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CONTENTS • INHOUD

No.	GENERAL NOTICE	Page No.	Gazette No.
Independent Communications Authority of South Africa			
<i>General Notice</i>			
1561 Public Tender: Implementation of Chart of Accounts and Cost Allocation Manual (COACAM) in the PSTN Sector		2	22400

GENERAL NOTICE

NOTICE 1561 OF 2001



INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

**PUBLIC TENDER: IMPLEMENTATION OF CHART OF ACCOUNTS AND
COST ALLOCATION MANUAL (COACAM) IN THE PSTN SECTOR**

TENDER CLOSING DATE: 29 JUNE 2001

**MANDLA LANGA
CHAIRPERSON
INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA**

TENDER SPECIFICATION FOR A CONSULTANT FOR THE IMPLEMENTATION OF CHART OF ACCOUNTS AND COST ALLOCATION MANUAL (COACAM) IN THE PSTN SECTOR

The objective is to provide ICASA with detailed advice and recommendations on the implementation of Regulatory Accounts in the fixed-line sector in terms of Section 46 of the Act.

SPECIFICATION

The terms of reference for this project are as follows:

1. Revise the existing Volume 1 to take into account and/or bring it up to date in terms of the following:

- a) The implications of the Telecommunications Act of 1996.
- b) The establishment and responsibilities of the Authority
- c) The recent developments in the industry particularly relating to the impending licensing of the Second National Operator and Telkom's Initial Public Offering

2. Develop Volume 3 which will among others cover the following areas:

- I. Explain the background to and basis for, the COACAM emphasising any particular aspects, conditions, etc. applicable to Fixed Line Operators.
- II. Set out the objectives of the Detailed Requirements for Fixed Line Operators
- III. Describe the structure of Volume 3.
- IV. Explain the context of the Detailed Requirements for Fixed Line Operators.

2.1 Explanation of background

Telkom's license requires it to maintain "in respect to each of its financial years, accounts on a historic and a current cost basis..." (Paragraph 8.1). "The Licensee shall establish the Regulatory Accounts in accordance with the Chart of Accounts and Cost Allocation Manual (COA/CAM)." (Paragraph 8.2)

The COA/CAM sets out the accounting practices and financial reporting requirements for all telecommunications network operators. It is in this vein that ICASA requires your services in the revision and finalisation of volume 1 thereof and the development of volume 3.

2.2 Objectives of Detailed Requirements for Fixed Line Operators

These requirements for Fixed-line Operators expand on the accounting practices and financial reporting requirements that apply to all operators under the regulatory authority of ICASA. With regard to separations accounting, they are intended to fulfil the following:

- ICASA's need for information necessary to determine if tariffs for regulated services are fair, reasonable and justifiable; and
- ICASA's need for information to monitor compliance with its public policy objectives.

The Detailed Requirements will specify the following:

- The structure of the Chart of Accounts (COA);
- the contents of each account;
- The segments for which revenue and cost information is required;
- The wholesale and retail services (together "Regulatory Accounts") for which fixed-line operators are to provide cost visibility;
- The methodologies used for cost allocation; and
- The requirement for reporting financial details and results.

2.3 Description of the structure for Volume 3

Apart from an Introduction this volume will contain the following three parts;

- Part 2: *Entity Accounting* setting out the Detailed Chart of Accounts (COA) for fixed-line Operators. It defines the individual accounts under which assets, liabilities, shareholder equity, revenues and expenses are to be classified;
- Part 3: *Separations Accounting* sets out the individual segments for which revenue, expense and asset reporting is required for fixed-line Operators, the wholesale and retail services for which transparency of costs is required, and the detailed revenue and cost allocation methodologies to be followed for each item in the COA;
- Part 4: *Administrative Framework* prescribes the frequency, timing, content and format of all reports to be submitted to ICASA on an ongoing basis.

Description of the context for Volume 3

Each fixed-line operator is to document, in its Procedures Manual, the detailed steps, which it has adopted to implement these Detailed Requirements and must submit its Procedures Manual to ICASA for approval.

The Procedures Manual is to amplify the broad guidelines for entity accounting, separations accounting and administrative framework prescribed in the COACAM.

3. Preparation of draft regulations

The draft regulations shall comprise a revised Volume 1 as well as a proposed Volume 3 laying out the Detailed Requirements.

4. Evaluation of representations received

The consultant will assist with the assimilation and evaluation of representations received.

5. Framing of final regulations

The final regulations will incorporate inputs emanating from the representations received.

6. Involvement of ICASA staff

ICASA staff members should be actively involved in the process to ensure that skills transfer as well as an understanding of the processes takes place.

