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GENERAL NOTICE

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SOUTH AFRICAN TELECOMMUNICATIONS REGULATORY AUTHORITY



INFORMATION DOCUMENT WITH REGARD TO THE THIRD MOBILE CELLULAR TELECOMMUNICATION SERVICE LICENCE APPLICATIONS

This document is provided to assist the telecommunications industry in the preparation of applications for a third mobile cellular telecommunication service licence. It is issued in response to questions raised in respect of the invitation to apply for the third licence which questions were referred to the South African Telecommunications Regulatory Authority ('SATRA') by the Minister for Posts, Telecommunications and Broadcasting ('Minister').

Some of the questions raised by industry have already been answered by the Minister. This particular document will serve to clarify outstanding issues. No answers will be provided to questions that are clearly answerable by reference to the Telecommunications Act, 1996 ('the Act'), regulations, or the invitation to apply.

No answers will be provided where the issue raised is addressed in regulations or guidelines that are currently under review by SATRA or the Minister. The status of some of such regulations is indicated in this Document.

The applicants are encouraged to demonstrate their initiative, experience and creativity in the preparation of their applications. To this end, where assumptions are required to prepare a plan, such assumptions must be clearly documented and the reasons therefor provided.

1. Spectrum

Applicants may use in their plans up to 2 x 10 MHz of spectrum to meet the needs of any given market area. An applicant may propose to use the same block of spectrum throughout the territory of the Republic. However, applicants may use different frequency bands to meet the needs of different areas. Thus, an applicant may use 2 x 10 MHz of spectrum in one frequency band in certain parts of the country and 2 x 10 MHz of a different band in other parts of the country. SATRA emphasises that any such planning must comply with the allocation of bands to mobile services reflected in SABRE.

Possible available frequency bands as per SABRE and the current frequency assignments.

450 MHz Band	C450 current service license expires in June 1999.	
800 MHz Band	806-821/851-866 MHz pending on the IBA's decision on the draft broadcasting frequency band-plan on sharing or vacating of UHF channels 64 to 68, in consultation with the Joint Liaison Committee.	
900 MHz Band	E-GSM 880.4-890/925.4-935 MHz pending on current migration.	
	GSM 900 - Currently assigned to the incumbent operators.	
DCS1800	PCN frequencies	
IMT-2000	WARC'92 IMT-2000	
	Terrestrial components	1885-1980 MHz 2010-2025 MHz 2110-2170 MHz
	Satellite components	1980-2010 MHz 2170-2200 MHz

Please note the following: The bands 1880-1900 MHz and 1900-1920 MHz have been exclusively allocated to DECT and WLL respectively.

2. Evaluation Criteria

In accordance with the objects specified in Section 2 of the Act, and in light of SATRA's responsibilities under the Act, the applications will be evaluated under the following main criteria. The criteria are presented in alphabetical order. No precedence or ranking is implied by their order of presentation:

- Business Plan and Investment Strategy
- Empowerment
- Impact on Telecommunication Industry and Consumers
- Technical Plan
- Universal Service

3. Interconnection

The following charges should be used by applicants in planning their business cases. SATRA emphasises that the following are to be considered only hypothetical rates, and are required for the applicants' use only to ensure that the business cases can be evaluated under consistent assumptions in this regard. Actual interconnection rates must be negotiated in terms of the Act.

Interconnection Charge Per minute		
	Peak (Mon-Fri, 0700-1800)	Off-Peak (all other times)
PSTN to Third Operator (charge retained by PSTN Operator)	17 cents	11 cents
Third Operator to PSTN (charge paid to PSTN Operator)	17 cents	11 cents
Third Operator to/from Another Cellular Operator	20 cents	10 cents

4. Licence Terms and Conditions

Attached hereto are licence terms and conditions currently envisioned by SATRA for the mobile cellular telecommunication service licence as well as terms and conditions currently envisioned by SATRA for the frequency spectrum licence. These terms and conditions are published for information purposes only in order to assist potential applicants in the preparations of their applications. Terms and conditions for a mobile cellular telecommunication service licence will be published for public comment in terms of section 34(3)(b) of the Act.

**H.N.L. MAEPA, Pr. Eng. P.E.
CHAIRPERSON, SATRA**

3.1.2 The Licensee shall offer comprehensive services which shall include at a minimum voice telephony, data transmission, and emergency, directory and operator-assisted services, as described in Section 4. In addition, the Licensee

may offer to subscribers any mobile cellular telecommunication services not inconsistent with the Licensee's obligations and not otherwise in conflict with South African law. The services described in this paragraph shall be referred to hereinafter as the "Services."

