



## REPUBLIC OF THE UNION OF MYANMAR

### Joint Venture Formation and Tender Selection Work Committee

#### Nay Pyi Taw

#### Press Release

### Results of the Request for Proposal for Partnership with local Consortium willing to apply for Fourth Telecom Operator Licence in the Republic of the Union of Myanmar

Date: March 25, 2016

**Subject: Press Release Announcing the Preferred Foreign Applicant for Partnership with Local Consortium willing to Apply for Fourth Telecom Operator Licence in Myanmar**

In order to modernise the telecom sector and attract investments, the Government of the Republic of the Union of Myanmar ("Union Government") decided in 2012 to introduce competition in the telecom market, which was previously under the monopoly of the state-owned incumbent operator Myanmar Posts and Telecommunications ("MPT"). After awarding two additional nationwide telecommunication licences to foreign telecommunications operators Telenor and Ooredoo, the Union Government initiated a process to issue a fourth and final nationwide 15-year Operating Licence and Spectrum Licence (the "Licence") to a Myanmar-led Joint Venture Company ("JVC") called the "Fourth Operator".

The Licence will grant the following Spectrum to the Fourth Operator: 2 x 5 MHz in the 900 MHz frequency range and 2 x 10 MHz in the 2100 MHz frequency range, for a reference price of three hundred million United States Dollars (USD 300,000,000) as set by the Posts and Telecommunications Department ("PTD"). In addition, the Licensee is expected to be granted an option of additional Spectrum, which means that the Fourth Operator can have its Licence modified to add 2 x 5 MHz of Spectrum in the 2100 MHz band contiguous to the 2 x 10 MHz Spectrum in the 2100 MHz frequency range. This spectrum option is at par with the other new operators in Myanmar.

Since June 2015, The Joint Venture Formation and Tender Selection Work Committee ("Committee") has been managing the Fourth Operator Licensing project by carrying out a rigorous, transparent and thorough process for the selection of the parties willing to form the Joint Venture Corporation and ultimately apply for the Fourth Operator Licence. To enable this, the Committee has organised the formation of the JVC in the following 3-phase process:

a) Phase 1 – Formation of the Domestic SPV (*from June 2015 until September 2015*);

- b) Phase 2 – Foreign Telecom Operator Selection Process, consisting of:
  - i) Phase 2a – Request for Expression of Interest (*from October 2015 until January 2016*);
  - ii) Phase 2b – Request for Proposal for Partnership (*from February to March 2016*); and
- c) Phase 3 – Finalisation of the selection of the Preferred Successful Applicant and application for the Licence (*expected from April 2016 until June 2016*).

The process of forming the JVC was initiated with the formation of a Domestic Special Purpose Vehicle ("Domestic SPV") incorporated on September 11, 2015 as the "Myanmar National Telecom Holding Public Limited", which consists of eleven (11) selected Myanmar companies.

Additionally, from October 2015 until February, 2016, different Government entities including leading state owned enterprises were invited to express their interest in participating in the Fourth Operator process. After assessment of several options, the Committee selected Star High Public Company Limited, under the supervision of the Ministry of Defence as the Government Shareholder. By providing access to an existing telecom network and its related assets (up to 1,000 towers and around 13,000 kilometres of fibre-optic network), Star High Public Company Limited is expected to facilitate the construction of the Fourth Operator network and accelerate its commercial launch. Together with the Domestic SPV, the Government Shareholder is expected to hold a majority Ownership Interest of 51 percent in the Joint Venture Corporation.

The remaining 49 percent is expected to be awarded to a Foreign Telecom Operator which is selected through a tender selection process. For this process a request for "Expression of Interest" (EOI) was published on December 9<sup>th</sup>, 2015, to which seven (7) companies responded by January 8<sup>th</sup>, 2016, including five (5) leading foreign telecommunications operators. On February 20<sup>th</sup> 2016, the seven (7) companies were invited to submit a Proposal for Partnership to participate in the JVC no later than March 18<sup>th</sup> 2016. Two rounds of transparent questions and answers were conducted to provide the necessary clarifications for the Applicants.

After a nearly 9 month comprehensive process that started in June 2015, one (1) Applicant, Viettel Global Investment Joint Stock Company, finally submitted its Application. Although the Committee was expecting a higher number of Applications, it has received the Application with strong interest and has duly performed its evaluation and proceeded according to the rules and milestones as stipulated in the RfP.

