

Telecommunications Regulatory Authority

**Invitation to Apply for a Licence for the
Second Mobile Telecommunications Licence and Frequency
Licence in the Kingdom of Bahrain**

1st January, 2003

Issue 01.1

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1. INTRODUCTION

1.1 THE LICENCE

The government of Bahrain has embarked upon a significant programme of liberalisation and democratic reform that has included the conversion to a constitutional monarchy in February 2002 followed by municipal elections, held in May 2002. National parliamentary elections subsequently took place in October 2002.

Liberalization of the telecommunications sector in the Kingdom of Bahrain culminated in the enactment of the Legislative Decree No. 48 of 2002 Promulgating the Telecommunications Law, a copy of which can be obtained from the contact given in section 1.7 below, which inter alia mandates the issuing of a licence to a second GSM operator in addition to, and in competition with, the existing operator Batelco. The Licensee will be authorised to establish and operate a GSM mobile telecommunications network and to provide public mobile telecommunications services in Bahrain. (See Section 39.B.1 of the Telecommunications Law). The successful Applicant will also have the right, but without obligation, to establish and operate a third generation network.

Accordingly, parties who are interested in applying for the Licence shall make applications in accordance with this Invitation to Apply (ITA). The successful Applicant will be selected on the basis of the selection criteria referred to in Section 4.2 and is expected to have the required skills, resources and experience to take full advantage of this opportunity.

1.2 INCORPORATION REQUIREMENTS

In accordance with Section 26 from the Telecommunications Law:

- (a) In order for a license to be granted, the following is required:
 - 1 that the license applicant be juristic entity incorporated in the Kingdom, or a branch of a foreign company licensed to operate in the Kingdom in accordance with the Commercial Companies Law.
 - 2 that substantially all the infrastructure and personnel associated with the provisions of telecommunications service be located in the Kingdom.
- (b) The Authority alone shall have the right to waive the conditions provided for in subparagraph 2 of Paragraph (a) of this Section in either of the following two cases:
 - 1 there exists substantial demand for a telecommunications service that cannot be provided on an efficient basis other than by means of infrastructure and personnel located outside the Kingdom, provided that such a service will be to the direct benefit of subscribers and users, as determined by the Authority on the basis of the obligations provided for in the license or otherwise; and
 - 2 if Licensees breach the obligations provided for in Paragraph (a) of Section (65) of this Law.

The licence is termed an individual licence, i.e. personal, and may not be assigned without the prior written consent of the Telecommunications Regulatory Authority (TRA).

The TRA appreciates that in relation to Section 26 that not all applicants may want to incorporate in the Kingdom or structure their Application as a branch of a foreign company licensed to operate in the Kingdom, particularly during the early stages of the Application process. While the TRA encourages

applicants to comply with the requirements of Section 26 as soon as practicable, it will accept applications from applicants incorporated outside the Kingdom, provided that (i) the Application clearly states that the Application is on behalf of a juristic entity to be incorporated in the Kingdom and (ii) the applicant undertakes to effect such incorporation immediately upon request of the TRA, but in any event prior to the grant of the Licence.

1.3 LICENCE AWARD METHOD

The Licence available shall be awarded by way of an open competition based on a comparative selection method (a so called “beauty contest”), which allows for the evaluation of applications against a set of evaluation criteria reflecting Bahrain’s policy goals in the area of mobile telecommunications.

Applications will be evaluated on the basis of the documents that have been received by the submission deadline for written applications of 5th March, 2003. The final decision on the successful Applicant shall be made by the TRA, in accordance with Section 29 of the Telecommunications Law, which requires the Board of the TRA to approve the recommendation of the General Director of the TRA.

The TRA reserves for itself absolutely the right to vary, suspend or abandon the process of selection.

1.4 INVESTIGATION AND DUE DILIGENCE

Each Applicant should conduct its own independent investigation, due diligence, translation and analysis of all relevant facts and conditions, including the information provided in this ITA, and in particular of the form Licence terms attached at Annex 2.

Under the Telecommunications Law, licences are standardised as far as practicable, but the TRA may consider changes provided these are for objectively justifiable reasons. In addition, the Telecommunications Law allows a Licensee that does not have significant market power, such as a may be the case for a new market entrant, to receive a licence on more favourable terms than would be awarded to a licensed operator deemed to have significant market power.

1.5 RESPONSIBILITY FOR COSTS

The Applicant shall, irrespective of the result of this invitation, itself bear all costs for and in connection with the preparation and submission of the Application and any associated actions. The TRA is not obliged to reimburse any costs.

1.6 SUBMISSION OF WRITTEN APPLICATIONS

Written Applications must be submitted to the TRA, by 5th March, 2003 at the address given in Section 1.7 below.

Each Applicant must lodge one original and ten (10) copies of the Application in English. An Executive Summary is required both in English and Arabic. In addition, a copy must also be provided in electronic format.

