

Riyadh, Sunday 16 Muharram 1425H / 7 March 2004G

RFPO Questions and Answers

Licensing of Cellular Mobile Services in the Kingdom of Saudi Arabia

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
1. PROCESS / DOCUMENTATION	
1. Will the pre-qualified applicants, who participate in the RFA process, have to provide a bid bond?	Yes. Details will be made available in the RFA.
2. Can the CITC confirm what documents are necessary in respect of proof required of financial resources to meet the eligibility requirement?	During the RFPQ stage, the CITC will evaluate the financial statements of each of the Consortium members in addition to any other documents that the Candidate might wish to submit. Further documentation will be requested during the RFA phase including a bank financial comfort letter and a bid bond.
3. Which of the international banks in India are recognised for the submission of the financial comfort letter? Are the Baroda Bank and the ICICI bank in India acceptable to the CITC for this purpose?	The internationally recognised bank should be a bank that has a credit rating by Standard & Poor's or Moody's of at least A- or A3. All Saudi banks are also acceptable.
4. Is the consortium required to submit a financial comfort letter at the time of the RFPQ submission, or is it sufficient to provide a commitment that they will do so at the time of the RFA? Can the CITC provide a summary of the desired format for this letter?	The financial comfort letter is only required as part of the Application in response to the RFA. The format of the financial comfort letter will be specified in the RFA.
5. Can the CITC clarify at which point during the Application Phase, i.e. on which date, the financial comfort letter from a Saudi bank or recognised international bank is required?	Two separate financial comfort letters are required, one each for the proposals of GSM and 3G.
6. During the Application Phase, candidates must commit to file a financial comfort letter, in a form satisfactory to CITC, indicating availability of financing for the first 5 years of the business plan: is the candidate required only to commit to file the letter during the application phase or is it required to have the letter for the pre qualification stage? What form should the comfort letter take (typically the bidders are requested to submit a bid bond and a payment guarantee for the license price. A comfort letter can also be requested from a bank providing financial information about the bidders financial situation. Requesting a bank to indicate availability of financing for the first 5 years of the business plan is unusual)?	

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RFPQ QUESTIONS AND ANSWERS**

Question	Answer
1. PROCESS / DOCUMENTATION	
7. The section on Access to Adequate Financial Resources states that "...Financial comfort letter...in a form satisfactory to the CITC...". Can the CITC provide a sample or the main guidelines?	
8. In paragraph 2 of the section headed Criteria for Pre-Qualification, the RFPQ states that candidates must 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. Can the CITC define "recognised international bank", and provide details of the form of financial comfort letter that will be satisfactory to the CITC? Will candidates be required to confirm in the financial comfort letter that they have sufficient financing for 3G application?	
9. Does the bank draft need to come from a Saudi bank or company?	
10. What is the financial proposal expected to contain? What financial parameters should be detailed (e.g., license fee, investment required, etc)?	<p>The format of the financial proposal will be specified in the RFA and will include the following components:</p> <ul style="list-style-type: none"> • the upfront amount that the Candidate will pay for the right to be granted the License; • a financial comfort letter; and • a bid bond or bank guarantee.

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Question	Answer
1. PROCESS / DOCUMENTATION	
11. Can the CITC clarify whether the financial comfort letter to be provided by candidates should reflect the financial ability of individual members of the candidates or rather the financial abilities of the sum of the members of the candidates?	Financial comfort letters should be provided on behalf of the Consortium.
12. Can we change the nature of a consortium in the RFA stage from the RFPQ stage? If so, how (adding new members, changing ownership percentages, taking on other members from pre-qualified consortia that decide not to bid.)?	Requests for changes in the Consortium after submission of the RFPQ Response will be considered by the CITC so long as the CITC is notified within 6 weeks from the launch of the RFA and provided that at least 3 of the original Consortium members in addition to the cellular mobile Operator remain part of the Consortium. Any Consortium member of a pre-qualified Consortium will not be allowed to join another Consortium at any time following the RFPQ submission deadline.
13. What is meant by the phrase “become involved with” in paragraph 1(e) on page 5 of the RFPQ document issued by the CITC?	
14. Given the requirement to provide for 20% initial public listing, 40% free float after 3 year as well as the fact that the Operator can be substituted with the consent of the Commission. Can the CITC provide clarity as to the time frame to be utilised for the determination of the "description of the final shareholding of the public joint-stock company"?	
15. Can the proposed ownership structure of a bidding consortium be changed after submission of the RFPQ? If so, what rules would apply?	
16. Are changes allowed in the shareholding for each Applying Candidate/Consortium between the pre-qualification and the application dates (RFA)?	
17. If candidates proceed to form consortia in expectation of likely commercial, operational and technical criteria, what remedy does the CITC offer them if the technical criteria are materially changed on the commencement of the RFA? Material change refers to section 1, page 3 of the RFPQ, headed Technical Expertise/Commercial Expertise.	

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Question	Answer
1. PROCESS / DOCUMENTATION	
18. Will the CITC confirm that applicants under the RFA are free to improve the composition of their consortium as they deem appropriate?	
19. Will the CITC permit any changes to the members the consortium submitting a RFPQ Response, and if so, in what circumstances and timeframe?	
20. Can the CITC indicate whether the candidate/consortium would be permitted to change the following after being declared eligible to apply for the cellular mobile service license but before actual application: (i) constitution of the consortium; (ii) members of the consortium; and (iii) anticipated % shareholding of the individual members of the consortium.	
21. Can the CITC further clarify whether the winning candidate / consortium would be allowed to change the following after issuance of the cellular mobile service license within the framework of the Saudi legislation: (I) constitution of the consortium; (ii) members of the consortium; and (ii) % shareholding of the individual members of the consortium.	
22. In relation to paragraph 1(d) on page 5, does the term "intended" mean that the final shareholding can be modified after the pre-qualification process, or during the RFA process? In particular, can two pre-qualified consortiums and mobile operators join forces in order to make a single Application?	
23. Can the CITC confirm that it will not be a disqualification event if any of the five Saudi companies or establishments decides not to make their investment after the end of the pre-qualification process provided that such defecting party is replaced by another that fulfils the requirements of the RFPQ before the completion of the license?	
24. The CITC requires the consortium to specify the ownership level of each consortium member. Can this be changed at a later date? If so, under what conditions?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
1. PROCESS / DOCUMENTATION	
25. Will pre-qualified applicants be afforded an opportunity to ask questions concerning the RFA? To what extent, if at all, will the CITC treat information submitted in a RFA Response as confidential? Does the CITC intend to make public any information submitted by a candidate in a RFA Response, and if so, what information?	Pre-qualified Candidates will be provided with the opportunity to ask questions concerning the RFA. Details on the Q&A procedure will be provided in the RFA. Claims of confidentiality and the treatment of any information for which confidentiality is claimed are subject to the provisions of Article 11 of the Rules of Procedure. See www.citc.gov.sa .
26. Will the RFA process include a round of clarification questions?	
27. Will founding Saudi private holdings be required to provide their financial details? Alternatively, would the CITC be able to accept some other form of guarantee instead? If not, could this be provided only to advisors under confidentiality arrangements? The same issue may arise in relation to disclosure of contracts that may breach confidentiality provisions. Would a very general description of business and contracts suffice?	The RFPQ requires Candidates to provide audited or certified 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. Claims of confidentiality and the treatment of any information for which confidentiality is claimed are subject to the provisions of Article 11 of the Rules of Procedure. See www.citc.gov.sa .
28. In responding to paragraph 2(c) on page 5 of the RFPQ, which requires details of the experience of each consortium member including types of contracts, duration and associated work, will it be sufficient to provide a brief synopsis of the project without reference to the actual client, since some of this information may be regarded as confidential?	Although it is necessary to provide as much detail as possible concerning the experience of the Candidate or each Consortium member including types of contracts completed, it is not necessary to divulge any information Claimed to be confidential.
29. To what extent, if at all, will the CITC treat information submitted in a RFPQ Response as confidential? Does the CITC intend to make public any information submitted by a candidate in a RFPQ Response, and if so, what information?	Claims of confidentiality and the treatment of any information for which confidentiality is claimed are subject to the provisions of Article 11 of the Rules of Procedure. See www.citc.gov.sa .
30. In the "Verification and use of Information in Responses" section of the RFPQ (page 7) it is stated the CITC will take into consideration any requests for confidentiality received from candidates in their Responses with regards to the rights to reproduce ideas and information contained in the Responses. Can the CITC indicate whether a candidate would be allowed to withdraw information relating to a confidentiality request if such request for confidentiality is denied?	
31. In relation to bullet points 1 to 4 on page 4, is it sufficient to refer to the candidate's parent company Annual Report and Accounts for this information?	Yes, the Candidate's parent company credentials can be used if it is a mobile subsidiary of the parent company that will be the entity holding the shares directly

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Question	Answer
1. PROCESS / DOCUMENTATION	
(It is unlikely that the candidate parent company itself will own equity in the new licensee; instead a controlled subsidiary of the candidate parent company would be the specific vehicle. Does this raise any issues?)	or indirectly.
32. Can more than one certified check or bank draft be provided to pay the RFPQ fee?	No. The fee should be paid by means of a single payment.
33. Can the information included in audited financial statements of the operator be enough to prove that the operator meets the criteria or can/must other means be used?	Yes as long as the specific location of such evidence is clearly identified and the Candidate confirms the accuracy of the data included in the submission.
34. Should the information on each consortium member (e.g., financial, activities, etc) be provided only for the specific entity participating in the consortium, or for the entire group that it may be a part of (i.e., JVs, sister companies, etc.)?	The information to be provided is on the current operations, organisational structures and financial standing of each of the Consortium members. When relevant, the Consortium member may include such information for the group to which it belongs.
35. Will a consortium be required to submit a business plan as part of its RFPQ Response? If so, what should the business plan contain (e.g., subscriber estimates, forecast of financial performance, etc.)? What level of detail should be provided (e.g., detailed segmentation vs. approximate market share expected, detailed capex plan versus per-subscriber based capex estimate, etc.)?	No business plan will be required to be submitted in the Response to the RFPQ.
36. Can the CITC confirm that the consortium is not required to submit a business plan with its response to the RFPQ?	
37. In relation to paragraph 2(c) on page 5, where an operator has more than one relevant operation or contract, should each be discussed to the same degree of detail? For operators who have more than one operation, which operation should be discussed to the degree in which detail requested for by CITC? Should this be limited to the parent company only or will contracts undertaken by affiliates also be considered?	Details should be provided on all relevant controlled operations of the mobile Operator in the Consortium and at a minimum such operations that allow the Operator to meet the requirements set forth in the Technical Expertise/Commercial Expertise section.
38. Is there a limit to the number of consortia who will pre-qualify and proceed to the next stage, or will all consortia that meet the minimum pre-qualification conditions pre-qualify?	There is no limit on the number of Consortia who can pre-qualify.