The Committee has evaluated and scored the Application on three aspects (total 2,500 points):

- > the Presentation and Experience of the Applicant (maximum 750 points);
- > the Strategic Proposal for the Joint Venture (maximum 800 points); and
- > the Term Sheet & Commitments to participate in the Joint Venture (maximum 950 points).

After careful analysis and exhaustive review of the Application, the Committee has concluded that the Applicant passed the Eligibility criteria; submitted a compliant financial offer confirming

the commitment to pay its share of the Licence Fee of USD 300 million and reached a total score that is above the minimum threshold score, set at 1,250 points.

Furthermore, the Committee has assessed the pros and cons of the Application and has invited the Applicant to present its views during an Oral Presentation that was organised on Tuesday 22<sup>nd</sup> of March at MCIT, Nay Pyi Taw. During that session, the Committee shared its positive appreciation and its concerns which should be address during the negotiation phase.

Taking into account both the results of the evaluation process and the clarifications given during the Oral Presentation, the Committee is pleased to announce Viettel Global Investment Joint Stock Company as the "Preferred Successful Applicant Invited for Negotiations" during phase 3.

Following the negotiations, the Parties will form a Joint Venture Corporation that will apply for the Fourth Operator Licence. Since there is no Back-up applicant, the Committee recommends an alternative plan to be worked out in case the negotiations are not successful.

The Committee hereby completes phase 2 of the Foreign Telecom Operator Selection Process and initiates phase 3, Negotiations with the Preferred Successful Applicant and Application for the Fourth Operator Licence. This final 1-2 month phase will see the three Selected Parties (Domestic SPV, Government Shareholder and Preferred Successful Applicant) complete the business and technical discussions and specifications required to submit their Application to PTD. The Committee would like to express its sincere appreciation of the Preferred Successful Applicant for submitting an Application and is inviting the Parties to enter into fruitful negotiations.

## ***Appendix A: Background & Objectives of the Fourth Operator***

The Union Government has seized a unique opportunity to accelerate its socio-economic development by further leveraging telecommunications to reach the population and provide access to a wide range of services and benefits.

In order to modernise the telecom sector and attract investments, the Union Government decided in 2012 to introduce competition in the telecom market, which was previously under the monopoly of the state-owned incumbent operator Myanmar Posts and Telecommunications ("MPT"). In 2013, the Union Government launched an international tender process to grant two new telecom licences, which were awarded to Norway's Telenor and Qatar's Ooredoo in February 2014. In only two years, as a result of the liberalisation of the market, the mobile penetration rate has skyrocketed from 9.5% to 77.7% at the end of 2015, a record speed in the history of mobile telecommunications.

According to the Ministry of Communications and Information Technology ("MCIT"), employment opportunities and overall infrastructure development have been boosted by the opening of the telecommunications sector and the introduction of fair competition. According to official statistics<sup>1</sup>, the communications and transport sectors attracted almost USD 4.5 billion of Foreign Direct Investments over the period 2013-2015.

In accordance with its policy framework defined in 2013, which aimed at organising the telecom sector around four nationwide Telecommunications Operators (two foreign and two Myanmar-led operators), the Union Government has initiated a process to issue a fourth and final nationwide 15-year Operating Licence and Spectrum Licence (the "Licence") to a Joint Venture Company ("JVC") called the "Fourth Operator". The introduction of the Fourth Operator is expected to further increase the coverage of both urban as rural areas, to make telecom services available to the public at affordable tariffs in all regions and states. It will contribute to reduce the urban / rural digital divide and give citizens and enterprises further choice of their telecom providers.

The Fourth Operator is also expected to further develop the ICT sector and create additional jobs; finally, it is expected to contribute to the economic growth of the country in general and lead to improved overall nationwide fixed and mobile infrastructure.

The Union Government has established the Joint Venture Formation and Tender Selection Committee (the "Committee") to oversee the open and transparent process of selecting the members and setting up the JVC. The JVC will consist of the following three members (the "Parties"):

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<sup>1</sup> DICA, Ministry of National Planning and Economic Development

- a) a Domestic Special Purpose Vehicle ( the "Domestic SPV") consisting of local firms or investors;
- b) a Myanmar Government Shareholder; and
- c) a Foreign Telecom Operator.

