



**SECOND NATIONAL
OPERATOR (SNO) PRE-
BIDDERS'
CONFERENCE**
*Safari Park Hotel
NAIROBI - 17th MARCH 2004*

1



**Communications
Commission of Kenya**

SNO Tender Highlights

2

Agenda

- Introduction – the Telecom Sector in Kenya
- Why SNO
- SNO Tender Process
- Basket of Licenses
- Contents of a Bid
- Structure of a Bid
- Evaluation & Post Evaluation Activities
- Regulatory Aspects e.g. Frequency Spectrum, Numbering, Rights of Way, Interconnection Principles etc.

3

Introduction - Telecom Sector in Kenya

- Falls under the Ministry of Transport and Communications (MOTC),
- Governed by the Kenya Communications Act, 1998,
- The Kenya Communications Regulations, 2001 &
- The Telecommunications & Postal Sector Policy Guidelines.
- Enforced by Communications Commission of Kenya (CCK) – as the Independent Regulator
- National Communications Secretariat – Policy Advisory section within MOTC

4

Telecom Sector in Kenya Cont'

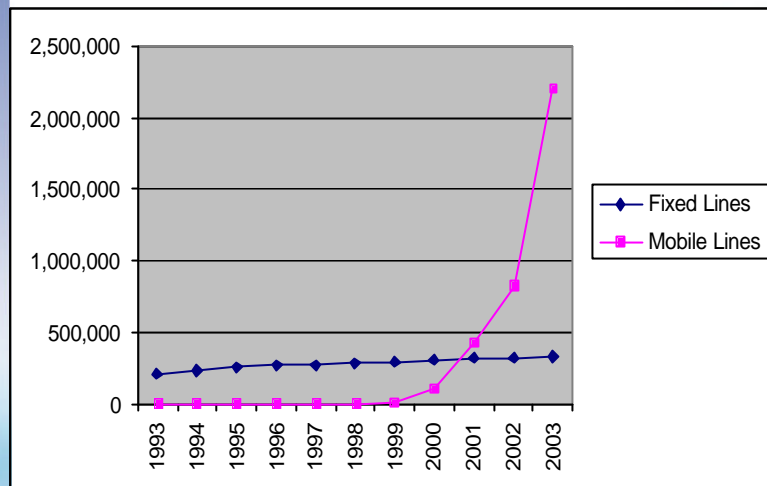
- The Appeals Tribunal
- Operators and Service Providers include:
 - Telkom Kenya Ltd – Incumbent fixed network operator
 - Kencell and Safaricom – GSM operators
 - Local Loop Operators, Public Data Network Operators, ISPs, s, Vendors/Contractors, VAS providers, private network operators, etc.

Telephone Service Penetration

- About 330,000 fixed line connections
 - 1 Line Per 100 Persons (National Average)
 - Av. of 0.16 lines Per 100 in Rural Areas
 - Av. of 4 Lines Per 100 in Urban Areas
 - 4.2% of Households Have Fixed Phones
 - Varies from 0.1% to 27.7%
- Over 2 Million Mobile Phones

Fixed/Mobile Growth Rate

Source: CCK



WHY SNO?

- **Part of fulfilling the Government's Policy objectives for the sector, which includes:**
 - **Optimizing the sector's contribution to the general development of the Kenyan economy;**
 - **Ensuring provision of efficient, reliable and affordable communication services countrywide**
 - **Achieving fixed line penetration of at least 20 lines per 100 persons in the urban and 5 lines per 100 persons in the rural areas by 2015**
 - **Attracting private sector investments and creating jobs**

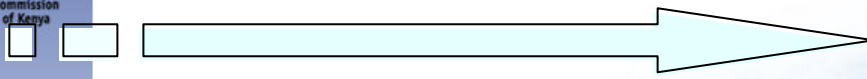
WHY SNO? Cont'

- Fixed line demand not met despite tremendous growth in GSM Cellular rollout and uptake
- The unmet market demand for telephony in Kenya estimated to be between 4.7 and 9.4 million lines
- Growing demand for Internet & Broadband services
- Shortage of transmission systems for long distant and backhaul services
- Opportunities arising from digitalization & convergence
- The need to introduce competition in all monopoly areas as a means of improving efficiency, affordability as well as responsiveness to customer demand

