

# Prepor

November 2011

Nr. 4 • Monthly Magazine

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**Preportri, November** - The tender for the sale of PTK has failed, since Hrvatski Telekom was convinced that the winner in the tender for buying PTK in the end would be Telekom Austria AG. This company abandoned the race since it saw clear tendencies by the government to award PTK to Telekom Austria AG at any cost. The abandonment of the race by Hrvatski Telekom caused the failure of the tender for the selling of PTK in the phase of pre-qualification.

**Pristina, November** – The lawsuit regarding the contract between PTK and Dardafone.net (ex-Dardafone) is on the brink of being confirmed for at least four persons. Despite the fact that the implicated people consider that this contract did not damage PTK, at the same time they try to throw the blame at each other. This has to do with the contract of the virtual mobile telephony operator, so-called MVNO, which in principle uses the infrastructure of the public operator “Vala 900”.

**Prishtina** – The fourth mobile telephony operator in Albania was created on behalf of PTK. After it was hailed as a project that would change the practice of taking money out of the country by this very profitable sector, the prime ministers, Berisha and Thaci, agreed to indirectly build a joint operator in mobile telephony. Less than a year after this operator began work, it became clear that PTK was used only as a name to add points to the tender for the fourth operator.

# The tender which exposed th

**Where did the real anxiety of the government lie when it was exercising pressure on the Assembly regarding the Strategy for the privatization of PTK? Which are the companies and individuals who controlled the process of the preparation and voting of the privatization of PTK, since year 2007?**

**Preportr, November 2011** - The tender for the sale of PTK has failed, since Hrvatski Telekom was convinced that the winner in the tender for buying PTK in the end would be Telekom Austria AG. This company abandoned the race since it saw clear tendencies by the government to award PTK to Telekom Austria AG at any cost. The abandonment of the race by Hrvatski Telekom caused the failure of the tender for the selling of PTK in the phase of pre-qualification. The tender for selling PTK failed since the government tried to satisfy the requests of the company which has a history in the telecommunications market in Kosovo, Telekom Austria AG. In 2007, Telekom Austria AG was one of the contenders to win the license for the second mobile telephony operator in Kosovo. After having lost the race to acquire the license for the second mobile telephony, this company initiated legal action against Kosovo authorities, due to violation of tender procedures. Since then and further, this case presented by Telekom Austria AG was never reviewed by justice. Back then, representing Telekom Austria AG in Kosovo for the tender of the second mobile telephony operator was precisely the government advisor on the privatization of PTK, Tibor Kartik from Telco Ag and Wolf Theiss.

This research by "Preportr" shows that the entire process of the preparation of the basis for this privatization and the tender as such was partial and oriented towards one aim cooked up in 2007. The government aimed at giving PTK to Telekom Austria as a change coin, the advisors of which have controlled this process ever since the beginning.

## **Why did "Hrvatski Telekom" abandon the race?**

Since the withdrawal of Hrvatski Telekom brought the tender for the sale of PTK to an automatic collapse, the reasons that made this company take the decision were gravely important for the public. In some media statements, the minister for Economic De-



velopment, Besim Beqaj has said that the main reasons for the withdrawal of Hrvatski Telekom are due to the failure of this company, respectively to its principal Deutsche Telekom, to sell shares in America.

The company itself, on the other hand, gives another official reason. "The reasons why we are withdrawing are the accusations for corruption towards the management of PTK", says Hrvatski Telekom officially for Preportr.

However, people close to representatives of Croats in Kosovo have said that since the preparation of the report by the transaction advisor of Telco AG and the indirect advantages that the government made towards Telekom Austria, have made Hrvatski Telekom withdraw from the race.

In a recording obtained by Preportr of a private conversation between the director of PTK, Shyqyri Haxha and Sinisha Gjyranoviq, an official of the Croatian Telekom, both parties speak about the reasons of the withdrawal of the Croatian operator. Haxha has inquired from them if they had said that the management is corrupt, since this statement according to him, would damage him, especially in the wake of the court process initiated against him.

In the meantime, the Croatian representatives say that they have requested two months ahead from the Government to suspend the process until the issue of accusations against the management of PTK on corruption are clarified. "We have never said that you are corrupt, but we have said that the process should temporarily be suspended until the accusations are clarified, we were not aware that there would be a court hearing and we did not have any intention of

causing you trouble, we do not want to prejudge" Gjyranoviq has said to director Haxha through the phone.

This phone call reveals that the Croats requested from the Government to suspend the process of the sale of PTK, but despite these requests, the government went ahead with the process of the privatization of PTK, till the moment Hrvatski Telekom officially withdrew from the race.

Sources from Hrvatski Telekom say that the real reason behind the failure of the privatization of PTK has to do with the suspicions that the process for the sale of this company was rigged, and for this reason Hrvatski Telekom has withdrawn from the bid. "Hrvatski Telekom has observed the tendency that the Government is supporting Telekom Austria, due to the fact that the Transaction Advisor in 2007 was a representative of Telekom Austria during the tender for the second mobile telephony, and the same has been hired by the Government as an Advisor for the privatization of PTK", says anonymously a representative of Hrvatski Telekom for Preportr.

## **Pre-qualification as guardian against failure**

At the end of last year, the government made the selection of five companies that would run for the phase of pre-qualification in the tender for the sale of PTK: "AlbTelecom" Sh.A from Albania (most of the shares belong to "Calik Group" and "Turk Telekom"), "Hrvatski Telekom" d.d. (HT) from Croatia (most of the shares of HT are in the property of "Deutsche Telekom"), "Orascom Telecom Holding" S.A.E. from Egypt, "Telekom Austria" AG from Austria and "Sabafon" from Yemen.

A few months later, on June 2 of this year, three companies were eliminated and only two remained in the race, "Telekom Austria AG" and "Hrvatski Telekom d.d.", and the government stated that the process ended successfully. "The Governmental Commission on Privatization declares this phase of pre-qualification for the privatization of shares of PTK as very successful", says a statement of MZHE issued on June. The Ministry for Economic Development had also issued a statement on June 20 which says that "The process of the privatization of Post and Telekom of Kosovo is being conducted according to the foreseen strategy and plan, based on legal provisions and in full transparency".

Thus it was decided that the tender should go ahead, and neither the Government, nor other mechanisms involved in this process did reveal the least of suspicion, while the Transaction Advisor submitted the first evaluation report of PTK for the shareholder, that is, for the Government. The source of Preportr tells that with the publication of the evaluation report of PTK from Telco AG in July of this year, the process of privatization enters into unclear waters. "With the publication of the evaluation report of the transaction Advisor, as well as having in mind the relations of the advisor, Tibor Kartik, with Telekom Austria, it has become clear as to who has the odds of winning the tender", says for Preportr a source close with the Croatian operator. This report provoked a dispute between the director of PTK, Shyqyri Haxha, and the Transaction Advisor, Tibor Kartik, and where this evaluation of PTK was seen as a tendency to damage PTK.

