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GENERAL NOTICE

NOTICE 802 OF 2005



INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

NOTICE OF APPLICATION IN TERMS OF SECTION 48(1)(e) OF THE TELECOMMUNICATIONS ACT TO AMEND THE MOBILE CELLULAR TELECOMMUNICATIONS SERVICE LICENCE ISSUED TO CELL C (PROPRIETARY) LIMITED

The Independent Communications Authority of South Africa (the Authority) hereby:

- (1) gives notice of an application received from Cell C (Proprietary) Limited (Cell C) to amend its Mobile Cellular Telecommunications Service (MCTS) Licence in terms of section 48 (1)(e) read with sections 34(3), 34(4), 34(5) and 35 of the Telecommunications Act, No.103 of 1996, as amended (hereinafter referred to as the Act). A copy of the application is annexed herein;
- (2) states that Cell C is the holder of a licence to provide Mobile Cellular Telecommunication Services in terms of section 37 (1) of the Act. The licence was issued on 22 June 2001 as published in Government Gazette 27087 dated 9 December 2004. A copy of the proposed amended licence is annexed herein;
- (3) invites written comments from interested parties within 7 (seven) ordinary days (including weekends) from date hereof with regard to the proposed amendments;
- (4) gives notice that written representations will be made publicly available except where respondents request that their responses or parts thereof be kept confidential. Respondents are requested to separate any confidential material into a clearly marked annexure;
- (5) persons submitting written representations are invited to indicate in the first page of their submission whether they would like to make oral representations and state the estimated duration thereof; and

- (6) requests interested persons intent on making written submissions to submit such written representations on the proposed amendments by Cell C, either by post, hand delivery, fax and also in electronic format (Microsoft Word 6.0, Adobe PDF) for the attention of:

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**CELL C's APPLICATION IN TERMS OF SECTION 48 (1)(e) OF THE
TELECOMMUNICATIONS ACT, 1996 FOR THE AMENDMENT OF THE CELL C
MOBILE CELLULAR TELECOMMUNICATION SERVICE LICENCE**

BACKGROUND

This is an application by Cell C (Pty) Ltd ("Cell C") in terms of section 48(1)(e) read with sections 34 and 35 of the Telecommunications Act, 1996 ("the Act") for the amendment of its Mobile Cellular Telecommunication Service Licence as issued on **22 June 2001** and as amended and gazetted in *Government Gazette 27087* dated 9 December 2004 ("the Licence").

Cell C is a wholly owned subsidiary of 3C Telecommunications (Pty) Limited ("3C"). CellSAf (Pty) Ltd ("CellSAf") currently holds 40% of the shares of 3C and thus holds an effective 40% of the issued share capital of Cell C. CellSAf is a historically disadvantaged person as defined in the Licence at clause **1.22**. CellSAf supports this application for amendment.

CellSAf has entered into a transaction that **will**, when approved, result in the transfer of an effective beneficial holding of **15%** of the issued share capital of Cell C to an entity that is a non-historically disadvantaged person.

The purpose of this application is to amend clause 10.2 of the Licence so that the minimum beneficial holding by historically disadvantaged persons of 40% required by the Licence be reduced to **25%** and the

minimum percentage of directors that historically disadvantaged persons may appoint be reduced from 40% to 25%.

PROPOSED AMENDMENT

The proposed amendment is as follows (additions are in bold and underlined and deletions are struck through):

“

10.2 Historically Disadvantaged Persons shall:

10.2.1 be the beneficial holders of and shall exercise all voting rights and shall be entitled to all dividends in respect of a minimum of ~~40% (forty percent)~~ **25% (twenty five percent)** of the shares in the Licensee's issued share capital; and

10.2.2 be entitled to appoint a minimum of ~~40% (forty percent)~~ **25% (twenty five percent)** of the members of the Licensee's board of directors.”

MOTIVATION

CellSAf currently holds an effective 40% of the issued share capital of Cell C, but such shares are encumbered by a high level of debt. This debt was acquired by CellSAf pursuant to its obligation to provide a proportionate amount of the start-up funding required by Cell C.

The proposed Licence amendment **will** enable ICASA to give its approval for the transfer by CellSAf of 15% of the beneficial holding in Cell C as the effect of the transfer is such that the beneficial holding by historically disadvantaged persons in Cell C will be less than the

required minimum of 40%, but the transfer will result in CellSAf's shareholding being held debt free and free of any encumbrances. The amendment is also required as historically disadvantaged persons will no longer be entitled to appoint the required minimum of 40% of the board of directors. Given the outcome of the proposed transactions, the transfer of shares cannot be completed without an amendment to the Licence.