This structure of the Fourth Operator is expected to constitute a healthy mix of local know-how with international expertise. In addition, the involvement of public entities is intended to help create a stable structure for the Fourth Operator. Mixing public, private, local and international companies has already been done successfully in large investment projects in the Republic of the Union of Myanmar.

The three objectives of this process are:

- a) to introduce the Fourth Operator, as the last nationwide Telecommunications Operator into the market;
- b) to create a strong, financially sustainable and successful collaboration between private sector and Union Government; and between Myanmar and foreign entities for the sustainable development of the Myanmar telecom sector; and
- c) to ensure a sustainable telecommunications market structure comprising of two foreign-led and two Myanmar-led Telecommunications Operators, through a licensing structure that is designed to lead to an equilibrated distribution of the significant growth potential in the telecommunications sector between foreign-led and Myanmar led-operators.

## Appendix B: Timeline followed for the Fourth Operator Licence Process

Phase	Date (Provisional)	Milestones
Phase 1 - Formation of the Domestic SPV & Selection of Government Shareholder	June 2015	Initiation of the Joint Venture Formation process
	July / August 2015	Selection of the eleven companies part of the Domestic SPV
	September 11, 2015	Incorporation of the Domestic SPV as Myanmar National Telecom Holding Public Limited
	Nov 2015/Jan 2016	Identification of possible Government Shareholders amongst State-owned enterprises
	January 19, 2016	Selection of Star High Public Company Limited as Government Shareholder
Phase 2 – Foreign Telecom Operator Selection Process	December 9, 2015	Publication of the Request for Expression of Interest
	January 8, 2016	Submission of Expressions of Interest
	February 20, 2016	Publication of the Request for Proposal
	February 25, 2016	Questions on the RfP
	March 7, 2016	Issuance of answers to questions
	March 10, 2016	Second round of Questions on the RfP
	March 18, 2016	Submission of RfP Applications
	March 25, 2016	Selection of the Preferred Successful Applicant
Phase 3 – Negotiations and Licence Application (expected)	April 2016	Negotiations with the Preferred Successful Applicant
	Mid-May 2016	Conclusion of JVC Agreements negotiations
	Mid – June 2016	Approval and signing of JVC Agreements
	June 2016	Application for granting of Licence

### **Appendix C: Key elements of the Fourth Operator Licence**

Two separate telecommunications Licences are expected to be issued by PTD for the Fourth Operator:

- a) Operating Licence, which grants the Licensee the right to operate a public telecommunication network and provide telecommunications services; *and*
- b) Spectrum Licence, which grants the Licence holder or Licensee the right to utilise the specified radio frequencies. The Licensee must pay a Licence Fee to obtain the Spectrum Licence.

The licence conditions are at par with the other new operators. Minimum geographic coverage and Quality of Service requirements as set for other licences will ensure rapid development of telecom infrastructure in Myanmar.

The Spectrum Licence will grant the following Spectrum to the Fourth Operator: 2 x 5 MHz in the 900 MHz frequency range and 2 x 10 MHz in the 2100 MHz frequency range.

Taking into account the latest market conditions (mobile penetration at 77% of the population at the end of Q4, 2015) and the remaining market growth perspectives; the potential business case for the Fourth Operator and the risks associated with launching a Fourth Operator in a saturated market; and after having several consultations with PTD and taking into account the rationale and arguments presented by the existing telecom operators and pursuant to the relevant rules and regulations of the telecom sector, the reference price of the Spectrum Licence fee has been set at **three hundred million United States Dollars (USD 300,000,000)** by PTD.

In addition, the Licensee is expected to be granted an option of additional Spectrum, which means that the Fourth Operator can have its Licence modified to add 2 x 5 MHz of Spectrum in the 2100 MHz band contiguous to the 2 x 10 MHz Spectrum in the 2100 MHz frequency range. To activate this additional Spectrum Option, the Fourth Operator would have to pay an additional fifteen (15) percent on top of its initial Licence Fee. This spectrum option is at par with the other new foreign telecom operators in Myanmar.

Considering the late timing of the Licence and the current state of the telecom market, the Committee has accepted the conditions and Spectrum Licence Fee defined by the relevant Authorities, and considers these conditions to be fair and in line with the ones under which the other Foreign Telecom Operators obtained their Licence.