Seeing the risk that Hrvatski Telekom might withdraw from the tender, and thus bring about the failure of the tender, the Government in September decided

# e capture of the government

to extend the phase of pre-qualification for another two weeks, in this way giving the opportunity for the second time to the companies which only three months earlier were disqualified due to non-fulfilling of the criteria to enter the bidding again. "This decision (Of the Committee for privatization) has been taken with the purpose of reaching a higher level of competition in the process, always aiming at ensuring a fair and equal treatment of all companies participating in this process", says a statement issued by the Ministry for Economic Development on September 2 of this year.

Nevertheless, how it came to be that in June, the government declares twice that everything related to the tender is in order, and suddenly in September decides to extend the phase of pre-qualification for another two weeks, and in this way give a new chance to companies to participate in the tender, companies which were disqualified in June?

From this perspective, it comes that the Government might have had indications that one of the pre-qualified bidders, Hrvatski Telekom d.d. might withdraw, and as a consequence, awarding Telekom Austria as the winner of the tender would become impossible.

In an interview given to "Preportr" by the Minister for Trade and Industry, Mimoza Kusari-Lila, even in beginning of October, when at that time authorities publicly still spoke of an entirely normal process of the tender and without problems, the minister had indicated that it was possible that the tender for the privatization of PTK might fail. "In the phase where it is, as a process it might not be implemented. We are seeing that there are delays, there are possibilities that the situation of the bidders might change, it is something actual and real due to the overall European economic situation", the minister had said for Preportr.

## The favoring of Telekom Austria AG

In fact, the powerful influence of Telekom Austria AG on the decision-making authorities in the process of the privatization of PTK has been evident even earlier. The current director of PTK, Shyqyri Haxha says in an interview for "Preportr" that there was a request by the representative of Telekom Austria during a donor's conference in Prishtina on March 2010 that an important contract of PTK should be cancelled by ex-minister Ahmet Shala, namely the contract with Amdocs for the billing platform. According to officials of PTK, the cancellation of this contract and consequently of the billing system by the government, has caused a huge drawback

for this company and has thus limited it in facing up to competition with other operators.

High officials in PTK have stated for Preportr that the main purpose of withdrawing from this project and other capital projects, such as the project for the optical fibers or the sixth phase of expanding capacities, was the devaluation of the value of PTK in the wake of privatization with one purpose in mind, that of selling it as cheap as possible. "I can tell you sincerely and with full responsibility that the real purpose of the interruption of these projects has been the devaluation of the value of PTK", says this high official in PTK. Furthermore, this official admits that there has been a verbal conflict with the representatives of Telekom Austria, "that we cannot dictate the investments in PTK", says the PTK source to Preportr. A rather odd relationship between privatization of PTK and two companies which advised the government regarding this privatization is revealed to us by the very profile of the company advising the government, Wolf Theiss. In this profile, along with many works implemented by this company for KTA, the Government and PTK, there is another activity of this company in initiating court procedures against Kosovo authorities for violations in the tender for the second mobile telephony operator by ART in 2007.

Wolf Theiss, hired to advise on the privatization of PTK has also been the advisor of Telekom Austria AG during the tender for the second mobile telephony operator. In the profile of the Company it says, "Since the tender did not succeed, Wolf Theiss has initiated a number of court procedures regarding the procedures of the tender in some courts and institutions of Kosovo".

This relationship and the fact that Telekom Austria AG, at some point represented by Wolf Theiss, was the main contender in buying PTK, created a potential for a tender in the sale of the most profitable kosovar company under the conditions of a conflict of interest which seriously endangered the good governance of PTK.

The contract for advising the Government on the privatization of PTK, the ex-representative of Telekom Austria, Tibork Kartik had acquired in consortium with another company with which in Kosovo have been fierce enemies. Wolf Theiss was involved in numerous other projects by KTA during the time when Ahmet Shala was office director. As Minister of Economy and Finance, Shala again engaged this company in the privatization of PTK, this time together with Tiborg Kartik, ex-representative of the company Telekom Austria AG in the tender for the second mobile telephony operator in Kosovo.

In the profile of company Wolf Theiss, published in December 2010, it is shown that this company has been involved in Kosovo in the economic sector where for a long time the name of ex-minister Shala was omnipresent.

## The evaluation report on conflict of interest

In a report conducted by the Transaction advisor, the value of PTK is estimated as 110 million euros, which is less than annual income of the company that peaks at roughly 180 million. This report has been rejected by the management and the board of PTK, but it was supported by the minister of Economic Development, Besim Beqaj on an interview given to the public TV in November 2011.

At the report of Telco AG and Wolf Theiss, there is a focus on the damage that was caused to the company by different projects and contracts with private sector and is said that "these contracts "harmed seriously PTK". The most problematic contract is seen that with a British company, Amdocs, which gained a project for a billing platform in April 2010. The Kosovo Government broke the contract a few days after it was signed exposing the company to litigation that still goes on in the London court of Arbitrage. The claim of Amdocs is worth 20 million Euros, which is half of the value of the contract itself.

### Wolf Theiss has advised Kosovo authorities in these projects:

- Advising the Government in the privatization of PTK
- Advising KTA in the sale of shares of New Bank of Kosovo and in Kasabank /Nova Ljubljanska Banka
- Advising KTA and Prishtina International Airport in transforming the Airport into a joint stock company
- Advising the European Agency for Reconstruction regarding KEK
- Advising Mobilcom Austria AG in the tender for the second operator for a GSM license
- Advising KTA for the reconstruction of the railways
- Advising KTA and PTK in public procurement for the GSM network
- Acting authority of the role of one of the three preferred companies for KTA and all enterprises under its management.
- Advising PTK on international standards regarding equal treatment and expropriation in the taxation context

The main contender for buying off of PTK, Telekom Austria in a Conference of investors for PTK has requested from the government to annul this contract. The government responded to the company demands and the fact that Telekom Austria was the only one left in the race for buying PTK, exposed the strong influence that Telekom Austria had on Government decisions through the government's advisor, Telco AG and Wolf Theiss, a former legal representative of Telekom Austria in Kosovo. According to the head of PTK, Shyqyri Haxha, the lack of a billing platform caused by breaking up of this contract has decreased the value in the market of the company for 20% of its overall value.

## Head-on with the same old story

Now that the tender has failed, the government plans to repeat the tender for the sale of PTK based on the same documents drafted up till now.

According to official statements from the information office of the Ministry for Economic Development, the process for the privatization of PTK, whenever it happens, shall be based on the same documents and reports produced so far. "So far, thousands of documents have been analyzed and tender reports and documents have been prepared in a volume of more than 3000 pages and they shall be used whenever a new process is to commence", says the information office of the Ministry for Economic Development.

Furthermore, the Government does not plan to present any new decision regarding the privatization of PTK before the Assembly of the Republic of Kosovo, considering that the Act 4 of the Law on Budget of year 2011 represents sufficient legal basis to continue with a new tender. They confirm that although the Law on Budget of 2011, incorporating the Strategy for the Privatization of PTK and the decision for selling it expires at the end of this year, the process of the privatization of PTK will continue without changes..