This application is broadly in line with the Department of Trade and Industry's Code of Good Practice on Broad-Based Black Economic Empowerment and is fully supported by CellSAf shareholders.

Cell C submits that the proposed transfer and the concomitant amendment of the Licence are in the interests of CellSAf and its shareholders as historically disadvantaged persons. The proposed amendment to the Licence will enable CellSAf and its historically disadvantaged shareholders to acquire, free of debt, a beneficial holding of 25% in Cell C.

All of CellSAf's shareholders who attended the shareholders' meeting convened to consider the transactions support this application and the proposed transfer of shares.

CellSAf has negotiated a favourable transaction which has put it in the position of having effectively secured, through the transaction, a 25% stake in a prominent telecommunications company. CellSAf's shareholding in 3C will be unencumbered and debt free.

CellSAf and its shareholders will be in the position, following the transfer, of being able to use their stakes in 3C, with the underlying

value of shares in Cell C, as collateral for their own businesses or ventures, which access to capital has direct and tangible empowerment benefits to them.

Although CellSAf's formal shareholding will reduce from 40% to 25%, there will be no material diminution in the negative control protections afforded to CellSAf as a minority shareholder in 3C Cell C: In fact, as a result of amendments which have been agreed to in relation to the 3C shareholders agreement, CellSAf's negative control rights will be enhanced on implementation of the transaction.

On implementation of the transaction, CellSAf and/or its shareholders will also acquire a pre-emptive right, in priority to other 3C shareholders, to re-acquire the shares sold to the acquiror.

The objective of promoting empowerment for historically disadvantaged persons in the telecommunications industry will thus be significantly advanced by the approval of the proposed transfer and the amendment of the Licence.

In the circumstances, Cell C requests that ICASA grant this application for the amendment of the Licence.

for: Cell C (Pty) Ltd

he being duly authorised hereto

ANNEXURE

LICENCE TO PROVIDE A NATIONAL MOBILE CELLULAR
TELECOMMUNICATION SERVICE ISSUED TO CELL C (PROPRIETARY) LIMITED
IN TERMS OF SECTION 37 AND AS AMENDED IN TERMS OF SECTION 48 OF
THE TELECOMMUNICATIONS ACT, No. 103 OF 1996

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MOBILE CELLULAR TELECOMMUNICATION SERVICE LICENCE TERMS AND
CONDITIONS

This Licence is issued to the Licensee for the provision of a mobile cellular telecommunication service in terms of section 37 of the Telecommunications Act, No. 103 of 1996.

1 DEFINITIONS

Words and terms used in this Licence shall, unless otherwise stated, have the meaning assigned to them in the Act. Words indicating the singular shall include the plural and vice versa

All words and expressions used shall, unless stated otherwise or the context otherwise requires, have the meaning ascribed to them below:

- 1.1 Act means the Telecommunications Act, No. 103 of 1996, as amended;
- 1.2 Applicable Interest Rate means the prime interest rate as published from time to time by the South African Reserve Bank, established by Section 9 of the Currency and Banking Act, No. 31 of 1920, and operating in terms of the South African Reserve Bank Act, No. 90 of 1989;
- 1.3 Base Station means a mobile cellular radio base station;
- 1.4 Busy Hour means:
 - 1.4.1 for any given Base Station, the hour of the day in which that Base Station carries the most traffic in Erlangs; and
 - 1.4.2 for the Network, the hour of the day in which the Network carries the most traffic in Erlangs;
- 1.5 Chart Of Accounts means a listing of account names and numbers used by the Licensee in its general ledger, together with the account descriptions, which is subject to regulations made by the Authority in terms of Section 46 of the Act;
- 1.6 Cellular means radio telecommunications designed to use limited radio frequency spectrum between cellular Terminal Equipment and network transceivers for the provision of the Service across the Network according to the technical standards that are applicable to the assigned frequencies by allocating a limited number of frequencies within each of a number of defined geographical areas or cells, allowing the re-use of the same frequencies in different non-adjacent cells, and enabling users to maintain connections whilst moving through different geographical areas by making use of call handover between adjacent cells;
- 1.7 Commercial Date means the date, to be determined in writing by the Authority, when the Licensee may, having complied with its obligations in terms of clauses 4.7 and 3.3, commence using Licensed Lines for commercial purposes;