1.7 POINTS OF CONTACT

All communications in relation to the Application shall be made through the TRA. In preparing applications for the Licence, Applicants may request written clarification of issues in accordance with the timetable and process laid down in section 4.1. Contact details are as follows:

Telecommunications Regulatory Authority
c/o Economic Development Board
P.O. Box 11299
Manama
Kingdom of Bahrain.
Tel No.: +973 540 120
Fax No.: +973 532 125
Email: Bahrain@intercai.co.uk

1.8 DISCLAIMER

This Invitation to Apply is not an offer or undertaking by the TRA or by any other person to grant the Licence.

The information contained in the ITA is believed to be accurate as at the time of issue. Neither the TRA nor its advisers, nor their employees, agents or subcontractors, represents or warrants, either expressly or implicitly, that the information contained in this ITA is accurate or complete. No liability for any information contained in, or for any omissions from, this ITA or any other written or oral communications made to applicants is accepted by such persons.

Applicants are advised to familiarise themselves with the Telecommunications Law, form Licence contents and all other relevant information. Extracts from the Telecommunications Law included in this document are for easy reference only, and Applicants should rely in all respects on the Arabic text. An unofficial English translation of the Telecommunications Law can be provided for the convenience of Applicants from the point of contact in section 1.7 above. However, the Arabic version of the Telecommunications Law is the official text, and Applicants must rely on the official Arabic version of the Telecommunications Law.

1.9 GOVERNING LAW

This Invitation to Apply and any licence that may be granted shall be governed by the laws of the Kingdom of Bahrain.

2. THE REGULATORY ENVIRONMENT AND BROADER PICTURE IN BAHRAIN

2.1 A STRONG REGULATORY ENVIRONMENT

The Government of Bahrain is committed to the concept of a strong and independent regulator. Specific provisions in the Law include:

- The Regulator being charged with promoting and balancing the interests of subscribers and other users, and promoting effective and fair competition among new and existing licensed operators
- The Regulator has the power to set interconnect rates (fixed to fixed, mobile to fixed and fixed to mobile) for operators with significant market power

The Regulator shall be required to carry out its duties and exercise its powers in a non-discriminatory and transparent manner and there are strict limitations on the grounds upon which the Regulator can be removed. A Board, appointed by the King on the recommendation of the Council of Ministers, oversees the Regulator, the day-to-day functioning of which vests in a General Director. The Board of the TRA has the authority to approve the TRA's budget and approve individual licence awards.

2.2 THE BROADER PICTURE

The mobile telecommunications licence opportunity is part of a much broader telecoms liberalisation exercise. The timetable for the introduction of competition into other areas is:

- Value Added Service provision and Internet Service Provision as soon as practical.
- Second fixed national service licence available by 1st July 2004
- International facilities licence available in the first quarter of 2004 with service to commence after 1st July 2004 and International Service Provision licence in the third quarter of 2004,

The successful applicant for the second mobile telecommunications licence has the right to aggregate and interconnect international traffic prior to the opening up of this service to further competition in 2004. In addition, the Telecommunications Law makes provision for the second mobile operator to:

- access to clear radio spectrum in both the GSM 900 and 1800 bands
- have access to dark fibre and duct space from the incumbent
- deploy its own wireless backhaul
- have access to national roaming for a period of 12 months
- request number portability provided the TRA is satisfied that demand exists
- access to spectrum and the right to operate 3rd Generation services with no mandated rollout.

The TRA has wide-ranging power to impose sanctions where Licensees are found to act anti-competitively or in cases where they fail to comply with the provisions of the Licence and Law. Such sanctions include the levy of fines and the ability to bring forward the timetable for the introduction of competition. Decisions of the TRA may be appealed to an arbitration tribunal.

For additional information Applicants may consult the document entitled "The Opportunity for a Second Mobile Telecommunications Operator in the Kingdom of Bahrain". The document may be obtained from www.bahrainedb.com and www.tra.gov.bh (Currently under construction). It should be noted that this document is not part of this ITA, and should not be relied upon by Applicants.

3. RIGHTS AND OBLIGATIONS

The rights and obligations of the successful Applicant will follow the terms laid down in the Licence. Applicants are referred to the rights and obligations included in the Licence, a draft of which is appended to this document (see Annex 2). The sections in this chapter outline aspects of the Licence and the Telecommunications Law, and Applicants must only rely on the full and formal text of the documents.

3.1 THE LICENSED NETWORK

3.1.1 Licensed Networks and Services

The Licensee is authorised to develop and operate a mobile telecommunications network for the provision of national and international services using the GSM standard within the Kingdom of Bahrain. Additionally, the Licensee is authorised to develop and operate a mobile telecommunications network based on the 3G/IMT-2000 standards. The current intention in Bahrain is to maximise the opportunity for international roaming by operating 3G networks conforming to the UMTS standard (also known as UTRA FDD and UTRA TDD), as in Europe.

3.1.2 Coverage and Rollout Requirements

The Licensee is required to have rolled out its GSM network such that commercial launch of service occurs within one year of the licence award and 95% of the population has coverage within 3 years.

