



The Regulatory Framework for Constructing & Leasing Telecommunication Towers in The Arab Republic of Egypt

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The Regulatory Framework for Constructing and Leasing Telecommunication Towers

Preamble

WHEREAS the National Telecom Regulatory Authority (NTRA) (the Licensor) is, pursuant to Telecommunication Regulation Law No. 10 of 2003, the only national authority competent to regulate the telecommunications sector in the Arab Republic of Egypt (A.R.E.) through the implementation of the approved policies set forth to enhance and deploy telecommunication services in compliance with the most advanced technological means, and in a way that guarantees meeting the users' needs (whether they are individuals, corporates, companies or any of the State's productive, economic, administrative or service sectors at the most appropriate prices;

WHEREAS the NTRA encourages attracting investment in the ICT sector from both national and international entities on the basis of free and open competition in a way that guarantees the publicity and transparency of information and ensures the availability of universal service and the protection of users' rights;

WHEREAS the NTRA (the Licensor) is the only authority competent to grant licenses and permits to companies or corporates that intend to provide or operate telecommunication services in the Arab Republic of Egypt. Moreover, NTRA is the authority responsible for monitoring and following up on the licensed operators' performance and drafting general terms and conditions that guarantee fair and free competition between them;

WHEREAS the NTRA issued a license to a fourth mobile network operator, and extended existing licenses to all licensed mobile network operators in 2016 to provide 4G mobile services, which requires expansion in the construction of an infrastructure for wireless networks (Passive Infrastructure): towers, antennas, power supplies, etc.;

Therefore the NTRA (the Licensor) has decided to issue this Regulatory Framework for the construction and leasing of telecommunication towers in the Arab Republic of Egypt pursuant to the Telecom Regulation Law No. 10/2003.

1. Definitions

- 1- **The NTRA:** means the National Telecom Regulatory Authority.
- 2- **The User:** means any natural or legal person who uses the infrastructure indicated within this framework or benefits from it..
- 3- **Wireless Telecommunication Tower:** means the (structure/entity) used to carry the antennas of various types of telecommunication devices and its supplementary installations such as (equipment rooms - the surrounding wall), in addition to the electrical power feeding devices, air conditioners, fire fighting systems, security and protection.
- 4- **Mobile Service Providers:** means the companies licensed by the NTRA to provide mobile services in the Arab Republic of Egypt.
- 5- **Internet Service Providers:** means the companies licensed by the NTRA to provide Internet services (Class A) in the Arab Republic of Egypt.
- 6- **Wireless Service Providers:** means the companies licensed by the NTRA to provide mobile services, internet service providers, and wireless trunking service providers (TETRA).
- 7- **The Principal Shareholder:** means the shareholder with a 20% or higher ownership stake in the entity applying for the license.
- 8- **The Licensed Company:** means the company that will obtain from the NTRA the new license to construct and lease telecommunication towers in the Arab Republic of Egypt.
- 9- **The License:** means the license to construct and lease telecommunication towers in the Arab Republic of Egypt.
- 10- **The Unlicensed Companies by the NTRA to provide telecom services:** means the entities that are not licensed by the NTRA to provide the telecommunication services; these are the authorities, ministries, companies, and institutions and do not include individuals (this definition is used in clause (4-3) hereof).

2. Introduction

During 2010 and 2011, the NTRA issued four licenses to construct and operate the wireless telecommunication towers; those licenses aimed to inject new investments in the infrastructure of wireless telecommunication towers through introducing new companies to the Egyptian telecom market.

In 2016, the NTRA issued a license to a fourth mobile network operator to provide mobile services, and it also extended existing licenses to all licensed mobile network operators to provide 4G mobile services in the Arab Republic of Egypt.

Moreover, the Government of Egypt is pursuing a strategy for balanced spatial development through the expansion of the construction of new urban areas throughout the Arab Republic of Egypt, which requires accordingly the expansion in the establishment of wireless telecommunication networks in these areas according to a timetable that matches the speed of construction of these areas.