- 1.8** Community Centre means any school, clinic, railway station, South African Police Service station or such other location specified pursuant to Annexure A to this Licence;
- 1.9** Community Service Telephone means Terminal Equipment:
- 1.9.1** which is registered as such by the Licensee in its own records; and
- 1.9.2** which is made available to the general public for the provision of the Service and, to this end, is accessible at community service telephone tariff rates as approved by the Authority from time to time; and
- 1.9.3** which is located in an Under-served Area or in a Community Centre; and
- 1.9.4** single units of which may be grouped in a single location, in which event each individual telephone will be considered a single telephone for the purposes of the Licensee's community service obligations as set out in Annexure A to this Licence;
- 1.10** Consumer Price Index means the index of consumer prices applicable to all economic sectors compiled and published from time to time by Statistics South Africa, referred to in Section 4 of the Statistics Act, No 6 of 1999, or any index which replaces such index and becomes an official direct substitute for it from time to time;
- 1.11** Cost Allocation Manual means the documents that set out the principles of allocation of revenue, costs, assets and liabilities listed in the Chart of Accounts to a telecommunication service, the form and content of which shall be agreed between the Authority and the Licensee in writing from time to time and which are subject to regulations made by the Authority in terms of Section 46 of the Act;
- 1.12** Customer means any person:
- 1.12.1** who has entered into any agreement with the Licensee or Service Provider for the provision of any aspect of the Service by means of the Licensed Lines on the Licensee's terms and conditions; or
- 1.12.2** who has applied to the Licensee or a Service Provider for the provision of the Service on the Licensee's terms and conditions;
- 1.13** Emergency means an emergency of any kind, including, without limitation, any circumstance resulting from a major accident or a natural disaster;
- 1.14** Emergency Organisation means, in respect of any locality, the relevant police, fire, ambulance and coast guard services for that locality or any other similar organisation providing assistance to the public in Emergencies;
- 1.15** Emergency Response Centre means a call centre staffed and equipped by the Licensee which can be contacted by a caller free of charge in the event of an Emergency in any of the areas serviced by the Licensee;
- 1.16** End User means any person who uses the Service;
- 1.17** ETSI means European Telecommunications Standards Institute;

- 1.18** Financial Year means the financial year of the Licensee;
- 1.19** Fixed Line means a telecommunication link connecting two points, neither of which is Terminal Equipment;
- 1.20** Grade of Service means the blocking probability during Busy Hours measured between any two connection points within the Network including, without limitation, access lines, Fixed Lines and Leased Lines;
- 1.21** **GSM** means Global System for Mobile communications conforming to the full family of **GSM** specifications and standards as defined by **ETSI** or such other standards and specifications as approved by the Authority as applicable to the frequency spectrum bands allocated by the Authority from time to time;
- 1.22** Historically Disadvantaged Person means, in relation to natural persons, persons who are generally regarded as South African Black persons (i.e. Africans, Coloureds or Indians), women and persons with disabilities and, in relation to Juristic persons, means entities that are controlled by, and in which more than 50 percent of the shares or similar interests are held by, Historically Disadvantaged Persons, and Historically Disadvantaged Group shall have a corresponding meaning;
- 1.23** ITU means the International Telecommunication Union;
- 1.24** Interconnection Agreement means an agreement concluded in terms of Section 43 of the Act between the Licensee and one or more PSTS licensee(s), or similarly licensed persons, defining the commercial and technical arrangements for:
- 1.24.1** interconnection, the transfer of messages and the carriage of telecommunication traffic associated with all telecommunication services in either direction between the parties to the Interconnection Agreement; and/or
- 1.24.2** the use of Leased Lines; and/or
- 1.24.3** the provision of related services; and/or
- 1.24.4** the payment of interconnect fees and charges;
- 1.25** Interconnect Fees and Charges means the fees and leasing charges payable by one party to the other in terms of an Interconnection Agreement for the carriage of telecommunication traffic associated with all telecommunication services that originate in one telecommunication system and that are carried on another telecommunication system or on Leased Lines;
- 1.26** Joint Economic Development Plan Agreement means the plan proposed by the Licensee as agreed to by the Authority to assist in the development of the Republic's economy and, in particular, the telecommunications industry, which plan shall be set out in Annexure E to this Licence;
- 1.27** Leased Line means a dedicated point to point circuit, complying with ITU recommendations, leased from any PSTS licensee or made available by any other person as authorised by the Authority in terms of Section 44 (7) of the Act, for the purpose of carrying telecommunications traffic;

