

Riyadh, Monday 27 Dhul Qa'-dah 1424H/19th January 2004G

**Request For Pre-Qualification of Candidates to Participate in the
Licensing Process of Cellular Mobile Services
in the Kingdom of Saudi Arabia**

INTRODUCTION

Following the Public Notice CITC PN 10/1424, (the "**Notice**"), and the Public Consultation Document entitled "*Licensing of Cellular Mobile Services*" (the "**Public Consultation Document**") both published by the Communications and Information Technology Commission ("**CITC**") on 21/9/1424H, (15/11/2003G), the CITC intends to license one new cellular mobile service provider to offer cellular mobile services in the Kingdom of Saudi Arabia (the "**Kingdom**") in accordance with the licensing process schedule ("**Schedule**") attached to this document and forming part of it.

The present Request For Pre-Qualification (the "**RFPQ**") is being made available to the public as part of the licensing process. The procedures outlined in this RFPQ for the licensing of cellular mobile services must be followed by all interested parties that wish to submit a response to the RFPQ (the "**Response**"). The CITC invites Responses from interested parties who seek to pre-qualify for the Application phase of the cellular mobile services licensing process.

Interested parties wishing to submit a Response should familiarize themselves with the Notice as well as the Public Consultation Document and the Kingdom's regulatory and legal framework applicable to the communications and the information technology sector, including the Telecommunications Act enacted in June, 2001 (the "**Act**") and the Telecommunications Bylaw issued in July, 2002 (the "**Bylaw**"). Such interested parties must also comply with the provisions of this RFPQ.

SUMMARY CELLULAR MOBILE LICENSING PARAMETERS

Based on the responses to the Public Consultation and taking into account the extensive analysis it conducted, the CITC has decided the following:

- The CITC will issue a license for the installation and operation of a GSM¹ network and provisioning of cellular mobile services in the Kingdom. The CITC will consider issuing an additional license in Q4 2006G;
- The applicants will be required to submit two separate applications: one for a GSM license and the other for an associated 3G license.² The CITC will first evaluate the GSM applications and select the winning applicant. The CITC may also issue the winning applicant an associated 3G license depending on the evaluation of the winning applicant's 3G proposal;
- The license will be valid for a period of twenty-five years;
- The CITC has issued interconnection guidelines in accordance with which Saudi Telecommunications Company ("STC") is required to offer the new licensee a number of interconnection, facilities sharing and other related services through a Reference Interconnection Offer ("RIO") currently under preparation by STC;
- Consistent with the CITC statutes, the winning applicant will be subject to the following annual fees: license fees, spectrum usage fees, national numbering fees and a commercial provisioning of service fee. Fee levels corresponding to each of these categories will be communicated during the RFA phase; and
- Applicants will be required to submit a financial proposal for payment of an upfront license fee. Candidates will be first evaluated on their commercial, operational and technical proposals. Candidates who meet the commercial, operational and technical criteria set by the CITC will then be evaluated based on their financial proposals.

PRE-QUALIFICATION OF CANDIDATES

In order to be considered for pre-qualification, interested parties must:

- Submit a Response to the CITC; and
- Pay the RFPQ fee as defined later in this RFPQ.

Parties which submit a Response to the CITC and pay the RFPQ fee in the manner and within the time limits set out in this RFPQ will be issued with a confirmation of registration by the CITC.

Subsequent sections of this RFPQ describe the criteria that will be used by the CITC to pre-qualify candidates as well as the information required to be included in a Response.

¹ GSM means the Global System for Mobile communications as defined by the GSM Association. This will also permit the licensee to operate Global Packet Radio Services (GPRS) and EDGE (Enhanced Data rates for GSM Evolution as defined by the GSM Association).

² The third generation of mobile phone technologies covered by the ITU IMT-2000 family.

The CITC will review the Responses of registered candidates and develop a list of candidates eligible to apply for the cellular mobile service license. This list of pre-qualified candidates will be communicated to all registered candidates.

Pre-qualified candidates will be eligible to purchase a Request for Application ("**RFA**") and a draft cellular mobile service license upon signing a confidentiality agreement and paying the RFA fee to be established by the CITC. The RFA will specify the required contents of the Application as well as the criteria that will be used by the CITC to evaluate applicants. The RFA will provide information on the rights and obligations of the new cellular mobile service provider.