## **Appendix D: Members of the Domestic SPV, Myanmar National Telecom Holding Public Limited**

The members of the Domestic SPV incorporated as Myanmar National Telecom Holding Public Limited were chosen from a pool of eligible Myanmar companies through a public tender process held in June to August, 2015. The main criteria included:

- a) being listed as public company (mandatory);
- b) minimum incorporation period;
- c) minimum paid up capital;
- d) financial strength (proven capacity to commit at least USD 3 million in capital to the JVC);  
and
- e) relevant business experience in telecom and / or services sector.

The outcome of this tender process was the selection of the eleven following domestic public companies:

1. Myanmar Technologies and Investment Corporation Ltd;
2. Myanmar ICT Development Corporation Ltd;
3. Myanmar Agribusiness Public Corporation Ltd;
4. Shwe Pyi Tagon Telecommunication Public Company Ltd;
5. Golden Land East Asia Development Ltd;
6. Myanmar Edible Oil Industrial Public Corporation Ltd;
7. Myanmar Industries Alliance Public Ltd;
8. Myanmar Agriculture and General Development Public Ltd;
9. International Power Generation Public Company Ltd;
10. Royal Yatanarpon Telecom Public Company Ltd; and
11. Mahar Yoma Public Company Ltd.

## Appendix E: Presentation of the seven (7) companies that submitted an EoI

The seven (7) EOI were received, including five (5) EOI from leading international Telecommunications Operators.



### Viettel Global Investment JSC., (VTG)

Viettel Group is the leading telecommunications and IT group in Vietnam. It currently operates in ten countries in Asia (Vietnam, Cambodia, Lao People's Democratic Republic, and East Timor), Latin America (Peru, Haiti) and Africa (Mozambique, Cameroon, Burundi, Tanzania) and serves ~86 million customers<sup>2</sup> (~84 million mobile subscribers and ~2 million fixed subscribers). In 2015, Viettel Group generated a total turnover of USD 10.5 billion.

It is wholly owned and operated by the Vietnam Ministry of Defence.

The entity which submitted the EOI is Viettel Global Investment JSC., (VTG). Established in 2007, VTG is the overseas investment arm of Viettel Group - whose Gross Revenues in 2015 were USD 12 billion and is expected to reach 15 billion USD in 2016. VTG is established to manage and operate all of the Group's overseas investments. After 10 years of development, VTG is one of the biggest Vietnamese overseas investors, operating telecommunications companies in 9 countries across Asia, Africa and South America with total subscribers of more than 33.2 million and total estimated revenues of USD 676 million by 2015. In most of these markets, VTG is a full-licensed operator which provides all range of telecommunications services including mobile, fixed, FTTH, ADSL and Mobile Banking. VTG has Management Control over all telecommunications companies of Viettel Group, except Viettel Telecom in Vietnam – which is run directly by Viettel Group.

97.58% shares of VTG are owned by Viettel Group and 2.42% shares of VTG are owned by Vietnamese individual Shareholders (including VTG staffs and other Vietnamese individuals).

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<sup>2</sup> Consolidated figure from all Viettel subsidiaries, regardless of Viettel's percentage of ownership

### **Iliad S. A.**

Iliad is France's fourth operator, conducting its operations under the name "Free" (ISP) and "Free Mobile" (mobile service provider). It is a pure telecom player operating broadband and mobile services on the French market. In 2012, Iliad successfully launched its mobile activity and became a fully integrated Telecommunications Operator. In 2015, it generated total revenues of USD 4.3 billion (last nine months, 2014 total revenues: USD 5.4 billion) from ~11 million mobile subscribers and around 7 million fixed subscribers. It launched the first "triple play" offer in France and became the fourth mobile operator in France in 2012.

It is listed on Euronext Paris, but majority owned by its founder Xavier Niel. As of December 31, 2014 the directors and officers of Iliad owned 58.13% of the capital and 73.46% of the voting rights.

### **Singapore Telecommunications Limited (Singtel)**

Singtel is the largest mobile network operator in Singapore. It operates across 25 countries, including Singapore, Australia, India, the African region, Indonesia, Thailand and Philippines, and a network of offices in 40 cities across 22 countries throughout Asia Pacific, Europe and the United States. It generated total revenues of USD 12.5 billion in 2015 from around 577 million subscribers<sup>3</sup> by end September 2015.

It is listed on the Singapore Exchange but majority owned by the Government of Singapore via its investment company Temasek Holdings Ptd.