3.1.3 The Licensee may offer its subscribers domestic as well as international roaming facilities.

3.1.4 The Licence shall provide all services without discrimination between similarly-situated subscribers and shall not unfairly deny any request for service to subscribers or authorised roamers.

3.2 Service Provision. The licensee may provide retail Services directly to the public, and the licensee may provide wholesale Services to service providers who provide services to the public. The licensee shall remain responsible for the quality of the Network Services and tariffs charged for services provided to the public through service providers.

Section 4 - Service Requirements and Quality Standards

4.1 Rollout Requirements. See Annex 1.

4.2 Service Quality. Wherever Licensee provides Service, it shall be provided in accordance with the following quality standards:

4.2.1. Network Availability. The Licensee's Network shall be available and providing Service 24 hours per day, seven days per week, at least 98 percent of the time averaged over the entire Network and over any 12-month period. Network unavailability which occurs as the result of failures beyond the Licensee's control shall not be factored into the assessment of the Licensee's compliance with the network availability standard.

4.2.2. Call Completion Rate. The Licensee's Network shall maintain a Busy Hour call completion rate of at least 95 percent averaged over a given year. Call blocking which occurs as the result of circumstances beyond the Licensee's control shall not be factored into the assessment of the Licensee's compliance with the call completion standard.

4.2.3 Call Quality. The Licensee's Network must provide at least the nominal call quality to classes of subscriber units in accordance with the standard(s) set

forth in Annex 4, as such standards may be amended or modified from time to time.

4.2.4 Quality of Service Tests. The Authority shall from time to time check that service levels adhere to the standards set out in this clause and may impose penalties subject to the relevant regulations.

4.3 Network Monitoring and Emergency Restoration. The Licensee's network shall be monitored by a Network Management Centre or Centres 24 hours per day, 7 days per week, every day of the year. Emergency response personnel shall be properly equipped, available and on call at all times. The Licensee shall develop and implement a complete emergency response plan, describing trouble reporting and service restoration procedures, levels of fault and response procedures related thereto, etc. This plan shall be made available to the Authority upon request anytime six months after the execution of the Licence.

4.4 Customer Service. Customer Service Representatives of the Licensee shall be available to subscribers 24 hours per day, 7 days per week, every day of the year. The Licensee shall develop and implement a complete customer service Code of Conduct in consultation with the Authority, describing the training of Customer Service Representatives, the staffing of Customer Service Centres, the Service activation and change processes, the handling of customer questions and complaints, the availability of detailed billing data upon customer request, the response to and resolution of customer questions and complaints, and the development and retention of records related thereto. Service may not be provided to customers prior to the Authority's approval of the Code of Conduct.

4.5 Emergency Services. Calls from mobile terminals accessing the Network shall be connected to an appropriate emergency response centre without charge.

4.6 Operator Services. Directory assistance and related Operator Services shall be provided by the Licensee through human operators 24 hours per day. Charges for Operator Services may be applied by the Licensee, pursuant to a tariff that is approved by the Authority.

4.7 Customer Interaction. The Licensee shall make reasonable efforts to interact with customers in the preferred language of the customer.

4.8 Records. The Licensee shall promptly provide to the Authority, upon request, such information or access to such information as may be necessary to verify and assure the compliance of the Licensee's Network and Services with the quality standards set forth herein. Regulatory accounts shall be maintained in accordance with the COA/CAM.

Section 5 – Schedule of Commitments; Performance Guarantee

5.1 Schedule of Commitments. The Licensee agrees to the Schedule of Commitments as set forth in Annex 2 hereto. Any penalties prescribed by the Authority for failure to meet the commitments in Annex 2, if imposed, shall be paid first from the monies set aside under the Performance Guarantee, described in 5.2 below. Performance failures due to circumstances reasonably beyond the control of the Licensee shall engender a postponement and/or adjustment of the Licensee's performance obligations until said circumstances are rectified, as approved by the Authority.

5.2 Performance Guarantee. Contemporaneous with the execution of the Licence, the Licensee shall establish a Performance Guarantee in the amount of <Fifty Million Rand (R 50 000 000)>, in the manner set forth in Annex 3 hereto, to guarantee the satisfactory performance of its Schedule of Commitments over the first six years of the Licence. This Guarantee shall be held in an interest-bearing escrow account.

Section 6 - Numbering

6.1 Numbering. The Licensee shall initially use the prefix 084 for the provision of services.

6.2 Number Portability. The Licensee shall implement its Network in a manner that facilitates the provision of Portability between any licensed Operator. Charges made by the Licensee for the provision of Portability shall be in accordance with the regulations prescribed by the Authority.