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Question	Answer
1. PROCESS / DOCUMENTATION	
39. Can the Applying Candidate/Consortium have more than one operator? If so, can they commit to jointly holding at least 15% of the equity in the new licensee without specifying in what proportion?	More than one operator can be part of the Consortium. However at least one of the Operators who meet the pre-qualification criteria must commit to own at least 15%.
40. Where will the answers to the questions on the RFPQ be published? Will the questions also be published?	The entire set of questions and answers are hereby published on the CITC website (www.citc.gov.sa).
41. Can the CITC confirm that all answers to all questions will be circulated to all the parties? Alternatively, please confirm that the questions and answers are to be posted on the web site, as the parties who may not have any questions on the RFPQ, and who intend to submit a pre-qualification document, might be unfairly excluded?	
42. Do two separate applications for GSM and an associated 3G license mean that five copies have to be submitted for each?	Yes. This, however, is only required at the RFA stage.
43. Are there any restrictions on the form or length of a RFPQ Response?	No.
44. In relation to paragraph 2(d) on page 5 of the RFPQ, does “organisational structure” refer to the consortium or the consortium members? Does “functions and responsibilities” refer to the functions and responsibilities of each member within the consortium?	The information to be provided is on the current operations and organisational structures of each of the Consortium members.
45. In relation to paragraphs 2(c) and 2(d) of the RFPQ, is it the intention that the information provided is: contextual in so far that it should correspond to the likely role that the relevant consortium member will play in the new cellular mobile service licensee? Broader in so far that it concerns the relevant member’s day to day activities?	
46. The tender document states that the RFPQ responses should include an electronic version of all documents. It is envisaged that the original form of some RFPQ documents will not be in an electronic format. Therefore, can the CITC clarify this requirement, and elaborate on which electronic formats are acceptable.	All documentation including annual reports should be provided in electronic format. Electronic copies in MS Word, MS Powerpoint, MS Excel or PDF formats are acceptable. Hard copies should be scanned and submitted in PDF format
47. Will there be any restrictions on the form or length of a RFA Response?	Yes. Further details will be provided in the RFA.

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1. PROCESS / DOCUMENTATION	
48. A 3G license will be awarded to the winning bidder depending on its proposal for 3G: Is the candidate required to make two financial proposals (with or without 3G services)	At the RFA stage, the Candidate will be required to submit a separate proposal for each of GSM and 3G. Each proposal will be comprised of a technical/commercial part and a financial part.
49. Does the RFA have to be a certified translation in Arabic or does the Arabic version need to be signed?	Signing the Arabic versions is sufficient.
50. Does the person appointed as the authorised representative of the candidate company have to be an officer of the company? If not, can the appointment be made under a power of attorney?	The person appointed as the authorised representative of the Candidate company does not have to be an officer of the company, provided that such authorised representative of the Candidate is appointed by a power of attorney.
51. The RFPQ states that "candidates must be duly authorised to act on behalf of each member of the consortium". Has an officer of the relevant company authority to sign the cover letter?	An officer of the relevant company has authority to sign the cover letter, if the constitutional documents of such company authorise such officer.
52. In relation to information requirements for the response, who needs to verify the accuracy of the facts and figures provided and how? Is it sufficient for an officer of the relevant company to certify all information provided in the cover letter?	In relation to information requirements for the Response, it is sufficient for a duly authorised officer of the relevant company to certify in the cover letter the accuracy of the facts and figures provided.
53. There is a requirement in paragraph 1 on page 5 of the RFPQ for the cover letter to be signed by a person or persons duly authorised to act on behalf of each member of the consortium. Does this requirement mean that one letter is signed by one person on behalf of all the consortium members? Or that one letter is signed by one person on behalf of each consortium member?	One cover letter must be signed by each of the Consortium members.
54. On page 6, what is meant by "any attempts by the candidate or any of its members to influence the evaluation of responses? (I.e. is this anything more than "illegal conduct" and/or "corrupt practices" and/or "fraudulent practices" which are also listed separately? If so, what?)	In this context, "any attempts...to influence the evaluation of responses" means any action, activity or behaviour that may reasonably be considered to be improper, untoward or unlawful in any way.
55. What will the scope and terms of the management agreement be? (e.g. is it technical only, or will it also deal with issues such as operational control?)	The RFA will contain further details of the required scope and content of the Management Agreement. The Management Agreement shall also take account of issues such as operational control and technical and commercial assistance.

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Question	Answer
1. PROCESS / DOCUMENTATION	
56. Are operators being asked to provide a commitment to enter into the management agreement subject to the usual range of considerations (e.g. subject to the grant of a license, and the management agreement being on reasonable commercial terms etc?) Alternatively, are they being asked to commit to enter into the management agreement without limitation?)	The mobile Operator has to provide a written commitment to enter into the Management Agreement for a period of five years from the date of License issuance (i.e. the Management Agreement need only be legally entered into at the issuance of the License). The RFA will contain further information on the required scope and content of the Management Agreement.
57. The consortium is required to commit to enter into a Management Agreement with an operator. Will the Management Agreement have to be signed before the Pre-Qualification phase? What are the requirements for the Management Agreement?	
58. Throughout the document, does “year” or “years” refer to Hejira years or Gregorian years?	Unless specifically stated, references to year or years refer to Hijri years.
59. In relation to paragraph 2(a), can the CITC confirm that the written commitment refers to the cover letter described in paragraph 1 on page 5?	The written commitment refers to the requirement of the mobile Operator to enter into a Management Agreement with the cellular mobile Licensee for a period of at least five years from the date of License issuance.
60. In paragraph 2(c), can the CITC confirm that the details of the experience of each consortium member concerns the operator(s) exclusively, and not the other consortium members which might be pure financial investors and/or partners with no experience in the telecom sector.	Details of the experience of each Consortium member must be provided even if members have limited or no experience in the telecom sector.
61. Paragraph 2(c) requests documentation to demonstrate “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.” Which specific kind of documentation is correct to submit?	The Candidate should submit any material that is descriptive and relevant as formal evidence of the details in paragraph 2(c).
62. In relation to paragraph 2(d) on page 5, is it permissible for a consortium member to be a natural person? If so, what documentation should be supplied?	A Candidate must be a Consortium of at least five Saudi companies and a cellular mobile Operator. Individuals can be a member of a Consortium provided that they are in addition to the five founding Saudi companies and the cellular mobile Operator.

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RFPQ QUESTIONS AND ANSWERS**

Question	Answer
1. PROCESS / DOCUMENTATION	
63. Must all documentation provided to the CITC be submitted in English and Arabic?	For the RFPQ, all documentation must be both in Arabic and English. However, Candidates may submit supporting materials including brochures, annual reports, technical documents and financial statements only in the English language.
64. Can the CITC confirm that the Arabic version is the one that prevails and that the English version is in any event contrary to capital markets regulations which do not allow any company to list shares before establishing a track record of at least two to three years and achieving certain financial ratios, all of which are intended to protect the interests of investors?	The Arabic version would take precedence in the event of discrepancies between the English and Arabic versions of the Response.
65. The Legal and Formal Requirements section of RFPQ (page 8) requires that candidates submit Responses in both Arabic and English. Can the CITC indicate whether the English or Arabic version would take precedence in the event of discrepancies between the two language versions of the Response?	
66. Is it correct to submit all documents as a mere English version, or do you need any particular certification about its translation from the original language into English?	Certification of proper translation by the signatory of the cover letter is sufficient.
67. The RFPQ states that the Response “must be submitted both in the Arabic and English languages”. Is it correct to submit a mere version of the text in both languages, or do you need any particular certification about it?	
68. Is any documentation (e.g. certificate of incorporation / registration) required to be authenticated? If so, must it be notarised and/or legalised or is a certificate of an authorised representative of the consortium sufficient? If the certification of an authorised representative is acceptable, must the authorised representative be one of the individuals identified to the CITC as required by the RFPQ? Alternatively, would a certification from the operator be acceptable?	For RFPQ purposes, the certificate of incorporation and signatory authorisation letters must be certified or notarised (as applicable) by a home country relevant authority (e.g. chamber of commerce, notary public). Saudi authentication of certification or notarisation on such, and potentially other, documents might be requested from the Applicant during the RFA phase.
69. Is there any requirement that authorised representatives or signatories of the consortium be Saudi Arabian nationals or residents?	No.

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Question	Answer
1. PROCESS / DOCUMENTATION	
70. Can the CITC provide current data on the Saudi mobile market, such as the number of mobile subscribers, the breakdown between prepaid and post-paid and the ARPU for these two categories?	It is the responsibility of potential Candidates to obtain such information.
71. Many candidates who cannot provide all the final information requested have conditional qualification and provide information, which is lacking after 7th March?	The deadline for the submission of Responses is the 21st March 2004G. The CITC will not consider information submitted as part of RFPQ Response after this date.
72. Will there be an opportunity for candidates to cure potential defects in their RFPQ Response and if so, in what circumstances?	On the submission of the RFPQ Response by the Candidate, the Candidate will be bound by the information provided in its Response.
73. The tender document requires the consortium members to show commitment to comply with the CITC statutes. Can the CITC provide a copy of these statutes?	All CITC statutes are available on its website (www.citc.gov.sa). They include amongst others, the Telecommunications Act, the Bylaw and the Commission Ordinance. Any amendments to the CITC statutes will be made available on the website.
74. With regard to Article 2.3 of the Telecommunications Bylaw, if the document to be delivered has a specific delivery deadline and the official web site is not operational can the paper copy be delivered by means of fax so as to prevent delays required by postage or courier delays to get the document there?	Candidates' Responses by fax will not be acceptable.
75. Is it correct to submit each document in only one copy?	No. Please refer to the paragraph "Delivery of a Response and Payment of RFPQ fee" on page 8 of the RFPQ. Each document should be provided in one original together with four copies and an electronic version (for documents that exist only in hard copy, they should be scanned and presented in PDF format).
76. In which currency will the payment of the upfront license fee be made?	Payments should be made in Saudi Riyals.

