

Issuance of frequency authorisations for GSM 1800 mobile phone networks

Tender description

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POST AND TELECOM ADMINISTRATION

Sudurlandsbraut 4

108 Reykjavík

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1 Terms of tender

1.1 General

With authority based in Article 9, cf. Article 11 of the Electronic Communications Act, no 81/2003, the Post and Telecom Administration (PTA) will grant frequency authorisations for the operation of two new mobile telephone networks in accordance with recognised GSM standards, following an advertisement and a selection from among applicants that will be chosen based on the terms specified below. A maximum of two tenderers will receive frequency allocations.

Each frequency authorisation shall apply to the entire country and shall include one of the following frequency ranges, each of which is 2 x 7.4 MHz, for a total of 14.8 MHz.

- 1) 1751.1-1758.5 MHz / 1846.1-1853.5 MHz
- 2) 1758.7-1766.1 MHz / 1853.7-1861.1 MHz

Applications will be evaluated according to specified rules and will be awarded points. Applicants offering the greatest amount of build-up in the shortest period of time will receive the most points. The evaluation of the offers will take account of the following items:

- Population coverage of GSM services to Icelanders via own network. The assessment of coverage will be based on population figures (registered legal addresses).
- When the applicant's subscribers will gain access to the GSM network.

Section 1.4 shows how points will be calculated on the basis of obligations with respect to coverage and build-up speed, as set forth in the applicant's tender.

If there are two or more applications that are fully valid, so that a choice must be made from among them, the applicants with the most points will receive allocations.

The applicant with the most points will have first choice of frequency authorisations 1-2 above. The applicant with the second-most points will have second choice. Applicants shall specify their preferences in this regard in their applications.

The application deadline is 11:00 a.m., Tuesday 3 April 2007. Applications shall be submitted to the reception area of the Post and Telecom Administration, Sudurlandsbraut 4, Reykjavík, both on paper and in electronic form.

Questions regarding allocation rules and implementation can be sent to the Post and Telecom Administration by e-mail to gudmundur@pta.is. An attempt will be made to respond to all written questions. The Administration reserves the right to publish information on such questions and answers on its Internet website: www.pta.is.

1.2 Minimum requirements concerning financial position

The applicant shall demonstrate that he has the financial strength to carry out the build-up plans in his tender.

At a minimum, the applicant shall submit, with his application, satisfactory information to show that his equity totals at least ISK 50 million and that his equity ratio will not fall below 20% during the build-up period.

After bids have been opened, the Post and Telecom Administration may request necessary information on the applicant. Such information shall be furnished within seven (7) days following the opening of bids. This refers to confirmed information on the financial position and turnover of the applicant over the past two years, including:

1. Annual financial statements for the past two years.

2. Statements from the applicant's commercial bank concerning his business.
3. A written statement from the pertinent municipal and national collection authorities stating that the applicant has paid public levies for the past two years and is not in arrears with respect to public levies.
4. A written statement from the applicant's employee pension fund, stating that he has paid pension contributions for the past two years and is not in arrears with respect to pension contributions.

This information will be treated as confidential. In signing the application, the applicant grants PTA permission to verify this information by contacting the collectors of public levies and the custodians of pension funds.

PTA has the authority to investigate the business history of managers and primary owners. If such an investigation reveals that they have become insolvent or have been in a comparable position during the past five years, it is possible that the application may be rejected.

1.3 Minimum requirements concerning coverage area, development phases, and build-up speed

The minimum requirement for each frequency rights holder is that the GSM service reach at least 40% of Icelanders no later than 1.5 years (18 months) after the issuance of the frequency authorisation (Phase T1). The GSM service must reach at least 60% of Icelanders three (3) years after the issuance of the frequency authorisation (Phase T2).

The population figures (registered legal addresses) published by the National Registry as of 1 December of the prior year will be used to measure the build-up of service at the end of each phase in accordance with the above table.

It is required that the frequency authorisations be brought into use within twelve (12) months from their issuance. Otherwise, PTA reserves the right to cancel the frequency authorisation.

An area is considered to have GSM service if the field strength, as measured outdoors at a height of 1.5 m, is at least 64 dB μ V/m.