- 1.28** Licence means this document, including all its Annexures, issued by the Authority to the Licensee under Section 35(5), as read with Section 37, of the Act, authorising the Licensee to provide the Service;
- 1.29** Licence Period means the term, referred to in clause 8, for which this Licence, including the associated frequency spectrum licence/s, shall be in force (including such periods in respect of which this Licence and the associated frequency spectrum licence/s may be renewed and any further periods of renewal);
- 1.30** Licensee means Cell C (Pty) Ltd, a company duly registered and incorporated according to the Company Laws of the Republic;
- 1.31** Licensed Line means a telecommunication line or any part thereof which the Licensee is authorized to construct, maintain and use in terms of this Licence;
- 1.32** Licence Fee Income means the total annual invoiced revenue of the Licensee (less discounts, value-added tax and other indirect taxes) derived from Customers and End Users for the provision to them of any aspect of the Service, less net Interconnect Fees and Charges and bad debts incurred and as provided for in terms of the Income Tax Act, No. 58 of 1962;
- 1.33** Network means the mobile cellular telecommunication network Licence;
- 1.34** Network Management Centre means a centre at which the Licensee monitors and controls key network elements as is standard practice for GSM networks;
- 1.35** PLMN means public land mobile network;
- 1.36** PSTS means public switched telecommunication service;
- 1.37** Rand means the unit currency used in the Republic, designated by "R";
- 1.38** Republic means the Republic of South Africa, established by the Constitution of the Republic of South Africa, Act No. 108 of 1996;
- 1.39** Retail Service means that part of the Licensee's business which involves the sale or making available of any aspect of the Service to Customers and End Users;
- 1.40** Service means a mobile cellular telecommunication service as contemplated in section 37 of the Act, authorized by the Authority and provided to Customers and End Users in allocated frequencies within the Territory conforming to the technical standards that apply to those frequencies from time to time and including, but not limited to:
- 1.40.1** the provision of any Licensed Line;
- 1.40.2** the provision of voice telephony by means of such Licensed Line;
- 1.40.3** the provision, by means of a Licensed Line of, inter alia:

- 1.40.3.1 any directory and operator-assisted services;
- 1.40.3.2 emergency services;
- 1.40.3.3 voice mail;
- 1.40.3.4 the full family of GSM bearer and supplementary services;
- 1.40.3.5 telemetry services;
- 1.40.3.6 information services;
- 1.40.3.7 access to Emergency Organisations;

together with any billing, data processing or other operation which is necessary to provide data services, whether or not the Licensee charges a separate fee for it; and

- 1.40.4 any other services reasonably complementary to the abovementioned services as these evolve or become available from time to time in conformance with the Technical Standards or as approved by the Authority from time to time;

- 1.41 Service Provider means any person who provides a service to Customers or End Users in connection with the Service in terms of a contract with the Licensee for such purpose;
- 1.42 Serviced Area means any area other than an Under-serviced Area;
- 1.43 Technical Standards means the technical standards set out in Annexure D to this Licence and which may be amended from time to time;
- 1.44 Telemetry means remotely monitoring and metering using a radio transmission;
- 1.45 Terminal Equipment means a GSM terminal which may be used by a Customer or an End User to send or receive telecommunications traffic associated with all telecommunication services and which is to be or has been conveyed by means of a PLMN, all of which shall be duly approved or licensed by the Authority, as the case may be;
- 1.46 Territory means the geographical area of the Republic;
- 1.47 Under-serviced Area means any city, town, township, shanty town, location, village or human settlement or any part thereof where less than **10** (ten) percent of the inhabitants of the area have access to PSTS exchange lines at the date of issue of this Licence and where it is necessary to roll out Community Service Telephones to address the reduction of geographical disparities through proportional distribution of such phones and shall, in any event, not be those areas in the Territory that are listed in Annexure A2;
- 1.48 Wholesale Service means the sale or making available of telecommunication services by the Licensee to Service Providers.

2 THE LICENCE

2.1 General

This Licence authorises the Licensee to construct, operate and maintain the Licensed Lines within the Territory for the following purposes:

- 2.1.1 to provide the Service by means of mobile cellular telecommunication operating within the frequency bands allocated to the Licensee in terms of a frequency spectrum licence issued by the Authority;
- 2.1.2 to connect fixed Terminal Equipment and mobile Terminal Equipment according to the Technical Standards using GSM cellular radio telephony technology for the provision of the Service; and
- 2.1.3 to interconnect with any PSTS licensee and with the network of other persons licensed to provide telecommunication services; all of which shall be subject to the provisions of the Act, the relevant regulations promulgated from time to time in terms of section 96 of the Act and the terms and conditions of this Licence.

2.2 Licence Authority

The Licensee's rights and obligations in terms of this Licence may be exercised or performed in part by its employees, agents, representatives, contractors or Service Providers. The Licensee shall be responsible for their acts or omissions in respect of the exercise or performance of such rights and obligations.

