



Suruhanjaya Komunikasi dan Multimedia Malaysia
Malaysian Communications and Multimedia Commission

Marketing Plan No. 1 of 2017

Issued pursuant to regulation 6 of the Communications and Multimedia
(Spectrum) Regulations 2000

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SECTION ONE: INTRODUCTION

- 1 The Ministerial Determination on 700MHz Spectrum Reallocation, Determination No. 1 of 2017 (“**Ministerial Determination No. 1 of 2017**”) issued on 8 September 2017 determined the following frequency bands (“**700MHz frequency bands**”) to be reallocated for spectrum assignment:
 - (i) 703MHz to 743MHz; and
 - (ii) 758MHz to 798MHz.

- 2 The 700MHz frequency bands are currently used for analogue broadcasting services in Malaysia and shall be made available for mobile broadband service from 1 January 2019.

- 3 The 700MHz frequency bands shall be used as coverage band for deployment of high speed mobile broadband services using Long Term Evolution (“**LTE**”) technology and beyond.

- 4 The Marketing Plan No. 1 of 2017 is issued by the Malaysian Communications and Multimedia Commission (“**Commission**”) pursuant to regulation 6 of the Communications and Multimedia (Spectrum) Regulations 2000 (“**Spectrum Regulations**”), and shall be referred to as the **Marketing Plan No. 1 of 2017**. For avoidance of doubt, for purposes of this document, the Marketing Plan No. 1 of 2017 shall be referred to as ‘this Marketing Plan’.

- 5 Pursuant to subregulation 6(2) of the Spectrum Regulations, the Commission now invites members of the public to submit comments on this Marketing Plan ("**Submission**"). The Submission in hard copy or in electronic form should be received by the Commission in full on or before **12 noon, 25 October 2017**.
- 6 Submissions in hard copy should be addressed to:
- Malaysian Communications and Multimedia Commission
MCMC Tower 1
Jalan Impact, Cyber 6
63000 Cyberjaya
Selangor Darul Ehsan
(Attention: Secretariat Marketing Plan No.1 of 2017)
- 7 Submissions in electronic form should be sent to:
- Email: spectrumplanning@cmc.gov.my
- 8 The Commission shall consider the Submissions received before issuing the invitation and applicant information package ("**AIP**"). The Submissions should be substantiated with relevant facts, where appropriate.
- 9 In circumstances where the Submission contains materials which are claimed to be confidential, it should be provided under a separate cover and clearly marked as "**CONFIDENTIAL**", and such claims of confidentiality shall be substantiated with written explanation. Unless otherwise marked, the Commission shall reserve the right to make available extracts or the entire Submission to the public.

SECTION TWO: METHOD, PROCEDURES AND TIMELINE

PART A: METHOD

- 10 The 700MHz frequency bands shall be assigned **by way of tender**.
- 11 The tender is carried through the process of beauty contest.

PART B: PROCEDURES

I) Invitation

- 12 In furtherance to this Marketing Plan, the Commission shall issue an invitation in respect of the application for the spectrum assignment for the 700MHz frequency bands ("**Application**").
- 13 The invitation will be made available by the Commission at the Commission's website at **www.mcmc.gov.my**.

II) Relevant Timelines

- 14 The relevant timelines are as follows:

No.	Process	Date
1.	Publication of invitation	31 October 2017
2.	AIP is available for download	31 October 2017
3.	Closing date of the submission of Application	2 January 2018

- 15 For avoidance of doubt, in respect of the Application, the same shall be received by the Commission not later than **12 noon, 2 January 2018**.

SECTION THREE: TENDER REQUIREMENTS

- 16 For purposes of the Application, the applicant shall submit its business plan ("**Preliminary Business Plan**") to be evaluated by the Commission. The Preliminary Business Plan shall, in general, outline the applicant's proposal(s) for utilizing the spectrum to be assigned, throughout the period of spectrum assignment.
- 17 The Preliminary Business Plan shall contain a five (5) years business plan (i.e. from the year 2019 to 2023) for the service provisioning using the 700MHz frequency bands. The applicant shall submit its Preliminary Business Plan based on **2x5MHz spectrum block**.
- 18 The applicant shall indicate its preferred total spectrum allocation(s) and spectrum block(s) in the Preliminary Business Plan. The Commission has set the spectrum limit of four (4) spectrum blocks per applicant. Each spectrum block is 2x5MHz.
- 19 The Preliminary Business Plan shall be structured to reflect requirements in the following parts:
- (i) Part A: Service rollout and planned coverage;
 - (ii) Part B: Infrastructure sharing;

- (iii) Part C: Services to be offered, charges and quality of service;
- (iv) Part D: Past experience and track record;
- (v) Part E: Financial and funding; and
- (vi) Part F: Management and technical experience.