3.1.3 Frequency Allocation

Spectrum is reserved for the Licensee in the following GSM bands:

- 2 x 10 MHz of currently unassigned spectrum in the E-GSM band
- 2 x 25 MHz of currently unassigned spectrum in the GSM-1800 band
- An additional 2 x 7 MHz of spectrum in the GSM-900 band, that the incumbent is required to vacate within 3 months of the effective date of the Telecommunications Law

The successful Applicant may apply for a Frequency Licence for exclusive use of these channels, up to the total amount reserved. However, any channels not applied for at the time of the licence award will cease to be reserved on an exclusive basis for the second mobile operator. Subsequently, the Licensee may apply to the TRA for additional frequencies in accordance with Section 44 of the Telecommunications Law, provided demand can be demonstrated. The TRA will pass on such a request to the competent authority, which will consider the Application according to standard procedures.

Additionally, up to a total of 2 x 15 + 5 MHz of spectrum will be reserved for the operator in the 3G bands as follows:

- 15 MHz in the band 1920 – 1980 MHz paired with 15 MHz in the 2110 – 2170 MHz band
- 5 MHz of unpaired spectrum in the 1900 – 1920 MHz band

As with the GSM spectrum, frequencies within the 3G bands will only be available exclusively to the Licensee if a Frequency Licence has been applied for at the time of the Mobile Licence award and the subsequent fees paid (see section 3.2 below). However, if the Licensee fails to deploy 3G infrastructure, or submit plans for the rollout of such infrastructure, that are subsequently approved by

the TRA, within three (3) years of the licence award then the allocation of 3G spectrum will be revoked.

3.2 FEES AND DURATION

3.2.1 Licence Fees

The initial fee for the first year of the licence shall be BD 100,000.

The annual renewal licence fee for each subsequent year shall be 1% of the gross annual turnover of the Licensee attributable to the licensed services, payable in advance using the gross annual turnover of the previous year and adjusted for any increase when the gross annual turnover for the current year becomes available.

In addition, the Licensee shall pay the TRA a fee of BD 10 for the issue of a frequency licence. A similar fee will be payable with any subsequent issue of a frequency licence, such as for the use of 3G spectrum. Annual spectrum charges are payable at a rate of BD 8,000 per MHz allocated to each operator. The maximum annual charges in respect of the spectrum available for allocation to the Licensee are therefore:

GSM Spectrum (Total 84 MHz):	BD 672,000
3G Spectrum (Total 35 MHz):	BD 280,000

3.2.2 Duration and Renewal

The licence will be granted for an initial term of fifteen years. The licence is renewable upon request for an additional term of ten (10) years when the current licence term expires.

3.3 RIGHTS AND INCENTIVES

3.3.1 Local and International Interconnection

The Licensee has the right to interconnect with the incumbent operator at any point that the TRA determines to be technically appropriate. The TRA requires operators that are determined to be in a dominant position (such as may be determined of the incumbent) to publish the approved terms and tariffs on which such interconnection is to take place in the form of a reference interconnection offer.

In addition, the Licensee is authorised to provide international telecommunications services by means of its own international telecommunications facilities and additionally, to connect to any other telecommunications network operated under a telecommunications licence.

3.3.2 Sharing of Facilities

An operator that is determined to be in a dominant position is required to provide access (as defined in the Telecommunications Law) to its telecommunications facilities on an unbundled and cost oriented basis. In particular, the Licensee shall have access to duct systems, within which may be installed cabling and directly associated equipment. Under this provision, it is also possible for the Licensee to share the incumbent's towers, masts and remote sites. However, facilities sharing is subject to the following constraints:

- (a) the TRA must be satisfied that any arrangement is efficient; and
- (b) the operator must substantively maintain its own network identity from both a commercial and technical perspective.

3.3.3 Self-Provision of Backhaul

Subject to the granting of, and payment for, a frequency licence and associated spectrum charges, the Licensee will have the right to provide its own microwave backhaul at 38GHz.

3.3.4 National Roaming

The Licensee has the right to enter into a national roaming agreement with the incumbent operator within a period of three months from the date of licence award and for a duration of one year, or longer if the TRA determines that build out has been delayed due to actions of the incumbent operator. In the event that roaming terms cannot be agreed with the incumbent operator, the TRA has the power to impose the terms.

3.3.5 Number Portability

At the request of the Licensee, and subject to the TRA being satisfied that sufficient demand exists for the service, reciprocal number portability will be available between mobile operators according to a timetable determined by the TRA.