CRITERIA FOR PRE-QUALIFICATION

In order to pre-qualify, candidates must demonstrate in their Response that they have:

- appropriate technical experience and capabilities for deploying and operating a cellular mobile service;
- appropriate commercial experience and capabilities for running a cellular mobile services company;
- adequate financial resources; and
- commitment to comply with the CITC statutes and all relevant and applicable Saudi laws and regulations, in particular Article 4 of the Act (which requires that fixed and mobile telecommunications services shall only be provided through joint-stock companies that place their stock for public subscription).

Specifically, the following set of criteria has been established to determine a candidate's compliance with the above:

1. Technical Expertise / Commercial Expertise:

In order to pre-qualify, the candidates responding to the RFPQ must be a consortium of at least five Saudi Companies or Establishments and a cellular mobile operator ("Operator") meeting the technical and commercial criteria set out below. The candidate shall provide a written commitment from, the Operator to enter into a management agreement ("**Management Agreement**") with the cellular mobile service licensee for a period of at least five years from the date of the license issuance. The Operator entering into the Management Agreement for the five year period may be changed with the prior written approval of the CITC, provided that the cellular mobile service licensee enters into an equivalent management agreement with another cellular mobile operator that meets the criteria set out below. The technical and commercial criteria that the Operator entering into the Management Agreement with the cellular mobile service licensee should comply with are as follows:

- It must be a telecommunications company that is publicly listed on its national stock exchange with an average market capitalisation of at least SAR3.75 billion (USD1 billion) over the three months prior to the date of issuance of this RFPQ, or a controlled subsidiary of such a company;
- It must control and operate a cellular mobile network(s) providing services to at least 1.5 million cellular mobile subscribers;
- It must have at least two years experience in deploying and operating a greenfield cellular mobile operation; and
- It must commit to own at least 15% of the equity of the new licensee if and when Saudi laws permit such investment during the licensing process, and it must undertake to maintain such ownership level, if achieved, for at least the duration of the Management Agreement.

2. Access to Adequate Financial Resources

- Candidates must commit to file during the Application Phase, a financial comfort letter from a Saudi bank or from a recognised international bank, in a form satisfactory to the CITC, indicating availability of financing for the first five years of the candidate's business plan.

3. Establishment of Saudi Public Joint Stock Company

Candidates must submit a written commitment to the CITC, in the cover letter described below, to fulfil all the regulatory requirements to establish a Saudi public joint-stock company to be listed on the Saudi Arabian Stock Market upon being notified by the CITC that a cellular mobile service license will be issued to them. This commitment must indicate that:

- a proportion of the company's stock will be held by the founding shareholders, which according to the Companies Act (Article 100) will be subject to a two year lock-up period;
- 20% will be made available for public subscription;
- the public float to reach at least 40% within three years; and
- the joint-stock company capital must be adequate and relevant to carry out the business plan of the candidate.

INFORMATION REQUIREMENTS FOR THE RESPONSE

Candidates submitting a Response must comply with the following requirements:

1. The candidate must provide a cover letter signed by a person or persons duly authorised to act on behalf of each member of the consortium and include the information set out below in respect of each member of the consortium. The cover letter must include:
 - (a) the name, place and date of incorporation (or equivalent);
 - (b) the place of domicile and, if they are not the same, the location of the registered office and the seat of management;
 - (c) description of the activities and the names and main activities of its major shareholders;
 - (d) a description of the intended final shareholding of the public joint stock company specifying the ownership level of each consortium member, including the proposed equity ownership by the Operator, subject to majority Saudi ownership; and
 - (e) a declaration by each member of the consortium, including the Operator, that their involvement in the licensing process is unique to that consortium and that they will not seek or become involved with any candidate other than their current consortium at any time during the licensing process;
 - (f) commitment of compliance with Saudi laws as set out above.

2. Documentation must be provided that clearly and unequivocally demonstrates full compliance with each of the pre-qualification criteria set out in this RFPQ. This documentation must include:
 - (a) the written commitment of the Operator set out above;
 - (b) a clear identification of which specific consortium member(s) satisfy each relevant criterion;
 - (c) details of the experience of each consortium member including types of contracts, duration and associated work and services completed or in progress, emphasizing types of systems and locations along with involvement with respect to management, technical support and operations;
 - (d) the organizational structure(s), functions and responsibilities of each consortium member emphasizing project management, system design, technical support, implementation, marketing, sales, operations and maintenance;

- (e) annual financial statements for the last two fiscal years, including at least an income statement and balance sheet for each member of the consortium, Saudi or foreign; and
 - (f) documents providing evidence satisfactory to the CITC of the due constitution, registration and the identity of the company in question such as a copy of the certificate of incorporation, commercial registration or equivalent documents.
3. Provide the name, address, telephone number, fax number and e-mail address of two persons who may be contacted as authorized representatives of the candidate.