"We have consulted with local and international legal counselors, and the strategy and legal basis remain the same", Minister of Finance Bedri Hamza has said for Preportr.



# The contract with Zmobile from BLACK to BLACK

**The contract with Dardafon, or Dardafon.net? PTK has been incapacitated to deal with the competition from the Government. Now, PTK officials see Z-Mobile as a hope to deal with the competition, although this has to do with a private business which uses PTK's network. Does this all make any sense?**

**Prishtina, November** – The lawsuit regarding the contract between PTK and Dardafon.net (ex-Dardafone) is on the brink of being confirmed for at least four persons. Despite the fact that the implicated people consider that this contract did not damage PTK, at the same time they try to throw the blame at each other.

This has to do with the contract of the virtual mobile telephony operator, so-called MVNO, which in principle uses the infrastructure of the public operator "Vala 900". But this virtual operator offers services for consumers on the account of a private company, Dardafone.net, which is a property of Devolli family from Peja, respectively Devolli Company. This contract determined that the company which now operates with the commercial name "Z-Mobile", should take 73% of the income, whereas 27% should stay with PTK. The contract has been criticized especially regarding the extremely favorable ratio for Dardafon.net.

Earlier documents about the idea of MVNO, obtained by Preportr, date back to mid 2006, when Etrur Rustemaj was manager of PTK. In August of 2008, an agreement in principle with Dardafon LLC was signed by the follower of Rustemaj, Adnan Merovci. The agreement was finalized after having been signed by the current director Shyqyri Haxha, but now with a company which had changed its name, transforming from Dardafone LLC to Dardafone.net.

This change of identity of the company is currently being considered illegal by the Special Prosecution of Kosovo, which has accused Haxha and the Head of the Board of PTK, Rexhe Gjonbalaj that they have participated in the forfeiting of the name of this company. When the business name and number were changed, the current shareholders of Z-Mobile, Blerim and Shkelzen Devolli had reached an agreement with the other shareholder, Adrian Shatku, to pay him the shares. According to some written reports during the years 2009/2010, the legal representatives of Adrian Shatku had threatened Haxhaj and Gjonbalaj that they would take action against them if they chose to ignore the fact that ex-partners of Shatku, Devolli

brothers, did not pay the shares as they had agreed with the Share Sale Agreement. Shatku had threatened through a legal request which would cost PTK ten million Euros (10,000,000). However, on October 3rd 2009, according to evidence obtained by "Preportr", it says that "Devolli Group" has paid to UNIFI, respectively to the American company established by Adrian Shatku and a few others, the amount of 700 thousand Euros.

Even after this payment, UNIFI had continued to ask for additional transfers from Devolli and this can be seen from the communication of their legal representatives and heads of PTK, Gjonbalaj and Haxha. Shatku had even used the American Embassy in Prishtina to influence the heads of PTK in order to take action towards Devolli Group, in order that the desired transfer should happen. "You have ignored the warning by the American Embassy" says a letter sent by the representative of UNIFI and UNITEL addressed to Rexhe Gjonbalaj, dated July 28 2008.

## Hiding of the income

The service provided by Dardafon.net, under the name of "Z-Mobile", with a valid contract has 200 thousand available mobile numbers. It is offering numbers starting with 377 45, same as Vala, with the only difference that the following numbers of Z-Mobile begin with 5 or 6. PTK has already up to now handed over to the virtual mobile operator 150 thousand numbers, from which 120 thousand are already active, whereas from the income percentage determined in the contract, PTK during 2010 has earnings amounting to 550 thousand Euros. With 150 thousand additional numbers, the possible profit of "Vala" operator would have been much higher.

The commercial director in "Z-Mobile", Burim Krasniqi, says that according to the signed contract, for one year of operation of "Z-Mobile" in the market, PTK only from the percentage of the distribution of the profit has earned 548 thousand Euros, whereas it has earned over 1.4 million Euros from calls of Vala consumers towards "Z-Mobile". Nevertheless, this claim does not hold if we take into account that this 1.4 million Euros would be earned with

the same traffic even if the calls from "Vala" would be made towards another operator.

Although he does not hesitate to make public the earnings of "Vala" operator from "Z-Mobile", Krasniqi does not reveal the earnings of "Z-Mobile" during last year, saying that "the financial statements have not been audited yet".

But, if a simple calculation is done, it is revealed that if PTK has earned 548 thousand Euros from only 27% of the profits that belong to it according to the contract, then the profits of "Z-Mobile" have been 1.5 million Euros from 73% of the profits that belong to it according to the contract. And if we calculate also the calls made from "Z-Mobile" to "Vala", then the profits of the virtual mobile operator are millions more. The contract with "Z-Mobile" is being considered as detrimental even by the Special Prosecution, which has filed a lawsuit against two of its main leaders, because according to the prosecutors, "This contract makes 'Dardafon' company privileged and competitive to PTK". Furthermore, this contract enables "Z-Mobile" to compete in same public tenders with PTK, where usually "Z-Mobile" is the privileged winner.