4. TIMETABLE, SELECTION CRITERIA AND EVALUATION PROCESS

4.1 TIMETABLE

The timetable for the licence application process is as follows:

<i>Activity</i>	<i>Date</i>	<i>Elapsed Time</i>
ITA available	1 st January, 2003	
Written questions only from interested parties	From 22 nd January until 22 nd February, 2003	7½ weeks
Submission deadline for written Applications	5th March, 2003	10 days
Publication of the names of Applicants who submitted applications	12th March, 2003	1 week
Clarification of Applications by TRA	19 th March, 2003	2 weeks
Recommended shortlist of Applicants	26th March, 2003	1 week
Final meetings with Applicants	9 th April, 2003	2 weeks
Announcement of preferred Applicant	16th April, 2003	1 week
Issue of License to successful Applicant	22nd April, 2003	1 week

4.1.1 Written Questions Relating to the ITA

Initially questions will be handled verbally or via email, but from three weeks after the issue of this ITA, all queries should be submitted in writing and addressed to:

Telecommunications Regulatory Authority
c/o Economic Development Board
P.O. Box 11299
Manama
Kingdom of Bahrain.
Fax No.: +973 532 125

No further questions from Applicants, either written or verbal, will be permitted seven and a half weeks or more after the issue of the ITA.

The TRA reserves the right to disseminate answers to all interested Applicants, but without divulging the identity of those who have asked the questions.

4.1.2 Submission Deadline for Written Applications

The final date for submitting written Applications is fixed at 12:00 noon of 5th March, 2003, local Bahrain time.

The TRA will not consider any offers submitted after this specified date. Applications arriving later will be returned to the sender unopened.

4.1.3 Delivering the Documents

An electronic copy in either Microsoft Word or Adobe Acrobat format, on a CD-Rom and ten (10) originals, each in closed and sealed packages, bearing on their exterior the statement defined in section 5.1.2 below in addition to the name and address of the sender, must arrive at the following address, by post or by hand to:

Telecommunications Regulatory Authority
c/o Economic Development Board
P.O. Box 11299
Manama
Kingdom of Bahrain.

The delivery of the Application is the responsibility and risk of the Applicant.

4.1.4 Publicizing Applicants and Confidentiality

The TRA reserves the right to publish the names of the Applicants. The publication of the names of Applicants will be within one week of the expiry of the Application deadline.

The TRA will take reasonable steps to ensure the confidentiality of the contents of commercially sensitive aspects of Applications that are marked as being "commercially sensitive".

4.1.5 Final Meetings with Applicants

The purpose of the final meetings is to finalise the selection process. The TRA, at its discretion, may invite named Applicants to attend a series of further meetings. However, the decision not to select any Applicant at this stage will not prevent meetings being resumed with that Applicant subsequently. Conversely, the selection of an Applicant to attend further meetings will not prevent discussions being discontinued with that Applicant at any stage.

4.1.6 Announcement of Preferred Applicant

The announcement of the preferred Applicant for the award of the Licence for the development and operation of a mobile telecommunications system in the Kingdom of Bahrain is targeted for 16th April, 2003.

4.1.7 Issue of Licence

Conclusion of any negotiations and issue of the Licence is targeted for 22nd April, 2003. Licences are standardised as far as practicable and any differences shall be for objectively justifiable reasons.

4.2 SELECTION CRITERIA AND EVALUATION PROCESS

Subject to the requirements of Section 29(c) of the Telecommunications Law, Applicants will be evaluated against the selection criteria set out below regardless of the number of Applicants. Particular consideration will be given to the first three criteria: Business Plan, Telecommunications Sector Experience and Financial Strength and Stability.

Section 5.2 of this document, "Information Required", provides a detailed guide as to the information required for each Application to be assessed in line with the selection criteria. The Applicants must follow this format.

On the basis of the written Application, any presentations made, discussions and other relevant information, an assessment and recommendation will be made to the TRA. Final selection of the successful licence Applicant, as well as the grant of the licence, is the prerogative of the TRA.

4.2.1 Business Plan

To achieve the benefits of competition, including quantitative and qualitative increased service levels, reduced prices and efficiency gains, a vibrant and viable second GSM carrier is sought. In the evaluation of applications, preference will be given to those Applicants making firm commitments, which are likely to maximize net-economic benefits in Bahrain resulting from their Business Plan.

The business plan will be assessed in terms of the vision and strategy of the Applicant, its market assessment, including the services proposed, financial projections, and direct and indirect employment impacts. The comparative assessment of each Applicant's business plan will place weight upon the following, non-exhaustive, list of considerations:

- Pricing of services, the introduction of services and distribution plans.
- Local employment, skills transfer and training.
- The involvement of local businesses either as shareholders, partners or as suppliers of goods and services leading to reinvestment in the Bahrain economy, and minimizing the exportation of economic benefits.
- Geographical coverage and coverage in terms of population, of network and services, and rate of roll out.
- Range and quality in the mobile telephony services provided by the Applicant.
- Evidence of primary and secondary market research supporting forecasts and financial plans.
- Financial aspects related to the planned mobile network, particularly evidence of the necessary funding and commitment to funding the business.
- Experience and track record under comparable conditions, and proven ability and capability to deliver commitments made in competitive markets.
- The overall soundness and quality of the business plan.

4.2.2 Telecommunications Sector Experience and Expertise

Applicants should demonstrate their experience and expertise in the telecommunications sector, particularly in relation to establishing and operating mobile networks and providing mobile communications services in competitive markets.