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RFPQ QUESTIONS AND ANSWERS**

Question	Answer
2. PREQUALIFICATION CRITERIA	
77. In relation to the global number of subscribers (1.5 million), what date should the operator refer to (31st December, 2003 or the date of the Response, 7th March, 2004)?	The date of the latest publicly announced data.
78. Can the CITC confirm that the intention is to have a greenfield operation, which has been established in a competitive market, including at least one operator for the said period of two years?	The condition requires the mobile Operator to have established a greenfield cellular mobile operation for a minimum of 2 years.
79. In the case of a joint operating arrangement, can the CITC confirm that if A and B are listed, the CITC would add market capitalisation. If only one is listed, it must provide market capitalisation?	One mobile Operator should meet all the pre-qualification criteria set by the CITC even if such Operator has teamed up with another Operator. The Management Agreement should be entered into between the Licensee and that mobile Operator that meets the pre-qualification criteria. The Management Agreement can only be modified with the prior approval of the CTIC. The 15% equity stake should be held by such mobile Operator that meets the pre-qualification criteria.
80. In the case of a joint operating arrangement, can the CITC confirm that the sum of total of A and B subscribers would be entered under the "subscription numbers"?	
81. In the case of a joint operating arrangement, can the CITC confirm in, relation to the number of greenfield operations (in competitive markets), that this requirement would have to be met by at least A or B?	
82. In the case of a joint operating arrangement, can the CITC confirm, in relation to the requirement to hold a minimum of 15% equity for five years, that this would apply to the sum total of A and B, with no limits on the equity uptake of either of them?	

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Question	Answer
2. PREQUALIFICATION CRITERIA	
83. In the case of a joint operating arrangement, can the CITC confirm, in relation to the management agreement (over five years), that this would be jointly entered into between the Licensee Company and the Operator, namely A and B?	
84. In the case of a consortium with two mobile operators: do the two operators have to meet the technical and commercial criteria separately, or jointly? Can the Management Agreement be signed jointly by the two operators? Does the minimum equity ownership of 15% in the new licensee by the operator(s) have to be owned jointly, or by each of the two operators?	
85. Can more than one consortium partner jointly meet the eligibility requirement in relation to having at least 1.5 million cellular mobile subscribers?	
86. Will the CITC approve a management agreement with more than one operator? Can the management function be shared in a joint management agreement?	
87. If more than one operator is permitted, do both operators have to hold equity in the Saudi joint stock company and would both operators have to jointly sign the management agreement? Would it be permissible if the total shareholding of both operators added up to 15%? If both operators meet the technical qualifications, we assume that the operating agreement can be transferred from one to the other during the initial five-year period (with the prior approval of CITC). Is this correct?	

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Question	Answer
2. PREQUALIFICATION CRITERIA	
88. The criteria for pre-qualification as set out in the RFPQ requires that candidates must be consortia consisting of at least 5 Saudi companies and a cellular mobile operator (Operator) meeting the technical and commercial criteria as set out in the RFPQ. Can the CITC clarify whether the Operator must be a single entity / company or could consist of a number of cellular mobile companies each meeting all the technical criteria as set out for the Operator.	There might be more than one cellular mobile Operator joining a Consortium provided that at least one of them meets the entire set of pre-qualification criteria on its own.
89. In the case of a joint operating arrangement, can the CITC confirm that it will not be a disqualification event if either of the operators (A or B) decides not to retain its participation after the end of the pre-qualification process provided that such defecting party is replaced by another that fulfils the requirements of the RFPQ before the completion of the license process?	A sole mobile Operator should meet all the pre-qualification criteria set by the CITC even if such Operator has teamed up with another Operator. Please refer to answer to questions 12-24 in Section 1 for Consortium modifications during the licensing process.
90. How will the Group companies be treated in relation to fulfilling the listed requirements? (We assume again that it will be sufficient for Group to fulfill these criteria through a number of its controlled subsidiaries? i.e, Group is composed of a number of companies, some of which own and manage infrastructure, others of which are human resources/support organisations which contain the technical expertise. We presume you will assess the capabilities of the Group as a whole).	Further to the answer to questions 79-87 in Section 2, the capabilities of the Group as a whole will be assessed as long as the bidding entity and the entities meeting the pre-qualification requirements are controlled subsidiaries of the same Group.
91. Can the CITC confirm that the first bullet point on page 4 of the RFPQ (requiring the operator to be a listed entity) does not apply to Saudi companies, so long as such Saudi companies comply with the remaining bullet points?	The requirement for the mobile Operator in the Consortium to be a listed company applies to all mobile Operators, irrespective of their nationality.

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RFPQ QUESTIONS AND ANSWERS**

Question	Answer
2. PREQUALIFICATION CRITERIA	
92. If the operator is publicly listed on a number of different markets can the market capitalisation of the operator be calculated on the basis of its aggregate market capitalisation by reference to all of the markets on which its shares are quoted?	Yes.
93. One of the criteria for pre-qualification states that the Operator must be “publicly listed on its national stock exchange with an average market capitalisation of at least USD 1 billion over the three months prior to the date of issuance of the RFPQ”. Which dates should the relevant certificate show exactly (e.g., period from date “x” to date “y”)? Is it requested a specific kind of average value (e.g., arithmetical one)?	The certificates should show an arithmetic average market capitalisation in the period 19 October 2003G to 19 January 2004G.
94. Can the CITC confirm that the specified 1.5 million subscribers are "active" subscribers, under some established definition (such as any subscribers who have generated revenue over the three months preceding the reporting date)?	The number of subscribers requirement will be based on the latest publicly announced data. If the Company reports subscribers in more than one way, including active subscribers, then the CITC will choose the lower reported number.
95. What is meant by the term “Establishment” on page 3 of the RFPQ document issued by the CITC? Does it refer to the relevant regulations specified in the Companies Act?	The term " <i>Establishment</i> " as used on page 3 of the RFPQ is to be replaced with (business entity) and this one refers to the type of business entities that can fulfil the requirements of the relevant regulations specified in the Companies Act relevant to the right of participating in the forming of public shared companies.
96. A consortium must include 5 Saudi companies or "Establishments", can the CITC define "Establishment"? Will Saudi individuals (not necessarily acting under a trading name) qualify as Establishments? Can the CITC clarify the information required in relation to Saudi individuals who join the consortium?	In respect of Saudi individuals, please refer to the answer to question 62 in Section 1. Saudi individuals will not qualify as business entities.