3 SERVICE AUTHORITY

3.1 General Authorisation

- 3.1.1 The Licensee shall provide the Service to Customers and End Users within the Territory, in a manner conforming to the Technical Standards.
- 3.1.2 The Licensee shall provide international roaming services to the extent, and on such commercial terms and conditions, as may be agreed upon with foreign national operators.
- 3.1.3 The Licensee may provide domestic roaming services to the extent, and on such commercial terms and conditions, as may be agreed upon with one or more similarly licensed operators.
- 3.1.4 The Licensee may conclude and implement Interconnection Agreements.
- 3.1.5 The Licensee shall provide all aspects of the Service without discrimination between similarly situated Customers or End Users, as the case may be, and shall not unfairly refuse any request for services to Customers or End Users.

3.2 Service Provision

The Licensee shall provide Retail Services directly to Customers and End Users and may provide Wholesale Services to Service Providers. In both cases, the Licensee shall remain responsible for the quality of the services so provided and shall ensure that the applicable fees and tariffs, as approved by the Authority from time to time, are applied in respect of such services.

- 3.3 The Service shall not be provided to Customers or End Users prior to the Authority's written approval of the Joint Economic Development Plan Agreement having been obtained, provided that, should the Licensee receive no objection from the Authority to that Agreement

within **30** (thirty) days of its lodgement with the Authority, the Authority shall be deemed to have approved that Agreement.

4 SERVICE REQUIREMENTS AND QUALITY STANDARDS

4.1 Rollout requirements in respect of network coverage, and universal access and Universal Service obligations

The Licensee shall comply with the requirements and obligations set out in Annexure A to this Licence.

4.2 Quality of Service

The Licensee shall meet the following performance targets:

4.2.1 Network availability

During the first two years of the Licence Period, the Licensee shall ensure that the Network is available end to end **24** (twenty four) hours per day, 7 (seven) days per week, at least 95 (ninety five) percent of the time averaged over the entire Network and over each of two consecutive **12** (twelve) month periods, the first of which shall commence on the Commercial Date. The Licensee's obligation in respect of network availability subsequent to the first **24** (twenty four) months of the Licence Period shall be determined by the Authority in terms of the Act and such regulations as may be applicable from time to time.

4.2.2 Call completion rate

The Licensee shall maintain a Busy Hour call completion rate of at least 95 (ninety five) percent on the Network averaged over each of two consecutive **12** (twelve) month periods, the first of which shall commence on the Commercial Date. The Licensee's obligation in respect of the call completion rate subsequent to the first **24** (twenty four) months of the Licence Period shall be determined by the Authority in terms of the Act and such regulations as may be applicable from time to time.

4.2.3 Grade of Service

The Licensee shall use its best endeavours to achieve a Grade of Service where the blocking probability across all its Licensed Lines is less than **2** (two) percent during Busy Hours averaged over a **12** (twelve) month period.

4.2.4 Call quality

The Network must provide at least the nominal call quality to classes of Customer units in accordance with the Technical Standards set out in Annexure D.

4.3 Quality of service tests

4.3.1 The Licensee shall, at its own cost and on an annual basis, submit to the Authority independently audited reports on the quality of service offered by it in terms of this Licence.

4.3.2 The reports referred to in clause **4.3.1** shall be submitted to the Authority no later than 6 (six) months after the Financial Year end, provided that the Licensee shall not be required to submit

any such report during the first **18** (eighteen) months of the Licence Period.

4.3.3 The Authority may, at reasonable intervals, conduct audits at the Licensee's cost in order to verify the validity of the audit reports submitted by the Licensee to the Authority in terms of clause **4.3.1**,

4.4 Network monitoring

The Network shall be monitored by a Network Management Centre or Centres **24** (twenty four) hours per day, **7** (seven) days per week, every day of the year.

4.5 Emergency Services

4.5.1 The Licensee shall provide, by means of its Licensed Lines, such facilities as would enable a caller free of charge to communicate, in the event of an Emergency in the area serviced by the Licensee, with an Emergency Organisation.

4.5.2 Calls to Emergency Organisations on officially designated emergency short codes made from mobile terminals accessing the Network shall be connected to an appropriate Emergency Response Centre without charge.

4.6 Emergency Restoration and Disaster Recovery

4.6.1 Emergency Response Centres and personnel shall be properly equipped to the reasonable satisfaction of the Authority and shall be available at all times.

4.6.2 The Licensee shall develop and implement a complete emergency response plan, describing trouble reporting and service restoration procedures, levels of **fault** and related response procedures. This plan shall be made available to the Authority upon reasonable notice.