4.2.3 Financial Strength and Stability

Applicants must show that they have the necessary financial resources to cover the capital and operating costs that will necessarily be involved. Applicants must document their financial strength/capability through existing equity, borrowed capital, or other means. Where Applicants are consortia, the strength of the relationship between the parties will be assessed.

When assessing whether the financing requirement is met, the TRA will attach emphasis to elements of uncertainty in the financing arrangements, including any exceptions and limitations made by the Applicant or conditions to which funding may be subject to.

4.2.4 Network Rollout

A primary objective of granting the licence is to improve services throughout Bahrain. Applicants' intentions with regard to basic and enhanced services, coverage in population and geographical terms, the timetable for network rollout and strategy for implementing future technological developments will be considered.

4.2.5 Commitments and Guarantees

It is vital that the successful Applicant actually complies with all aspects of its offer, particularly the specific commitments made in the area of network rollout. Applicants should propose readily enforceable performance guarantees.

4.2.6 Sanction

An Applicant who provides incorrect or misleading information, does not comply with the applicable law, breaks the rules laid down in the ITA, colludes with other applicants, or refuses to comply with a request to furnish information, or acts in similar manner, may, without prejudice to the applicable law in relation to the foregoing, forfeit the right to further participation in this process.

4.2.7 Reservation of Non-award

If, in the opinion of the TRA, no submitted applications are considered suitable, for example if the applications received fail to attain attractiveness and/or quality thresholds, the TRA reserves the right not to award the licence available. In this event, all Applicants will be notified promptly.

5. STRUCTURE OF THE APPLICATION

5.1 FORM AND CONTENT OF WRITTEN APPLICATIONS

Concise, but substantive and cogent applications are sought.

Applications must be lodged in writing and are not to exceed 90 pages in length using a 12-point typeface. It is mandatory for Applicants to follow the structure for the response as specified in Section 5.2. Failure to do so is grounds for elimination from further consideration in the evaluation process.

Further required printed material such as Annual Reports may be in addition to this limit. However, all information deemed relevant by the Applicant must be contained in the main body of the 90-page Application.

Applicants shall provide further information, immediately or as otherwise stated in this ITA, if the Telecommunications Regulatory Authority specifically requires it.

5.1.1 Language of the Application

The Application must be written in English. An Executive Summary must be provided in both English and Arabic.

5.1.2 Number of Copies

Each Applicant must lodge one original and ten (10) copies of the Application in English. An Executive Summary is required both in English and Arabic.

All Applications must be separately closed and sealed, each of which must bear on its exterior, next to the Applicant's identification, the statement "Contains application for the second Mobile Telecommunication Service Licence -copy n." where n is the copy number 1 to 10.

An electronic version of the Application, in either Microsoft Word or Adobe Acrobat format on a CD-Rom, should also accompany the written Application.

5.1.3 Validity Period of the Application

The written Application must be valid for 180 consecutive calendar days from its submission.

5.1.4 Changes in the Applicant's Circumstances

If, during the course of the evaluation, Applicants merge, or are involved in, or start a collaboration that is of importance to the planned mobile telecommunications operations, notification should forthwith be given to the TRA. Changes in other matters of importance to the Application should also be forthwith reported.

The TRA, at its discretion, may eliminate the Applicant from further consideration for the licence if such changes in relationship or other matters of importance are deemed to run counter to the award of the licence in a fair and open manner, or has a material or adverse effect on the application.

5.2 INFORMATION REQUIRED AND STRUCTURE OF THE APPLICATION RESPONSE

5.2.1 Compliant Applications

It is mandatory for Applicants to provide all of the information requested in this Section 5.2 in their written applications in order to be compliant.

As already indicated in section 5.1, Applications must be written in English, must not exceed 90 pages and must conform to the following structure:

1. Executive Summary (in both English and Arabic);
2. Applicant Details;
3. Shareholders of the Applicant;
4. Consortium Information;
5. Application Organization and Management;
6. Business Plan;
7. Financial Projections;
8. Telecommunications Sector Experience;
9. Financial Strength and Stability;
10. Network Rollout;
11. Commitments and Guarantees.

There is no per section page maximum length in relation to the 11 sections above. However, the attention of Applicants is drawn to section 4.2, which emphasises that the evaluation process will be on the Business Plan, Telecommunications Sector Experience and Financial Strength and Stability. It is suggested that the Executive Summary should not exceed 10 pages out of the total 90-page length.

5.2.2 Applicant Details

In undertaking the evaluation it is necessary to understand the Applicant in terms of its legal, financial, managerial and ownership composition.