## The lack of a reasonable billing system for the contract with Z-Mobile

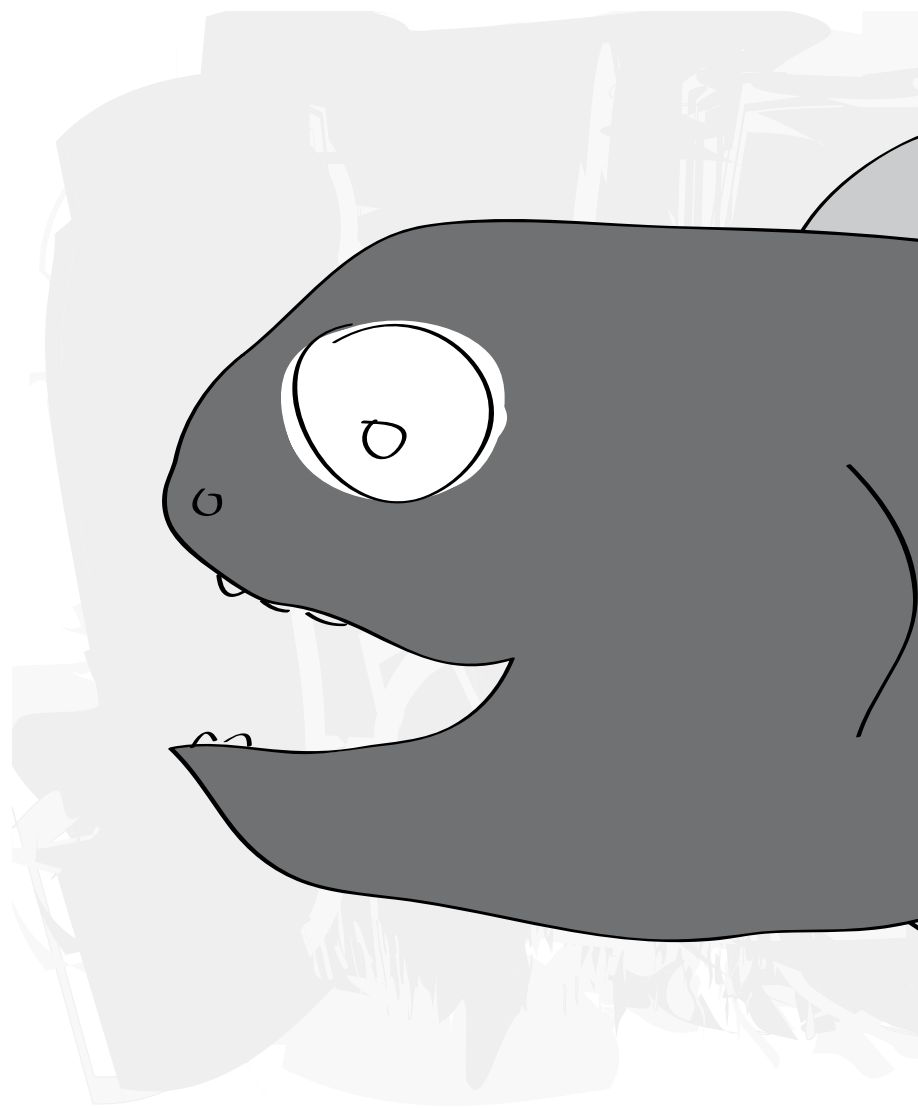
In some public tenders, Z-Mobile has taken consumers from PTK. Such a privilege is not awarded to the other virtual operator "D3 Mobile". The contract signed between this operator and "IPKO" does not allow it to bid in tenders. "Dardafone.net" company which operates with the name "Z-Mobile" has taken from "Vala" clients from state institutions.

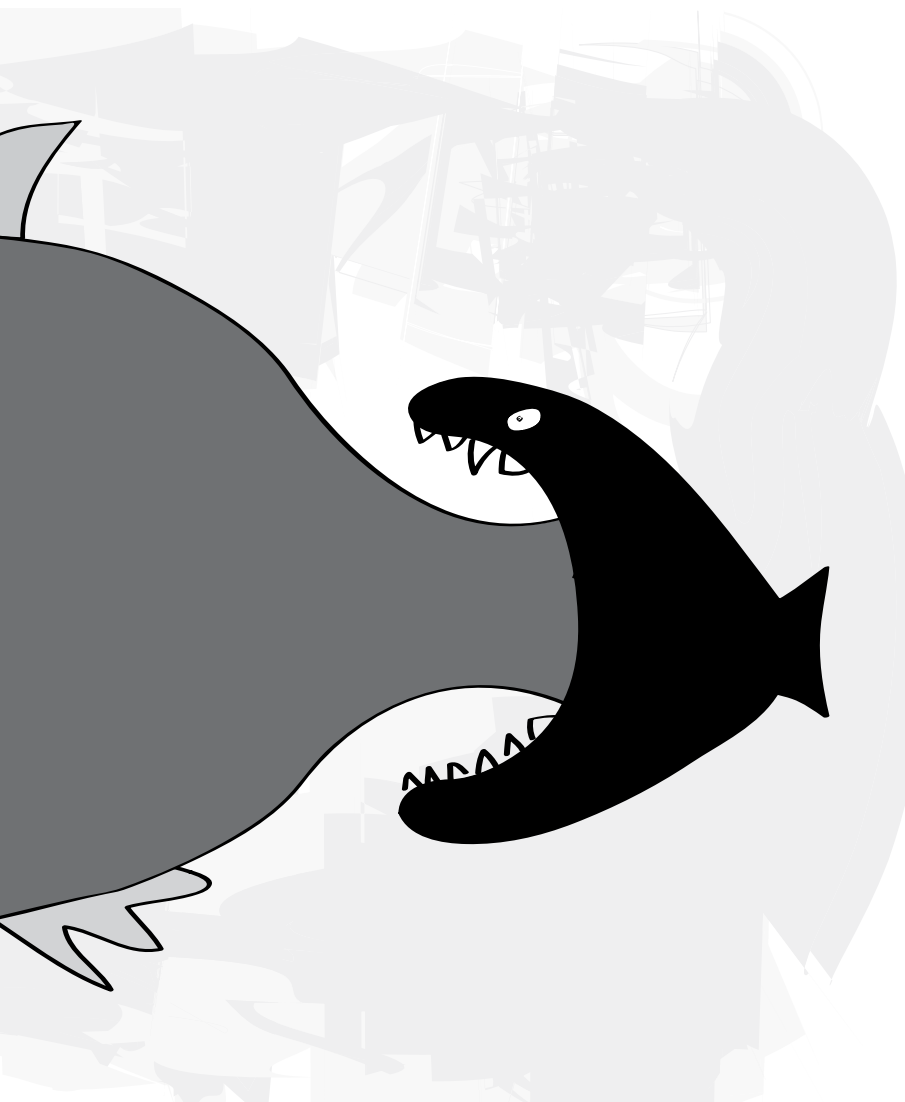
The Kosovo Customs, on the tender with the date 26.08.2010, on providing mobile services, have declared "Z-Mobile" as the winner of the public tender where in competition were IPKO and PTK. Furthermore, the Office of the Auditor General has declared "Z-Mobile" the winner of the tender. The heads of PTK continue to defend this contract which they value as favorable. The Chief Executive of PTK admits having lost in these tenders, but says that "Vala" does not have a billing system and this is the reason why it cannot win in these projects. He says that PTK has an agreement with "Z-Mobile" through a contract-annex which indicates that where the public company can enter, the virtual company should win and not the other operator, IPKO.

The lack of a billing platform continues to serve as a justification by the representatives of PTK, when asked on the reason of losing the market. They say that the lack of this platform limits them, since for the "post-paid" service, PTK has a billing capacity for only 20 thousand clients.

A contract for building a billing system for PTK was awarded to a British company "Amdocs", but it was canceled by ex-minister of finance, Ahmet Shala, exposing thus PTK towards a court case initiated in the Arbitration Court in London. PTK director, Shyqyri Haxha says for "Preportr" that up till now only the engagement of lawyers for the case has reached an amount of 300 thousand Euros. The platform in entirety cost 20 million Euros, and it was cancelled by ex-minister Shala under the justification that PTK is in the process of privatization and such investments should not commence.

However, Haxha says that during a conference of investors in Prishtina, the most emphasized request of Telekom Austria





was particularly the cancellation of some projects, such as the billing platform.

The lack of this platform, according to director Haxha, has made “Z-Mobile” appear as “the savior” against competition. “We have an agreement with them that places we cannot obtain, they should. We have an agreement. Over 95% of our clients are pre-paid. Only 5% are post-paid. We do not have the capacity to do the billing. The system that we have can cover only 20 thousand clients”, says Haxha. “We have topped it to 40 thousand and each moment we can collapse, we can experience a block”.