PART A: SERVICE ROLLOUT AND PLANNED COVERAGE

20 The applicant shall provide service rollout and coverage plan in accordance with the following requirements:

20.1 Strategy to provide service and coverage using the 700MHz frequency bands in terms of network planning, network facilities and transmission. The applicant shall also outline strategy of network planning on use of existing network facilities to complement the new network facilities.

20.2 With use of LTE technology, the population coverage for mobile broadband service by years 2020 and 2023 is targeted at 95% and 98% respectively. Using the 700MHz frequency bands, the applicant shall indicate the number of sites and transmitters required to achieve the target, which shall also include population coverage in Zone 3 and Zone 4 areas. For avoidance of doubt, Zone areas are defined as follows:

Zones	Population (Per square km)
Zone 1 – Urban	200
Zone 2 – Sub-Urban / Semi Rural	66 – 199
Zone 3 – Rural	20 – 65
Zone 4 – Remote	19 and below

20.3 Mobile service coverage are to be provided at major highways and railway lines, not limited to, Keretapi Tanah Melayu Berhad (KTMB), KL Monorail, Mass Rapid Transit (MRT), Light Rapid Transit (LRT) and KLIA Express by the year 2023, and for High Speed Railway (HSR) and East Coast Rail Line (ECRL) beyond 2023.

PART B: INFRASTRUCTURE SHARING

21 The applicant shall demonstrate its capacity, capability and its commitment in infrastructure sharing. The key parameters are:

21.1 Sharing or allowing access to the use of airtime and network facilities with other licensees. Details shall include:

- (i) Sharing of physical facilities (i.e. percentage in relation to number of sites and level of sharing i.e. tower, floor space and antenna at each site); and
- (ii) Network capacity and capabilities (i.e. traffic volume and access conditions to third parties).

21.2 Maximizing the use of existing network facilities including existing network capacity and capabilities, existing base station sites, backbones, radio links, etc., in enhancing sharing and reducing duplication of network facilities.

PART C: SERVICES TO BE OFFERED, CHARGES AND QUALITY OF SERVICE

22 The applicant shall:

22.1 Provide mobile broadband service using the 700MHz frequency bands by end of 2019 (i.e. Year 1);

22.2 Provide strategies to ensure that the price of mobile broadband package is lower than the current broadband package offered;

22.3 State its proposal to provide higher mobile broadband speed (minimum speed of 30Mbps by year 2020 to meet RMK-11 target) for LTE technology and beyond, for example using carrier aggregation to achieve higher speed;

22.4 State its strategy to enhance quality of service and service level availability; and

22.5 Ensure minimal service disruption to its network during rollout of the 700MHz frequency bands throughout the validity period of the spectrum assignment.

PART D: PAST EXPERIENCE AND TRACK RECORD

23 The applicant shall also include the following:

23.1 Past experience and track record in rolling out mobile network and provisioning of service; and

23.2 Track record on compliance to the Communications and Multimedia Act 1998 ("**CMA**"), Spectrum Regulations and any other relevant subsidiary legislations.

PART E: FINANCIAL AND FUNDING

24 The applicant shall:

24.1 Submit its audited financial statements for the past three (3) years, which shall include detailed and summary of profit and loss statements, balance sheet and cash flow statement. The audited financial statements shall be accompanied by financial evaluations elaborating, among others the applicant's working capital position, debt ratios, profitability, weighted average cost of capital, etc.;

24.2 Submit financial projections, which shall include assumptions of projections for the entire duration of spectrum assignment:

- (i) Among indicators that could be used in financial projections are net present value, return on investment, payback period, earnings before/after tax and profitability margins, operational efficiency (operational expenditure against revenue); and

- (ii) Revenue projections shall be based on wholesale rates, which include, among others, volume discounts.