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Question	Answer
2. PREQUALIFICATION CRITERIA	
97. Will a cellular operator that has more than 1.5 million mobile lines based on CDMA Wireless technology be an eligible consortium partner for pre-qualification?	Yes, provided that they meet the other criteria.
98. What is meant by the term “greenfield” on page 4 of the RFPQ document issued by the CITC?	A Greenfield experience corresponds to launching a new operation including the building of a new network which had zero subscribers pre-launch.
99. The section on Technical Expertise/Commercial Expertise states that the operator "must control a cellular mobile network(s) providing services to at least 1.5 million cellular mobile subscribers". Does this refer to just one network or a group of networks operated in various countries? For the 3G license, will the CITC provide any indication as to the extent of coverage that will be required for the 3G network?	<p>The cellular mobile Operator needs to have at least 1.5 million subscribers in one or more countries in aggregate.</p> <p>The RFA will specify the scope of the 3G License including the roll-out requirements.</p>
100. For the 3G license, will the CITC provide any indication as to the extent of coverage that will be required for the 3G network?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
2. PREQUALIFICATION CRITERIA	
101. What criteria will the CITC apply in the course of evaluating RFPQ Responses? How will it assess each individual criterion?	During the RFPQ phase Consortia (domestic and/or foreign) will be pre-qualified based on the criteria already communicated in the RFPQ. During the RFA phase, Consortia will be evaluated as a whole on the merits of the Application. The details of the evaluation criteria will be made available in the RFA.
102. On what basis are the foreign operators evaluated for the RFPQ? Specifically, what role does the CITC expect the foreign operator to play in the venture (e.g., brand, product development, pricing, back office operations, network operations, etc.), and how does the CITC expect this role to change over time? What weight will be given to the foreign operator's size and current financial status? How important is experience in other developing markets and breath of presence? How much weight will be given to the extent of the operator's stake in the venture? What would be the desirable range for the operator's stake? What other criteria will be important in evaluating the foreign partner?	
103. How will the domestic consortium partners be evaluated? Specifically, What capabilities is the CITC looking for in domestic partners (e.g., financial strength, specific telecom related expertise, market knowledge, etc.)? What role does CITC have in mind for the domestic partners? How does the CITC expect this role to change over time? Apart from what has been specified in the RFPQ tender document, is there any other information that would be useful for the consortium to provide on its local members?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
3. EVALUATION CRITERIA / SELECTION PROCESS AT RFA STAGE	
104. Can the CITC confirm that, once the candidates, which meet the commercial, operational and technical criteria, are selected, the license will be attributed to the selected candidate who submitted the best financial proposal?	The RFA will detail the evaluation criteria to be used in the selection of the winning Applicant. The Applicants' technical, operational and commercial proposals will be evaluated first. Those Applicants who meet the minimum technical, operational and commercial criteria will then be evaluated solely based on their financial proposal.
105. In relation to the issue of commercial, operational and technical criteria, what is the financial proposal, and how can it be evaluated? Does it comprise the license fee, the financing fee and financial capacity? If so, does not this mean that the business plan can only be evaluated at the second stage, and as such, issuing the license to the highest bidder may be problematic, if the business plan evaluation shows some weaknesses, which cannot be identified during the first stage (commercial, technical and operational)?	
106. Will the last stage of selection process be a pure auction or does it include some weight for technical/commercial proposals?	
107. Will the CITC publish the scoring matrix that will be used for the evaluation of the commercial, operational, technical and financial submissions along with the RFA?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
3. EVALUATION CRITERIA / SELECTION PROCESS AT RFA STAGE	
<p>108. What additional information/responsibilities will be imposed on a bidder in the Request for Application phase which are not covered by the Response? Will judging of the responses to the Request for Application depend solely on the suggested comments on the license agreement to be given with the Request for Application?</p>	
<p>109. Will the final evaluation include a technical evaluation and a financial evaluation: Will the technical evaluation be on a pass or fail basis? i.e. (i) only the financial proposals of candidates which meet the technical requirements will be considered and (ii) the technical evaluation will not have any impact on the financial evaluation; What criteria will be used for the technical evaluation (will this have a direct impact on the structuring of our consortium)? Will the technical evaluation take into consideration the telecom operator credentials? In the event that a consortium includes two operators, will the credentials of both operators be taken into consideration? What if one of the two operators is not an equity investor in the consortium but has a management or branding agreement with the bidder? Will the financial evaluation be a pure auction? On what basis will this auction be organized (lump sum fee, revenue sharing, or a combination of both)? Will the list of the pre-qualified consortia be published with the names of all the members of each consortium? Will there be a public opening of the financial offer? If so, will CITC invite all bidders for such opening?</p>	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
3. EVALUATION CRITERIA / SELECTION PROCESS AT RFA STAGE	
110.Can the CITC describe what the operational proposal would contain? The criteria for pre-qualification set out a process where only commercial and technical proposals are evaluated before the financial proposal.	
111.What criteria will the CITC apply in assessing commercial, operational, technical and financial proposals to be submitted by pre-qualified applicants?	
112.Will the CITC confirm that the weighting factor scoring used in relation to the commercial, operational and technical criteria (i.e. preceding financial evaluation) will not prejudice a license applicant who meets the RFPQ criteria as currently set?	
113.What other criteria will be important to the CITC in the course of its evaluation of the RFA and what weight will the CITC apply to each such criterion? In what respects will these be different and/or more comprehensive than for the RFPQ?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
3. EVALUATION CRITERIA / SELECTION PROCESS AT RFA STAGE	
<p>114. What other criteria will be important to the CITC in its evaluation, and what weight will the CITC apply to each criterion? In particular, does the CITC consider innovation, stimulation of demand and product offering as being important, and if so, what weight would be accorded to such criteria? What evidence would the CITC expect to see to support this? Does the CITC consider technical competence as being important, and if so, what weight would be accorded to this? What evidence would the CITC expect to see to support this and what level of detail should be provided concerning the proposed network design and dimensions? What weight will be given to coverage? What are the regulator's expectations of the coverage, both at launch and after one year of service? Does the CITC consider speeds of service launch as being important, and if so, what weight would be accorded this? When is the new GSM cellular mobile service expected to be launch? Does the CITC consider the generation of new employment and other advantageous social welfare objectives as being important, and if so, what weight would be accorded this? What evidence would the CITC expect to see to support this? Are there any other important criteria? If so, what are these and how will they be evaluated?</p>	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
3. EVALUATION CRITERIA / SELECTION PROCESS AT RFA STAGE	
115.The section on Summary Cellular Mobile Licensing Parameters states that candidates must have "adequate financial resources". What will be the CITC's main criteria in assessing this question? Does the CITC intend to apply financial ratios? If so, which ones? Will the CITC's analysis be based on consolidated figures, main company, or parent company? For the 3G license, will the CITC provide any indication as to the extent of coverage that will be required for the 3G network?	Details on the required evidence of access to adequate financial resources will be made available in the RFA. This will include a Financial Comfort letter and a bid bond to be submitted, for each of the GSM and 3G proposals, as part of the Application. Specific coverage requirements will be established in the RFA for both GSM and 3G.
116.Can the CITC confirm that it will select the winning applicant for the GSM license prior to having knowledge of the application for the associated 3G license?	Yes.
117.What criteria will be used by the CITC to determine whether the joint-stock company capital is "adequate and relevant"?	The joint stock company capital must be adequate and relevant to carry out the proposed business plan of the Applicant.
118.Will 3G experience be a specific criterion for the evaluation of technical experience in the pre-qualification stage? (I.e. it would seem necessary as it would be unrealistic to grant a 3G license to an operator with no prior 3G experience.)	No.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
3. EVALUATION CRITERIA / SELECTION PROCESS AT RFA STAGE	
119. On what basis are the foreign operators evaluated for the RFA? In what respects will these criteria be different and/or more comprehensive than for the RFPQ?	During the RFA phase, Consortia (domestic and/or foreign) will be evaluated as a whole on the merits of the Application. The details of the evaluation criteria will be made available in the RFA.
120. How will the domestic consortium partners be evaluated for the RFA? In what respects will these criteria be different and/or more comprehensive than for the RFPQ?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
121. The RFPQ states that the response must contain a description of the intended final shareholding of the public joint-stock company. Can the CITC confirm what is meant by "final" in this context: does it refer to the formation of the joint-stock company, or to the completion of the public subscription or to the point at which the public float has reached 40%? Does the CITC require information in relation to interim stages?	The final shareholding disclosure refers to the requirement on the founding shareholders to specify the shareholding structure following the initial public offering of at least 20% of the share capital, and then the other 20% to be floated in the second stage.
122. In relation to paragraph 1(d) on page 5, does the "intended final shareholding of the public joint-stock company" refer to the situation proposed in the Application or should it include the 20% (or 40%) public subscription?	
123. Can the CITC confirm that the joint-stock company of the winning consortium will be formed immediately following the grant of the license and the formation of the company?	The CITC can confirm that the process for the incorporation of the joint stock company of the winning Consortium will be commenced immediately following the official notification to the winning Candidate. The process will then follow the normal incorporation procedures as per the Companies Law.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
124.Paragraph 1(d) on page 5 states that the candidate is requested to provide a "description of the intended final shareholding of the public joint stock company...including the proposed equity ownership by the Operator, subject to majority Saudi ownership". As such, would the CITC permit and support the approval by the relevant Saudi authorities of the following public joint stock company/licensee shareholding: (i) 80% Saudi entity (to be reduced to 60%) established as a partnership or limited liability company (having 51% foreign ownership held by one or more foreign operators and 49% Saudi ownership) with at least four additional founders holding a nominal number of shares; and (ii) 20% (to be increased to 40%) Saudi public flotation?	<p>The requirement for majority Saudi ownership is only required for the Licensee. Consortium members have the flexibility as to the structure of their participation in the Licensee subject to Saudi laws and regulations.</p> <p>However at least one of the Operators who meet the pre-qualification criteria must commit to own at least 15%.</p>
125.Can the operator own at least 15% of the equity of the new licensee (not directly) but through a 100% owned subsidiary?	Yes, once the permission to remove mobile service provisioning from the negative list of foreign investment is issued.
126.Is there any minimum percentage of equity stakes to be held by each of the consortium partners other than the operator?	No.
127.A commitment must be given to make 20% of the stock available for public subscription (40% within 3 years), can the CITC advise of the timetable for the commencement of this process and whether it is anticipated that the shares to be floated will be those owned by local investors or those owned by offshore investors only	<p>The public subscription should be completed as soon as practicably possible within the period specified in the companies act and in any case prior to the commercial launch of the service.</p> <p>It is up to the Consortium members to determine how they meet the requirements mentioned in the RFPQ as long as it is in compliance with Saudi rules and regulations and as long as the Operator maintains a minimum of 15% stake in the Licensee.</p>

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
<p>128. The RFPQ stipulates the following regarding the shareholding of candidates:</p> <ul style="list-style-type: none"> • Saudi control i.e. 50% plus 1 share • 40% free float on the Saudi stock market • The Operator has to commit to hold 15% of the shares for the duration of the Management Agreement if and when permitted in terms of Saudi law. <p>Can the CITC confirm that the Saudi control requirement would include the Saudi held portion of the free float? Further, would the Authorities place a minimum Saudi ownership requirement on the free float portion so as to avoid the Licensee potentially breaching the shareholding requires in a position where it has no control over the transfer and ownership of its free float shares.</p>	<p>The CITC confirms that the shares to be issued to the public will be counted as Saudi shareholding in the Licensee for the purpose of meeting the Saudi majority ownership requirement.</p> <p>Current Saudi stock exchange (Tadawul) and Companies regulations allow, for some companies, a portion of the public float of Saudi joint stock companies to be held by GCC nationals.</p>
<p>129. Candidates are provided a description of the intended final shareholding of the company, subject to majority Saudi ownership. Can the CITC confirm whether "final shareholding" refers to the shareholding post floatation, and whether the shares which are publicly floated within the first 3 years of the company's life will qualify as Saudi owned shares for this purpose?</p>	
<p>130. Can more than one operator be in a single consortium?</p>	<p>Yes, provided that the same Operator is not directly or indirectly part of another bidding Consortium.</p>
<p>131. When can a foreign operator expect to know whether it can get 15% of the equity of the new Licensee and what is the maximum it will get?</p>	<p>Further information will be provided during the RFA phase.</p>

