

**Response of Orascom Telecom WiMAX Limited to the
Consultation Paper on Draft Regulatory Framework for Broadband Wireless Access
Networks**

Introduction

Orascom Telecom WiMAX Limited (OTWL) welcomes the opportunity to respond to the consultation paper on the proposed regulatory framework for Broadband Wireless Access Networks and looks forward to continued involvement in the consultation process.

OTWL and its shareholders believe that WiMAX technology will play a key role in deploying Broadband Wireless Access Networks in Egypt and will allow the provision of a broad range of services throughout the country.

Further, we welcome the opportunity to comment on the Consultation Paper and believe that consultations such as this are a critical tool in shaping a healthy and effective liberalization process, especially as regards the establishment of a fair, open and transparent regulatory regime in Egypt. This is both favourable to investment and to sustainable market development in the interests of end-users.

We look forward to your comments on the attached and please let us know if any further information is required.

Kind regards

1. Stakeholder Information

a) Company Name:

Orascom Telecom WiMAX Limited

b) Address, telephone numbers and web sites

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c) Points of Contact:

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d) Company Profile

About OTWL

OTWL is a joint venture company established between Orascom Telecom Holding SAE (OTH) and Intel Capital (Intel), the venture capital investment arm of Intel Corporation. OTH sees the WiMAX opportunity as a means of offering low-cost broadband internet access in Egypt and other markets in the Middle East and Asia. It will both complement GSM networks and provide a unique service in its own right. In addition to being lead investor, Intel provides access to the significant technical and marketing resources of Intel Corporation. OTWL will focus on working with governments and companies to obtain licenses and establish operations for the deployment of services throughout the region.

About Orascom Telecom Holding SAE

Orascom Telecom Holding SAE (OTH) is a leading international telecommunications company operating GSM networks in seven high growth markets in the Middle East, Africa and South Asia, having a total population under license of approximately 460 million with an average mobile telephony penetration of approximately 16%. OTH operates GSM networks in Algeria ("Djezzy"), Pakistan ("Mobilink"), Egypt ("Mobinil"), Tunisia ("Tunisiana"), Iraq ("Iraqna"), Bangladesh ("Banglalink"), and Zimbabwe ("Telecel Zimbabwe"). OTH had over 40 million subscribers as at 30 June 2006.

OTH owns 19.3% of Hutchison Telecommunications International Limited, a leading telecommunication services provider operating in eight countries.

OTH is traded on the Cairo & Alexandria Stock Exchange under the symbol (ORTE.CA, ORAT EY), and on the London Stock Exchange its GDR is traded under the symbol (ORTEq.L, OTLD LI). For more information on the company, please visit www.orascomtelecom.com.

About Intel Capital

Intel Capital, Intel's venture capital organization, makes equity investments in innovative technology start-ups and companies worldwide. Intel Capital invests in a broad range of companies offering hardware, software and services targeting enterprise, home, mobility, health, consumer Internet and semiconductor manufacturing. Since 1991, Intel Capital has invested more than US\$4 billion in more than 1,000 companies spanning more than 30 countries. During this time, about 160 portfolio companies have been acquired and another 150 have gone public on exchanges around the world. In 2005, Intel Capital invested about US\$265 million in about 140 deals with approximately 60 percent of funds invested outside the United States. For more information on Intel Capital and its differentiated advantages, visit www.intelcapital.com.

2. Replies to questions featured in Table 5.1

1	Do you agree to the award of a nationwide license?	Agree ✓	Disagree
2	Do you agree to the award of three licenses?	Agree	Disagree ✓
3	Do you agree that existing licensed telecommunication service providers should not be excluded from applying for the licenses?	Agree ✓	Disagree
4	Do you agree to the license award process specified?	Agree	Disagree ✓
5	Are the decided annual fees suitable?	Agree ✓	Disagree
6	Are the facilitations proposed by the regulatory authority for the license award expected to help in providing the services rapidly at suitable prices?	Agree ✓	Disagree
7	Does the license period allow for suitable financial returns?	Agree	Disagree ✓
8	Is the allocated frequency spectrum suitable for the provision of services nationwide?	Agree	Disagree ✓
9	Does the variety in permitted services allow for achieving financial returns?	Agree	Disagree ✓

3. Table featuring comments on replies to questions in Table 5.1.

1	Do you agree to the award of a nationwide license?	Agree ✓	Disagree
	<p>Orascom believes that a nationwide license is important since it will allow for much better economies of scale in terms of network rollout, sales and marketing and overall business management. Whilst we are firmly committed to and believe in the potential of WiMAX and Broadband Wireless Access in general, it is still and unproven technology in terms of customer offerings. We believe it is very risky to limit licenses to regional only since an operator can not be sure of the take-up in a particular region and should also benefit from the ability to manage a national network from one central point which will help to reduce costs. In addition, national rather than regional licenses allow for a broader service offering which is better for customers – service is available everywhere.</p>		
2	Do you agree to the award of three licenses?	Agree	Disagree ✓
	<p>Orascom does not agree with the award of three licenses. We believe it is important to foster a healthy competitive environment in the market but we believe this can be achieved with only two licenses. As you will see we also agree with allowing existing licensed service providers to apply for licenses but the risk of only offering one license is that an incumbent could obtain the license and decide not to develop the service and therefore pre-empt competition – or develop to a minimal level. By offering two licenses customers have some choice of providers and also the incentive to develop the service is increased. Lessons should be taken from the GSM market where often only one license is first offered until the business concept can be proven but we believe that the nature of Broadband Wireless Access this is not necessary and customer choice and competition is more important.</p>		
3	Do you agree that existing licensed telecommunication service providers should not be excluded from applying for the licenses?	Agree ✓	Disagree
	<p>As mentioned above, Orascom agrees with allowing existing licensed telecommunications service providers to apply for licenses. We believe that an important element of providing efficient service with pricing that is competitive and attractive to customers is best achieved when infrastructure from the existing operation can be utilized to defray Capex costs. We also believe that WiMAX will have a better chance of acceptance when it can be offered to an existing customer base which makes it less risky to introduce.</p>		
4	Do you agree to the license award process specified?	Agree	Disagree ✓
	<p>Orascom does not agree with the proposed award process because we believe it will be difficult to administer. For instance, what would happen if the second or third highest bidder refused to pay the highest price offered? Would the license then revert to the next highest bidder that accepts the price? And what if no bidder will accept the price offered – will the license not then be granted? We believe the process undermines a good competitive process where bidders submit a fee based on their own economic analysis that ensures sufficient returns. Simply the three highest offers should be accepted.</p>		