The frequency rights holder is authorised to use a lower field strength as a guideline — for example, in rural areas — if he can demonstrate to PTA's satisfaction that mobile network services will not be curtailed.

1.4 Calculation of points for applications

The number of points is calculated so that the percentage of coverage at each phase (T1 and T2) is weighted separately. This means that the sooner the coverage is achieved, the more points are awarded, based on the formula $P1 + 0.50 * P2$.

Explanation:

P1 = the percentage of coverage eighteen months after the issuance of the frequency authorisation; that is, at the end of Phase T1.

P2 = the percentage of coverage three years after the issuance of the frequency authorisation; that is, at the end of Phase T2.

Section 2.5 shows how applicants shall account for coverage and build-up speed, which they **pledge** to abide by.

1.5 Selection from among applicants if there is little difference in scores

If the difference in points awarded to two applicants in accordance with Section 1.4 is less than 10%, a decision will be made on the basis of information that the applicant has provided according to Section 2.8 concerning the proposed services and estimated price. In such instances, PTA will weigh the diversity and nature of services, as well as the pricing of those services.

1.6 Expenses and fees

a) Annual fees

Undertakings that receive frequency authorisations shall pay, in addition to the above-described fees, an annual fee as set forth in the Electronic Communications Act and the Act on the Post and Telecom Administration.

The principal fees are the following: an operating fee pursuant to Article 14, Paragraph 4 of the Act on the Post and Telecom Administration, no. 69/2003, which is 0.30% of recorded turnover; a frequency fee pursuant to Article 14a, Paragraph 1 of the same Act, which is ISK 256,500 for each MHz (15 MHz x ISK 256,500/yr/MHz = ISK 3,847,500/yr); and an equalisation fee pursuant to Article 22, Paragraph 3 of the Electronic Communications Act, no. 81/2003, which is 0.12% of the electronic communications undertaking's recorded turnover.

1.7 Limitation on number of applications

Each applicant may submit only one application. If an applicant, or more than one party from the same corporate consolidation, submits more than one application, PTA will exclude the application receiving the most points. The same applies if the party submitting the application owns a controlling share in more than one of the applicants.

2 Information to be submitted in the application

2.1 General information

The application must include the name, address, national ID number, telephone number, fax number, and e-mail address of the applicant. If the applicant is an undertaking, the application must include information on owners with a stake of 5% or more. If the applicant is an undertaking owned by another undertaking, the same information on the owners of the latter undertaking must accompany the application. The application shall also include information on the amount of share capital in the company and how much of it has been paid.

2.2 Applicant's operations

The applicant shall account for current operations: to what sector those operations belong and what services, if any, are provided. If the applicant is involved in electronic communications operations, he shall describe the main aspects of those operations and shall specify what networks are operated, what services are offered, and what type of customers those services are intended to serve. The undertaking's organisational chart shall accompany the application, together with information on what department or departments are responsible for the application.

2.3 Links with other electronic communications undertakings

The applicant is required to provide information on his links with other electronic communications undertakings. He shall provide information on direct and indirect holdings in other electronic communications undertakings, on joint operations, and on other collaboration.

2.4 Technological implementation

The applicant shall specify what recognised GSM standards will be used. He shall also specify what versions of the standards will be used, with references to ETSI and/or 3GPP. In particular, he shall specify whether GPRS or EDGE will be used.

2.5 Coverage area and speed of build-up

With reference to Section 1.3, the applicant shall specify the coverage that he pledges to achieve in accordance with the phases defined below:

Phase: (time elapsed from issuance of frequency authorisation)	Population coverage obligation
T1: 18 months	P1 % of the national population. (minimum 40%)
T2: 3 years	P2 % of the national population. (minimum 60%)

Applicants shall enter, into a special Letter of Tender that is included in Annex 1, the coverage as a percentage of total population, P1-P2, that they **pledge** to achieve at the end of each phase, T1 and T2.

The total point value of the bid shall also be entered.

The calculation of points is shown in Section 1.4.

Annex 1 shows two examples of the calculation of points for various coverage and build-up speed.

Also accompanying this tender description is an Excel document with point calculation.

2.6 Financial position

The applicant shall provide the information that PTA requires in order to assess his financial position in accordance with the terms set forth in Section 1.2.