“Z-Mobile has its own system of billing and can win such tenders. But even in this case Z-Mobile invests for PTK”, says Haxha, who seems to be pleased with the scenario that Vala takes only 27% of what till recently used to take in full.

Haxha says that even as it is, the contract is favorable for PTK. As an example he mentions the contract between “D3 Mobile” and “IPKO” for which he says he has a copy of. “D3 has space for 300 thousand numbers. All products, every detail will be developed by IPKO for it. It will develop them. We have an agreement with Z-Mobile that we should not compete with each other. We go together. They do not take our clients”, says Haxha. From each minute of calls and other services, according to Haxha PTK takes 27%. Even for calls within “Z-Mobile”.

“It does not say in the contract but we do take 27%. This has reached up to 40%. We take the 27% each time. Because it is out traffic, and that traffic is recorded”.

### The free market of ART

But this is not where privileges for Z-Mobile end. ART even enables this operator to compete in discounts. The price for one minute of conversation in “Vala” network from this operator costs 9 cents, whereas one minute within “Z-Mobile” and towards “Vala” costs only 7 cents. “Z-Mobile” sells its phone minutes even cheaper than PTK, despite the fact that it buys the same from the virtual operator. Furthermore, “Z-Mobile” gives a lot of minutes for free to clients for fillings of 5, 10 and 20 Euros, but this could be done by the public company which does not grant any bonus minutes for the clients. Each “Z-Mobile” client who buys five-euro filling automatically wins another 8 other Euros, for fillings in the amount of 10 Euros, they get 20 for free, whereas for fillings of 20 Euros they get another 48 Euros bonus. The justification of PTK officials even in this case, is the lack of the billing system.

The Telecommunications Regulative Authority has determining powers of telecommunications pricing in the market. It considers this competition between “Z-Mobile” and “Vala” as a free market. The contract between “IPKO” and “D3 Mobile” prohibits the competition from the virtual operator. In a written answer from ART, they do not deny that there is in the market a cheaper offer by “Z-Mobile” compared with “Vala”.

“Vala, as vertically integrated operator offers services in the wholesale and retail market. The competition facing Vala from Z-Mobile in the retail market is fair and an aim of the legal and regulative policies of the sector”, says ART.

To the question how it is possible that an operator which buys minutes from the

public operator is cheaper in the market, similarly to the chief of PTK, ART answers with the rhetoric of “the benefits of the citizen”. “The value for the citizen is generated here, when a part of the surplus from the operator/provider of the service goes to the citizen for the same services with the same quality”, ART has said. They of course do not believe in magic, but they say that the advantage of using new technology enables such a thing. But, the technology that Z-Mobile uses, in reality for most aspects is in the property of PTK, being that Z-Mobile is a user of “Vala 900” network

“The effects in general are measured through evaluating the benefit that the citizen/client reaps”, says ART, avoiding any discussion as to how much PTK is damaged due to this contract.

On the other hand, Valon Basha, legal officer in “Z-Mobile” similarly to ART and PTK, thinks a lot about the citizen. “The biggest beneficiary of this contract is the Kosovo citizen, who benefits due to the rise of competition”. After having mentioned the benefits for the citizen, Basha adds that “Z-Mobile” is continuing to operate with losses and that this is expected to happen till year 2015 when it expects to profit. “The benefits of PTK from ‘Dardafone.net’ are multifold, which for year 2010 are 7-digit numbers” Basha has said.

### The indifference on the alarm regarding the contract

The contract signed between PTK and “Dardafone.net” has been opposed by the employees of PTK delegated to evaluate it. But these evaluations were not taken into account by the Board of Directors and the management of this public enterprise since year 2008. According to the drafted contract, PTK takes only 27% of the earnings from the sale of services by “Z-Mobile”, whereas the latter takes no less than 73%.

“The Group unanimously states that the final offer of ‘Dardafone.net’ with the percentage of the distribution of income...does not have strategic reasoning, let alone a commercial one for PTK”, says a report prepared by experts. One of the experts of PTK, who at that time was against signing the contract, gives the reasons why he did not support such a contract.

“The contract is extremely unfavorable for ‘Vala’. The profitability for Vala was projected only if the percentage would be 73% in the favor of ‘Vala’, whereas according to the contract signed, we cannot speak about any profitability”, says the expert, who prefers to speak anonymously. According to him, the distribution ratio presented in the draft-agreement for MVNO, generates a considerable reduction of income for ‘Vala’, whereas in some product categories it generates losses, such as: International forward traffic, etc., this is when we take into consideration the price of minutes per unit, etc.

According to this report, PTK would suffer inevitable losses from this contract, since the model chosen for the MVNO

does not oblige the virtual operator to calculate the total monthly income, but the accumulated income, excluding bad debts which would result from non-payment of bills from MVNO clients.

The biggest concern of the experts is the fact that the payments of services received by ‘Vala’, which as determined, would be executed by ‘Dardafone’ every four months, cannot be justified in any way, especially in the case of payments for pre-paid clients.

None of the acts of the contract, which exists only in the English version and signed by Albanians between PTK and the virtual operator Dardafone.net, specifies the floor which would prohibit the virtual operator to operate with cheaper offers than PTK. This represents for the experts the biggest mistake which is costing to the public company.

PTK had also made mistakes in the steps it made, when making plans to sell its capacities to another operator, despite the fact that this operator belonging to private parties targeting the same market. International experts have also criticized the agreements with the virtual mobile operator. According to international experts, who have been quoted in this report, it is not wise for an operator to sell its capacities to another operator, if the latter aims at the same market, or the same segmentation of the market. They recommended that a better strategic approach would be if PTK would use the virtual operator to offer services, which the operator does not deem as first-hand services.

### Haxha knew the contract was detrimental

The man now defending the contract was aware a few months ago that he was signing a contract damaging to the company he leads. Since the time when he came as head of PTK, Haxha had in his disposal all the evidence and analysis which showed that if the contract would be signed between PTK and Dardafone.net, as it was later signed, then the public company would be damaged in millions of Euros. Haxha had admitted in the Special Prosecution that the contract was unfavorable, but had steered this process forward, despite having evidence and expertise in his table opposing this. Not only did he not take into account these recommendations, but had degraded the experts through establishing another working group which would then deem the contract as favorable.

What tops the responsibility of Haxha in all this story is his power to change the contract and increase the percentage in the favor of PTK for 5%, despite the lack of a decision by the board to allow such a thing. On the contrary, Shyqyri Haxha and Blerim Devolli, on January 16 2009, signed the final agreement including here the project-agreement in the annex 7 of the contract. But even in this annex the price floor under which “Z-Mobile” would operate in the market was not determined and which would serve as a sufficient preventive measure to protect the public corporation.