4.7 Customer service

4.7.1 The Licensee shall develop and implement a complete Customer service code of conduct, describing the training of Customer service representatives, the staffing of Customer service centres, the service activation and change processes, the handling of Customer questions and complaints, the availability of detailed billing data upon Customer request and the development and retention of related records.

4.7.2 The Service shall not be provided to Customers or End Users prior to the Authority's written approval of the **code** of conduct referred to in clause **4.7.1** having been obtained, provided that, should the Licensee receive no objection from the Authority to the code of conduct within **30** (thirty) days of its lodgement with the Authority, the Authority shall be deemed to have approved the code of conduct.

4.7.3 Customer service representatives of the Licensee shall be available in accordance with customary business practices in the South African mobile cellular telecommunications industry.

4.8 Operator Assisted Services

Directory assistance in respect of local listed private or business telephone numbers shall be provided by the Licensee through human operators, **24** (twenty four) hours per day, **7** (seven) days per week, every day of the year, Charges for. Operator assistance, including related services, may be levied by the Licensee.

4.9 Customer Interaction

The Licensee shall make reasonable efforts to interact with Customers and End Users in their preferred official languages.

4.10 Records

The Licensee shall, within **30** (thirty) days of the date of request by the Authority, provide the Authority with such information or access to such information as may be reasonably necessary to **verify** the compliance of the Network and the services provided by the Licensee with the quality standards set forth in this Licence.

5 SCHEDULE OF COMMITMENTS AND PERFORMANCE GUARANTEE

5.1 Schedule of commitments

5.1.1 The Licensee agrees to the commitments set out in Annexure A. Failure by the Licensee to comply with, or to discharge, the commitments set out in Annexure A may result in the imposition on the Licensee of fine as may be levied by the Authority in terms of the Act.

5.1.2 In the event of the Authority imposing a fine in accordance with clause **5.1.1**, the Authority shall give the Licensee written notice of such fine and the Licensee shall pay such fine within **30** days, failing which the Authority shall be entitled to recover the amount of such fine from the performance guarantee referred to in clause 5.3.

5.2 Compliance reports

5.2.1 The Licensee shall no later than **6** (six) months after its Financial Year end submit to the Authority, at its own cost and on an annual basis, independently audited reports in respect of its compliance with the commitments set out in Annexure A, provided that the Licensee shall not be required to submit any such report during the first **18** (eighteen) months of the Licence Period.

5.2.2 The Authority may from time to time conduct audits, at the Licensee's cost, in order to verify the validity of the reports submitted by the Licensee to the Authority in terms of clause **5.2.1**.

5.3 Performance guarantee

5.3.1 The Licensee shall, within **30** (thirty) days of the issue of this Licence, provide the Authority with a performance guarantee in the amount of R 50 000 000.00 (**fifty million Rand**), substantially in the form set ~~out~~ in Annexure B, to guarantee the satisfactory performance of its obligations in terms of this Licence over the first **7** (seven) years of the Licence Period.

5.3.2 In the event of the Licensee failing to furnish the performance guarantee required by clause **5.3.1**, the Authority shall notify the Licensee in writing of such failure, and shall require the Licensee to remedy its failure by no later than **21** (twenty one) calendar days after such written notification.

6 NUMBERING

The Licensee shall use the prefix **084** for the provision of the Service and/or any such prefix as may subsequently be allocated to the Licensee by the Authority in terms of the Act and shall manage its numbering in accordance with such regulations as may be applicable from time to time.

7 LICENCE FEES

7.1 Fixed Licence Fee

7.1.1 In consideration for the grant of the Licence, the Licensee shall pay to the Authority a fixed licence fee in respect of the initial term of the Licence, referred to in clause **8.1**, in the amount of **R100 000 000.00** (one hundred million Rand).

7.1.2 Interest at the Applicable Interest Rate shall accrue from time to time on the unpaid balance of the fixed licence fee referred to in clause **7.1.1** and shall be payable annually by the Licensee to the Authority on the anniversary of the Commercial Date.

7.1.3 Subject to clause **7.1.4**, the principal amount of the fixed licence fee referred to in clause **7.1.1** shall be payable by the Licensee to the Authority in **12** (twelve) equal annual instalments, the first instalment to be paid on the third anniversary of the Commercial Date.

7.1.4 In the event of the Licence being forfeited or cancelled in terms of clause **8.3** prior to the third anniversary of the Commercial Date, the provisions of clause **8.3** shall apply.

7.1.5 The Licensee may accelerate payments of the fixed licence fee referred to in clause **7.1.1** by making payment prior to the date specified above and, in such a case, the provisions of clause **7.1.2** shall still apply.

7.1.6 In addition to the fixed licence fee, the Licensee shall pay the fees stipulated in its frequency spectrum licence and such other fees as may be payable in terms of such regulations as may apply to it from time to time.