The applicant will be required to submit an itemised investment schedule for the proposed mobile network and services; furthermore, he will be required to demonstrate that his financial strength is sufficient to allow him to carry out the build-up of the network.

2.7 Technological capability

The applicant shall give account of his experience and performance in the electronic communications market, both in Iceland and abroad. In addition, he shall describe how he intends to guarantee the necessary expertise and experience in building up and operating a third-generation electronic communications network and associated services. Furthermore, the applicant shall state what subcontractors he intends to engage, if any.

2.8 Proposed services and estimated price (optional)

The applicant is given the opportunity to provide particular information on the services that he pledges to offer and the price of those services. This information will be used to choose from among applicants if the difference in the points awarded to individual applications is less than 10%, cf. Section 1.5.

The applicant shall describe the services that will be offered and that he considers likely to appeal to users, together with a price list containing maximum prices and subscription options.

On the basis of this information, PTA will calculate monthly phone costs based on typical usage patterns among phone users in Iceland.

2.9 Additional allocation of frequencies

If an applicant considers it necessary to allocate additional frequencies, he is given the opportunity to mention this in the application, together with information on when such an expansion of the frequency range will be necessary. In that case, he shall state why this is the case; for example, that it would be possible to build up the electronic communications network in a more economic manner or provide better services on it.

It should be emphasised that it has not been established at this time whether there will be additional allocations, nor has it been established what methods will be used if such additional allocations take place.

2.10 Correct information

Applicants shall provide information to the best of their knowledge. Incorrect information could result in the rejection of the application or, if the error is discovered after the fact, in the revocation of the frequency authorisation. The Post and Telecom Administration reserves the right to reject applications that are not accompanied by the information requested in this document.

In the event that the applicant's circumstances change after the application is filed and before frequency authorisations are granted, and the information in the application is rendered incorrect by those changes, the applicant shall so inform the Post and Telecom Administration without delay.

2.11 The Post and Telecom Administration's obligation to provide information

After the application deadline, the Post and Telecom Administration will publish the names of applicants and their scores and estimated build-up speed. Applicants are permitted to request

that certain information in their applications be classified as a matter of business confidentiality. The Post and Telecom Administration will take a position on such requests in accordance with the pertinent regulatory instruments.

An issued frequency authorisation is considered public information and will be made public as appropriate.

3 Conditions to which undertakings will be subjected in the frequency authorisation

An undertaking will be required to abide by the statements that it makes in its application and which provide the basis for the allocation; that is, obligations concerning coverage area and build-up speed. The information contained in the application will be considered the premises for the frequency allocation.

An undertaking may assume that the provisions of the frequency authorisation will take virtually the same form as is described below in Sections 3.1 – 3.11. However, the Post and Telecom Administration reserves the right to amend these provisions and add further provisions prior to the granting of allocations, if this is deemed necessary.

3.1 Holder of frequency authorisations

---(Name of undertaking) —, is hereby granted a frequency allocation for the build-up and operation of mobile phone networks according to the ETSI's GSM 1800 standards, and on the frequency ranges specified in Section 3.3.

3.2 Obligation to provide information and monitoring measures

The undertaking shall be subject to monitoring of its operations and financial position by the Post and Telecom Administration, as is further stipulated in Article 4 of the Act on the Post and Telecom Administration, no. 69/2003. The Post and Telecom Administration is also authorised to resort to those measures that are set forth in Article 5 of Act no. 69/2003; that is, to demand all information that it deems necessary in order to investigate individual cases. This information shall be provided verbally or in writing, in accordance with the decision of the Post and Telecom Administration, and within the time limits set by the Administration.

As a part of the monitoring of the undertaking's operations and financial position, PTA may demand that the undertaking submit annual financial statements, interim financial statements, auditors' reports, and other comparable information.

In its investigation of a case, PTA may make necessary investigations at the place of business of an electronic communications undertaking and seize documentation if there are cogent reasons to suspect a violation of the Electronic Communications Act, no. 81/2003, the Act on the Post and Telecom Administration, no. 69/2003, or any rules or specific decisions by the Administration. Such actions must comply with the provisions of the Code of Criminal Procedure concerning searches and seizure of objects.