## National project on mobile telephony: how did it fail?

## As they pleased

**What happened with the joint company Albania-Kosovo in mobile telephony – initiated by the prime ministers of these two countries? How did the PTK shares shrink ten-fold in “Plus”? Was this a project that added value to PTK as it was proclaimed in Prishtina, or simply a cooperating initiative between two prime ministers in order to benefit through patriotic rhetoric?**

**Prishtina** – The fourth mobile telephony operator in Albania was created on behalf of PTK.

After it was hailed as a project that would change the practice of taking money out of the country by this very profitable sector, the prime ministers, Berisha and Thaci, agreed to indirectly build a joint operator in mobile telephony. Less than a year after this operator began work, it became clear that PTK was used only as a name to add points to the tender for the fourth operator.

A consortium established ad-hoc, brought PTK together with some businesses and individuals from Albania, in order to win the license for the fourth mobile telephony operator in Albania. This undertaking by the Kosovo Government, almost entirely closed to the public, promised a participation of PTK with 30% in this project, but as soon as the implementation of the project began, the shares of PTK dropped ten-fold, from 30% to 3%.

From the document for the establishment of the consortium it can be understood that the Kosovo Government clearly knew from the very beginning that PTK was obliged to invest not only in acquiring the license, but also in the further development of the company. Initially, the Kosovo Government pushed PTK into this business, through adding 2.4 million Euros in order to fill in the offer of 7.2 million Euros, the amount this consortium has offered for acquiring the license. Through this it was proclaimed that PTK secured 30% of the shares in the fourth mobile telephony operator in Albania. Later on, after “Plus” becomes a licensed and operational company, instead of having an increase in investment value, “brand” and in “know-how” of PTK, the Government of Kosovo changes its mind and decides not to allow PTK to undertake the investments required for this operator.

This investment, according to PTK officials, could amount to 20 million Euros, as a first investment phase, which in total was determined to be at little above 60 million

Euros, but which potentially could bring PTK much higher income, and in particular add the value in privatization, as Government officials had claimed at the beginning of this initiative. This is because Vala would practically be considered now part of a market beyond our country borders. Be as it may, after having acquired the license, “PLUS” gives back to PTK the invested money and as a result also takes 27% of shares, reducing it thus from the main shareholder in a symbolic participant in shares with only 3%. The procedure with which this evaluation and action has been made is entirely unclear, as many other things related to this operator.

Although in the respect of investments and participation in shares, PTK has practically taken a very low profile, saying that only in preferential basis this company was offered 3% of shares, PTK in front of the public has always been presented as an important shareholder in this operator. After having given the license to this consortium, the first press statements by the Telecommunications Regulatory Authority of Albania mention PTK as winner of the tender. On the other hand, in a statement issued by PTK on 31 May 2010, no information is released indicating that PTK has not undertaken the necessary investments in this operator, but it is implied that other shareholders will be investing. In this statement it is only mentioned that “PTK is on the right track of becoming the leader in the region in compliance with its vision and mission”.

#### Privatization of PTK as a reason for withdrawal:

Chief Executive of PTK, Shyqyri Haxha, justifies this withdrawal with the privatization of PTK. He says that the Board of Directors and the government did not

consider it necessary any longer to invest outside of the country. It is about a little more than 20 million Euros investment that would keep PTK's shares in “Plus” in the first phase of investments.

At that time, during the period of 2008-2010, the Government of Kosovo has taken in the form of dividends larger amounts from PTK than would be necessary to keep the shares in the Albanian market. Thaci Government at one time had taken 200 million Euros from the budget of PTK, and at another time another 80 million Euros.

#### Patriotism: 3% loaded

The presence of one mobile telephony company in a market outside of the country is considered to be an extraordinary advantage in the mobile telephony market. This fact practically transforms a company from a local business, in a company transcending beyond national borders, and for investors in this sector this fact changes the perception in a positive respect. Why then, a withdrawal from the “Plus” project, when the Government had proclaimed an absolute conviction that this investment would add value to PTK? The company “Plus” has given no information regarding these actions, despite of our insistence for several months.

“Preportr”, has also made continuous efforts for several weeks to contact the Minister for Economic Development, in order to clarify this, but this was impossible since Minister Beqaj has continuously refused to meet, mentioning his tight agenda as his reason for this.

From all documents and interviews obtained by “Preportr”, it becomes obvious that this process has been coordinated from the prime minister level. The decision that is found in the archive of the Kosovo Government, signed by Prime

Minister Hashim Thaci, says: “...the request by the Board of Directors of Post Telecom of Kosovo is hereby approved on opportunities for extending its activities also in the Albanian market – participation in the tender for the license for the fourth mobile telephony operator in Albania”.

On the other hand, the Chief Executive of PTK, Shyqyri Haxha, tells about an agreement between the two governments, the one in Tirana and the one in Prishtina, which was reached well before the opening of this tender. “The Albanian State wanted a local company which would retain the profit in Albania, since the other three operators take large amounts outside of the country”, says Haxha. This perhaps shows more that the Government of Albania had taken the decision on which the winner would be well before the beginning of procedures for the tender. Nevertheless, what happens with time brings to surface decisions which put into question the benefits of PTK from this project.

#### Who are the shareholders of “Plus”?

It appears that the purpose was never for PTK to enter in the Albanian market, at least not as important as the purpose of enabling others to do the same. Among those who got the opportunity to begin the business in the mobile telephony are not only companies, but also physical persons.

A document that “Preportr” has secured shows exactly who the shareholders of the Albanian “Plus” are. The establishing document of the consortium that acquired the license for “Plus” operator shows the distribution of shares as of beginning, in other words, when PTK still had 30% of the shares.

This document shows that Union Group and ACI Engineering have 12.5% of shares each. Furthermore, the same document says that Albania Drink Distribution has





16.0% of shares and Infosoft Systems Sh.A. has only 4% of shares. However, the most interesting part of this document is the fact that Saimir Mane – with residence in Trade Center Universi (suburb of Tirana) appears to be the owner of 25% of shares of “Plus”. In 2008, as a physical person, after having sold a trade center to the famous Serb businessman Miroslav Mishkoviq, Mane got involved in a consortium with the public operator Vala, respectively PTK, valued back then at one billion Euros.

The document on establishing the consortium for the fourth operator in Albania says that Mane has the center in QTU, although after a transaction published in Albania this center was sold to Delta Group, established by Mishkoviq, the ex-deputy prime minister during the regime of Millosheviq.

In this “national project”, from the status of main shareholder with 30% of shares, PTK now is an irrelevant shareholder. From the legal aspect, it is difficult to understand according to which procedure the shares experienced a drop of 27 points. PTK officials go so far to say that even the three remaining percent of shares is a result of the generosity of “Plus”. On the other hand, through a press statement, PTK says that it has invested in the so-called “Know How” model, although it was never reported what was the value of the “know how” and of other assets of PTK involved in this consortium, such as the brand, or even the expertise.

Shyqyri Haxha, Chief Executive of PTK, says that after initially the shares were taken from PTK, “Plus” has offered PTK to buy shares again. “Now those shares are more expensive”, he says.