5	Are the decided annual fees suitable?	Agree <input checked="" type="checkbox"/>	Disagree
	Orascom agrees with the annual fees proposed and recognizes that these might increase based on the competitive bidding process. We would however like to see latitude given within the process to alter the mix or eliminate one or more elements with a high bid – for example a bidder might propose a much higher annual fee with no revenue share or vice versa.		
6	Are the facilitations proposed by the regulatory authority for the license award expected to help in providing the services rapidly at suitable prices?	Agree <input checked="" type="checkbox"/>	Disagree
	Orascom believes the proposed facilitations are sufficient.		
7	Does the license period allow for suitable financial returns?	Agree	Disagree <input checked="" type="checkbox"/>
	Orascom does not believe the license period is sufficient to allow for suitable returns. In our business planning, and like other network infrastructure investments such as this, we assume that high up-front capital investment and operating costs will mean operating losses and negative cash flow for several years. Based on what we believe to be prudent assumptions, projects are attractive and provide sufficient returns assuming the project becomes profitable and cash generating in the latter few years. There is minimal margin for error with only a 7 year license period however and we believe this added risk would dissuade investors from entering the market. Given the high fixed costs and uncertainty surrounding the commercial offering, especially when offering national services, we believe a license period of 15-20 years is more appropriate.		
8	Is the allocated frequency spectrum suitable for the provision of services nationwide?	Agree	Disagree <input checked="" type="checkbox"/>
	Orascom does not believe the frequency spectrum is suitable for the provision of services. Our analysis has shown (see below) that 2X14 MHz is the minimum needed to provide services but that the capital cost associated with rolling out services is high due to the limited capacity of this spectrum. These high costs limit the potential returns of a project so they are just sufficient and do not provide any safety margin in case take-up is not as expected, at a lower price, over a longer period of time or any other factors arise that would limit profitability. An allocation per license of at least 2X21 MHz and possibly as high as 2X28 MHz is strongly preferred. We also require clarification of whether the NTRA has set aside guard bands between the spectrum allocations or whether these must be allowed for in technical planning. If no guard bands are provided then the problem above is severely exacerbated especially if the TDD technology will be used.		

9	Does the variety in permitted services allow for achieving financial returns?	Agree	Disagree ✓
<p>Orascom believes that the variety of services is not sufficient for allowing sufficient financial returns. We believe this to be the case in two specific areas. First in terms of voice services, the limitation of providing only connectivity and not services will severely limit the profitability of the offering. Again due to the high level of up-front investment required, we believe the capability to offer a full voice service is paramount. Given the fact that mobility is not possible we do not believe the voice services provided by licenses will pose a significant threat to existing operators, but that offering these nomadic voice services is very important to the overall commercial offering.</p> <p>Second, there is some inconsistency in the document on the issue of providing backhaul. It is mentioned in section 4-1.b) of the main document and 4-5 of Appendix 1 but not in Article 1-4 of Appendix 2. We assume that it is the intention of the NTRA to not allow backhaul services to any licensed telecommunications service providers but that backhaul of other operators (e.g. WiFi operators) is possible and it is on this basis that we formulate our response. We feel that given the limited spectrum it is unlikely that backhaul services will be offered although we would like the opportunity to do so. Again given the high up-front costs associated with rolling out the network, limiting services at this point seems risky. On this final point, we are willing to be somewhat flexible and if changes are made on the issue of license period or fee structure we could accept a limitation against backhaul.</p>			

4. Economic studies and marketing material

5. General appraisal of regulatory framework and general comments

As mentioned previously, OTWL welcomes the opportunity to comment on the Consultation Paper and believe that consultations such as this are a critical tool in shaping a healthy and effective liberalization process, especially as regards the establishment of a fair, open and transparent regulatory regime in Egypt. This is both favourable to investment and to sustainable market development in the interests of end-users. We believe that the NTRA is striving towards the proper goals as displayed through this process and this gives us much confidence in staying involved through the license grant process and beyond.

OTWL will work closely with OTH and Intel in the coming weeks to maintain a similar level of openness and transparency in developing its strategy. We believe that through this we will be better able to fulfil the needs of all stakeholders including our shareholders as well as customers and the NTRA itself. If we can be of any assistance throughout the process please do not hesitate to contact us and also advise if there is any follow-up information that can be provided in support of our submission.