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
132. Under current legislation, is a foreign organisation or operator entitled to own equity in the proposed Saudi Arabian operator, if not, when is it envisaged that this will change so as to enable the operator to meet the shareholding commitment requirements as provided for on page 4 of the RFPQ?	
133. Can the CITC confirm that consent would be granted for a foreign operator to hold between 15% and 49.9% of the joint-stock company?	
134. On page 4, what is meant by the phrase "if and when Saudi laws permit such investment during the planning process"?	
135. Does reference to "if and when Saudi laws permit such investment during the licensing process" in bullet point 4 on page 4 mean that the operator can be limited (in addition to the majority ownership rule) in the amount of its ownership in the licensee? What does the "licensing process" refer to?	
136. Currently, no foreign company is listed in the Kingdom except through shareholdings in the joint venture banks. What will be the rules and guidelines for licensing?	
137. The commitment of the operator to own 15% of the equity of the new licensee is qualified by stating "if and when Saudi laws permit such investment during the license process". Can the CITC clarify this statement?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
138. Page 7 of the CITC's document entitled "Licensing of Cellular Mobile Communications in the Kingdom of Saudi Arabia" states that "the Licensee has to be a joint-stock company with majority Saudi ownership". Is it correct to interpret this to mean "a joint-stock company organised under the laws and regulations of the Kingdom of Saudi Arabia with majority Saudi ownership"? If so, since non-GCC nationals cannot, under current law, own shares in Saudi Arabian joint stock companies, does it restrict the bidding to GCC nationals?	Bidding will not be restricted to GCC nationals. Further information will be made available during the RFA phase.
139. Why does there have to be a minimum of five partners in the ownership of the company? Will there be five different companies or subsidiaries of the same company?	Pursuant to the Saudi Arabian Companies Act, the minimum number of founding shareholders required in a joint stock company is five. The five founding shareholders should be separate legal entities. At least three of the five founding shareholders should be from separate economic groups.
140. Will the operator be able to assume operational control of the operation? If so, will this be through the management agreement structure or some other arrangement (e.g. the allocation of non-voting shares or other mechanisms, which separate ownership from control)?	It is the intention of CITC that the Operator be able to assume operational control of the operation through the Management Agreement. The CITC will consider alternative arrangements provided that such alternative arrangements are consistent with the rules and regulations of the Kingdom.
141. The candidates must be a consortium of at least five Saudi Companies or Establishments and a cellular mobile operator. Can the CITC confirm that the consortium can be enlarged to more members, including non-Saudis (subject to majority Saudi ownership) and to a second operator?	The CITC can confirm that the Consortium can be enlarged to include (i) more than five members, including non-Saudis; provided that this is consistent with the laws and regulations of the Kingdom; and (ii) to a second Operator; provided that such second operator is not directly or indirectly part of any other Consortium.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
142. Can the CITC confirm that the "founding shareholders" in the joint-stock company include consortium members, which have technical expertise/commercial expertise?	Yes, the founding shareholders may include Consortium members which have technical/commercial expertise subject to Saudi laws and regulations.
143. Are sales of shares between consortium members (founding shareholders) authorised during the lock-up period, provided the percentage of the share capital of the Licensee owned jointly by the consortium members (founding shareholder remains the same?	Yes, subject to current practices of the Ministry of Commerce and Industry and the foreign mobile operator retaining a minimum of 15% stake for the initial duration of the Management Agreement.
144. Taking into account the applicable GCC treaties, do the same limitations apply if the operator is a company incorporated in one of the GCC member states? If not, what is the maximum percentage that a GCC operator can hold?	Within the Consortium, only Saudi national shareholding will be accounted for in the majority Saudi ownership. Please also refer to the answer to question 124 and to the answer to questions 128-129 in this Section 4.
145. Are GCC nationals or GCC national companies treated like Saudi nationals for the purpose of meeting the "majority Saudi ownership" requirements?	
146. Can a consortium include more than one operator or more than one non-Saudi member? Does the answer vary if the non-Saudi member(s) is/are nationals of or incorporated in the GCC? Alternatively, would a member, which is a national or company incorporated in one of the GCC states, be treated as a Saudi consortium member?	The Consortium can include more than one Operator. Please refer to the answer to question 39 in Section 1 and to the answer to questions 144-145 in Section 4.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
147. In relation to pre-qualification (which will be completed by March 7, 2004), can a new investor/operator join a pre-qualified bidder after March 7, 2004? Can the allocation of shares change between existing shareholders of a pre-qualified bidder? Should the shareholders agreement in consortia be final or preliminary at the pre-qualification deadline? Is there any specific limit on the GCC companies' participation in the consortium? What companies are banned from participating in consortia?	Please refer to the answer to questions 12-24 in Section 1 and to the answer to questions 144-145 in Section 4.
148. In relation to paragraph (f) on page 6, can the CITC confirm that "company in question" refers to a consortium member?	Yes, the "company in question" refers to each Consortium member.
149. Can the CITC clarify whether there is any restriction on the number or types of foreign owners of the equity of the licensee other than the "majority Saudi ownership" requirement? For example: may foreign equipment providers be permitted as shareholders of the Operator? May foreign individuals be permitted as shareholders in the Operator? May foreign investors be permitted as shareholders in the Operator?	The five founding shareholders and the foreign Operator forming the Consortium should be separate legal entities. In addition to these six legal entities, however, Saudi or Foreign individuals or investors will be permitted to participate in the Consortium so long as the Consortium meets the Saudi majority ownership and the pre-qualification requirements. Foreign equipment providers will not be permitted to participate in the Consortium.
150. What is meant by the phrase "controlled subsidiary" on page 4 of the RFPQ document issued by the CITC?	Controlled subsidiary corresponds to a company that the Operator controls by way of controlling its corporate governance body (eg, Board of Directors) and where the Operator owns more than 50% of the share capital and more than 50% of the votes.
151. In relation to paragraph 1(c) of the RFPQ, what is meant by the term "major shareholder"?	Major shareholder refers to a shareholder that owns more than 5% of the share capital of the company.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
152. The tender document states that the ownership level of each consortium member is subject to a majority Saudi ownership. Does the 'majority Saudi ownership' apply to the entire shareholding or to the total shareholding less that portion held by the operator?	Majority Saudi ownership refers to the fact that more than 50% of the share capital of the new Licensee should be held by Saudis. Please also refer to answer questions 128-129 in this Section 4.
153. The RFPQ calls for the operator member "to commit to own at least 15% of the equity of the new license if and when Saudi law permits such investment during the license process". Can the CITC confirm the current foreign ownership limitations? Will the foreign operator be exempted from such equity ownership if these limitations remain unchanged? Will the operator be permitted to own more than 15%, subject to majority Saudi ownership? In what form should the commitment be made (e.g., written contract, bank guarantee, etc.)? If the management agreement with the operator is not renewed for another five years, will it be allowed to retain their 15% equity share? Is it permissible for the stake to be owned by a subsidiary of the operator? If so, under what conditions? Must this subsidiary also be a listed company?	Information will be made available in the RFA. Regarding the Management Agreement, if the Management Agreement with the Operator is not renewed for another five years, the Operator will be allowed to retain its equity stake in the Licensee. The ownership stake should be held by the Operator itself or by a controlled subsidiary of this Operator.
154. What proportion of "founding shareholder" shares are anticipated to be subject to the lock-up period (described in article 100 of the companies act)? Will this proportion include the 15% equity stake to be held by the operator for the duration of the management agreement?	All founding shareholders shares are subject to the lock-up period. This includes the equity stake to be held by the mobile Operator(s).

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
155. Before the joint-stock company is established, is the Operator required to have any ownership in the consortium? Will the operator have to dispose of its equity ownership after the expiry of the Management Agreement?	Before the joint-stock company is established, the Operator is not required to have any ownership in the Consortium. However the Operator must commit to own at least 15% in the Licensee when it is formed if and when Saudi laws permit such investment. The Operator will be allowed to retain its equity stake after the expiry of the initial Management Agreement.
156. Can an existing company be converted into the joint-stock company, or will a new company have to be established?	No. A new public shared company will have to be established.
157. Can the STC own equity in the new licensee?	STC cannot own equity in the new Licensee.
158. The RFPQ refers to the operator holding 15% of the equity of the new licensee, "if and when Saudi laws permit such investment during the license process", can the CITC explain what steps are being taken to allow such investment. Is it anticipated that before the award of the license Saudi laws shall be amended to permit the 15% equity stake to be held by the operator, notwithstanding that the operator may not be a Saudi or GCC incorporated entity? Should the consortium wait until Saudi law has been changed to permit the operator to take an equity stake before establishing the bidding vehicle? If not, when should the bidding vehicle be established?	Please refer to the answers to question 123 and questions 131-137 in Section 4.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
4. CONSORTIUM/SHAREHOLDING STRUCTURE	
159. What input (if any) will the CITC have on the negotiation of the management agreement once the operator has been selected by the CITC? Presumably the CITC will not have any right to object to any amendments (other than as regards change of operator).	Requests for amendment to the Management Agreement will be considered by the CITC after License issuance. However the Management Agreement and the Operator shall not be replaced without the prior written consent of the CITC.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
5. ATTRIBUTION OF 3G LICENSE	
160. Can the CITC elaborate on the process for granting the 3G license associated with the GSM license in terms of financial and technical requirements? Can the CITC also confirm that failing to meet the requirements of the 3G license would not affect the evaluation of the GSM license?	The CITC will select a winner solely based on the GSM proposal. Once a winner is selected, the CITC will evaluate the winning Candidate's 3G proposal in order to determine whether to additionally attribute the associated 3G License. Details of the 3G attribution process will be made available in the RFA. Please also refer to the answer to questions 165-167 in Section 5.
161. Is it possible for the CITC evaluation to totally disregard an applicant's 3G filing, in selecting a winning license for the 2G license, which is finally judged on the basis of the highest 2G-license fee?	
162. What if the winner offers the highest price for a 2G license and then offers no additional fees for a 3G license?	
163. Can you confirm our understanding that a separate 3G license cannot be granted to anyone other than the successful 2G candidate?	
164. Will the proposal for the 3G license also have to contain a separate financial offer (an upfront license fee)?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
5. ATTRIBUTION OF 3G LICENSE	
165.If the second GSM licensee is not awarded the associated 3G license, will the STC receive a 3G license, during or after the exclusivity period (Q4 2006), without the need to go through a new tender process to which the second operator could also have access?	The CITC's intention is to award a 3G License in addition to a GSM License if it considers the 3G proposal of the GSM winning Candidate attractive. However if the winning Candidate of the GSM License hasn't submitted a 3G proposal acceptable to the CITC, the CITC reserves the right to launch a new licensing process to award a 3G License at any time including prior to Q4 2006G.
166.The RFPQ tender document states that the CITC may issue the winning applicant an associated 3G license, depending on the evaluation of the winning applicant's 3G proposal. If the CITC does not issue the 3G license to the winning applicant, will the CITC consider awarding this to a different applicant? If yes, can the CITC elaborate on how the process will work?	
167.Does the exclusivity period for the license (i.e., until Q4 2006) also extend to 3G?	
168.Will the STC also be awarded a 3G license? If so, when and under what conditions?	If the winning Applicant's 3G proposal is accepted then STC will be offered the opportunity to apply for a 3G License on similar terms and conditions.
169.In the case where a 3G license is finally issued to the winner, would the STC be issued with such a similar license, and if so, on what terms? (Should not the STC be subject to level-playing-field license conditions, which appears to be a fundamental objective cited by the CITC?)	Please also refer to the answers to questions 165-167 in Section 5.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
5. ATTRIBUTION OF 3G LICENSE	
170. Can the CITC provide information on the Government's plan to issue a 3G license in cases where the second GSM licensee is awarded the 3G license? Will the STC be allocated a 3G license during the exclusivity period (Q4 2006)? If so, what will the conditions be?	
171. Are there any objective criteria to determine the evaluation of the 3G proposal? Will the 3G license (if awarded) also be valid for a 25-year period?	Details of the 3G attribution process will be made available in the RFA. Yes, the 3G License, if awarded, will be valid for a 25-year period.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
6. INTERCONNECTION / RIO	
172. When are the Interconnection rates available?	Information on interconnection rates will be made available during the RFA phase.
173. What principles will the CITC adhere to when approving interconnection rates (i.e., fixed margin above STC's full cost, as a percentage of operator revenue, at the STC's long term incremental costs, other)? Will interconnect charges be symmetrical (i.e. will the STC pay the operator as much for an incoming call as the operator pays for an outgoing call)? What is the likely range of interconnect charges for outgoing calls to the STC's network (both fixed and mobile) and for incoming calls from the STC's network (both fixed and mobile)? What is the likely range of interconnect charges for outgoing international calls and the interconnect rates for incoming international calls?	<p>The Interconnection Guidelines, a copy of which is to be found on the CITC web site www.citc.gov.sa, have been finalized and issued by the CITC as Commission Decision No.(25/1424) on 23/9/1424 H after public consultation and review and assessment of comments from interested parties.</p> <p>These Guidelines provide specific and detailed guidance for the development and publication of a Reference Interconnection Offer (RIO) by a Dominant Service Provider. Interconnection Pricing is specifically addressed in Chapter 8 of the Interconnection Guidelines.</p> <p>In response to the directive from the Commission, STC, as the designated Dominant Service Provider, is currently developing the RIO which is to be submitted to the Commission by May, 2004G.</p>