The information provided by candidates must be accompanied by written declarations certifying the accuracy and completeness of all the facts and figures supplied by the authorized representatives of such candidate.

OTHER PROVISIONS

Cross-Ownership- The CITC will exercise its powers as outlined in Chapter Six of the Act to prevent cross-ownership and its powers under Articles 12.1 (f) and 35 of the Bylaw to make it a condition of the cellular mobile service license that the licensee may not have any of its shares or its operations owned or controlled by another licensee operating in the cellular mobile services market in the Kingdom. Mergers of operators in the cellular mobile telecommunications market in the Kingdom must comply with the Act and its Bylaw.

Disqualification Prior To Issuance Of License - The CITC may refuse to pre-qualify candidates and remove them from further consideration or, having done so, remove them from the list of pre-qualified candidates for any of the reasons set out below:

- Failure to submit a complete Response in accordance with the provisions of this RFPQ by the prescribed submission deadline.
- Failure to pay the RFPQ fee by the prescribed submission deadline.
- Failure to comply with any of the procedures or other requirements established by this RFPQ.
- Illegal conduct by the candidate or any of its members related to the RFPQ process.
- Any attempts by the candidate or any of its members to influence the evaluation of Responses.
- Any “corrupt practice” by the candidate or any of its members, including the offering, giving, receiving or soliciting of any thing of value to influence the action of a public official in relation to the pre-qualification process established by this RFPQ.

- Any “fraudulent practice” by the candidate or any of its members, including misrepresentations of fact or intention, and collusive practices, prior to and after submission of Responses, designed to undermine the integrity of the pre-qualification process.

Disqualification Subsequent To Issue Of License - If at anytime the CITC learns that any of the activities referred to in the paragraph “Disqualification Prior to Issuance of License” above has occurred, the CITC may revoke the relevant license without compensation, in accordance with the provisions of the Act and the Bylaw. The provisions of this section are in addition to any criminal or civil legal action that may be available to or taken by any government entity or regulatory authority, including the CITC.

Verification of Information - The CITC has made reasonable efforts to include accurate and current information in this RFPQ and in any other documentation provided to candidates and/or potential candidates. However, neither the CITC nor any of its employees, or any of its representatives, agents, advisors or consultants including their respective employees (together "Advisors") shall have any liability whatsoever to any candidates or any of their consortium members, owners or shareholders or any other person resulting from use of or reliance on any of the information so provided. Candidates are encouraged to undertake their own verification of any information supplied by the CITC prior to use of or reliance on that information.

Verification and use of Information in Responses - During the evaluation of Responses, the information supplied by candidates will be verified by the CITC or its Advisors. By submitting a Response, candidates automatically consent to the information they have supplied being so verified and shall co-operate in this process. In addition, subject to applicable patent, copyright, trademark and similar laws, the CITC shall have the right to use or reproduce ideas and information contained in a Response without notice or compensation of any kind to the party. However, the CITC will take into consideration any requests for confidentiality received from candidates in their Responses. Candidates shall make any confidentiality claims in accordance with Article 11 of the Rules of Procedure.

Cost of RFPQ Response Preparation - The consortium members shall bear all costs and expenses incurred in the preparation and submission of the Response. The CITC will in no case be responsible for these costs, regardless of the conduct or outcome of the cellular mobile licensing process.

RESERVATION OF CITC RIGHTS

- The CITC reserves the right, at its sole discretion, to take any action, including amendment of this RFPQ and any other CITC documents, which it considers necessary to ensure that the RFPQ process occurs in a fair, open and transparent manner, in accordance with the law.
- The CITC reserves the right, at its sole discretion, to terminate the RFPQ and/or cellular mobile services licensing process or revoke an award of license at any time before the license is actually issued.