Section 7 – Licence Fees

7.1 Telecommunication Service Fixed Licence Fee. In compensation for the grant of the Licence, the Licensee shall pay to the Authority a Fixed Licence Fee of One Hundred Million Rand (R 100,000,000.00), payable as follows:

7.1.1 Payment may be amortised over the Initial Term of the Licence

7.1.2 No payment of principal shall be due until the third anniversary of the execution of the Licence, unless the provisions of Sections 10.1.2 or 12.4 below apply before that time.

7.1.3 From the third to the fifteen anniversary of the Licence execution, payments of principal shall be due annually.

7.1.4 Interest shall be due annually, from the date of the execution of the Licence, in accordance with prevailing prime interest rates, adjusted annually.

The payment of the Telecommunication Service Fixed Licence Fee shall be guaranteed pursuant to the mechanism set forth in Annex 3.

7.2 Annual Variable Telecommunication Service Licence Fee. An annual amount constituting 1% of the audited Net Operational Income of the Licensee payable after the end of the third year of the Licence and thereafter quarterly on assessed Net Operational Income to be adjusted immediately on receipt of the audited annual statements of the Licensee. The first NOI payment will only be based on the Net Operational Income generated during the preceding twelve month period. This fee shall be reviewable by the Authority after the fifth anniversary of the Licence execution date.

Section 8 - Licence Term

8.1 Initial Licence Term. The Initial Term of the Licence shall be for a period of fifteen (15) full consecutive years commencing on the date of issue of the licence.

8.2 Forfeiture or Cancellation of Licence. The Licensee shall have the right to request the cancellation of the Licence, and wind up its business (including through the sale or other disposal of assets) on not less than 180 days notice, without objection or penalty by the Authority or other competent authority. However, the Licensee's obligation to pay the Telecommunication Service Fixed Licence Fee, with accrued interest, and the Annual Fees set forth in Section 9 accrued and owing, shall remain in full force and effect. The Licence shall forfeit any remaining portion of the Performance Guarantee (Annex 3), immediately and in full. The Telecommunication Service Fixed Licence Fee Payment Guarantee mechanism set forth in Annex 4 shall be immediately triggered by the Licensee's request to cancel the Licence.

Section 9 - Secrecy of Information

9.1 Content of Communications. The Licensee shall not disclose the content of any communication transmitted over its Network, unless ordered to do so by law or court order.

9.2 Subscriber Information.

9.2.1 The Licensee shall not use any information on its past, current or potential subscribers for purposes other than those for which the information was obtained, unless the subscriber gives prior written consent to such other use.

9.2.2 The Licensee may publish a directory of subscribers and their numbers. The Licensee may charge a reasonable fee in connection with the sale or distribution of this directory. Subscribers shall have the right to request that their information be withheld from such a directory, without charge to the subscriber, and the Licensee has a corresponding obligation to inform subscribers of such right.

Section 10 - Miscellaneous Provisions

10.1 Adherence to International Standards. Licensee shall be designated as a "Recognised Private Operating Agency" and shall comply with all Conventions and Administrative Regulations of the ITU regarding same.

10.2 Legal Compliance. The Licence is subject to the Telecommunications Act and the regulations of the Authority, each of which shall have precedence over the Licence in the event of a conflict. The Licensee shall comply with all applicable South African law, regulations and international treaties to which South Africa is bound.

10.3 Access to Network Facilities. Upon request, the Licensee shall provide access to its Network facilities for inspection by the Authority.

List of Annexes

1. Schedule of Commitments
2. Performance Guarantee
3. Guarantee for the Payment of the Fixed Licence Fee and Interest
4. Regulatory Reference For Licensee's Technical Standards

Annex 1 - Schedule of Commitments

The Licensee commits to the following:

Category	Commitment
Network coverage	
Universal access and universal service obligations	
Empowerment	
Economic Development	
Other, etc.	

In the event that the Authority has cause to believe that Licensee has not satisfied, or is not satisfying said commitments, the Authority shall so state in writing to the Licensee its belief, with the reasons therefor, and shall ask the Licensee to show cause why a penalty associated with such failure should not be paid by the Licensee.

Annex 2 - Performance Guarantee Form (Indicative)

On letterhead of <an appropriate South African Bank>
Letter of Guarantee

SATRA

Attention: ◇

Pin Mill Farm, Block B

164 Katherine Street

Sandton 2196

South Africa

Re: Licence to Provide Mobile Cellular Telecommunication Service in
the Republic of South Africa

Submitted by: <Name of Licensee>

We understand that SATRA has issued a Licence dated ◇ to <insert name of Licensee > (hereinafter "the Licensee") concerning the establishment of a Mobile Cellular Telecommunication Service Network in the Republic of South Africa.