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
6. INTERCONNECTION / RIO	
174. The interconnection agreement is a commercial contract between STC and the Licensee. It is usual in similar processes to have clear indications about the range of terms and conditions that should be provided by the incumbent operator. What interconnection terms and conditions will be provided by STC (points of interconnection, signaling, commercial terms)? Is there an escalation procedure in place if the STC and the Licensee cannot reach an agreement? Will CITC require the STC to publish its interconnection fee after the pre-qualification phase but before the award of license (such publication is essential tool for developing the Business Plan)?	<p>The RIO will provide details of the commercial, technical and operational terms and conditions, including tariffs, under which STC will provide interconnection and access services, infrastructure sharing and collocation to other Service Providers.</p> <p>After submission of the RIO, the CITC will conduct a public consultation and invite comments from interested parties before approval of the RIO.</p>
175. Can the basis for determination of the rates, to be established for telecommunication services as required by competition, be provided and further can it be confirmed that the rates would be established on a commercial basis with reference to international best practice?	
176. What form, process and timing will be used for publication of STC's RIO and/or consultation with potential licensees?	
177. When will the CITC provide the participants with the RIO prepared by the STC?	
178. Has the CITC formally directed the STC to submit a RIO for its approval? If not, when does the CITC expect it will do so? Will the CITC provide an opportunity for public comment concerning the terms and conditions of the STC RIO?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
6. INTERCONNECTION / RIO	
179. Article 28 of the Act states that the Commission shall establish the terms governing interconnection, the RFPQ states that interconnection shall be in terms of a Reference Interconnection Offer (RIO) which is being concluded by STC, which of these is applicable and when will the RIO be available?	
180. Can a draft copy of a default interconnection be provided and will a potential default interconnection agreement which can be enforced in cases of failure by the operators to conclude a negotiated interconnection agreement include default interconnection rates.	
181. The RFPQ mentions that a RIO is in preparation. When will this become available? Will applicants have an opportunity to comment on it before it is finalised?	
182. Has the CITC formally directed the STC to submit a RIO for its approval? If not, when does the CITC expect it will do so? Will the CITC provide an opportunity for public comment concerning the terms and conditions of the STC RIO?	
183. Can the CITC indicate whether the Reference Interconnection Offer (RIO) currently under preparation by the Saudi Telecommunications Company (STC) will be made available to the eligible candidates along with the Request for Application (RFA) and the draft cellular mobile service license.	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
6. INTERCONNECTION / RIO	
184. Can the CITC confirm which date the draft Interconnect Guidelines will be finalised? Will the CITC provide an opportunity for public comment, and if so, when?	The Interconnection Guidelines have been issued and can be found on the CITC website (www.citc.gov.sa).
185. Will site sharing be mandated and if so on what terms?	In accordance with Article 28 of the Bylaw, service providers shall allow other service providers to co-locate their telecommunications transmission systems at installation sites, where such co-location is economically feasible and no major additional construction work is required. The terms for such co-location shall be subject to commercial agreement or, where the parties are unable to agree, as may be determined by the CITC. Where a Licensee is unable to conclude a negotiated agreement for colocation with STC, it can call upon the CITC to exercise its dispute resolution powers in accordance with Chapter 6 of the Telecommunications Bylaw (Disputes between Service Providers).
186. When will the RIO be available and will it cover the issue of number portability? Number portability is a key element in predicting the future market share of the new operator. Will the RIO be negotiated between the successful bidder and STC/CITC?	Please refer to the answer to questions 172-183 of this section and the answer to questions 236-238 of Section 9 regarding number portability.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
7. IPO MECHANICS	
<p>187. Will the CITC allow the Licensee Company to include a reasonable 'charge' in the 'offering price' for the 20% shares if it is determined with due consideration of the advice of financial experts retained for such purpose and prevailing market conditions, in such manner as to enable the Licensee Company, among other things, to recover at least the full amount of: (i) the costs of the initial public offering; (ii) the costs associated with the license application process; and a reasonable contribution in the initial public offering to the potential risks and costs associated with any 'shareholders support' assumed by the operator and the other founding shareholders under the financing package for the peak funding requirements of the project?</p>	<p>The initial public subscription should be offered at par. No premium should be applied to the par value of the shares. Any costs incurred prior to the Licensee company's formation will be treated as per the Companies regulations.</p>
<p>188. Is the 20% IPO done at a fixed price, and if so, what is that price and who determines it?</p>	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
7. IPO MECHANICS	
189. With regard to the need to make available for public subscription 20% of the equity from the beginning and up to 40% within three years what methodology should be used to determine the offer price? What happens if there is a lack of interest in the IPO by investors?	<p>Please refer to the answer to questions 187-188 in Section 7.</p> <p>CITC approval will be required to delay or reduce the percentage being offered to the public due to market conditions.</p> <p>Further equity sales, after the initial public subscription of 20%, should be offered at a price determined by the market.</p>
190. There is a theoretical risk that the sale of 20% (and/or another 20% at a later stage) of the shares of the Licensee through public subscription cannot be realised or can be realised at a low price (therefore leading to losses for the consortium members selling their shares on the market) if there is an insufficient demand from the market. In such a situation, will it be possible to postpone the public subscription or at least to act on a best effort basis?	
191. Will the new cellular mobile service provider have flexibility to list its shares on the Kingdom's stock market in an orderly and commercially reasonable manner?	
192. Would the same methodology in determining the offer price also apply to the public subscription for the remaining 20% (within three years)?	
193. Can the CITC provide more information on the requirement to make available for public subscription 20% of the equity in the new licensee? What methodology will be used in determining the price? What would happen in the event that there is a lack of investors in the IPO?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
7. IPO MECHANICS	
194. How will the 20% requirement for IPO impact on the timing of company formation and ability to start operations on the ground?	The winning Applicant will not be able to commercially launch its service prior to the formation of the Licensee company and in any case not before Q4 2004G. The public subscription is an integral part of the Licensee company's formation. The timing and methods of public subscription in the Licensee company will be in accordance with the Companies law. The founding shareholders can commence operations on the ground prior to the Licensee company's formation and later transfer such activities to the Licensee company once it is formed in accordance with the Companies law.
195. Within what time period must the initial 20% equity be made available for public subscription?	
196. Will the requirement to increase the public shareholding to 40% be implemented regardless of the situation of founding Saudi partners, or will their shareholding be taken into account? (i.e. otherwise the 40% IPO has the potential to significantly reduce their proportionate shareholding as well as that of the Operator. If 40% is public, either the operator or the founding partner's shareholding must be reduced to at least 30%).	It is up to the Consortium members to determine how they reach the 40% public float commitment so long as the Operator meets the 15% ownership requirement. For greater clarity this means that 40% of the share capital shall be listed on the stock exchange and that such shares are freely tradeable on the market and that they are not owned by any of the founding shareholders/Consortium members.
197. The sale of the two 20% tranches of the share capital of the Licensee through public subscription will have an impact on the percentage of the share capital held by the consortium members (founding shareholders) in the Licensee. Could these transactions be considered as the consortium members not respecting the lock-up clause?	Consortium members will own 80% in the Licensee and that stake will be subject to a two year lock up. Therefore the further increase of 20% in public subscription shall be completed during year three after formation of the company. The initial 20% public subscription is not subject to a lock up period.
198. In relation to the establishment of the joint-stock company, can the CITC advise on whether the 20% available for public subscription will be immediately	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
7. IPO MECHANICS	
available following the two-year lock-up period following the incorporation of the joint-stock company? Also is the three years calculated from the date of incorporation of the joint stock company?	
199. Will there be any flexibility as to the timing of the requirement to float an additional 20% of the share capital of the Saudi joint-stock company if economic circumstances do not justify such floatation? Are existing shareholders precluded from purchasing shares made available to the public?	Please refer to the answer to questions 189-193 in Section 7. The Licensee founding shareholders (Consortium members) are precluded from purchasing shares available to the public.
200. Can the CITC confirm that 20% of the joint-stock company must be made available for public subscription immediately upon the grant of the license and the formation of the company?	Please refer to the answers to question 123 in Section 4 and questions 189-193 in Section 7.
201. What measures will be put in place to ensure that the requirements to establish a joint-stock company, list and IPO do not slow the launch of the new operator? Will any arrangements be made for the establishment of an interim vehicle?	
202. In relation to the public subscription, at what point in time should the initial offering to the public be made? Is the completion of the offering a condition of the final formation of the licensee company and issuance of the license, in which case the offering must be made as part of the initial capitalisation? Or can the initial public offering be made and completed within a certain time - say six months -	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
7. IPO MECHANICS	
after the final issuance of the license, in which case the formation of the licensee company can be completed with the founding shareholders and public offering rather than being implemented by way of an increase of the share capital?	
203. When does the 20% public subscription have to be realised? Should it be a share capital increase and/or a sale of existing shares?	
204. When is it likely that details of the Capital Markets Law being implemented will be available to candidates?	Candidates should make such request to the Saudi Arabian Monetary Authority.
205. Is there a possibility that the requirement concerning the listing on the Stock Exchange could be waived in the case of a Saudi company?	The listing on the stock exchange cannot be waived for the Licensee. The process requires the Licensee to be a newly formed public joint-stock company.
206. 20% of the consortium must be floated prior to commercial launch and 40% within 3 years. Is this consistent with Saudi law that requires a minimum number of years of operations before IPO? Is the 20% reserved for the IPO counted in the Saudi portion of the consortium at the pre qualification stage? Can the IPO price be set freely by the consortium?	20% of the company (the licensee) must be floated as soon as practicably possible within the period specified in the companies act and in any case prior to commercial launch of the services and another 20% during year three after formation. Saudi Companies Regulations do not require that there be a minimum number of years of operations before subscription to the public – please refer to Article 54 of the Companies Regulation. Please also refer to the answers to questions 127 and 128-129 in Section 4 and the answer to questions 187-188 in Section 7.
207. Can you indicate the average duration for completion of the registration process for a public joint stock company?	On this issue, Candidates should consult with their financial and legal consultants and the Ministry of Commerce and Industry and SAMA.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
8. LICENSE TERMS	
208. Is the license to be issued renewable following the 25-year period? Would any renewal involve an up-front license fee? During the initial period, will any of the annual fees referred to on page 2 of the RFPQ be on the basis of a percentage of revenue?	The terms and conditions for renewal of the License will be specified in the draft License that will be made available with the RFA. For the fee structure please refer to the answers to questions 254-255 and questions 256-270 in Section 10.
209. Can the license be renewed after the end of the 25-year period? And on what terms and conditions?	
210. The RFPQ states that the duration of the license shall be 25 years. Is the license term renewable for GSM and 3G licenses? If so, what are the conditions for renewal?	
211. What are the License renewal conditions?	
212. Is there a right to establish an international gateway?	
213. Will the licensee be entitled to construct and operate its own international gateway?	
214. Will the new cellular mobile service licensee be allowed to establish an international gateway? If so, where and upon what terms and conditions?	
215. Can the CITC confirm that the licensed operator can establish its own international gateway from day one of operations?	Yes. Further details will be made available in the RFA.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
8. LICENSE TERMS	
216. What are the license obligations in terms of rollout and coverage?	The RFA will specify the scope of technical requirements including the terms for rollout and coverage, national roaming and number portability. Applicants will be able to propose rollout and coverage commitments in excess of these minimum requirements, which will then become License obligations for the selected Licensee. The draft License will specify the consequences of the Licensee failing to meet its obligations.
217. What other obligations/restrictions will be associated with the 2G and or 3G licenses (rollout, service restrictions, roaming, number portability etc.)?	
218. What will be the performance targets for the new cellular mobile service provider? More particularly, will there be coverage obligations? If so, how will such obligations be measured (i.e., by area or population)? What is the type of coverage that must be achieved (indoor, outdoor, class 2 or class 4)? What population survey or reference point will be used to measure coverage requirements? What will be the timeframe for completion of the required network coverage obligations? Will local roaming be allowed on the incumbent's network while the new licensee is building out its own network, if so what will the fee structure be?	
219. What will be the Licensee obligations in terms of geographic / population coverage?	
220. In an unevenly populated country like Saudi Arabia, network rollout obligations will be key to the financial viability of the successful bidder. It should be clear that any target set with regard to network rollout obligations must be based on coverage for percentage of population rather than based upon coverage of percentage of the square kilometres of Saudi Arabia. What are the consequences of the successful bidder failing to meet its rollout business plan?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
8. LICENSE TERMS	
221. What, if any, network monitoring/surveillance and/or network security obligations will the new cellular mobile service licensee have?	The Licensee's obligations in respect of network monitoring, surveillance and security will be defined in the draft License that will be made available with the RFA.
222. Who will be expected to bear the cost of equipment installation and ongoing surveillance/information requests?	
223. Are there any legal limitations/restrictions on offering services to any particular category of subscribers?	The draft License which will be attached to the RFA will specify the rights and obligations of the Licensee.
224. Does the CITC intend to impose other performance targets, and if so, what type of targets (e.g., network QoS, billing, distribution network, customer care, etc.)? Does the CITC intend to impose other regulatory obligations upon the new licensee (e.g., emergency number services, directory services, etc.)?	
225. When does the license term commence (e.g. the award of license/resolution of council of Ministers? Or the completion of the joint-stock process?	The License term will commence at License issuance upon incorporation of the joint stock company. Please refer to the answer to question 123 in Section 4 and the answer to question 194 in Section 7.
226. Will the 3G license, if awarded, also have a 25-year life?	Yes
227. Can the consortium (including the operator) sign an operations and maintenance contract for the network?	The Licensee arrangements in respect of its operations shall be part of the Management Agreement. The Licensee arrangements in respect of network maintenance are at the Licensee's discretion.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
8. LICENSE TERMS	
228. Would the license for the Cellular Mobile Services include a license for the telecommunications equipment to be used in the Kingdom as envisaged by Article 32 of the Act or would the Licensee have to apply for such a license for the network equipment it will import for network roll-out.	<p>All radio equipment imported for use in the network is subject to CITC approval and licensing in accordance with the procedure published on the CITC website.</p> <p>All other network equipment must comply with appropriate recognised standards for health and safety and EMC. A declaration of conformity should be presented to the CITC for approval. Documentary evidence of compliance must be available and produced on demand.</p>
229. Will the new cellular mobile service licensee be permitted to offer fixed wireless services and if so, where, and upon what basis?	The fixed voice market will only be opened for competition after 2006G. The issue of fixed wireless services will be considered in the context of universal service obligations currently under development by the CITC.
230. Will the new cellular mobile service licensee be allowed to establish its own backhaul network for traffic, both within a city and across the country? If so, will it be allowed to use microwave links, and what fees are envisaged for these microwave frequencies? Will the new cellular mobile service licensee be given access to the incumbent's ducting?	The new cellular mobile service Licensee will be allowed to establish its own backhaul network for traffic, both within a city and across the country. Subject to the granting of a Radio License and payment of associated fees, the Licensee will be permitted to deploy radio based transmission links. The CITC will use its best efforts to make suitable radio frequencies available upon request. For duct sharing please refer to the answer to question 185 in Section 6.
231. Under the scope of this license, will the second cellular operator be authorized to provide its own direct internet service to customers using mobile handsets?	Yes, subject to acquiring an ISP license.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
9. REGULATION	
232. Will national roaming be mandated and, if so, on what terms?	Details will be specified in the RFA.
233. Will the licensee be given opportunity to implement national roaming onto the network of the other GSM operator on pre-established conditions?	
234. Will the Licensee and STC be allowed to enter into national roaming agreements? If yes, are there any limitations to such national roaming agreements? If there are limitations to national roaming, what sort of limitations and for how long?	
235. What will be the timeframe for completion of the required network coverage obligations? Will local roaming be allowed on the incumbent's network while the new licensee is building out its own network, if so what will the fee structure be?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
9. REGULATION	
<p>236. The definition of number portability in Article 1.33 of the Telecommunications Bylaw is silent with respect to costs, which will arise, can these costs be passed onto the porting party? It is assumed that the regulator will approve additional costs. Given a calling party pays scenario where operators, operating in a competitive market are charging differentiated on-net and off-net calls the ported number should carry any additional cost that a calling party may now be incurring due to the called party no longer being an on-net call.</p>	<p>Number portability is mandated by the Act and the Bylaw. Preliminary guidelines regarding the technical options, cost allocation and processes to be adopted for the implementation of number portability issues will be made available for pre-qualified Candidates during the RFA phase. All mobile Licensees shall implement number portability according to CITC guidelines.</p>
<p>237. Does the CITC expect to introduce number portability? If so, when is the CITC likely to introduce this, to what extent and upon what terms and conditions?</p>	
<p>238. Will there be number portability?</p>	
<p>239. With regards to Article 3 of the Telecommunications Bylaw, can the determinations, decisions and/or orders of the Commission be challenged by the licensee or an interested party? More specifically are the determinations, decisions and/or orders of the Commission subject to judicial or other appeal and/or review processes?</p>	<p>According to Article Thirty-nine of the Act, the Commission's decisions can be appealed to the Minister. If the Commission's decision is upheld by the Minister, the concerned party has the right to appeal to the Grievance Dewan according to its Act.</p> <p>However, such rule does not apply to the Commission decisions on interconnection and the Commission decision is binding on all parties.</p>

