bagamayo Port with serious action, this part of the world could become a serious 'hot-spot' of demand [for cement and clinker].

As I sat at the Mkonge Hotel, sipping my tea, overlooking the sea where a single dhow was gently traversing my line of sight, I could not help feeling that Pradeep whilst placing an outside bet [\$140m is not small potatoes] had placed it with skill and shrewdly.

ARM is trading at a price of Sh50 a share. The market capitalisation is \$231.1 million. The share price had gotten caught up in the general malaise at the stock market. The sell-off presents investors with an outstanding entry opportunity. Consider taking it with both hands.

Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.