- The CITC reserves the right, at its sole discretion, to pre-qualify or not any candidate that has submitted a Response.
- Neither the Government of the Kingdom nor any of its agencies, employees, representatives, advisers or consultants, including the CITC and its Advisors, shall incur any liability whatsoever to any candidate or any of its respective consortium members, owners or shareholders or any other person by reason of any decision made or action taken by the CITC, its employees, or Advisors, in connection with the evaluation or disqualification of a Response or the carrying out or termination of the RFPQ process or the licensing process for any reason.

LEGAL AND FORMAL REQUIREMENTS

Governing Law - This RFPQ and any pre-qualification granted or denied, or any license issued pursuant to the cellular mobile service licensing process shall be exclusively subject to, and interpreted in accordance with, the laws of the Kingdom.

Settlement of Disputes - Any dispute, controversy or claim arising out of or in connection with this RFPQ, or the breach, termination or invalidity thereof, shall be settled in accordance with the Act and the Bylaw and other applicable laws of the Kingdom.

Language - The Response must be submitted in both the Arabic and English languages. However, candidates may elect to submit supporting materials including brochures, annual reports and technical documents only in the English language.

SCHEDULE AND PROCEDURES

RFPQ Fee – The fee for submitting a Response and registering with the CITC is one hundred and fifty thousand Saudi Riyals (SR 150,000). The RFPQ fee payment, by a certified cheque or bank draft to the Communications and Information Technology Commission, is to be submitted simultaneously with the Response. This fee is non-refundable, regardless of the outcome of the RFPQ process. If a Response is submitted on behalf of a consortium of two or more parties, only one payment of the RFPQ fee will be due.

Deadline for Submission of a Response - Responses must be delivered to The Office of the Governor of CITC, by 2:30pm (local time in the Kingdom) on Sunday 16 Muharram 1425H/ 7th March 2004G. As stated above, only consortia that have filed a Response and paid the RFPQ fee by the deadline for submission and received due confirmation of registration will be considered eligible for pre-qualification. No Responses will be accepted after the deadline.

Delivery of a Response and Payment of RFPQ Fee - Five copies (one original and four copies including an electronic version of all documents) of the Response shall be packaged together in a single box or other container (“**Container**”). The Container shall be sealed, packed and closed, so that it is not possible to open it without visual evidence. The

Container must be delivered by hand or by courier to the CITC at the address indicated below. If the Container is not sealed and marked properly, the CITC will assume no responsibility for the Response or the disposition of its contents. Improperly marked or sealed packages may be rejected by the CITC. The RFPQ fee shall be presented in a separate envelope outside the container.

Questions concerning the RFPQ - Questions concerning the RFPQ must be submitted by Sunday 18 Dhul Hijja 1424H/8th February, 2004G. The CITC will publish and send the answers to such questions by Sunday 2 Muharram 1425H/22nd February, 2004G. All questions should contain the following information:

- The name of the person to whom the written response to the questions should be addressed;
- The address, fax number and e-mail address of the recipient for the dispatch of the written response to the questions.

Other Correspondence with the CITC - All correspondence with the CITC, other than the filing of a Response and payment of the RFPQ fee, should be submitted to either of the following addresses:

1. E-mail to:

mobile_response1@citic.gov.sa

2. Delivery by hand or by courier:

The Office of the Governor
Communications and Information Technology Commission
King Fahad Road
Riyadh 11588, KSA

SCHEDULE

The CITC is considering the following schedule for the licensing of the new cellular mobile service provider:

- The RFPQ is issued on Monday 27 Dhul Qa'-dah 1424H/19th January, 2004G and Responses must be submitted to the CITC by 2.30pm (local time in the Kingdom) on Sunday 16 Muharram 1425H/7th March, 2004G.
- Questions from candidates concerning the RFPQ must be submitted by Sunday 18 Dhul Hijja 1424H/8th February, 2004G and the CITC will publish and send answers to such questions by Sunday 2 Muharram 1425H/22nd February, 2004G.
- The CITC intends to evaluate and pre-qualify candidates within two weeks following the submission of the Responses.
- The CITC will communicate the list of pre-qualified candidates to all registered candidates at the end of the evaluation. The RFA and the draft of the license agreement will be made available to the pre-qualified candidates upon signature of a confidentiality agreement and payment of an RFA fee to be determined by the CITC.
- The RFA process will then run over an eleven week period at the end of which the CITC will proceed to the evaluation and final selection leading to the award of the cellular mobile service license.

The CITC reserves the right at its sole discretion to modify the above licensing schedule.