25 The applicant shall provide its proposal on the funding, which shall include:

25.1 Information on proposed method of financing (for example, revolving loan, equity financing, vendor financing, etc.) for different requirements throughout the validity period of the spectrum assignment. The funding proposal shall indicate material terms attached to the financing, such as mark-up rate, coupon rate etc.;

25.2 Estimated cost of service rollout for the entire assignment period to meet the coverage requirement; and

25.3 Proof of funding throughout the validity period of the spectrum assignment including but not limited to regulatory cost and service rollout.

PART F: MANAGEMENT AND TECHNICAL EXPERIENCE

26 The applicant shall demonstrate that its key management and technical personnel have the necessary experience in the communications and multimedia industry for the last five (5) years particularly in mobile communications. The key parameters in evaluating these criteria will be based on, but not limited to, the following:

- (i) Business and financial management;
- (ii) Technical management;

- (iii) Regulatory and spectrum management; and
 - (iv) Management of wholesale channels and multi-service application service providers.
- 27 In fulfilling this requirement, the applicant shall submit to the Commission the curriculum vitae of its management and technical teams, outlining their experience and level of involvement in the above parameters for the last five (5) years.

SECTION FOUR: BASIS OF EVALUATION AND SELECTION OF SUCCESSFUL APPLICANTS

PART A: EVALUATION OF APPLICATIONS

- 28 The Commission will evaluate the Preliminary Business Plan submitted by the applicants based on a set of criteria pre-determined by the Commission.
- 29 In the event the Commission requires additional information from any of the applicant(s), the Commission may request for such information, by writing to the said applicant. The information requested shall be forwarded to the Commission within the time stipulated by the Commission.
- 30 The Commission will duly announce the successful applicant(s) upon completion of the evaluation on the Preliminary Business Plans submitted by the applicants.

PART B: SELECTION OF SUCCESSFUL APPLICANTS

- 31 The selection of successful applicant(s) shall be based on the evaluation of the Preliminary Business Plan as referred to in paragraph 28 above.
- 32 In the event there is an unassigned block(s), the Commission reserves the right to re-tender the remaining spectrum at a time to be decided by the Commission.
- 33 Successful applicant(s) are subsequently required to submit to the Commission a Detailed Business Plan as further detailed in Section 8 below.
- 34 As the selection of successful applicant(s) is based on the Preliminary Business Plan submitted, the Detailed Business Plan should not materially depart from the Preliminary Business Plan.
- 35 The Commission reserves the right not to issue an assignment if the Commission is of the opinion that the Detailed Business Plan has materially departed from the Preliminary Business Plan submitted.

SECTION FIVE: SPECTRUM TO BE ASSIGNED

36 The spectrum blocks for spectrum assignment are as follows:

Frequency Band	Block
703MHz to 708MHz paired with 758MHz to 763MHz	A
708MHz to 713MHz paired with 763MHz to 768MHz	B
713MHz to 718MHz paired with 768MHz to 773MHz	C
718MHz to 723MHz paired with 773MHz to 778MHz	D
723MHz to 728MHz paired with 778MHz to 783MHz	E
728MHz to 733MHz paired with 783MHz to 788MHz	F
733MHz to 738MHz paired with 788MHz to 793MHz	G
738MHz to 743MHz paired with 793MHz to 798MHz	H

37 The above frequency bands shall be assigned on nationwide basis.

38 Applicants may indicate their preferred spectrum block(s) of up to four (4) spectrum blocks (spectrum limit of 2x20MHz per applicant). The Commission shall reserve the right to decide on the final allocation of the spectrum block(s).

SECTION SIX: SPECTRUM ASSIGNMENT FEE

- 39 Pursuant to regulation 16 of the Spectrum Regulations, the fees for a spectrum assignment consist of the following components:
- (i) a price component ("**price component**"); and
 - (ii) an annual fee component for maintenance of the spectrum underlying the assignment ("**annual fee component**").
- 40 The payment of the price component and the annual fee component shall be made in a timely manner.
- 41 Together with the Application, applicants shall each submit to the Commission an Irrevocable Bank Guarantee ("**IBG**") for the amount of **RM10,000,000.00 (Ringgit Malaysia Ten Million only)**, which shall be valid for one (1) year from the date of application, being the deposit for spectrum assignment. The IBG shall be duly issued by a financial institution incorporated in Malaysia and licensed under the Financial Services Act 2013 in favour of the Commission. The IBG is returned in the event the application is not successful OR in the case of a successful applicant, upon receipt of the **first payment or lump sum payment** of spectrum assignment fee (price component).

