

**RADIO FREQUENCY SPECTRUM LICENSE FEES - DRAFT**

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INFORMATION MANAGEMENT

SASOL INFRACHEM

REVIEW/COMMENTS:

RADIO FREQUENCY SPECTRUM LICENSE FEES DRAFT 2009

## RADIO FREQUENCY SPECTRUM LICENSE FEES - DRAFT

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### Contents

|  |   |
|--|---|
| INTRODUCTION.....                      | 3 |
| PURPOSE .....                          | 4 |
| CURRENT SITUATION .....                | 4 |
| ABOUT THE PROPOSED DRAFT .....         | 4 |
| POSSIBLE IMPACT ON SASOL BUSINESS..... | 5 |
| Radio license fee increase:.....       | 5 |
| PROPOSAL.....                          | 5 |

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### INTRODUCTION

Sasol Limited is an innovative and competitive global energy company.

Headquartered in Johannesburg, South Africa it is engaged in the commercial production and marketing of chemicals and liquid fuels; with a growing interest in oil and gas exploration.

Sasol was established in 1950 by the South African government to manufacture fuels and chemicals from indigenous raw materials. The company has developed world-leading technology for the commercial production of synthetic fuels and chemicals from low-grade coal as well as the conversion of natural gas to environment-friendly fuels and chemicals. It is committed to sustainable development and is a signatory of Responsible Care<sup>®</sup>, a worldwide initiative by the chemical industry that strives to improve performance in safety, health and environment.

A workforce of 30 000 strong deploy their skills and talents to drive the company forward in exploration, mining, science, technology R&D and business development. Sasol is listed on the Johannesburg Securities Exchange (JSE), symbol SOL and the New York Stock Exchange (NYSE), symbol SSL.

Our operations are conducted with sensitivity towards the economic, social and environmental needs of stakeholders. The business is a healthy mix of financial prosperity, balanced with environmental stewardship and social responsibility.

Sasol constantly explores new ways to be more resource efficient and develop innovative products that position us favourably in the marketplace.

In addition to making a substantial contribution to the South African economy, we are becoming an increasingly valuable presence in the Asia Pacific Rim, Europe and the USA.

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### PURPOSE

This document is aimed at:

- Highlighting and clarifying the draft to review the license fees compiled by ICASA,
- Identifying flaws and weaknesses in the draft and proposing alternatives,
- Analyzing the impact it may pose to Sasol business.

### CURRENT SITUATION

Presently Sasol operates plants within the South African borders as well as internationally. Radio communications is a crucial in all operations of these plants where Safety, efficiency and security are of paramount importance. Some of the plants are National Key points.

Sasol utilizes radio communications in all ranges of the simplex, repeaters, telemetry, trunking, paging and microwave spectrum. To improve on spectrum efficiency, Sasol is in the process of deploying TETRA technology where it is economically feasible.

### ABOUT THE PROPOSED DRAFT

In the Government Gazette number 32029, ICASA has published a draft of the proposed new license fee structures indicating it's intention of changing and increasing the annual license fees. The objectives of the Authority include:

- Encouraging the efficient and effective use of the RF spectrum and motivating migration to lesser populated bands
- To cover operational costs

The draft highlights the structure of the proposed license fees. The structure consists off:

- All parameters that have direct influence on the specific fee (7.2),
- Formulae used (7.5)

ICASA intends to move to Administrative Incentive Pricing and also to move to Value based pricing for the spectrum.

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### POSSIBLE IMPACT ON SASOL BUSINESS

#### ***Radio license fee increase:***

We in principle support the fact that spectrum must be managed and pricing of the spectrum must be reviewed as the pricing does not reflect true costs.

As Sasol uses the spectrum extensively, some increases amount to 250% which, based on minimum pricing is understandable. *What is a concern is the fact that ICASA wants to utilize Value based pricing and auctioning of the spectrum where high demand exists.*

Similar pricing models were deployed in Europe and prices in the order of Billions of Euro's was paid for spectrum. This artificially inflated prices to consumers and negatively impacted on spectrum users.

Our concern is, how will 'non-essential' or 'inefficient' users be migrated to the lower end of spectrum or under - utilized spectrum and when and how will a user be deemed as inefficient.

A concern is also that a consortium or user may bid and procure spectrum at an exorbitant price and then manipulate or resell spectrum as an inflated value added service.

Sasol has millions invested in Intrinsically Safe radio equipment and migrating or relocating to another band of the spectrum can be an extremely costly exercise.

### PROPOSAL

We propose that a mix of Regulatory Pricing and Administrative Incentive pricing be adopted with increases to reflect true ABC costing of radio license fee management and that auctioning or Value based pricing not be considered at all.