SNO TENDER PROCESS



SNO Bidding/Licensing Process



<p>•Phase I: Pre-qualification (Jan 2004)</p> <ul style="list-style-type: none"> •500,000 subscribers •\$150m annual T/O •Network history 	<p>Qualified</p> <ul style="list-style-type: none"> •Telenor/TMP •ZTE/CNC/Kensim •T-Systems/Detecon •Pegrume/TCI/TATA/PCA •SaskTel/SI 	<p>Phase II: Technical & Financial bidding</p> <ul style="list-style-type: none"> •Q&A •Pre-bidders conference •Final bid submission (April 2 2004) 	<p>AWARD</p> <ul style="list-style-type: none"> •Bid Evaluation •Declaration of winner •Submission of Performance Bond 	<p>•Phase III (Licensing)</p> <ul style="list-style-type: none"> •Formal application •Public Notice •Initial licence fee/award of Licences •Network rollout.
---	---	---	--	---

11



TENTATIVE TIME TABLE

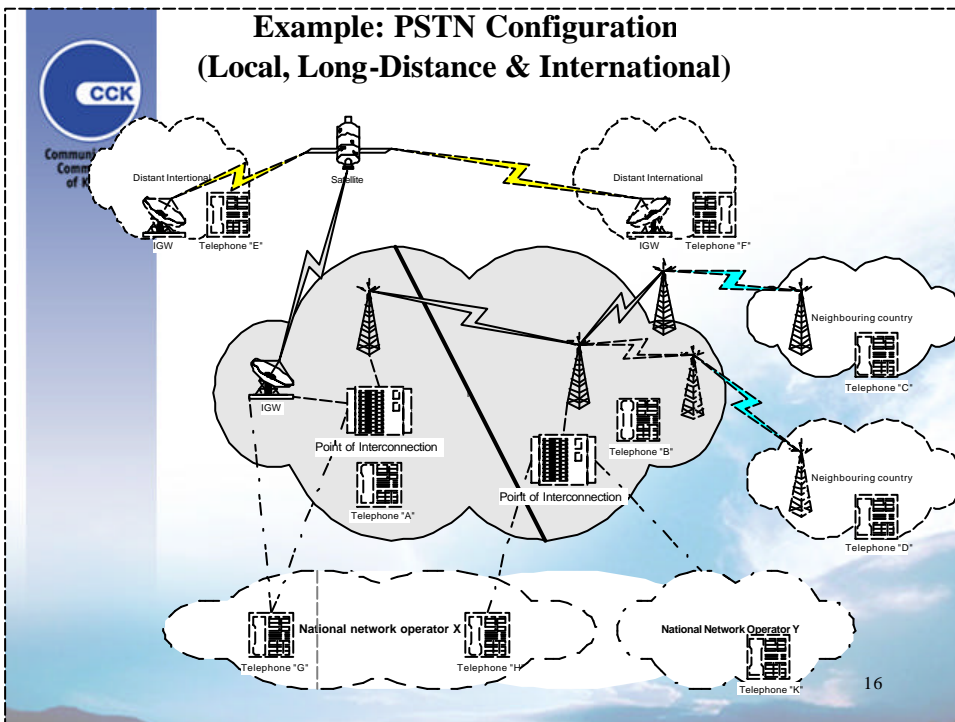
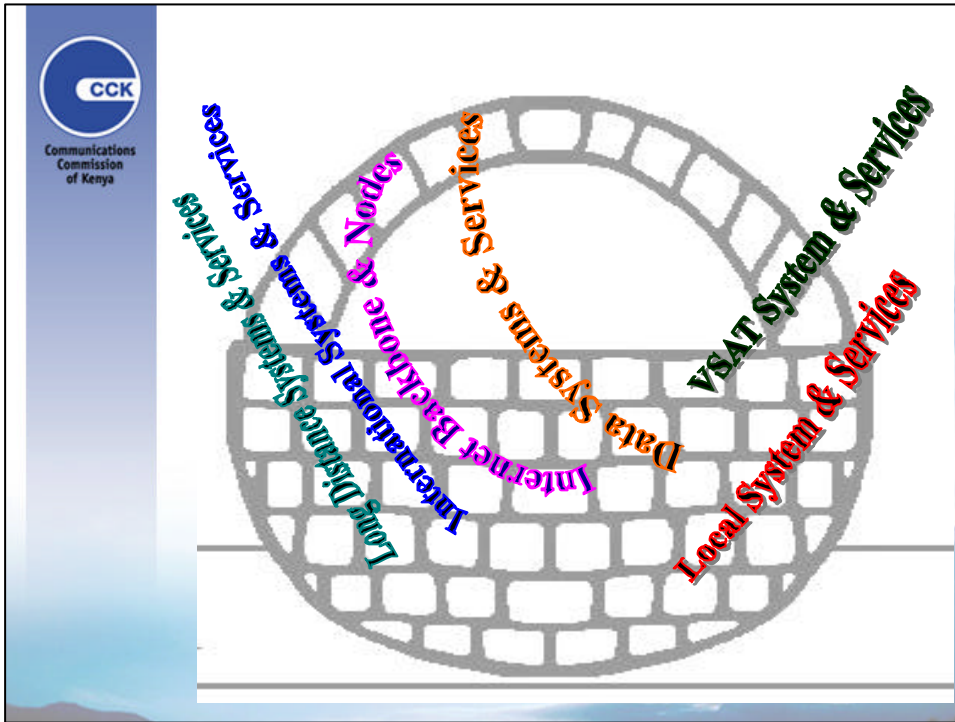
Phases	Dates	Day Number
Phase I: Pre-qualification		
Tender Announcement	11 th November 2003	1
Tender Document Preparatory activities	21 st October 2003 – 16 th January 2004	
Submission of pre-qualification package	19 th December 2003	39
Evaluation of pre-qualification package and short-listing	5 th – 9 th January 2004	56 - 60
Phase II: Technical and Financial Evaluation		
Instructions to short-listed Bidders	9 th January 2004	60
Question period	9 th January – 19 th March 2004	60 - 130
Collection of Tender Document	From 2 nd February 2004	84
Pre-bidder's conference	17 th March 2004	128
Final bids (closing date)	2 nd April 2004	144
Evaluation and selection	2 nd April – 16 th April 2004	144 - 158
Notification of Selection	19 th April 2004	161
Phase III: Licensing Activities		
Acknowledgement, finalization of the License, submission of Performance Bond and other administrative activities	19 th April – 19 th May 2004	161 – 191
Gazette notice for licence award	28 th May – 26 th July 2004	200 – 259
Award of Licence	30 th July 2004	263