PART A: PRICE COMPONENT

42 The successful applicant may select one (1) of the following options for payment of the entire cost of allocated spectrum block(s) that each has been allocated in this band:

(i) **Option 1: Payment in one (1) lump sum**

The price component of each 2x5MHz spectrum block shall be **RM215,535,000 (Ringgit Malaysia Two Hundred Fifteen Million Five Hundred and Thirty Five Thousand only)**; or

(ii) **Option 2: Five (5) equal annual payments**

The price component of each 2x5MHz spectrum block shall be **RM260,595,000 (Ringgit Malaysia Two Hundred Sixty Million Five Hundred and Ninety Five Thousand only)**; or

(iii) **Option 3: Ten (10) equal annual payments**

The price component of each 2x5MHz spectrum block shall be **RM328,380,000 (Ringgit Malaysia Three Hundred Twenty Eight Million Three Hundred and Eighty Thousand only)**; or

(iv) **Option 4: Fifteen (15) equal annual payments**

The price component of each 2x5MHz spectrum block shall be **RM417,120,000 (Ringgit Malaysia Four Hundred Seventeen Million One Hundred and Twenty Thousand only)**.

43 Please refer to the illustration provided below:

<u>ILLUSTRATION</u>	
<ul style="list-style-type: none"> • Applicant A is allocated with 2x10MHz of 700MHz frequency bands. • Total Bandwidth Allocated: 2x10MHz (i.e. 2 blocks of 2x5MHz). • Total fixed price to be paid by Applicant A based on payment methods are as follow: 	
PAYMENT METHOD	SAMPLE CALCULATION FOR 2x10MHz SPECTRUM BLOCK
<p><u>OPTION 1:</u></p> <p>ONE (1) LUMP SUM PAYMENT (RM)</p>	<p>TOTAL FIXED PRICE = RM215,535,000 x (Number of 2x5MHz spectrum block) = RM215,535,000 x 2 = RM431,070,000</p>
<p><u>OPTION 2:</u></p> <p>FIVE (5) EQUAL ANNUAL PAYMENTS (RM)</p>	<p>TOTAL FIXED PRICE = RM260,595,000 x (Number of 2x5MHz spectrum block) = RM260,595,000 x 2 = RM521,190,000</p> <p>ANNUAL PAYMENT = RM521,190,000 ÷ 5 years = RM104,238,000 per year</p>
<p><u>OPTION 3:</u></p> <p>TEN (10) EQUAL ANNUAL PAYMENTS (RM)</p>	<p>TOTAL FIXED PRICE = RM328,380,000 x (Number of 2x5MHz spectrum block) = RM328,380,000 x 2 = RM656,760,000</p> <p>ANNUAL PAYMENT = RM656,760,000 ÷ 10 years = RM65,676,000 per year</p>

<p><u>OPTION4:</u></p> <p>FIFTEEN (15)EQUAL ANNUAL PAYMENTS (RM)</p>	<p>TOTAL FIXED PRICE = RM417,120,000 x (Number of 2x5MHz spectrum block) = RM417,120,000 x 2 = RM834,240,000</p> <p>ANNUAL PAYMENT = RM834,240,000 ÷ 15 years = RM55,616,000 per year</p>
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- 44 Lump sum payment or first payment (applicable for Options 2, 3 and 4 of price component) shall be made payable upon the award of spectrum assignment.
- 45 Subsequent payments for Options 2, 3 and 4 shall be received by the Commission by **12 noon** on **1 July** of each year. If **1 July** of a particular year falls on a weekend or a public holiday, the payment shall be received by the Commission by 12 noon of the earliest preceding day which shall be a working day.
- 46 Any duties, taxes or service charges imposed by the Government of Malaysia or any other authorized agencies or entity shall be fully borne by the successful applicant.