The undertaking shall furnish the Post and Telecom Administration with all the statistical information that the Administration deems it necessary to compile in order to monitor developments in the electronic communications markets; for example, information on number of users, size of electronic communications networks, network traffic, number of malfunctions, number of complaints, user fees, revenues, expenses, and investments. In its pursuit of this information, the Post and Telecom Administration may send out questionnaires on a regular basis, and the undertaking is required to respond to them within the time limits set by the Administration.

The undertaking shall notify the Post and Telecom Administration of any changes in its name, address, or responsible parties.

3.3 Authorisation for use of frequencies

The undertaking has been authorised to use the frequency range

17xx-17xx MHz / 18xx-18xx MHz (2 x 7.4 MHz)

If the undertaking has not brought the frequency range authorised in Paragraph 1 into any use whatsoever within twelve (12) months of the date of this authorisation, the Post and Telecom Administration reserves the right to revoke the authorisation. The same shall apply if the undertaking's services are suspended for more than six consecutive months.

The Post and Telecom Administration may require that an undertaking change the properties of the technological equipment related to the frequency authorisation with the aim of promoting efficiency in frequency use or reducing interference. The Post and Telecom Administration shall, in collaboration with the undertaking, attempt to minimise the cost of such changes.

3.4 Electronic communications infrastructure

The undertaking is authorised to set up electronic communications infrastructure other than equipment for wireless communications as part of its electronic communications network without receiving special authorisation in each given instance.

The set-up of radio stations (parent stations) using frequencies in accordance with this frequency authorisation is subject to the issuance of a permit. It is necessary to notify the Post and Telecom Administration in advance of the set-up of radio stations and to specify all of the variables pertaining thereto, including location, type and height of antennae, polarity of radiation, and transmission strength. The Post and Telecom Administration reserves the right to limit the radiated power at any transmission point with the aim of forestalling interference, cf. Section 3.5.

The location of radio stations shall be specified in the co-ordinates according to the ISN93 national co-ordinate system, Lamber projection.

3.5 Network equipment

All radio equipment that is to be used shall be CE-labelled by the manufacturer in confirmation of the fact that the equipment meets the requirements of the R&TTE Directive (1999/5/EC).

The undertaking shall ensure that the equipment under its control does not cause harmful interference with other legal electronic communications.

The undertaking is required to notify the Post and Telecom Administration of interference of which it is aware, whether that interference is caused by its network or experienced on it.

The Post and Telecom Administration may demand changes in equipment with the aim of preventing problems caused by interference. The undertaking shall, at its own expense, comply with the Post and Telecom Administration's instructions aimed at ameliorating interference problems caused by its equipment.

If equipment causes serious interference, the Post and Telecom Administration may have it sealed off or may prohibit its use, cf. Article 64 of the Article Electronic Communications Act, no. 81/2003.

In cases involving substantial and harmful interference that cannot be prevented, the Post and Telecom Administration may revoke the right to use of the frequency.

The undertaking shall take measures to minimise the risk to the public of electromagnetic radiation from the network. Attempts must be made to situate electronic communications infrastructure in locations where the public will be least affected by such radiation.

The undertaking shall abide by instructions and rules that may be set by the authorities with respect to electromagnetic radiation, including following certain standards.

If it is revealed that electromagnetic radiation from electronic communications infrastructure is above the reference limits set in rules or pertinent standards, the undertaking shall make improvements without delay or, alternatively, discontinue the use of the infrastructure in question.

If the total electromagnetic radiation from electronic communications structures that are located in close proximity to one another exceeds reference limits without a single structure's exceeding those limits, the undertaking that installed its equipment last shall make improvements or discontinue the use of the equipment in question.

3.6 Coverage

Within ten (10) business days after the end of each phase as set forth in Section 2.5, the undertaking shall inform PTA in writing of the coverage of the system and the chief technological properties of the system in each area. This shall apply to all those properties that affect the services provided in the areas in question. The applicant shall submit coverage maps together with information and itemised calculations of the number of residents reached by that coverage.

If coverage is not achieved in the specified time or the obligations set forth in the frequency authorisation are not met, the Post and Telecom Administration is authorised to revoke the authorisation in cases of major non-compliance; cf. also Section 4.10.

At the end of each phase, Phase T1 and Phase T2, the undertaking shall notify the Post and Telecom Administration within one month of the number of residents considered to use the GSM-1800 services in accordance with the definition in Section 1.3.