The following information in relation to the Applicant must be contained in the Application:

- a) name, registered office, date and place of incorporation, and current excerpt from the companies register (if applicable);
- b) classes and number of authorised shares, par value of the shares and the voting and dividend rights attached to each class;
- c) the issued share capital of each class of share plus details of shareholders as at the date of lodging the Application, along with any proposals in this area;
- d) the number, value and rights (including conversion rights) pertaining to any options, warrants, preferences or loan capital or other security issued by the Applicant;
- e) full names and addresses of all directors identifying executive and non-executive positions;
- f) details of the company secretary, if applicable, senior management who are not directors and any shadow directors;

- g) disclosure of any criminal record or personal bankruptcy of any person listed in (v) and (vi) above;
- h) a copy of current memorandum and articles of association;
- i) details of bankers, consultants, lawyers, auditors and other professional advisors appointed or proposed by the Applicant;
- j) description of principal business activity and principal place of business;
- k) a copy of the last three years annual audited accounts (if any);
- l) summaries of financial results for the last five years (if any);
- m) brief details of principal creditors and amounts which they are owed;
- n) the name of a nominated contact person involved in the Application including email, telephone, facsimile and postal contact details;
- o) any other matter which Applicants consider the disclosure or non-disclosure of which might materially affect the TRA's decision to make the award of the licence.

5.2.3 Shareholders of Applicant

Applicants must provide information concerning their identity and make-up. For each shareholder, holder of options, warrants, preference or loan capital or other security issued by the Applicant the following information is sought:

- a) name, registered office, date and place of incorporation;
- b) principal place of business and description of principal business activity;
- c) nature of relationship with Applicant (e.g. number and class of shares or securities held);
- d) ultimate holding company;
- e) copies of last three years annual audited accounts (if any);
- f) summaries of financial results for the last five years (if any);
- g) brief details of principal creditors and amounts that they are owed.

Where any party holds shares or other securities in the Applicant as a trustee or nominee this must be declared and the details requested above must be provided for the beneficial owner.

Where the Applicant has a large number of shareholders the above information must be provided for major shareholders. Broad details for minority shareholdings, i.e. those with a small capital investment, will suffice. The Telecommunications Regulatory Authority may request further information in this regard if it is thought to be necessary.

Where the shareholder is a part of a group, consolidated group financial information is also required.

5.2.4 Consortium Information

Where the Applicant is a consortium or joint venture the following additional information is required:

- a) the role and contribution of each consortium member in terms of resources, experience or expertise;
- b) the nature of the relationship between members including a copy and details of any joint venture agreement, memorandum of understanding or shareholder agreement;
- c) The Applicant's details for the proposed management structure and corporate governance in the event it is awarded the Licence

5.2.5 Applicant Organization and Management

With respect to the Applicant the following information is required concerning its proposals for organization and management in the event that it is awarded the Licence:

- a) an organization chart showing main functions and proposed positions and nominees for those positions and the locality of each position;
- b) brief resumes of all directors and proposed senior management including declarations of other directorships held and any arrangements or dealings that might constitute a conflict of interest;
- c) employment proposals, including how the Applicant will ensure that it has sufficient skilled staff at all levels in the short and long term;
- d) main place of business, place of control of software and hardware and maintenance facilities.

5.2.6 Business Plan

Applicants must provide business plans on the basis of their assessment of the opportunity in terms of the following aspects.

5.2.6.1 Vision and strategy

The Applicant should articulate its vision with regard to its long-term strategy, realization of that strategy, and how the grant of the licence in Bahrain would complement such vision.

5.2.6.2 Market assessment

This should demonstrate that the Applicant understands the nature of demand in Bahrain and factors concerning its development. Any descriptions of the market studies performed should be included specifying in particular:

- (i) the data and research utilised;
- (ii) the analysis of the evolution of market and traffic demand;
- (iii) demand segmentation with reference to demand/price elasticity;
- (iv) estimated market share gained.

5.2.6.3 Services, pricing and usage

A clear statement of the services that will be offered accompanied by their pricing policy must be included in the Application. Main pricing structure schemes proposed, specifying, with particular reference to possible innovative pricing schemes should be included.

The number and types of subscribers served and their usage profiles should be described.

5.2.6.4 Distribution plan

This should articulate the Applicant's distribution channel strategy and encompass:

- (i) type and dimensioning of the foreseen distribution channels;
- (ii) terms of agreement with distributors;
- (iii) advertising and promotion initiatives.

5.2.6.5 Customer service

The Applicant's plans for customer service should be described. This should cover:

- (i) information to users on the services and terms of access to services;
- (ii) information on the quality of the services;
- (iii) detailed billing procedures;
- (iv) automatic procedures for the detection of unusual usage;
- (v) complaint management procedures.

5.2.7 Financial Projections for the Period 2003-2013

Applicants shall develop a comprehensive financing plan for the development of the mobile network and the company's operations, including the market introduction of the mobile telephony service. Such a plan shall cover documentation of the access to equity and borrowed capital. The documentation must include all aspects relating to the financing of development and operation (the amount of existing equity, owners' guarantees for additional injection of equity, credit lines/commitments from creditors, etc.).

Financial projections are required for the calendar years in the period 2003-13, as 2003 is the year that the licence is expected to commence. The financial projections should be in constant prices and denominated in Bahraini Dinars.