12

ACCEPTANCE PROCEDURE FOR A BID

- The bidder has purchased the tender document;
- The bid has been received on or before the closing date;
- The bidder has submitted a Bid Bond of USD **10,000** on or before the closing date; and
- The bidder has paid the evaluation fee of USD **8,000** on or before the closing date.

SNO BASKET OF LICENCES



Local Systems and Services

Existing Licensees

- Telkom Kenya Ltd - Countrywide
- Bell-Western - North Eastern Province
- 2 Local Loop Operators (others to be licensed) – provision of last mile services

Long Distance Systems and Services

Existing Infrastructure

- Telkom Kenya Ltd - Countrywide
- GSM Operators have also built-up systems for their own use due to lack of capacity
- VSAT Operators
- Other organizations such as KPLC, KR etc have private networks

International Systems and Services

Existing Infrastructure & Services

- Telkom Kenya Ltd
 - PSTN
 - PSDN & Dedicated Leased Line
 - Internet Backbone (Jambonet)
 - VSAT Systems

Data Systems and Services

- Market open to full competition
- Existing Licensees - Countrywide
 - Telkom Kenya Ltd
 - Kenya Data Network
 - Open Systems Limited
 - Simbanet.com Limited
 - Broadband Access Limited

VSAT Systems and Services

Existing Licensees

- Telkom Kenya Ltd
- Gilat Alldan (Africa) Ltd

Internet Backbone & Nodes

Existing Licensee

- Telkom Kenya Ltd

COMPOSITION

OF A

BID

A BID

Technical Proposal

1 original and 3 copies

Sealed Financial Proposal

USD 10, 000 Bid Bond

USD 8, 000 Evaluation Fee

Technical proposal

Technical Strategy



Business Strategy

25

Financial Proposal

- Bidders to submit ONLY one signed copy of the Financial Proposal.
- The Financial Proposal should contain a definitive offer in USD payable in one lump sum.
- Financial Proposals on the basis of payment say in installments or with any other condition shall not be entertained.
- The Financial Proposal should be sealed separately in an envelope and clearly marked as shown below.

26



Financial Proposal

Sealed Envelope

**FINANCIAL PROPOSAL FOR SNO
LICENCES**

DO NOT OPEN

**EXCEPT IN THE PRESENCE OF DULY
AUTHORIZED COMMISSION OFFICIALS**



Financial Proposal

Front Side of Envelope

**SNO Financial Proposal by
XXXXX Consortium**

BID BOND

- Value - USD 10, 000
- Valid for 12 months
- To be submitted together with the technical proposal
- Please do **NOT** seal the Bid Bond together with the financial offer in one envelope.