7. Completion of project

The project should be completed by the 31 January 2002. This would allow the incumbent Operator sufficient time to develop a Procedures Manual and have it approved by the Authority in time for the 7 May 2002 deadline in terms of Telkom's licence.

8. Requirements on Tenderers

- Experience in developing Regulatory Accounting framework for the Fixed Line telecommunications sector,
- Demonstrate ability to meet the above terms of reference
- Provide a quotation, and
- Indicate the earliest possible availability
- Number of people available and the level of expertise and intended involvement for this project
- Willingness to conclude a performance agreement
- Indication of the level of involvement of Historically Disadvantaged Individuals

9. ESTIMATED DURATION OF PROJECT

The assignment will be spread over a period of between five to seven months depending on the requirements of the evolving telecommunications regulatory regime in South Africa.

10. DURATION

The anticipated earliest completion date of the project is 31 December 2001 with the latest completion date being estimated as 28 February 2002.

11. COMMITMENT OF STAFF RESOURCES

Key personnel of the consultant are to be designated by agreement between the Consultant and ICASA, and they shall be fully committed to the Consultancy. No key personnel changes will be permitted during the course of the Consultancy unless under exceptional circumstances and only when agreed to in writing by the Chairperson of ICASA.

The Consultant shall provide the following details concerning the personnel that will be dedicated to the Consultancy:

- Name of the relevant person
- Curriculum Vitae (CV) of the relevant person indicating the relative experience of the person
- Exact function to be performed by the relevant person
- Estimated time allocated to this function
- Hourly tariff for the relevant person.

Should it happen that a member of the Consultancy who was initially supposed to be involved in the project, for whatever reason, is unable to get involved, and his replacement charges a lower hourly tariff, the contract price will be reduced accordingly.

ICASA shall, in terms of its skill development programme, allocate staff members to work with the Consultant on this project.

12. FEES

The fees quoted by the Consultant shall be all-inclusive and shall include travelling and subsistence expenses to be incurred by the Consultant in respect of the Consultancy. The estimate of fees must separately indicate each kind of expense or fee for each of the deliverables.

13. PAYMENT TERMS

The Consultant must furnish detailed invoices for the work done in accordance with the fees quoted per deliverable. Payment will be done with reference to such invoices.

14. CONFIDENTIALITY

The Consultant shall agree not to disclose any information of a confidential nature that it has obtained in the course of the Consultancy. A Consultant shall be required to conclude a Confidentiality Agreement with the Authority.

15. CONFLICT OF INTEREST

The Consultant shall declare any interest which it or its associate (e.g. firm of accountants) or a group company has if that interest is in real or apparent conflict with its duties to be performed under this tender and shall not undertake any services which could give rise to a conflict of interest in those circumstances. This will apply during the term of the agreement and for twelve months thereafter.

16. INDEMNITY

The Consultant will be required to Indemnify ICASA against any liability arising out of its negligence in the performance of the services and infringement of copyright. ICASA will not under any circumstances provide an indemnity.

17. COPYRIGHT

ICASA shall acquire ownership of all reports, calculations, documents and other material supplied or produced by the Consultant in the performance of the Consultancy and copyright in all documentation shall vest in ICASA.

1. TENDER CONDITIONS

- a) Tenders are at liberty to submit queries on any technical aspect of the tender with ICASA. Inquiries may be directed, in writing only, to:

MR. MANDLA LANGA
CHAIRPERSON
ICASA

Fax: +27-11-321 8547

Private Bag X10002, SANDTON, 2146, Republic of South Africa.

- b) ICASA shall not be held liable for any expenditure incurred by Tenders in preparing their proposals.
- c) Tenders shall submit the required reports on prescribed dates.
- d) Tenders shall supply the names of at least two client references.
- e) The following forms shall be completed and submitted together with the Tenders bid:
- S1- Confidentiality Agreement
 - S2- Tender form
 - S3- Declaration of Interest
- f) Tenders shall be open for acceptance for 15 days.
- g) One original and four copies of the Tender documents shall be submitted
- h) Notwithstanding any possible shortcomings in these specifications, Tenders shall ensure that the services provided form a total solution.
- i) Additional information requested from Tenders by the Chairperson of ICASA shall be submitted within 7 days or the Chairperson shall have the option to disregard that applicant's tender.

2. TENDER EVALUATION CRITERIA

- I. Experience in the development of appropriate Regulatory Accounts in the fixed line telecommunications market.
(50%)
- II. Demonstrate an understanding of the South African telecommunications sector as well as the Competition framework within the country.
(30%)
- III. Demonstrate a commitment to skill transfer towards the Authority's staff.
(20%)

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