

VimpelCom Unit Drops Bid to Control Canada's Wind Mobile

By [The Moscow Times](#)

June 20, 2013

The  **Moscow Times**

A subsidiary of telecom company VimpelCom has withdrawn its bid to take control of Canada's Wind Mobile from its founder and chief executive, Anthony Lacavera, a surprise move that creates further uncertainty about the future of the upstart Canadian wireless company.

Orascom Telecom, an Egyptian company that is majority-owned by VimpelCom, said late Wednesday that it had dropped its application to the Canadian government for permission to expand its voting rights from about 32 percent to 65 percent, the size of its stake in Wind.

Lacavera was also planning to sell his remaining one-third stake to Orascom for an undisclosed amount, if Orascom's application was accepted.

Orascom put up most of the funding for Wind's 2009 launch. But rules on foreign ownership initially forced the Egyptian company to accept a minority voting interest.

The Canadian government loosened those rules last year for investment in smaller companies, hoping this would encourage foreign investment and greater competition.

Orascom said it remained interested in consolidating its interest in Wind and was working with Ottawa to this end. It did not elaborate.

VimpelCom spokesman Bobby Leach said it "wanted to make clear that we may reapply."

"This is thoroughly confusing," given VimpelCom's recent signals it wants to exit Canada, Canaccord Genuity analyst Dvai Ghose wrote in a note.

Control of Wind, which boasts more than 600,000 customers but has struggled to challenge the dominance of Canada's three largest providers, will for now remain with Lacavera.

In an interview, Lacavera said he would now be able to take a more active role in any future deals for Wind.

"This is just another speed bump; we'll figure out a solution that works for everyone," Lacavera said. "The regulatory framework is set up for me to be able to attract a much broader investor base" than when Wind was founded.

The fate of Wind is being closely watched by the three big telecom companies that dominate the Canadian market — BCE Inc, Telus Corp and Rogers Communications Inc — and the country's Conservative government.

The government, which had been reviewing Orascom's bid for months, said it wanted to see a viable fourth wireless provider in every region of the country to break the stranglehold of the big three.

It has made clear that it does not want the big three bidding for the startups. Earlier this month, the government effectively nixed Telus' bid for another upstart, Mobilicity, by blocking the transfer of its spectrum.

Canaccord's Ghose suggested VimpelCom and Orascom still want to take control of Wind so they will be in a better position to sell it, with potential buyers including U.S. operator Verizon Communications Inc, or private equity firm Accelero.

Accelero is headed by Egyptian telecom tycoon and former Orascom chief executive Naguib Sawiris. Lacavera had teamed up with Accelero to look at buying Wind back from VimpelCom, a source with knowledge of the situation said last month.

VimpelCom, which is focused on the European market, has said the Canadian operation is not a part of its core business, suggesting it was open to divesting Wind once it gained full ownership.

Lacavera said Wind remained an attractive target for foreign operators. He said it would also make sense to discuss a merger with Mobilicity and another new entrant, Public Mobile.

The three new entrants should at least consider closer cooperation ahead of a potentially expensive auction of 700 MHz airwaves, he said. The deadline for initial bids for that auction

is Sept. 17.

Canaccord's Ghose estimated that Wind will require at least 1 billion Canadian dollars (\$980 million) in additional funding to bid in the auction and grow its network.

VimpelCom's top shareholder is Moscow-based Altimo, a company controlled by billionaire Mikhail Fridman, whom Forbes magazine ranks as the second-richest man in Russia.

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