Evaluation Fee

- Value - USD 8, 000
- Banker's Cheque or
- Money Transfer
- In favour of Communications Commission of Kenya



General Guidelines on Structure of Technical Bids

- Presentations on Technical and/or Business Strategies for inter-related services such as Local, Long-distance and International Systems and services may be integrated.
- Presentations on Technical and/or Business Strategies for distinct systems and services such as VSAT, Internet Backbone and Data Communication may be done separately

BUSINESS STRATEGY

- Market projections and assumptions
- Tariffs proposals
- Revenue Projections
- Operating Costs
- Employees and deployment policy
- Capital Costs
- Cash Flow Projections
- Role of Consortium Members

TECHNICAL STRATEGY

- Network hierarchy
- Qualitative and quantitative rollout plan
- Switching and transmission systems
- Number and points of interconnection
- Access systems
- Acquisition of equipment sites and/or co-location strategies
- Network management
- Traffic monitoring and compilation of traffic statistics

EVALUATION OF BIDS

Elements of the evaluation criteria include:

- User benefits
- Service innovation and packaging
- Tariff levels and flexibility
- Quality of service
- National rollout
- Feasibility
- Credibility
- Financial offer

ADMISSION TO THE EVALUATION STAGES

- Technical Evaluation;
 - Only bids which conform to the required structure and composition of a Bid as described in the Tender Document will be admitted at this stage.
- Financial Evaluation;
 - Only technically qualified bidder will be evaluated.

Summary of the Technical Proposal Scoring Matrix

Criteria	Maximum Points
Experience in Managing Telecom Networks and Services	15
Financial Capacity	15
Business Strategy	40
Technical Strategy	30

Bids scoring 75% and above shall proceed to the Financial Evaluation stage

37

EVALUATION OF FINANCIAL PROPOSAL

- **Only Bids scoring 75% and above at the technical evaluation stage shall proceed to the Financial Evaluation stage**
- The Bid with the highest financial offer and which has qualified to this stage will, subject to reserve price, be declared the winner.
- If there is a tie on the financial offer, the Bidder with the highest technical score among the tie will, subject to reserve price, be declared the winner of the SNO Bid.

38

POST EVALUATION ACTIVITIES

39

- Upon notification of the bid award, the successful Bidder is expected to submit a Performance Bond equivalent to 5% of the financial offer within thirty -(30) days from the date of notification
- Successful bidder shall be expected to formally apply for the basket of licences
- Commission shall subsequently gazette the intention to grant the SNO Licences to the applicant
- If the successful bidder fails to furnish the Commission with a Performance Bond, the Commission may call the Bid Bond

40

REGULATORY ASPECTS & FACILITATION

41

1. Frequency Spectrum Resource

- Application shall be made on prescribed forms
- Frequency Spectrum Resource will be availed subject to availability.
- Frequency assignment is done on a case-by-case basis

42

2. Numbering Resource

- The Commission shall assign numbering resource in the following format;
 - National significant number (National Destination Code + Subscriber Number): 9 digits
 - National Destination Codes: 2 digits (0XX)
- Where 0 is the National Dialing Prefix and XX is the National Destination Code
- Subscriber number: 7 digits
- Country code for Kenya: +254
- Number portability shall be an obligation for all operators.

3. Rights of Way

- The Act and the Regulations cover issues on the Rights of Way.
- Sharing and co-location of facilities is highly encouraged.

4. Interconnection Principles

- Kenya's Interconnection Policy Aims at:
 - Promoting Competition
 - Promoting Increased and Efficient Use of Telecommunications Facilities
 - Facilitating End-to-End Seamless Connectivity of Networks
 - Promoting Non-discriminatory Access
 - Promoting Common Standards and Practices
 - Facilitating provision of sufficient capacity and service quality

4. Interconnection Principles

- Based on the legal requirement that licensees permit the interconnection of each other's networks and provision of interconnect services on a non-discriminatory basis
- A Licensee has the right to choose its interconnect provider to route calls towards customers of another licensee
- The commission is normally not involved in the detail technical and commercial negotiations between parties involved in an interconnect agreement

4. Interconnection Principles

- The Commission, through its approval procedure, ensures that parties have fully complied with the principles and procedures of Interconnection with specific emphasis on the following issues
 - Non-discriminatory Access
 - Service Quality
 - Interconnection charges
 - General faith in the negotiations
 - Scope and specifications of Interconnection
 - etc

Thank You