3.7 Prohibition of transfer

The frequency authorisation is linked to the legal person and national ID number of the undertaking and may not be assigned or transferred in any way, in whole or in part.

3.8 Amendments to the provisions of the authorisation

The Post and Telecom Administration is authorised to amend the provisions of the authorisation to coincide with amendments with regulatory provisions, or if international agreements occasion such amendments. If amendments to the period of validity of the authorisation result in abridgements of the undertaking's rights in accordance with this authorisation, the undertaking shall not have the right to compensatory damages because of such abridgement.

3.9 Revocation of frequency authorisation and other coercive measures

The Post and Telecom Administration may revoke this authorisation if the undertaking is in arrears with the fees and payments required of it pursuant to the Act on the Post and Telecom Administration, no. 69/2003, is granted a moratorium on payment, or is declared insolvent. The Post and Telecom Administration may also revoke an authorisation in case of the following: a violation of the provisions of the authorisation or its annexes; a violation of the above-cited Act or the Electronic Communications Act, no. 81/2003; violations of government regulations on electronic communications or rules set by the Post and Telecom Administration; or violations of specific decisions of the Administration. The authorisation may not be revoked, however, until the undertaking has been given the opportunity to submit its comments within 30 days of the Administration's notification of the violation.

The Post and Telecom Administration may decide to impose daily fines if an undertaking does not comply with the provisions of the above legislation, the terms of the frequency authorisations or its annexes, or individual decisions of the Administration, or if the undertaking does not

furnish the information that it is required to provide the Administration, cf. Article 12 of the Act on the Post and Telecom Administration, no. 69/2003.

3.10 Fees

The fees that the undertaking must pay the Post and Telecom Administration are set forth in the provisions of Articles 14 and 14a of the Act on the Post and Telecom Administration, no. 69/2003, with subsequent amendments.

For the purpose of levying the operating fee pursuant to Article 14 of Act no. 69/2003, the undertaking is required to send the Post and Telecom Administration an annual estimate of revenues generated by operations subject to licensing. The estimate must be sent to the Administration no later than 8 January of the following year. At the end of the general tax filing deadline set forth in Act no. 90/2003, the undertaking shall send the Post and Telecom Administration its turnover figures once again and shall account for any differences between estimates and actual figures.

For the purpose of levying the operating fee pursuant to Article 14 of Act no. 69/2003, the undertaking is required to send the Post and Telecom Administration an annual estimate of revenues generated by operations subject to licensing. The estimate must be sent to the Administration no later than 8 January of the following year. At the end of the general tax filing deadline set forth in Act no. 90/2003, the undertaking shall send the Post and Telecom Administration its turnover figures once again and account for any differences between estimates and actual figures.

3.11 Period of validity

This authorisation shall remain valid for ten (10) years from the date of issuance.

Annexes

Annex 1 Letter of Tender and point calculations

This form shall be filled out and submitted with the application.

The stated figures concerning coverage and build-up speed will be read aloud at the opening of bids, together with the calculated points for the bid.

Name of applicant: _____

Address: _____

National ID number: _____

Build-up obligation:

	T1	T2	Points
Coverage [%]			

Explanation:

Phases T1 and T2 (time elapsed from issuance of frequency authorisation):

T1: 18 months; T2: 3 years

Applicants shall enter into the Letter of Tender the coverage as a percentage of total population, P1 and P2, that they **pledge** to achieve at the end of each phase, T1 and T2.

Section 1.4 shows the method for calculating points as a function of coverage and build-up speed.

Two examples of the calculation of points for various coverage and build-up speeds are shown on the next page.

Examples of point calculation:**Example 1:**

Coverage in accordance with minimum requirements with no further coverage (see Section 1.3); that is, service reaching 40% of Icelanders within 18 months and 60% of Icelanders within 3 years. Both time limits are calculated from the issuance of the frequency authorisation.

Total 70 points

	T1	T2	Points
Coverage [%]	40	60	70

Example 2:

Coverage in excess of minimum requirements; that is, service reaching 50% of Icelanders within 18 months and 70% of Icelanders within 3 years. Both time limits are calculated from the issuance of the frequency authorisation.

Total 85 points

	T1	T2	Points
Coverage [%]	50	70	85