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
9. REGULATION	
240.A determination by the Commission under Article 33.1 of the Telecommunications Bylaw is said to be "final and binding on all parties" and article 39 of the Act holds that "the Commission's decisions can be appealed to the Minister and then to the Grievance Dewan according to its Act. Can the CITC clarify if the determination of the Commission in terms of Article 33.1 can be appealed as per the Act?	CITC can clarify that the determination of the Commission in terms of Article 33.1 can be appealed as per the Act. Please also see answer to question 239 of this section.
241.Will the Licensee enjoy any special fiscal advantages (tax holiday period, reduction in import duties etc)?	The Candidates should consult with their fiscal and legal advisors and the Department of Zakat and Income Tax.
242.What is the current level of company taxation and what changes to the tax regime are forecast in the short to medium term?	
243.Under what circumstances could the CITC exercise its power to substitute a new operator in the management agreement? What action would the company need to undertake to trigger a consideration of this option by the CITC?	As mentioned in the RFPQ, the CITC will only approve a change to the cellular mobile Operator who enters into the Management Agreement for the five year period if the Licensee enters into an equivalent Management Agreement with another cellular mobile Operator that meets the required prequalification criteria.
244.Will the operator qualify as a public utility under relevant Saudi law?	Only the Licensee will qualify as a public utility under relevant Saudi law.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
9. REGULATION	
245. What will be the rules by the local authorities in relation to staff Saudization?	The rules by the local authorities in relation to staff Saudization will be pursuant to Decisions of the Council of Ministers and other concerned entities of the Kingdom of Saudi Arabia pertaining to the employment of Saudi Arabian nationals. Further details will be provided in this regard in the RFA phase.
246. What restrictions apply to ownership and leasing of real estate in The Kingdom of Saudi Arabia and do these change if the lease is on the top of a building or is on open land and are there differences between rural and urban land?	Candidates should consult with legal advisors to determine what restrictions apply to ownership and leasing of real estate in The Kingdom of Saudi Arabia. Please note that the licensee which will be a Saudi company has the right to lease and buy real estate.
247. Is there a register of deeds for land at which ownership or leasehold rights in land can be ascertained or verified?	The Notary Public maintains a register of deeds for land at which ownership rights in land can be ascertained.
248. Does the Saudi Telecommunications Company fall under the control of the Ministry of Post, Telegraph & Telephone?	Saudi Telecommunications Company (STC) falls under the control of the Ministry of Communications and Information Technology. STC is regulated by the CITC.
249. What are the cases as stipulated by the relevant Acts in which a breach of privacy and confidentiality of telephone calls etc are permitted / authorised?	Please refer to Articles 57 and 58 of the Bylaw. Candidates should further consult with their legal advisors on this issue.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
9. REGULATION	
250. Can the CITC confirm that the correct interpretation of "another" in Article 1.1 of the Telecommunication Bylaw is "to limit the interpretation to intra services provider arrangements and not to include in the definition any other ("another") third party for example a subscriber or telecoms user?"	"Another" refers to another Operator. Please refer to the Arabic version of the Bylaw which is the version that prevails.
251. With regard to Article 2.2 (b) of the Telecommunications Bylaw, how long should a document remain continuously posted on the Commission's official web site for it to be deemed sufficiently published?	Article 2.2 of the Bylaw specifies the three conditions that qualify a document to have been deemed sufficiently published.
252. With regard to Article 31 (a) of the Telecommunications Bylaw, is a dominant operator entitled to retain headroom or capacity for growth in their transmission or would it be required to provide the essential services up to 100% of their systems capacity?	Essential service requirements will be based on commercial agreements between the Licensee and the STC. The CITC determinations on such issues will be based on specific circumstances regarding the availability of facilities and will be subject to the Interconnection Guidelines and the RIO.
253. Will there be any restrictions on the new cellular mobile service licensee's pricing structure? If so, what? Will the CITC share demographics or other relevant information that it may have concerning current the STC customers?	The Licensee's tariffs will not be subject to approval by the CITC except to the extent the CITC decides otherwise in accordance with Chapter 7 of the Bylaw. The CITC does not, at this time, intend to require regulatory approval of the tariffs of the Licensee. The CITC can only share information available in the public domain, such as STC's financial statements and any other information STC considers and the CITC agrees that such can be shared.