Various constraints relating to equity and borrowed capital shall be properly accounted for, i.e. the need to maintain certain financial key ratios, restrictions on dividend payments etc.

The credibility of the detailed financial projections should be supported by any evidence for the commercial viability of its business plan and the adequacy of its funding arrangements.

Financial projections should conform to standard accounting principles.

The financial projection must include:

- a) annual profit and loss accounts;
- b) annual balance sheet;
- c) annual statement of cash flow;

Annex 1 sets out the format for the financial projections. Applicants should follow these formats as far as possible. Additional information may be supplied, for example underlying assumptions and drivers, but should be clearly separated and identified differently from the required format.

5.2.8 Telecommunications Sector Experience

Demonstrable evidence that Applicants have the relevant experience and track record should be provided, particularly with regard to operating in competitive markets. This should be described, in relation to each domestic or international market in which Applicants operate or provide service, either independently or as part of a consortium/alliance, in the following terms:

- a) a brief corporate history;
- b) a description of their activities;
- c) the size of each market;
- d) details of the competitive environment;
- e) the number of subscribers, the growth rate and churn;
- f) market share;
- g) financial performance;
- h) size of network;
- i) complexity of physical environment (and any similarity to Bahrain);
- j) experience with GSM and other cellular/mobile technology;
- k) network services offered (directories, operator assistance etc) and VANS;
- l) benefits delivered to customers (price reductions, new services);
- m) customer service programmes (TQM, service standards, service measurement);
- n) method of establishment of new business (expatriation of expertise, local joint venture, etc);
- o) extent of resources (particularly people) currently overseas.

5.2.9 Financial Strength and Stability

Applicants should evidence commitments to the financial funding required to support the financial plan, particularly in terms of irrevocable support by shareholders and that organizations undertaking to finance the Applicant have the necessary resources.

The following information is required:

- a) equity funding: initial sources of equity capital; timing and sources of future equity capital including any proposals for public flotation, plus any independent supporting documentation that is available to provide evidence that equity funding sources can be relied on.
- b) debt funding and lines of credit, including interest rate arrangements, security provided, the term of the credit facility and the sources of finance for all borrowing for the first three years; indications of longer term borrowing requirements, proposed sources of finance and security

offered; any independent supporting documentation that is available to provide evidence that debt funding sources can be relied on.

- c) guarantees and undertakings in term of the nature, details and amount of any guarantee given by the Applicant and the purpose of such guarantees; nature, details and amount of any guarantees or undertakings given in favour of Applicants by third parties.

Applicants must provide details of all relevant investments or business activities that will have an impact on their available financial resources. The Applicant must provide evidence that it is able to withstand a consortium partner retiring or being able to meet its obligations as a result of other activities or adverse trading.

5.2.10 Network Rollout

Applicants must supply details of the network rollout, particularly with respect to:

- a) the proposed coverage in population and geographic terms, indicating critical dates by which various levels will be achieved;
- b) a description of basic and enhanced services to be offered, including services to be offered through any deployment of 3G infrastructure;
- c) any supply or vendor arrangements that are in place;

5.2.11 Commitments and Guarantees

Applicants should submit specific proposals for readily enforceable performance guarantees for inclusion into the Licence.

ANNEX 1 FORMAT FOR FINANCIAL PROJECTIONS

Balance Sheet														
	BD 000	Opening Balance	@ y/e 2003	@ y/e 2004	@ y/e 2005	@ y/e 2006	@ y/e 2007	@ y/e 2008	@ y/e 2009	@ y/e 2010	@ y/e 2011	@ y/e 2012	@ y/e 2013	
	ASSETS													
A	Fixed Assets													
A.1	Network infrastructure (cost)													
A.2	Less accumulated depreciation													
A.3	Other fixed assets (cost)													
A.4	Less accumulated depreciation													
A.5	Total net fixed assets (book value)													
B	Current assets													
B.1	Cash at bank and in hand													
B.2	Trade debtors													
B.3	Prepayments and accrued income													
B.4	Other debtors													
B.5	Stock & work in progress													
B.6	Total current assets													
C	Current liabilities													
C.1	Trade creditors													
C.2	Accruals and deferred income													
C.3	Other creditors													
C.5	Dividends payable													
C.6	Taxation payable													
C.7	Total current liabilities													
A+B-C	Total assets													
	LIABILITIES AND SHAREHOLDER'S FUNDS (US\$ 000)													
E	Shareholder's Funds													
E.1	Share capital													
E.2	Reserves													
E.3	Retained earnings/net loss													
E.4	Total Shareholder's Funds													
G	Long term liabilities													
G.1	Long term debt													
G.2	Other non-current debt													
G.3	Total long term liabilities													
H	Long term provisions													
H.1	Severance payment provisions													
H.2	Pension provisions													
H.3	Other													
H.3	Total long-term provisions													
E+F+G+H	Total liabilities and shareholder's funds													
Profit & loss account														
	BD 000	Year ending	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
a.	Turnover													
b.	Interconnection													
c.	Operating costs													
d.	Fees													
e.	Subtotal (a + b + c + d)													
f.	Labour costs													
g.	Distribution costs													
h.	Subtotal (e + f + g)													
i.	Administration expenses													
j.	Subtotal (h + i)	Operating profit/loss												
k.	Interest payable													
l.	Interest receivable													
m.	Subtotal (j + k + l)	Financial profit/loss												
n.	Taxes on income and earnings													
m + n	Profit after tax / loss for year													
o.	Changes in reserves													
p.	Profit/loss brought forward													
m + n + o + p	Retained earnings / net loss													