In another context, the NTRA has been always seeking to enhance the quality of telecom services provided to users in the Arab Republic of Egypt and provide them with the state-of-the-art services.

Consequently, all the aforementioned factors has resulted in a bigger demand in Egyptian telecom market for new companies that construct and operate the Passive Infrastructure of wireless communications networks, including towers, antennas, power supplies, etc., and lease them to companies licensed to provide wireless telecommunication services for the purpose of:

- Reducing the capital expenditures of companies licensed to provide wireless telecommunication services, giving them the opportunity to focus and invest in their core activity, providing telecommunication services to users and rolling out active infrastructure
- Reducing the operating costs through the participation of a number of companies licensed to provide wireless telecommunication services in the passive infrastructure of wireless telecommunication networks such as towers, antennas, power supplies, etc.,
- Implementing a quick coverage of new urban areas planned for the upcoming period of time.
- Improving the quality of the wireless telecommunication services provided.

The NTRA believes that the applicant for the new licenses should meet the “financial solvency” condition and must have long experience in the field of towers construction and leasing to obtain new licenses in order to ensure the achievement of the goals mentioned above.

3. The Regulatory Framework for Service Provision

3-1 Service operational model

- The construction and leasing of wireless telecommunication towers in the Arab Republic of Egypt includes the construction of Ground-Based towers or RoofTop towers. The costs and revenues structure of those two types of towers are so different.
- The companies working in the field of wireless telecommunication towers construction and leasing follow these two methods:
 1. The acquisition of wireless telecom service providers' towers.
 2. The construction of new towers. The new towers can be constructed as per the requirements of one of the wireless telecom service providers, or they could be constructed according to tower companies' assesment of the market. The constructed towers could be leased to any wireless telecommunication services provider, after obtaining the prior written approval of the NTRA in all the cases shown above.

3-2 Service Regulatory Model

- The NTRA issued four licenses to construct and operate the wireless telecommunication towers during 2010 and 2011; they are still in force.
- The NTRA will issue new licenses to construct and lease telecommunication towers within the Arab Republic of Egypt, so that the license includes adding new rights and obligations to the licenses previously awarded for constructing and operating wireless telecommunication towers, most importantly the following:
 - **The abidance by a coverage plan** that includes the construction of a specified number of towers during the first three years (Attachment 1).
 - **The licensing charges:** a one-time payment of a minimum amount of three million US dollars, to be paid upon signing the license.
 - **Charges for works, burdens and services rendered by the NTRA in relation to the license:** an amount of 100,000 Egyptian pounds (an amount of one hundred thousand Egyptian pounds).
 - **Performance Bond:** an amount of 10,000,000 Egyptian pounds (ten million Egyptian pounds).
- The NTRA shall set the terms and conditions for applying for the award of the license to construct and lease telecommunication towers within the Arab Republic of Egypt (as set forth in (part 5) hereof) in order to ensure that applicants for the new licenses meet the “financial solvency” and “expertise” conditions.

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- The NTRA shall study the offers submitted for obtaining the license and evaluate them against their fulfillment of the requirements and conditions specified for applying for the license and the quality of the feasibility study submitted by the applying company.
 - The NTRA shall periodically evaluate the performance of the licensed companies in order to assess this regulatory framework.
 - This Regulatory Framework is subject to the provisions of the Telecom Regulation Law No. 10 of 2003 and the legislations, laws, regulations and decisions in force in the Arab Republic of Egypt.
 - The Licensed companies must obtain from the relevant official authorities and entities all the necessary legal and administrative approvals that these authorities and entities are competent to issue as per the provisions of law, in order to start exercising their licensed activities pursuant to the laws and regulations in force. The aforementioned approvals include the approvals issued by the national security authorities.
 - Subject to the provisions of Chapter Six (Article 64) of the Telecom Regulation Law No. 10 of 2003, the licensed company shall not use the licensed towers and systems in any way that might prejudice the national security.