7.1.7 The payment of the fixed licence fee referred to in clause **7.1** shall be secured by means of a guarantee, in terms acceptable to the Authority, to be provided by the Licensee to the Authority within **30** days after the Commercial Date and which shall, upon being so provided, constitute Annexure C to this Licence.

7.2 Annual Variable Licence Fee

7.2.1 Subject to what is stated below, an annual variable licence fee in an amount equal to **1 %** (one percent) of the audited Licence Fee Income shall be payable by the Licensee to the Authority.

7.2.2 The first payment of the annual variable licence fee referred to in clause **7.2.1** shall be made within **3** (three) months after the

end of the third year of the Licence Period and shall be calculated on the basis of the Licence Fee Income generated during the third year of the Licence Period.

7.2.3 With effect from the beginning of the fourth year of the Licence Period, the annual variable licence fee shall be payable quarterly in arrears and shall be calculated on the basis of the assessed Licence Fee Income in the preceding quarter, provided that, where appropriate, the total amount payable by the Licensee in respect of any Financial Year shall be adjusted upon receipt of the Licensee's audited annual financial statements.

7.2.4 the annual variable licence fee payable by the Licensee shall be reviewable by the Authority after the fifth anniversary of the Commercial Date, provided that, in the event of the percentage of Licence Fee Income payable by the Licensee being increased by the Authority, the percentage so increased shall not exceed the percentage of net operating income payable by similarly licensed operators in respect of the corresponding licence fees payable by them. In reviewing the percentage of Licence Fee Income payable by the Licensee in terms of this clause, the Authority shall have due regard to factors such as the number of similarly licensed operators in the Territory, the spectrum allocated to such similarly licensed operators and the percentage of net operating income payable by such similarly licensed operators.

8 LICENCE PERIOD

8.1 Initial Licence Term

The initial term of the Licence shall be for a period of **15 (fifteen)** consecutive years commencing on the Commercial Date.

8.2 Renewal of the Licence

This Licence may be renewed in terms of the Act.

8.3 Forfeiture or Cancellation of Licence

In the event of the liquidation of the Licensee, the Licensee shall notify the Authority in writing of the cancellation of the Licence and, in the event of the Licensee doing so, it shall forfeit any remaining portion of the performance guarantee referred to in clause **5.3** immediately and in full, and the fixed licence fee payment guarantee mechanism set forth in Annexure C to this Licence shall immediately take effect.

8.4 Revocation of Licence

The Licence may be revoked in accordance with the Act.

9 CONFIDENTIALITY OF INFORMATION

9.1 Content of communications

The Licensee shall not disclose the content of any communication transmitted over the Network, unless required to do so by a court order or in terms of any law.

9.2 Customer information

9.2.1 The Licensee shall not use any information regarding its past, current or potential Customers for purposes other than those for which the information was obtained, unless the Customer gives prior written consent to such other use.

9.2.2 The Licensee may publish a directory of Customers and their cellular telephone numbers. The Licensee may charge a fee in connection with the sale or distribution of this directory. Any Customer shall have the right to request that his or her information be withheld from such a directory, without charge to such Customer, and the Licensee has a corresponding obligation to inform Customers of such right and to accede to such request made by any Customer.

10 RESTRICTION ON TRANSFER OF LICENCE, SHARES, OWNERSHIP AND CONTROL

10.1 The Licensee shall not transfer the Licence without the prior written consent of the Authority having been obtained in terms of the Act.

10.2 Historically Disadvantaged Persons shall:

10.2.1 be the beneficial holders of and shall exercise all voting rights and shall be entitled to all dividends in respect of a minimum of ~~40% (forty percent)~~ **25% (twenty five percent)** of the shares in the Licensee's issued share capital; and

10.2.2 be entitled to appoint a minimum of ~~40% (forty percent)~~ **25% (twenty five percent)** of the members of the Licensee's board of directors."

10.3 Subject to, and without derogating from the requirements of, clause **10.2** and the Competition Act, No. **89** of **1998**, the Authority's prior written approval shall be required in respect of any transfer of shares, or any change in ownership, which would or might have the effect that:

10.3.1 the direct or indirect beneficial ownership of **10%** (ten percent) or more of the shares in the Licensee's issued share capital held by Historically Disadvantaged Persons being-transferred; or

10.3.2 a change to the composition of one quarter or more of the Licensee's board of directors occurring.