PART B: ANNUAL FEE COMPONENT

- 47 The annual fee component for each 2x5MHz spectrum block shall be **RM18,539,000 (Ringgit Malaysia Eighteen Million Five Hundred and Thirty Nine Thousand only)** throughout the validity period of the spectrum assignment.

48 In principle, payment of the annual fee component shall be received by the Commission **before 15 December of each year**. The first payment of the annual fee shall be received by the Commission **before 15 December 2019**. If **15 December** of a particular year falls on a weekend or a public holiday, the payment shall be received by the Commission by 12 noon of the earliest preceding day which shall be a working day.

SECTION SEVEN: ASSIGNMENT CONDITIONS

PART A: GENERAL

- 49 The effective date of the spectrum assignment shall be on **1 January 2019** (“**Effective Date**”). The 700MHz frequency bands are currently used for analogue broadcasting services in Malaysia. The timeline for availability of 700MHz frequency bands is dependent on the switch off of analogue broadcasting service and is expected to be made available for mobile services from 1 January 2019.
- 50 The use of 700MHz frequency bands will be subjected to the Analogue Switch Off timeline in the neighbouring countries and may limit deployment in the following areas:
- (i) Within border areas between Malaysia and Thailand;
 - (ii) West Coast of Peninsular Malaysia; and
 - (iii) Within border areas with Indonesia in Sabah and Sarawak.
- 51 The validity period of the spectrum assignment shall be **fifteen (15) years** from the Effective Date of the spectrum assignment as specified in the Ministerial Determination No. 1 of 2017.
- 52 The use of spectrum assignment shall be subject to the Standard Radio System Plan and/or any guidelines issued by the Commission.
- 53 Assignment holders shall submit to the Commission, a list of sites of each apparatus to be installed **one (1) month** before the scheduled installation. The list shall include complete information as specified in

regulation 15 of the Spectrum Regulations and such other information as may be required by the Commission from time to time.

- 54 Assignment holders are subject to all relevant provisions as provided for in the CMA, the Spectrum Regulations and any other relevant instruments, including any amendment made to the same, which may be issued by the Minister or the Commission from time to time.

PART B: REQUIREMENTS FOR COORDINATION

- 55 The use of spectrum assignment in areas located within Malaysia's border coordination zones shall be subject to any agreement with Malaysia's neighbouring countries in accordance with international law and/or regulations.

- 56 For this purpose, the assignment holders shall submit to the Commission the relevant technical details of the apparatus to be installed in such areas, and the use of spectrum assignment shall be subject to coordination with Malaysia's neighbouring countries.

PART C: TRANSFER OR DEALING WITH SPECTRUM ASSIGNMENT

- 57 There shall be no change in the major shareholding of the assignment holders without prior written approval of the Commission throughout the validity period of the spectrum assignment.
- 58 The assignment holders shall not trade and/or transfer the spectrum assignment either in whole or in part to a third party.

PART D: BREACH OF CONDITIONS AND PENALTIES OF SPECTRUM ASSIGNMENT

- 59 Necessary action(s) may be taken against the assignment holders for any breach of the conditions of assignment or non-compliance to the CMA, the Spectrum Regulations and any other relevant instruments issued by the Commission.
- 60 In the event that the spectrum assignment is surrendered, suspended, cancelled or varied, no refund of the annual fee component and/or price component shall be made to the respective assignment holders, whether in whole or in part.

SECTION EIGHT: DETAILED BUSINESS PLAN

- 61 Successful applicant(s) shall submit a Detailed Business Plan, which further elaborates the submission of the Preliminary Business Plan, **within two (2) months** after the announcement of successful applicant(s) is made by the Commission, for evaluation and approval. For example, the Detailed Business Plan will provide a list of specific tower sites (owned or shared), calculation of population coverage, coverage maps, etc.
- 62 The Detailed Business Plan shall be for the duration of five (5) years of the spectrum assignment and shall incorporate key deliverables, milestones and timelines as submitted in the Preliminary Business Plan.

SECTION NINE: MISCELLANEOUS

- 63 The Commission is not liable to pay damages or costs arising from an act or omission of any person in relation to any part of this Marketing Plan.
- 64 The Commission reserves the right to amend or vary any part of this Marketing Plan.