

OUR REFERENCE : **NBLT/3532**
DATE : **21 April 2009**

Independent Communications Authority of South Africa
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Attention : Mr. Mandla Mchunu
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Dear Sir

FLEETCALL (PTY) LTD SUBMISSION
ON THE DRAFT RADIO FREQUENCY SPECTRUM FEE REGULATIONS
AS PER NOTICE 304 PUBLISHED IN GOVERNMENT GAZETTE 32029 ON 16 MARCH 2009

1. INTRODUCTION

- 1.1 The Independent Communications Authority of South Africa (hereinafter referred to as either "ICASA" or "the Authority"), in Notice 304 published in Government Gazette 32029 on 16 March 2009, gave notice of draft radio frequency spectrum fee regulations. The Authority invited written representations with regard to the draft radio frequency spectrum fee regulations proposed by the Authority.
- 1.2 Fleetcall has studied the draft radio frequency spectrum fee regulations that the Authority proposes to implement and would like to make representations in respect thereof.

2. BACKGROUND

- 2.1.1 Fleetcall formerly held various radio trunking licences (collectively the "**previous licences**") which were converted into an individual electronic communications network service ("**I-ECNS**") licence and an individual electronic communications service ("**I-ECS**") licence on 15 January 2009 (collectively the "**converted licences**").
- 2.1.2 Fleetcall also received spectrum licenses for 144 duplex channels in the 254 to 276 MHz spectrum and thereafter, under the ECA, ICASA issued a further 48 channels to Fleetcall in 2007.

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3 PROPOSALS FOR REVISED RADIO FREQUENCY SPECTRUM LICENCE FEES

3.1 General

Fleetcall would like to point out to the authority that the existing Radio Spectrum licence fee has put a huge licence burden on Fleetcall and we would like to point out specific problematic areas in the current fee structure that should be taken into account by the proposed draft spectrum fee regulations. These factors are;

- The current spectrum fees levied amount to 4.7% of turnover.
- The spectrum allocated to Fleetcall for its Radio Trunking Network (MPT1327) is unique in the world, adversely effecting infrastructure and user terminal cost.
- This part of the spectrum (254 to 276 MHz) is not tradable.
- The licence fee per kilo Hertz is much higher compared to other mobile operators.
- Spectrum cost for all re-used frequencies are the same as first time use.
- The spectrum fees for remote rural areas are not discounted.
- Current spectrum fees results in a cost of R103.00 per customer per year.

Fleetcall propose that the Authority should consider a fixed yearly spectrum fee per radio channel allocated to a licensee, irrespective of the number of times used as this will result in an incentive to licensees to re-use spectrum.

3.2 Parameters

Fleetcall used the following values for the different parameters and all our comments are based on these parameter values, if these values change, it could influence our comments.

3.2.1 Bandwidth (BW)

Fleetcall is using 12.5 KHz radio channels and in all calculations applied $BW = 0.0125$.

3.2.2 Frequency factor (FREQ)

Fleetcall operates in the 254 to 276 MHz band and used $FREQ = 0.75$ in all calculations.

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3.2.3 Geographic factor (GEO)

192 channels have been allocated to Fleetcall for national use, we have applied a GEO = 1 factor in Gauteng, Cape Town, Durban and Nelson Mandela Bay/Port Elizabeth and a GEO = 0.5 factor for all other areas where the spectrum is used.

3.2.4 Congestion Factor (CG)

A total of 432 radio channels (in the 254 to 276 MHz band) were allocated for Public Access Trunking, a total of 336 channels have been allocated to Fleetcall (192) and QTrunk (144) leaving a 96 channels still available for allocation, based on this the 254 to 276 MHz band is not congested and used CG = 1.

3.2.5 Degree of sharing (SHR)

Due to the Radio Trunking technology and specifications frequency spectrum cannot be shared between operators, for this reason spectrum must be exclusive across a geographical area and SHR = 1 is applicable.

3.2.6 Area sterilized (ASTER)

As indicated under degree of sharing, spectrum used for Radio Trunking is on an exclusive basis and the system radiate in around the base stations in an Omni-coverage. Fleetcall use Effective Radio Power (ERP) of between 6 to 12 watt in the Metro areas that result in area coverage of between 5 to 17 km radius for a high concentration of customers and in these areas more dense radio coverage is required resulting in more high sites. The Gauteng area our re-use of spectrum is up to 3.

In the lower concentrated/rural areas we use an ERP of between 10 to 18 watt resulting in area coverage of up to 55 km. Given the above the following two ASTER factors are used, ASTER = 18 or 56.

3.2.7 Hop length (fixed links)

No comment.

3.3 Minimum price

No comment.

3.4 Multi-year licenses

Under paragraph "7.6.1 Fee Reviews", the Authority states that the fees should be reviewed every 5 years. Should Fleetcall assume that the proposed fees will remain the same for the first 5 years the Multi-year licenses discount do not cover the cost of money (time value of money) over the 5 years, barring the fact that the licensee will secure the spectrum for the 5 year period, it will actually cost the licensee more to pay the 5 year fee in advance.

Fleetcall suggest the Authority increase the discount rate to at least cover the cost of money over the multi-year period.

3.5 Unit prices, Formulae and Derived Charges

To comment on the unit price of R2000.00 one need to apply the formulae to the current spectrum used by Fleetcall. As indicated and explained previously in the document the following values are used by Fleetcall in order to comment on the unit price/spectrum fee:

- Unit = R 2000.00
- FREQ = 0.75
- BW = 0.0125
- CG = 1
- GEO = 1 or 0.5
- SHR = 1
- ASTER = 18 or 56

Formula for Point to Area – Fee = (UNIT*FREQ*BW*CG*GEO*SHR*ASTER). Provided that the above factors are utilized and forms the basis of the calculation Fleetcall agrees to a Unit price of R2000.00 as this will result in more realistic spectrum fees applicable to Fleetcall.

4. CONCLUSION

Fleetcall, except of the reservation set out below, fully support the draft radio frequency spectrum fee regulations on the basis as discussed in the document and specifically on the following values used/applicable on Fleetcall:

- Unit = R 2000.00
- FREQ = 0.75
- BW = 0.0125
- CG = 1
- GEO = 1 or 0.5
- SHR = 1
- ASTER = 18 or 56

Provided that the above factors are applied to Fleetcall, the draft Radio Frequency regulations would address all of Fleetcall's concerns as raised in the beginning of the document.

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Fleetcall however has one additional matter that it deems important to address. Fleetcall could find no provision in the regulations which introduces a system or method whereby licensees who hoard spectrum, without utilizing such spectrum, would be incentivised to either utilize such spectrum or to surrender same. Fleetcall believes that a “use it or lose it” principle or and penalty system could and should address this aspect.

Fleetcall therefore supports the draft regulations, with the exception of the comments and suggestions as listed above, and express the hope that such comments and suggestion will be seriously considered and implemented by the Authority.

Fleetcall hereby expresses it appreciation to the Authority for the opportunity to comment on the regulations.

Yours faithfully



C.J.P. BOTHA
MANAGING DIRECTOR