11 EMPLOYMENT **EQUITY**, HUMAN RESOURCE DEVELOPMENT AND TRAINING

11.1 The Licensee shall comply with the provisions of the Employment Equity Act, No. 55 of **1998**, and the **Skills Development Act, No. 97** of

1998, in relation to employment equity, human resource development and training. All reports submitted to the Department of Labour in this regard by the Licensee shall also be submitted to the Authority.

11.2 The Licensee shall participate in the development of the telecommunication industry by, inter alia:

11.2.1 supporting independent contractors from Historically Disadvantaged Groups; and

11.2.2 supporting industry development initiatives.

12 SERVICE FEES AND CHARGES

12.1 The Licensee shall not charge any tariffs or fees for the Service or for any other services whatsoever until such tariffs and fees have been lodged in writing with the Authority and approved by the Authority.

12.2 The tariffs and fees must be in a form approved by the Authority, which shall provide the Licensee with written reasons, within **7** (seven) days, in the event of non-approval, provided that, if no notice of non-approval is given within **7** (seven) days of lodging the proposed tariffs and fees with the Authority, the Authority shall be deemed to have approved such tariffs and fees. The notice of tariffs and fees lodged with the Authority must state the period for which they are to be in force. The period must not begin before the seventh day after the notice has been lodged with the Authority. In relation to each kind of service that the Licensee proposes to offer during the period concerned, the notice must set out:

12.2.1 a description of the service; and

12.2.2 details of the nature and amounts of charges payable for the service.

12.3 If the charges in a tariff plan vary, whether in their nature, in their amounts or both, the notice must set out why and how the charges vary.

12.4 The notice must be precise and detailed enough to be used to calculate the nature and amounts of charges payable for the supply of any aspect of the Service in particular cases.

12.5 Any increase in the Community Service Telephone tariff plan as annexed to this Licence and as amended from time to time shall be subject to approval by the Authority. If the Authority disallows or delays the implementation of the proposed Community Service Telephone tariff plan increase, it shall provide written reasons for its decision to the Licensee within **7** (seven) days of the date of the decision.

12.6 The base tariffs and fees which the Licensee may apply as from the Commercial Date shall be lodged with the Authority at least **3** (three) weeks prior to the Commercial Date.

12.7 Where the Authority has approved an increase in tariffs and fees, these increased tariffs and fees shall constitute the new base tariffs and fees.

12.8 The Licensee shall publish details of its tariffs and fees and any other terms and conditions on which the Service is provided by

12.8.1 making them available for inspection at its major places of business during normal business hours, and

12.8.2 sending the appropriate information to any person who may request it.

12.9 Insofar as this clause **12** stipulates time periods of 7 (seven) days for the performance of certain actions, the Authority shall be entitled to prescribe a different time period by regulation.

13 GENERAL

13.1 Should any provision of this Licence be invalid or unenforceable for any reason, the remaining provisions shall nevertheless remain of full force and effect.

13.2 To the extent that this Licence may be inconsistent with any provisions of the Act or any applicable regulations, such provisions of the Act or the regulations shall take precedence over this Licence.

14 MISCELLANEOUS PROVISIONS

14.1 Adherence to International Standard

The Licensee shall comply with the applicable standards and requirements of the ITU, as agreed to or adopted by the Republic.

14.2 Legal Compliance

The Licensee shall comply with all applicable laws of the Republic and with all international obligations to which the Republic is bound and, unless expressly indicated to the contrary, nothing in this Licence shall be construed or understood so as to relieve or exempt the Licensee or any other party, including any of the Licensee's employees, agents, contractors or Service Providers, from complying with the provisions of this Licence, the Act or any other law to the extent that it may be applicable.

14.3 Access to Network Facilities

Upon reasonable notice, the Licensee shall provide access to its Network facilities for inspection by the Authority.

14.4 Utilisation of Fixed Lines

14.4.1 The Licensee is authorised to procure, construct, maintain and use its own Fixed Lines to interconnect its own PLMN elements if these elements are installed on the same premises or on adjacent premises occupied by the Licensee.

14.4.2 The Licensee is prohibited from utilising any Fixed Lines other than those made available by Telkom or any other PSTS licensee until a date to be fixed by the Minister by notice in the Government Gazette.

15 NOTICES AND ADDRESSES

15.1 Any notice or certification given by the Authority to the Licensee shall be in writing and:

15.1.1 if delivered by hand to the Licensee's address, it shall be deemed, until the contrary is proved by the Licensee, to have been received by the Licensee at the time of delivery;

15.1.2 if posted by pre-paid registered post from an address within the Republic to the Licensee at the address furnished by it, it shall be deemed, until the contrary is proved by the Licensee, to have been received by the Licensee on the 14th day after the date of posting.

MANDLA LANGA

CHAIRPERSON

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

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