4. The Main Conditions and Provisions of the License to Construct and Lease the Telecommunication Towers in the A.R.E.

4-1 The License Term:

- This license shall be valid for fifteen years, renewable for other consecutive terms of ten (10) years each. The renewal of this license will be based on new terms and conditions to be agreed upon in accordance with the conditions and provisions of Telecom Regulation Law No. 10 of 2003 and pursuant to the procedures stipulated in the license and the applicable laws.

4-2 The Financial Obligations:

- **Licensing Charges:** a one-time payment of a minimum amount of three million US dollars, to be paid upon signing the license.
- **Annual Fees:** the Licensee shall pay annual licensing fees amounting to 3% of the total annual revenues for the licensed service or 500,000 Egyptian pounds annually (five hundred thousand Egyptian pounds) whichever is higher.
- **Charges for Works, Burdens and Services Rendered by the NTRA in Relation to the License:** an amount of 100,000 Egyptian pounds (one hundred thousand Egyptian pounds) to be paid annually and is subject to adjustment every five years, provided that the new values of these fees do not exceed- after each adjustment- the values prior to this amendment in addition to the inflation factor announced by the Central Bank of Egypt. This amount will be paid to the NTRA on the first working day of the calendar year throughout the license term.
- **Performance Bond:** the licensed company shall submit, upon signing it, and as a guarantee for the implementation of all the obligations mentioned therein, an unconditional bank letter of guarantee in the amount of 10,000,000 Egyptian pounds (ten million Egyptian pounds) as a guarantee to implement all the provisions set forth in the license.
- **Universal Service Fees:** the licensed company must abide by the rules and conditions of universal service and to contribute to its costs as determined by the NTRA and in accordance with the provisions of the Telecom Regulation Law No. (10) of 2003.
- **Research and Development (R&D) Charges:**
 - The licensed company shall contribute to the scientific research, education and training programs in the field of telecommunications and information technology and other related fields, with a minimum of (0.5%) half a percent of its total annual revenues according to its audited financial statements for the fiscal year prior to the due date.

- The licensed company shall pay 50% (fifty percent) of the minimum mentioned in the previous clause to the NTRA to be spent on implementing and sponsoring of scientific research and training programs determined by the NTRA.

4-3 The Main Rights and Obligations:

- The licensed company shall have the right, pursuant to this license, to carry out the activities needed to construct wireless telecommunication towers in the Arab Republic of Egypt in accordance with the conditions and provisions of the license awarded thereto.
- The licensed company must implement the coverage plan specified in Attachment (1) according to its three phases and the time period determined for each phase. The plan implementation is through constructing new towers or acquiring the towers of one of the other licensees licensed to construct telecommunication networks provided that the percentage of the towers constructed in each phase shall not be less than 70% of the minimum specified for each phase.
- The licensed company must sign a pre-contract with at least one other licensee (licensed to construct telecommunication networks) for that licensee to lease the wireless telecommunication towers or part of them, before the licensed company starts to construct these towers. In the situation that the licensed company intends to construct wireless telecommunication towers without signing a pre-contract with another licensee (licensed to construct telecommunication networks), the licensed company is obliged to obtain the NTRA's prior written approval.
- The licensed company shall, upon constructing the infrastructure for the telecommunication towers, adhere to all internationally-acknowledged construction standards and specifications for the construction of the telecommunication networks infrastructure. It shall, also, abide by all relevant technical standards and specifications specified by the NTRA, as well as the recommendations of the International Telecommunication Union (ITU) in this regard.
- The licensed company shall, upon operating the infrastructure of the telecom towers, ensure that this infrastructure is operated at an operational level that conforms to the internationally-acknowledged technical standards and the technical standards stipulated in the agreements concluded with other licensees (licensed to construct telecommunication networks in the Arab Republic of Egypt) that are determined by the NTRA.
- The licensed company must obtain the prior written approval of the NTRA before the acquisition of the wireless telecommunication towers owned by third parties for the purpose of using them to provide the services under scope

of the license awarded thereto.