“Plus” minus PTK

On the other side of the border, the involvement of PTK in the fourth mobile telephony operator in Albania is almost inexistent, although it proved to be fundamental for the license of the company. “Preportr” has made numerous efforts through telephones or electronic post to arrange an interview with representatives of “Plus” in Tirana, but this was impossible. When the news was published regarding the winning of the license in Tirana, PTK appears on the forefront as the fourth operator, overshadowing thus businessmen close to the Albanian government, who seemed not to complain about this.

The situation changes after the initial public interest is consumed when “Plus” operator becomes functional. In the website of “Plus” the first press statement of this company does not mention one word about PTK. “The company was established in 26 of June 2009...PLUS has been awarded the GSM license resulting from the highest bid of 7.2 million Euros in the international tender held on 23 of January 2009” is stated in the website of the Albanian mobile telephony operator. During one of several phone conversations with the

spokesperson of “Plus”, Jonilda Filipi, she only confirmed that “PTK has shares in this company”, without giving any details regarding the involvement or the importance that PTK has in the fourth mobile operator in the Albanian market.

The end-year dividend

The only thing that is said about the profits of PTK from what it still has in “Plus” is not the amount of money it has received so far, but merely the fact that they are received at the end of each year. According to the representative of PTK in “Plus”, Elvis Pista, “every joint stock company divides the dividend at the end of the year”, and according to him this applies for PTK as well. This means that if we suppose the annual profit of “Plus” is 100 million Euros, then the 300 hundred thousand which belong to PTK will be kept in the bank account of the fourth mobile operator of Albania until the end of the year, thus making it impossible for PTK to operate this cash throughout the entire year.

In fact, the officials of PTK in interviews repeatedly say that PTK has “the status of the privileged” in “Plus”, something never confirmed by officials of “Plus” in Tirana, or through some solid information or document. However, what seems to ensure PTK “the status of the privileged” according to Pista is that PTK can request internal auditing or have access to any form or element in “Plus”.

What for kosovars?

In press statements and interviews given for “Preportr”, the representatives of PTK refuse to speak in absolute terms regarding the prices that Vala consumers will pay when using “Plus” network, although they insist that these consumers will have preferential treatment. PTK’s information regarding “Plus” operator is extensive, but at no point any light is shed on the real charges consumers will have to pay.

The launch day of “Plus”, which was chosen to be the national Flag Day, 28 of November, PTK’s Chief Executive says that prices with “Plus” operator “will be 200% cheaper than the existing ones”.

“A summer with prices much cheaper in the communication aspect is what Post Telecom of Kosovo offers as shareholder in the fourth operator in Albania”, says PTK on May of 2010. On the other hand, “Plus” has never issued any information regarding the charges that Vala consumers will have to pay when using the network of this operator.

An advertisement of PTK reminds its consumers to connect with “Plus” operator. “Connect...connect with Plus”, where two beautiful girls “dazzle” kosovars during the summer, in an add aired in Kosovo televisions. Through this “magic” PTK promises to kosovars cheaper prices when visiting Albania. This has never been confirmed by “Plus”, although it has been more than one year that this operator is functional.

No.	Member Name	Percentage	Concrete Elements
1	PTK	30%	Takes over the implementation in collaboration with other executive members of the Project. Also takes operator assistance and know-how regarding the technical aspects, operational, and training of staff and others. Depending on the needs for funding, takes funding in collaboration with members of other funding to cope with all the costs of design and implementation of works.
2	UNION GROUP	12.5%	Takes over funding in collaboration with members of other funding to cope with all the costs of design and implementation of works.  Takes over the implementation in collaboration with other executive members of the Project.
3	Albanian Drink Distribution	16%	Takes over the networks distribution of the products that will hit the market.  Takes over the realizations of the cooperation in between the other members of the Project.
4	Samir Mane	25%	Takes over funding in collaboration with members of other funding to cope with all the costs of design and implementation of works.
5	ACI Engineering	12.5%	Takes over all contacts with domestic and foreign producing and trading companies, for ordering and purchasing of all machinery, electrical and hydro technical equipment, as well as negotiations or representation of this group, in drafting the project to be implemented and follow-up procedures until the construction permit is granted. Takes over the implementation in collaboration with other executive members of the Project.
6	INFOSOFT SYSTEM	4%	Takes over all contacts with domestic and foreign producing and trading companies, for ordering and purchasing of all machinery, electrical and hydro technical equipment, as well as negotiations or representation of this group, in drafting the project to be implemented and follow-up procedures until the construction permit is granted.

Dokumenti: Marrëveshja e Unionit të Investitorëve - Shpërndarja e aksioneve në mes investitorëve për operatorin e telefonisë mobile “PLUS”.

The chief of information office in PTK, Menduh Abazi, says that the involvement of PTK in the Albanian market has been done with the aim of “offering cheaper prices for all consumers of Vala entering the Republic of Albania and obtaining the ‘status of the privileged’”. But when asked how this can be confirmed, Abazi quotes a famous theoretician of the free market, Adam Smith, not giving any price for any particular product.

The issue of the status of the privileged has never been confirmed by representatives of “Plus” in Tirana, whereas even when asked about the issue of cheaper prices for kosovars travelling to Albania, the same applies.

When PTK talks about prices with “Plus”, it usually uses an uncommon method in this market. Percentages are usually given, but operators of mobile telephony in their promotional marketing give particular prices for specific products. PTK sees it sufficient to just say that phone messages will be 50% cheaper. A simple verification by “Preportr” journalists shows that this is not true. A visit to Albania shows that kosovars with SIM cards of Vala 900, who connect to “Plus” network pay the same prices as with other operators, such as Eagle Mobile or Vodafone. If you connect with “Plus” and you send a phone message, a kosovar client is charged with 0.40 cents, same as if you are connected with other operators.

Earlier on, for Vala 900 roaming services from Albania one had to pay 1.95 Euros, whereas now one should pay 0.50 Euros for calls towards Vala and Kosovo Telecom (land line).

Abazi says that now with Plus, phone messages are 50% cheaper, although he does not say exactly what those prices are. Apart from this, even if Vala 900 clients want to connect with “Plus” network, this is very difficult since the fourth mobile operator can hardly be found in the list of operators. PTK officials, unofficially have justified “Plus” saying that the installation of antennas has just recently began and the area that this operator covers now in the Albanian territory is quite large compared to the time they used to.

This company has almost no network at all along a part of the Albanian coast, and the coast remains one of the main reasons for the visits of kosovars in Albania. It appears that this is the reason why the information office of “Plus” in Tirana did not agree to speak at all about the percentage of coverage of the Albanian territory by the antennas of this operator.

It is easily understandable that PTK’s formula: “Connect...connect with Plus” expires the moment kosovars step into the Albanian territory, after they themselves verify how much they have spent through phone calls or sending/accepting phone messages

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The virtual mobile operator, according to the contract, was entitled to offer all types of services in telecommunications at any consumer base throughout Kosovo. The company is also allowed to target current business clients of PTK.

