



HELLENIC REPUBLIC

NATIONAL TELECOMMUNICATIONS AND POST COMMISSION

Licences Award Process
for the provision of 3G (UMTS) and 2G
(GSM/DCS) mobile services
Information Memorandum

Maroussi, May 2001

National Telecommunications and Post Commission



IMPORTANT NOTICE

The subject of this Information Memorandum (“Memorandum”) is the **“Licence Award Process for the provision of 3rd (UMTS) & 2nd (GSM/DCS) generation mobile services”**. This Memorandum has been prepared by the National Telecommunications and Post Commission (abbreviated as EETT in the Greek language).

The scope of this Memorandum is to solely provide the primary information in order for the interested parties to decide whether or not to further investigate the possibility of participating in the Licensing Process, which will conclude in the award of 3G and 2G licences. The information provided in this Memorandum cannot in any occasion substitute the consultation the interested parties are advised to receive from their professional consultants in reference to the legal, financial, tax and other matters arising from a prospective participation in the Licensing Process.

The Information Memorandum should not in any case be considered as an Invitation to Tender. The Invitation to Tender, is intended to follow shortly after the distribution of the Information Memorandum. The content of the Information Memorandum will not form the basis of any contractual relationship between the participant and the State that might result from the participation to the Licensing Process, nor it can be considered in any case as a basis for a demand for damages at the stage of negotiations for entering into a contract, or as a preliminary contract or memorandum of understanding or binding letter of intent.

EETT wishes to declare that the information provided in this Memorandum is subject to updating, modification and amendment until the publication of the Invitation to Tender. The Commission also expressly disclaims any liability for any direct or indirect damage that might be caused to any interested party from the accuracy or completeness of the information contained in the Memorandum.

This Memorandum has been published in Greek and English and in the occasion of any discrepancy between them the Greek text shall prevail.

Interested Parties are invited to submit their comments in writing using either the Greek or English language, stating their identity (company name, address, email, fax and telephone number), and referring to exact sections of the Information Memorandum. Interested parties are also invited to seek clarifications on the content of the Information Memorandum in writing. EETT in responding to such clarification requests, reserves the right to publish the results on EETT’s web site. Comments can be submitted until the 28th of May 2001, at 13:00 local time. Interested Parties should appoint a contact person. Comments should be sent to the following address:

For the UMTS Information Memorandum

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This Information Memorandum is also available on the website of EETT (www.eett.gr). In the event of any disagreement between the electronic and the printed version, the printed version is considered to be definitive.



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1 EXECUTIVE SUMMARY

This Memorandum provides information for interested parties wishing to participate in the licensing process for the award of licences for the provision of 3rd (UMTS) and 2nd (GSM/DCS) generation mobile services in Greece. It contains information regarding the number and type of licences, a summary of the most important licensing terms and obligations of the prospective licensees and the regulatory environment and legal framework that the licensees must comply with. In addition, it describes the licensing award process and the indicative timetable. Finally, the annexes contain information regarding the technical standards for the deployment of the networks and the provision of services, an analysis of the market of mobile services in Greece, glossary of the terms and abbreviations used in this Information Memorandum, and a detailed description of the licence award process.

1.1 The licences and the award process

The Licensing Process will result in the award of Individual Licences for the provision of 3G (UMTS) and 2G (GSM/DCS) mobile services. The maximum number of licences to be allocated is four (4) for 3G and four (4) for 2G. The 2G and 3G licences will be national licences. The spectrum segments to be allocated in the case that the maximum number of 3G licences is awarded, are presented in the following table:

Table 1.1: Number of 3G spectrum segments in a 4-licences case

	Phase 1 Main Auction	Phase 2 Auxiliary Auction
Total number of Spectrum Segments	4 (Basic Licences)	4 (Additional Spectrum Segments)
Bandwidth of Spectrum Segments	2 x 10 MHz (+5MHz)	1 segment of 2 x 5 MHz & 3 segments of 2 x 4.8 MHz

The 2G licences will be awarded through a procedure that will follow the award of 3G. The spectrum to be assigned to these licences is available in 2 spectrum segments of 2 x 5 MHz in the GSM/EGSM and 10 spectrum segments of 2 x 5 MHz in the DCS frequency bands. The spectrum to be allocated to a participant as a result of the Licensing Process combined with the 2G spectrum which an Incumbent already holds will not exceed 2 x 30 MHz.

The table below provides the available 2G frequency bands.



Table 1.2: Available 2G frequency bands

Type of services	Frequency Block	Spectrum segments	Frequency Band
EGSM	2 x 5 MHz	1 (one) spectrum segment	885 – 890 MHz and 930 – 935 MHz
GSM	2 x 5 MHz	1 (one) spectrum segment	900 - 905 MHz and 945 – 950 MHz
DCS	2 x 50 MHz	10 (ten) spectrum segments of 2 x 5 MHz	1710 – 1760 MHz and 1805 – 1855 MHz

At the end of the licensing process, no 3G or 2G participant will be allowed to hold less than 2 X 10 MHz of spectrum combined in all frequency bands, including the spectrum he currently holds.