We, on behalf of the Licensee, irrevocably undertake the obligation as Guarantor to pay SATRA according to SATRA's direction the amount of Fifty Million (50,000,000) Rand, or such lesser amount as reflected in the following paragraph, immediately upon SATRA's first demand notwithstanding any contestation by the Licensee or any other person or party, if SATRA declares in its demand the Licensee to be in default of its Schedule of Commitments under the Licence Agreement.

We shall return twenty percent (20%) of the guarantee amount to the Licensee on the 31st of January of each year from 2002 to 2006, unless SATRA notifies us in writing between 1st January and 21st January of any given year in said time period that the Licensee has failed to satisfy the Schedule of Commitments specified in its Licence for the preceding year or is otherwise in substantial violation of the terms and conditions of its Licence. In such event, and immediately upon the first demand notwithstanding any contestation by the Licensee or any other person or party, we shall pay to SATRA the amount specified by SATRA for default as it directs.

This Letter of Guarantee is payable as required upon SATRA's demand and the instructions SATRA provides to us in writing. This Guarantee will remain in force up to and including the earlier of SATRA's return of this Letter to us or 31 January 2006.

Authorised Signature of Bank Officer

Date of Issue

Annex 3 - Guarantee for the Payment of the Fixed Licence Fee and Interest

<Licensee to propose a Guarantee mechanism for the payment of the Fixed Licence Fee, including interest. While SATRA remains flexible on the mechanism, an appropriate insurance policy from a reputable business insurance provider, with SATRA as the payee/beneficiary, and with proof of the payment of premiums, etc., may be acceptable.>

Annex 4 - Regulatory Reference For Licensee's Technical Standards

<To be determined, in part, from Licensee's Application and will state the international standard or standards and recognised governing organisation(s) for the radio technology employed by the Licensee.>

**PROPOSED
FREQUENCY SPECTRUM LICENCE
TERMS AND CONDITIONS**

This licence is issued to < > ("the Licensee") in terms of Section 30 of the Telecommunications Act No. 103 of 1996 ("the Act") and shall remain valid for the same period that the Mobile Cellular Telecommunication Licence issued to the Licensee remains in force subject to payment of the required fees.

1. Initial Frequency Spectrum Authorisation.

The Licensee shall be authorised to operate on and to provide mobile cellular telecommunication Services through the following frequencies:

<to be determined from the Licensee's frequency spectrum application, e.g.:>

1.1.1. ___ to ___ MHz (for mobile stations)
 ___ to ___ MHz (for base stations)

1.1.2. The frequencies shall be utilised in transmit and receive pairs with a channel spacing of ___ kHz and a duplex separation of ___ MHz.

And/or

1.2.1. ___ to ___ MHz (for mobile stations)
 ___ to ___ MHz (for base stations)

1.2.2. The frequencies shall be utilised in transmit and receive pairs with a channel spacing of ___ kHz and a duplex separation of ___ MHz.

And/or

1.3. IMT-2000 Spectrum (Pending on the WRC-2000 finalisation)

1.3.1. Terrestrial FDD ___ to ___ MHz
 ___ to ___ MHz
 TDD ___ to ___ MHz

1.3.2. Satellite ___ to ___ MHz
 ___ to ___ MHz

1.3.4. The frequencies shall be implemented according with the carrier spacing of ___ MHz.

2. Additional Frequency Spectrum Authorisation.

2.1 Upon written application to the Authority, the Licensee may from time to time request authorisation of additional frequencies. Such authorisations may be granted pursuant to the regulations of the Authority.

3. Frequency Licence Fees.

3.1 The Licensee shall pay annually a Basic Licence Fee of five million Rand (5,000,000.00)

3.2 The Licensee shall pay annually a Frequency Spectrum Licence Fee determined as follows:

**Channel Spacing (kHz) X Number of Assigned Frequency Channels utilised
anywhere within the Republic of South Africa X One Hundred Rand (100.00)**

4. Use of Equipment.

4.1 The Licensee shall be permitted to use any equipment necessary for the efficient and effective construction, operation and use of its Network; provided, however, that such equipment has received type approval by the Authority and meets the standards accepted or endorsed by the standards body.

5. Operating Power.

5.1 The maximum effective radiated power of base station transmitters shall be < > Watts.

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