Profit & loss account		Year ending	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Details (BD 000)												
a	Turnover												
a.1	Usage charges												
a.2	Access charges												
a.3	Connection fees												
a.4	Prepaid												
a.5	Other tariff packages												
a.6	Handset and terminal equipment revenues												
a.7	Other network business												
a.8	Total turnover												
b	Interconnect												
b.1	Receivable												
b.2	Payable												
b.3	Interconnect profit/loss												
c	Operating costs												
c.1	Network operations and maintenance												
c.2	Leased link costs												
c.3	Base station site costs												
c.4	Network depreciation												
c.5	Other operating costs												
c.6	Total operating costs												
d	Fees												
d.1	Application fees												
d.2	License fees												
d.3	Spectrum fees												
d.4	Total fees												
f	Labour costs												
f.1	Wages												
f.2	Salaies												
f.3	Expenditure on severance and pension payments												
f.4	Expenditures on social insurance etc												
f.5	Other labour related expenditures												
f.6	Total labour costs												
g	Distribution cots												
g.1	Incentives to dealers												
g.2	Marketing and promotion												
g.3	Total distribution costs												
i	Administration expenses												
i.1	Depreciation of non-network assets												
i.2	Other overheads												
i.3	Total administration expenses												

Statement of cashflow		Opening Balance	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1	Details (BD 000)												
	Cashflow from operating activities												
2	Cashflow from investment activities												
3	Cashflow from financing activities												
	= Increase / decrease In cash at bank and In hand												
	Statement of funds												
	Cash at bank and in hand at end of period												
less	Cash at bank and in hand at beginning of period												
	= Increase / decrease In cash at bank and In hand												
1	Cashflow from operating activities												
1.1	+ / - Profit after tax / loss for the year (m + n from P &L)												
1.2	+ Network depreciation												
1.3	+ Depreciation of non-network fixed assets												
1.4	= Cashflow on earnings												
1.5	- Increase (+ decrease) in non-cash net working capital 1)												
1.6	= Cashflow from operating activities												
2	Cashflow from investment activities												
2.1	- Capital network acquired												
2.2	- Capital other fixed assets acquired												
2.3	= Cashflow on investment activities												
3	Cashflow from financing activities												
3.1	+ Equity capital raised												
3.2	+ Other payments from shareholders												
3.3	- Dividends, equity repaid												
3.4	+ / - Shareholder's loans paid/repaid												
3.5	Cashflow on equity (subtotal)												
3.6	+ Long term debt raised												
3.7	+ Other non-current debt raised												
3.8	- Long term debt repaid												
3.9	- Other non-current debt repaid												
3.10	= Cashflows from financing activities (total)												

Market Assumptions		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tariff Packages												
Postpaid pricing (per package)												
	Connection fee											
	Monthly charge											
	Airtime charge											
Prepaid pricing (per package)												
Other tariffs (per package)												
Market												
	Total no. subscribers											
	Opening no. subscribers (for period)											
	New subscribers											
	Churn											
	Net additions											
	Closing no. subscribers (for period)											
	% Market share assumed											
Usage (for each tariff package)												
	Number of subscribers to tariff package											
	Average monthly minutes used per subscriber											
	Peak											
	Off-peak											
	Average monthly minutes (total outgoing and incoming)											
	Within mobile network											
	Mobile to international											
	Mobile to national fixed											
	Mobile to other mobile											
	Total outgoing											
	International to mobile											
	National fixed to mobile											
	Other mobile to mobile											
	Total incoming											
	Revenue from usage											
	Within mobile network											
	Mobile to international											
	Mobile to national fixed											
	Mobile to other mobile											
	Total outgoing											
	International to mobile											
	National fixed to mobile											
	Other mobile to mobile											
	Total incoming											
Handsets and terminal equipment revenues												
	Volume Handsets/terminals sold											
	Handsets/ terminal unit prices											
	Handset/terminal revenues											
	Handset/terminal subsidies											
Staffing (by Technical, Sales, Marketing, Customer Service etc)												
	Average no. staff											
	No. Bahrainis											
	No. non-Bahrainis											
	Labour cost per Bahraini											
	Labour cost per non-Bahraini											
	Total labour costs											
	Training costs											
	Total staff costs											

ANNEX 2 DRAFT SECOND MOBILE LICENCE