### **China Telecom Global Limited**

China Telecom is a fully integrated information service operator and one of the world's largest wireline telecommunications, CDMA mobile network and broadband Internet Services Provider, providing telecommunications services such as wireline telecommunications services and mobile telecommunications services, and value-added telecommunications services such as Internet access services and information services in the People's Republic of China. It also has operations in the Americas, Europe and the Asia-Pacific region. On an annual base it generated total revenues (last twelve months as of June 30, 2015) of USD 33.1 billion from around 193 million mobile subscribers and around 248 million fixed subscribers.

The company is listed on the Hong Kong and New York stock exchanges but is majority state-owned.

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<sup>3</sup> Consolidated figure from all Singtel subsidiaries, regardless of Singtel's percentage of ownership

### **1COM LLC.**

1COM is not a Telecommunications Operator but a small technology provider. It markets hardware to over twenty countries throughout Asia, Africa, South America and Europe. It specialises in providing low cost quality infrastructure and maintenance for emerging markets. In 2015, the company reported USD 15.0 million revenues from its operations throughout the world.

The company is incorporated in Hong Kong and privately held.

### **Beijing Xinwei Telecom Technology Group Co., Ltd.**

Xinwei is a communication enterprise group based focusing on R&D and selling patented communication technologies. It also has ownership in a Telecommunications Operator in Cambodia (with less than 1 million subscribers), where it obtained a 4G licence in 2011. It earned USD 468 million in revenues in 2014.

It is listed on the Shanghai stock exchange.

### **MTN Group Limited**

MTN Group is a leading emerging market telecommunications group with operations in 22 countries in Africa and the Middle East and over 227.5 million subscribers<sup>4</sup> as of 30 September 2015. Although MTN Group started as a mobile operator when it was first launched in South Africa in 1994, MTN Group has since developed into a leading integrated telecommunications provider with a strong focus on emerging markets. In addition to being a mobile operator in 22 countries, MTN Group is also an Internet Service Provider in fifteen countries. In 2015, it generated USD 11.6 billion total revenues.

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<sup>4</sup> Consolidated figure from all MTN Group subsidiaries, regardless of MNT Group's percentage of ownership

## Appendix F: Presentation of Viettel Global Investment Joint Stock Company

Established in 2007, VTG is the overseas investment arm of Viettel Group. VTG is established to manage and operate all of the Group's overseas investments (outside Vietnam).

Viettel Group is a leading telecommunications and IT group in Vietnam. It currently operates in ten countries in Asia (Vietnam, Cambodia, Lao People's Democratic Republic, and East Timor), Latin America (Peru, Haiti) and Africa (Mozambique, Cameroon, Burundi, Tanzania) and serves ~86 million customers (~84 million mobile subscribers and ~2 million fixed subscribers). In 2015, Viettel Group generated a total turnover of USD 10.5 billion.

### *Operations of Viettel Group*

No	Country	Pop (million)	Brand name	Launch date	Number of subs as of Dec 2015 (million subs)
1	Vietnam	90.7	Viettel	Oct-04	66.5 Mobile 3 Fixed
2	Cambodia	15.3	Metfone	Feb-09	12.4 Mobile 0.4 Fixed
3	Laos	6.7	Unitel	Oct-09	2.54 Mobile 0.01 Fixed
4	Peru	31.0	Bitel	Oct-14	1.2 Mobile
5	Mozambique	27.2	Movitel	May-12	5.4 Mobile 0.003 Fixed
6	Cameroon	22.8	Nexttel	Oct-14	3.7 Mobile
7	Tanzania	51.8	Halotel	Oct-15	1.3 Mobile
8	Burundi	10.8	Lumitel	May-15	1.3 Mobile
9	Timor-Leste	1.2	Telemor	Mar-13	0.54 Mobile
10	Haiti	10.6	Natcom	Sep-11	3.7 Mobile 0.007 Fixed

After 10 years of development, VTG is one of the biggest Vietnamese overseas investors, operating telecommunications companies in 9 countries across Asia, Africa and South America with total subscribers of more than 33.2 million. In most of its overseas markets, its market share ranges between seventeen to over fifty percent. VTG is a full-licensed operator which provides all range of telecommunications services including mobile, fixed, FTTH, ADSL and Mobile Banking. VTG has Management Control over all telecommunications companies of Viettel Group, except Viettel Telecom in Vietnam – which is run directly by Viettel Group.