- The licensed company shall have the right to lease the wireless telecommunication towers or part thereof to another licensee (or more) licensed to construct telecommunications networks in accordance with an agreement concluded between the company and the other licensee (the lessee) provided that the licensed company obtains the NTRA's prior written approval of this agreement before its activation.
- The licensed company shall have the right to lease the wireless telecommunication towers or part thereof to unlicensed companies by the NTRA to provide telecom services (defined in clause (10) in the definitions in this framework), provided that the NTRA's prior written approval is obtained for each of the unlicensed companies on each contract separately.
- The licensed company must include in the agreement (contract) to be concluded with its client (the lessee) all the necessary conditions that determine and clarify the relationship between them, especially the following:
 - The services that the licensed company provides to the lessee.
 - The leasing relationship concerning the lease term, contract renewal terms, and leasing price.
 - The party that shall install dishes, antennas, and equipment, and the extent of its liability for the consequences arising from improper installation.
 - The agreed-upon the paths and systems of maintaining and securing the interconnection links between devices and both the antennas and dishes.
 - The extent of the liabilities of the contracting parties for the safety of the dishes, antennas and devices of the other party when one of them carries out its own maintenance and installations. .
 - The agreed-upon system that will be used for modifying or changing the locations of the wireless telecommunication towers on which the lessee's devices are installed.
 - The right of the lessee to dispose of its equipment, dishes and antennas after the expiry of the contractual relationship between it and the licensed company in a way that does not cause any damages to the latter's property and the compensations due to it in case any damage occurs.
 - The implementation of the "Mobile Towers Installation Requirements Protocols" issued by the NTRA and their amendments.
 - The extent of the contractual relationship continuity in the event of the transfer of the ownership from either of them to a third party.
 - The commitment of the licensed company to carry out a due diligence inspection of the dishes, antennas and the associated devices in terms of the weight and diameters, to match them with the load bearing capacity

of the wireless telecommunication towers and installations for the resulting loads.

- The Service Level Agreements (SLAs), its main KPIs and the means of payment of compensation due to one of its parties by the other party in the event that this level falls below the limits mentioned in the Service Level Agreement.
- The rules for resolving disputes resulting from the agreement, and the rules, conditions and procedures for terminating this agreement.
- The licensed company shall, before disconnecting the service provided to the lessee through the wireless telecommunication towers leasing, notify the NTRA and the lessee of this action with an adequate period of time to be determined by the NTRA. This action will not be taken before obtaining the NTRA's approval.
- The licensed company is obliged to take all legal, institutional and technical measures and steps required to protect, secure and maintain the confidentiality of the information and data related to the clients of this service.
- The licensed company shall abide by the technical and regulatory decisions and rules issued by the NTRA with regard to the construction and provision of services, under scope of to the license.

5. The license application process

5-1 The Application Procedures

- The NTRA shall announce the new regulatory framework after its approval and shall open the door for applicants to apply for the new license.
- The companies or consortia intending to obtain a license to construct and lease the telecommunication towers in the Arab Republic of Egypt shall submit an application to the NTRA in accordance with the data and documents to be determined below in this clause, that prove the technical and financial capacity of the applicant for the license.
- The NTRA shall study the offers submitted to obtain a license to construct and lease the telecommunication towers in the Arab Republic of Egypt and shall evaluate them against their fulfillment of the license application terms and conditions specified in the regulatory framework, and according to the quality of the feasibility study submitted by the applicant company.