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
10. FEES	
254. What are the license fees? Will there be additional fees in the future (e.g. VAT)?	<p>The ongoing annual fees will be clearly defined and their level established in the RFA. The CITC cannot comment on future taxation regime changes in the Kingdom.</p> <p>The upfront License fee will be based on the winning Applicant's financial proposal and is payable upon issuance of the License.</p> <p>The type and level of each of the annual fees will be determined by the CITC and stated in the RFA.</p> <p>Spectrum fees will be based on spectrum granted. The new Licensee shall be committed to meet universal service obligations as and when determined by the CITC.</p>
255. When do we know the level of revenue share to be charged by the CITC to license?	
256. If very limited GSM900 allocation is available compared to the STC's current allocation, should not some compensation be offered to the new entrant in terms of applicable spectrum fees in order to maintain some semblance of a level playing-field?	
257. Is the revenue share to be charged by the CITC to license going to be set or do we need to bid for it?	
258. The word "license fees" appears with an "s" (plural) in bullet point 5 on page 2: does this mean that there will be more than one annual license fee? And what is the difference between those annual license fees?	
259. Can the CITC clarify the relevancy of license fees as a part of the annual fees particularly in the light of bullet point 6 on page 2 where the applicants will be required to submit a financial proposal for the payment of an upfront fee?	
260. Can the CITC clarify whether the license fees described in the RFPQ are in addition to the requirement that the Licensee pays a percentage of net revenues similar to the STC as described on pages 15 and 16 of the Public Consultation Document?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
10. FEES	
261. What will be the universal service obligations for the Licensee, if any? What will be the national numbering fees? What will be the spectrum usage fees? What will be the commercial provisioning of service fee? Will there be any other fees due by the Licensee?	
262. What are the principles and criteria that have been set for the determination of the telecommunications service fees as per Article 7 of the Act?	
263. Will there be an annual license fee as well as an upfront license fee?	
264. Will the annual license fee(s) be a fixed amount or calculated on the basis of a formula (for example a percentage of sales)?	
265. Is the CITC going to set a minimum tender price for the upfront license fee?	
266. Can the CITC provide further information on the level and nature of the other regulatory fees and contributions for the GSM and 3G license (i.e. license fee, spectrum usage fee, national numbering fees and the commercial provision of service fee)?	
267. The section on Summary Cellular Mobile Licensing Parameter states that "applicants will be required to submit a financial proposal for payment of an upfront license fee". Can the CITC elaborate on this? Will the CITC require the full amount upfront or may candidates suggest deferred payment?	
268. Will the upfront license fee be paid in full at the issue of the license or by instalments?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
10. FEES	
269. Would the CITC consider the 'gradual' introduction of an annual license fee, building up over time to levels matching those of the STC?	
270. Would the CITC consider lowering some of the fees currently paid by the STC due to the introduction of competition?	
271. What considerations will the CITC make in its determination of applicable spectrum fees in comparison with what the STC currently pays, as the charges are not segmented by bands utilised.	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
10. FEES	
<p>272. How will the license fee be decided? What will be the mechanism to set the license fee (through an auction, or will there be a fixed fee)? When does the CITC expect that the new cellular mobile service licensee will pay the upfront license fee? Will RFA applicants be permitted to include payment terms as part of their application? Will there be an annual fee? If so, what percent of revenues will each of the annual fee components be (i.e., license, spectrum, numbering, services provisioning)? Will the annual fees, license fees, spectrum usage fees, national numbering fees and service fees envisaged by the CITC be applied to all cellular mobile licensees on a non-discriminatory basis? Will there be an additional license fee for 3G? If so, how much will this be? Will the foreign operator be obligated to commit to subscribing in future equity increases in the new cellular mobile service provider, where such amounts are unknown? Commit to maintain its initial investment in the new cellular mobile service provider?</p>	<p>Please refer to the answers to questions 254-255 and 256 – 271 above. Please also refer to the answer to question 155 in Section 4.</p>
<p>273. Will STC have to pay a license fee or will the STC revenue sharing agreement be continued as is or revised?</p>	<p>Annual fee levels including those to be applied to the STC will be made available in the RFA.</p>

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
11. TECHNICAL QUESTIONS	
274. At what stage will the spectrum allocation for the second operator and STC be published?	The intention is to grant the required spectrum. Further details will be included in the RFA.
275. What spectrum is to be made available?	
276. What will be the exact frequency blocks that will be allocated to the Licensee? Is this frequency band freed already? Will there be a handover mechanism to ensure that the frequency band has been freed? What is the frequency blocks currently being used by STC? What compensation is envisaged should the frequency not be freed on time for the new entrant?	
277. Can the CITC provide information about the type of GSM and 3G licenses in terms of the frequencies that will be allocated to the licensee within the scope of the license and when those frequencies will be allocated? Are the designed frequencies for the second operator currently clear from interference?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
11. TECHNICAL QUESTIONS	
278. What rules will the CITC introduce concerning spectrum? More particularly, how many spectrums will be awarded with the new GSM cellular mobile license? In which band will this be issued? Will the spectrum be in a continuous band? Will the CITC take the responsibility and bear the cost of vacating current spectrum users and removing interference, if any? What will be the procedure for awarding additional spectrum in future, if required by the new cellular mobile service licensee? How many spectrums will be awarded for the new 3G licenses and in which band?	
279. Will microwave and point-to-point frequencies be available to the Licensee? If yes, under what terms and conditions?	Please refer to the answer to question 230 in Section 8
280. The CITC has not indicated how any accompanying microwave licenses will be issued for use in backhaul transmission. Can CITC provide initial information on this?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
12. EXCLUSIVITY / FUTURE LICENSING	
281. What factors or criteria will the CITC use to determine if a third cellular license will be issued in Q4 2006G?	<p>The CITC's decision to issue a 3rd cellular mobile license in Q4 2006G will be based on several factors including the potential size of the market, the impact on consumers and existing operators, and the viability of the mobile market for additional competition.</p> <p>The CITC cannot make any determinations at the present time as to its future licensing plans after Q4 2006G.</p> <p>The CITC will not license any additional GSM mobile operator until Q4 2006G.</p> <p>The CITC may consider licensing other types of wireless service providers at any time. Please also refer to the answer to questions 165-167 in Section 5.</p>
282. Can the CITC explain what "consideration" process will be followed by the CITC for the issuance of the third license?	
283. Does the CITC envisage any further licenses being issued beyond the possible 3rd GSM license in 2006G? If so, in what timeframe?	
284. The CITC has indicated that it will consider issuing an additional license in Q4 of 2006. Can this be taken to imply that until Q4 of 2006, the CITC will not consider any MVNO, Broadband Wireless Access, Limited Mobility, GSM-R, CDMA, TETRA or other nation-wide cellular/data communications licenses?	
285. Is the issue for the installation and operation of a GSM network and provisioning of cellular mobile services for an exclusive period until 2004?	
286. Does the additional license, which the CITC will consider issuing in Q4 2006G refer to a GSM license, or to any other license? In other words, can an additional license be issued prior to Q4 2006G?	

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
12. EXCLUSIVITY / FUTURE LICENSING	
287. Can the CITC list possible "license implications" on the second license contemplated under the current process, noting that by Q4 2006, the second license will have barely been in operation for 18 months. (Namely, the process for the third license would be started at a time when the second licensee would only have been operating for nine months?)	The CITC will not issue a further license for the installation and operation of GSM public mobile telecommunications services until Q4 2006G.
288. Will the CITC consider issuing an additional license in Q4 2006G? Can the CITC clarify whether this will be on the date for issuance of the additional license or at a date when the CITC will start considering the need for an additional licensee?	
289. Will the CITC consider issuing an additional license in Q4 2006G? Can the CITC clarify whether this will be on the date for issuance of the additional license or at a date when the CITC will start considering the need for an additional licensee?	
290. Will all "license implications" on the second license be defined by the time of the RFA issue given that these are likely to have a material impact on its business plan?	Potential Candidates can be assured that the draft GSM License and 3G License will be attached to the RFA.
291. Will there be a guarantee that the license will be exclusive at least until Q4 2006? Will there be any exclusivity commitments after that date? Is it anticipated that the successful bidder for the license will not be permitted to be involved in the 2006 additional license award process?	<p>Please refer to the answer to questions 165-167 in Section 5 and the answer to questions 283 and 284-286 in Section 12.</p> <p>The Licensee will not be allowed to be involved in the licensing of the 3rd cellular mobile Operator.</p>

**LICENSING OF CELLULAR MOBILE SERVICES
RFPQ QUESTIONS AND ANSWERS**

Question	Answer
12. EXCLUSIVITY / FUTURE LICENSING	
292. Will the CITC license MVNOs and if so, when are MVNOs likely to be licensed and will such licenses be limited in number?	The CITC might consider licensing MVNOs in the future and the timing for such licensing will be determined at a later stage.