**Defending the contract**

PTK's chief executive in no way agrees that PTK has losses. On the contrary, it is experiencing increase. According to him, there is no sign of losses. Furthermore, this increase is happening due to the operation of MVNO. Haxha defends himself in the court case saying that the contract was devised by the Board before he came to PTK, but contradicts himself when he says that the contract with "Dardafone.net" was opposed by people who aimed to enter the market themselves.

For this he accuses ex-head of PTK, Ilir Salihu, ex-chief of the sector for economic issues in ICO, Andrea Capusella, and ex-chief executive in PTK, Etrur Rustemaj, that they have intensively worked to ob-

tain this market themselves. "The other plan is that Tibor Kartik (government advisor for the privatization of PTK) made a bid and wanted to take it but could not. This is an aversion of foreign companies, which they come here and want to take the cream and our peoples' money here". According to Haxha, none of the 150 thousand clients that "Z-Mobile" has are clients who belonged to "Vala", but they are new clients of a market which was empty.

Furthermore, officials in PTK tell Preportr that in the first meeting between PTK and the Transaction Advisor for the privatization of PTK, Tibor Kartik from Telco AG, he was asked to elaborate on the conditions and possibilities of cancelling the contract between PTK and Dardafone.net, respectively Z-Mobile. "In the first meeting we had with the Transaction Advisor, he was asked to tell of the possibilities of cancelling the contract with Z-mobile", says this official of PTK for Preportr.

But ex-chief executive of PTK, Etrur Rustemaj, does not want to deal with Haxha. He says that the damage of the contract requires no comment since it

was documented that 70% of the contract should have been in the favor of "Vala". According to him, the worst point of the contract is the ratio of profit distribution, the allowance of competing packages within PTK itself and the frauds "that had happened with the forfeiting of the firms".

**Haxha's predecessor had not signed the contract**

Sabahudin Ramaxhiku, who exercised the office of the Chief Executive, was in charge by the Board of PTK to sign the contract for the virtual operator. He had refused to do this in order not to ruin the goodwill obligations towards PTK. According to the file of the Special Prosecution of Kosovo, Blerim Devolli had visited Ramaxhiku in order to inquire about the reasons why the agreement had not been signed yet. Ramaxhiku had told Blerim Devolli that he was not satisfied with the agreement and therefore he would not sign it. During this time PTK had announced the vacancy for the position of chief executive.

**They do not accept Z-Mobile**

The potential buyers of PTK have said either to cancel the contract signed with Z-Mobile or otherwise none of the bidders would agree with the existing terms of this contract. This is the information leaked by a source inside the Ministry for Economic Development. This source has explained that it is being considered with legal counselors regarding what to do with this Contract. "When they are seeing the details of the contract, there is no chance they would agree with it. They have requested that if the cancellation of the contract is not possible, at least the annex which speaks about the distribution of profits should be changed".

"There is no way that the contract as such with 70% profits for Z-Mobile and 30% for PTK would be accepted, the one privatizing it would not accept this Contract, unless the percentage of profits is turned upside down", the source inside the Ministry for Economic Development has said.

# The Dossier

This newspaper, the fourth edition published by the Kosovo Center for Investigative Journalism, contains some investigative reports on one of the most profitable sectors in Kosovo, telecommunications, and more specifically the most profitable kosovar company, PTK. There is a dossier which shows how it came to be that the company with an annual turnover of about 200 million Euros would be sold at a price of between 120 and 300 million Euros. How is this possible?

In this newspaper, there is information which to a large extent answers this question. The answer can be simple. This happened primarily due to the conflict of interests between the private sector and politics in one side, and public interest on the other. This conflict has happened continuously and coincides with many other important moments during the development of the mobile telephony sector in Kosovo. The history begins more or less with the tender on the second mobile telephony conducted in 2004, and repeated in 2007.

As you will see, there is plenty of information and evidence which have not been known to the public before, but there is also information which in a scattered manner has been published during these years without being put within an integrated context in order to convey the truth regarding this sector. Firstly, the scandalous reduction of the value of the largest kosovar company has been a

direct result of the corruption in an international scale. As we will see, in most profitable sectors, especially in privatization and important procurements, there is a coming together of local bosses and international ones. The obvious involvement of international companies in conflicts of interest has seen a less than desirable attention from the kosovar public and the international one as well.

For many years now, an idea has been nurtured that corruption and conflict of interest can be attributed only to the locals, and in cases when such phenomena included international companies and officials, it seemed that there was a lack of commitment to further investigate and expose them. This partiality perhaps results from the general inferiority fed in relation to internationals in Kosovo, or maybe the disbelief that we are capable of understanding and exposing when a foreign company is involved in illegal acts or corruption. Very often this has also been caused from the fact that behind such cases, there were important names of international diplomacy and the world of consultancy. These factors put together pose a scare for local media and journalists, whereas they are untouchable for the civil society of small countries, which indirectly belong to the same groups of interest of consulting companies involved in important projects.

Why, we suppose, has it been possible that one certain consulting company has had monopoly in the major works of the

government? How is it possible that one company at the same time initiate lawsuits against kosovar authorities and get work commissions from the same authorities? Does this relationship create a business potential through blackmailing kosovar authorities?

Another aspect of this investigation is the history of the relationships which resulted in a drastic fall of the potential price of the most valuable kosovar company, PTK. The Government, under corrupt conditions related to the tender for the second operator of mobile telephony in 2007, has created dependency relations towards consulting companies which represented international companies. For example, the international company Wolf Theiss in 2007 was the representative of Telekom Austria for the tender on second mobile telephony operator. The same company, after it had initiated court procedures, was selected by the ex-minister of finance, Ahmet Shala, to advise the government regarding the privatization of PTK. It was not accidental therefore, that Telekom Austria was left as the only option to buy PTK at the end of the tender for the privatization of PTK, and the withdrawal of the other company, Hrvatski Telekom, proved to be Achilles' Heel for exposing these conflicts in this tender.

On the other hand, PTK has been reduced in value due to other contracts devised by the government on behalf of it. The contract with Dardafone.net, which

generated some court cases, was seen as another reason for the reduction of the value of PTK. Furthermore, the involvement of PTK in the telecommunications market in Albania was promoted as a patriotic undertaking, but resulted with a suspicious consortium and with the reduction of PTK shares ten-fold immediately after acquiring the license as the fourth mobile operator in Albania.

This newspaper, together with numerous other reporting by the kosovar press, can simply serve as a good dossier for the prosecution and the police provided that they represented independent authorities in the first place. This newspaper should especially serve kosovar political parties, including the ones in power, and opposition, to prevent another undertaking by the Government, respectively that part of politics captured by interests of the private sector in selling public companies with prices much lower than market prices. A focus of kosovar politics in this process could save the most profitable company that Kosovo has, PTK, from being swallowed by interest groups, which for years on-end have made the kosovar government have dependency relationships with them, but this would as well create a potential to save the next company, KEK, and the energy sector in general.

*Preportr, November 2011*