5-2 The Application Terms and Conditions

- The applying company/consortium or one of its subsidiaries or one of its shareholders must not be a licensed operator from the NTRA to provide mobile services or fixed services in the Arab Republic of Egypt.
- The percentage of the local shareholder must not be less than 20% of the ownership of the entity applying for the license award.
- The percentage of the foreign shareholder must not be less than 20% of the ownership of the entity applying for the license award.
- In case, a company applies for a license:
 - The applicant company must be an Egyptian joint stock company established in accordance with the Egyptian law, provided that it operates in the service field which is under the scope of this regulatory framework.
- In case a consortium applies for a license:
 - The majority shareholder of the consortium must be a company operating in the the service field under scope of the regulatory framework.
 - The consortium must establish an Egyptian joint stock company in accordance with Egyptian law within one month from the obtainment of the NTRA's approval to grant the consortium a license.
- The consortium/applicant company or the principal shareholder in the company or some affiliates to the applying company should have the appropriate experience:

- The experience of the company/consortium in the field of construction and leasing of the wireless communication network infrastructure should be at least three years.
- The number of the tower locations owned by the company/consortium and that are leased should be at least 5000 towers on the application date.
- The size of the works that the applicant carried out in the field of wireless telecommunication network construction during the last three years should be at least three billion Egyptian pounds.
- The applicant company/ consortium or the principal shareholder in the company/ consortium should have the appropriate financial capacity for such activity:
 - The applicant's annual revenues should be not be less than 200 million pounds during the last two fiscal years from the application date.
 - The issued capital of the applicant company must be not less than one million Egyptian pounds.
- The licensed company should offer in an Initial Public Offering (IPO) a minimum of 5% of the company's shares within five years from the date of the license award.

5-3 The proposal content

❖ The submitted proposals must include the following:

- Detailed information about the company/consortium (in particular: the names of shareholders and their shareholding percentage, the company address, the authorized person, phone, fax,).
- The previous experience of the company/consortium:
 - The company/consortium profile;
 - The organizational structure of the company, the names of the shareholders and their shareholding percentages;
 - The experience of the company/consortium in the Egyptian market;
 - The experience of the company /consortium in the field of wireless communication towers construction.
 - The experience of the company /consortium in project management.
- The financial position of the company/consortium:
 - The financial capacity of the company/consortium.
 - The audited financial statements for the last five years.
 - Methods of financing of the company /consortium (previously and currently).
- A feasibility study for ten years, including the following:
 - The administrative and staffing structure;
 - Market study /market analysis.

- **The technical plan:**
 - The expected coverage plan and implementation mechanisms, at a minimum of Attachment (1).
 - The technical solutions for emergency response.
 - The technical solutions for securing the company's devices and equipment for the service, under scope of the license.
 - A proposal of Service Level Agreement (SLA).

- **The marketing plan:**
 - The size of the market to which the applicant intends to enter and the acquisition percentages of competitors.
 - The size of the market expected to be acquired by the applicant company/consortium.
 - Marketing strategic plans.
 - The company's potential customers.

- **The financial plan and risk management:**
 - Pricing plan.
 - Financial assumptions.
 - projected revenues and costs.
 - The projected balance sheet for each year including the assets and liabilities.
 - The projected income statement for each year including all items of expenses and revenues.
 - The projected cash flows for each year.
 - The required capital, IRR and the expected capital return period.
 - Funding and its sources.
 - The expected risks in this field and how to mitigate them.

Attachment (1) Coverage Plan

Phase	Duration	The Minimum Number of Towers to be Constructed	Total Number of Towers
First	One year from the license enforcement	1000 towers, whether GBT or Rooftop	1000 towers, GBT or Rooftop
Second	Two years from the license enforcement	2600 towers, whether GBT or Rooftop	3600 towers, whether GBT or Rooftop
Third	Three years from the license enforcement	2200 towers, whether GBT or Rooftop	5800 towers, whether GBT or Rooftop

- The coverage plan can be implemented, either by constructing the towers or acquiring those of one of the licensees who are licensed to construct telecommunication networks in Egypt, provided that the percentage of the constructed towers in each phase should be not less than 70% of the minimum specified for each phase.