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WorldCom lands Iraq contract

Bankrupt US telecom firm MCI, formerly known as WorldCom, has landed a contract to begin rebuilding Iraq's shattered telecommunications network.



Reconstruction is urgently needed

The US defence department deal, which appears to fall outside the mandate of USAID, the agency awarding other Iraq reconstruction contracts, is thought to be worth about \$30m.

MCI will supply mobile phone services to about 10,000 military and aid workers in Iraqi capital Baghdad.

The US government has said a much larger contract to rebuild Iraq's telecoms infrastructure will be awarded by an incoming Iraqi administration.

'Premature'

An MCI spokeswoman said it would "not necessarily rule out" bidding for such a contract.

But she said it was "too premature to determine one way or another" whether that would happen.

Some analysts believe the contract could be worth up to \$900m.

Activists and rival companies have lobbied the US government to stop doing business with WorldCom, after its recent \$11bn accounting scandal.

But the company remains its biggest communications supplier.

'Surprise'

The company supplied telecommunications to the US military and federal agencies in Afghanistan during and after 2001's war.

It then successfully bid for a contract to run a second cell phone network in the country, as part of a consortium with France's Alcatel and Monaco Telecom.

The contract was awarded by the interim Afghanistan administration.

Mark Smith of trade body the GSM Association, said MCI's Iraq contract had "come as a bit of a surprise", given the company's recent history.

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'Head start'

But he added: "They must have been able to demonstrate capability to the US government.

"They have shown their worth in the past, one would imagine."

Telecoms analyst Lars Godell, of Forrester Research in Amsterdam, said the contract would give MCI a "head start" in the race to rebuild Iraq's phone network.

And the apparent lack of a competitive tendering process would "confirm the worst suspicions" of European mobile operators hoping to gain work in Iraq.

MCI no longer provides mobile phone services in the US.

And companies such as Vodafone, T-Mobile and Japan's NTT DoCoMo all arguably had more experience of "setting up green field operations in developing countries," he told BBC News Online.

Technology partners

But an MCI WorldCom spokeswoman said it had extensive experience of reconstruction projects and had supplied the US government with telecoms in Haiti, Kosovo and Somalia.

The company is expected to seek technology partners to provide the hardware for its Iraq operations.

It said it expected to have a mobile phone network in Baghdad operating next month.

Currently, there are no working phones across much of Baghdad, with aid workers and military personnel relying on satellite phones, which often do not work indoors.

Record fine

MCI WorldCom said it plans to use the Global System for Mobile Communication (GSM), the most widely-used standard around the world and the most prevalent among Iraq's neighbours.

The Pentagon opted for GSM, despite pressure from US Congressman Darell Issa to use Qualcomm's alternative code division multiple access (CDMA).

Mr Issa, who has Qualcomm's corporate headquarter near his Southern California district, criticised GSM because it was developed in Europe by nations including France, which opposed the US-led invasion of Iraq.

Earlier this week, MCI agreed to pay US financial watchdog, the Securities and Exchange Commission, a record \$500m (£305m) fine.

The firm filed for bankruptcy protection last year after disclosing a huge accountancy scandal.

It expects to emerge from bankruptcy later this year, when it will be renamed MCI.

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