1.1.1 Duration of Licences

The 3G licences will have a duration of 20 years while the 2G Licences will have a duration of 15 years.

1.1.2 Licence reserve prices

The reserve prices for the Licensing Process are presented in the following tables and are the minimum prices that will be accepted. As the first phase of the Auction for allocating basic licences may be conducted in 3 stages - presented in more detail in section 4 of this Information Memorandum - it should be noted that at each stage the reserve price will be the maximum amount between GRD 50 bn and the lowest price paid for a licence at the earlier stages, hence a higher price than GRD 50 bn may be the reserve price for a basic licence.

The additional spectrum segments will be offered to the winners of basic licences and will have a reserve price of GRD 5 bn for Incumbents and GRD 1 bn for New Entrants.

Four spectrum segments of 2 x 5 MHz in the DCS frequency band and one spectrum segment of 2 x 5 MHz in the EGSM band will be reserved for New Entrants. The remaining six spectrum segments of 2 x 5 MHz in the DCS band and the one spectrum segment of 2 x 5 MHz in the GSM band will be offered to any interested party.

Table 1.3: Reserve prices for 3G spectrum segments

	For New Entrants	For Incumbents
Phase 1 (1 spectrum segment of 2 x 10 MHz +5 MHz)	GRD 50 bn*	GRD 50 bn*
Phase 2 (additional 2 x 5 MHz)	GRD 1 bn	GRD 5 bn

** If some (but not all) of the licences offered at any stage of the Auction are allocated at this stage, the reserve price at the next stage is the largest of the reserve price and the lowest price paid for a licence at the previous stages. That means that the reserve price at stage 2 is the maximum of GRD 50 bn and the lowest price paid for a licence at stage 1. The reserve price at stage 3 is the maximum of GRD 50 bn and the lowest price paid for a licence at stage 1 or stage 2.*

Table 1.4: Reserve prices for 2G spectrum segments

	For New Entrants	For Incumbents
Reserved DCS 1 spectrum segment 2 x 5 MHz	GRD 1 bn	Non Applicable
Reserved DCS 2 spectrum segments 2 x 5 MHz	GRD 7 bn	Non Applicable
Reserved DCS 3 spectrum segments 2 x 5 MHz	GRD 14 bn	Non Applicable
Reserved DCS 4 spectrum segments 2 x 5 MHz	GRD 22 bn	Non Applicable
Reserved EGSM 2 x 5 MHz spectrum segments	GRD 1 bn	Non Applicable
Unreserved DCS 2 x 5MHz spectrum segments	GRD 9 bn per segment	GRD 9 bn per segment
Unreserved GSM 2 x 5MHz spectrum segment	GRD 12 bn	GRD 12 bn

1.1.3 Licence award process

The Licensing Processes to be followed for the award of the Individual Licences for the provision of 3G (UMTS) and 2G (GSM/DCS) services will be pay-your-bid, sealed-bid auctions. The two processes (3G and 2G) will be conducted separately. The first one in chronological order will be for the 3G (UMTS) licences and the one to follow for the 2G (GSM/DCS) licences.



The 3G process aims at the creation of a four-licence industry. In case this does not succeed, successive stages aiming at a three and then two licence industry will follow. The Individual Licences will be awarded in a phased process. The main phase of the UMTS auction will be used for the initial allocation of up to four (4) spectrum segments of 2x10 MHz plus 5 MHz of unpaired spectrum each constituting a basic licence. The second phase will result in a further allocation of up to four (4) spectrum segments (of approximately 2 x 5 MHz) to the winners of basic licences in the first phase. The GSM/DCS Auction will follow the UMTS one. The GSM/DCS auction is also based on a multi-unit, pay-your-bid sealed bid design.

1.1.4 Terms of payment

The payment of the licence fee for the Individual Licences for the provision of 3rd (UMTS) generation mobile services will consist of three components:

- The first component will be an up-front payment to be paid within 20 days after the completion of the Licensing Process. The up-front payment will be equal to 40% of the value of the bid of successful Participants in the case of 4-licence industry (stage 1), 70% in the case of 3-licence industry (stage 2) and 100% in the case of 2-licence industry (stage 3).
- The second component will be a deferred payment to be paid in equal annual instalments starting in year 2005 at no interest. This will be equal to 60% of the value of the bid of the successful Participants in the case of 4-licence industry, to be paid in four annual instalments and 30% in the case of 3-licence industry to be paid in three annual instalments.
- The third component will be an annual payment of 2 % of turnover from 3G services or an equivalent percentage of a correlate measure, which will be paid on an annual basis. The first year for which the payment will be due is year 2005.

For the Individual Licences regarding the provision of 2G (GSM/DCS) licences the licence fee will be paid in total within 20 days from the completion of the Licensing Process.

1.1.5 Roll-out requirements

The participants that will be awarded Individual Licences will have the following obligations regarding the deployment of their 3G networks:

- Coverage of at least 25% of the Greek population until December 2003;
- Coverage of the Olympic Games facilities, venues and main connecting routes in the Attica region by February 2004;
- Coverage of at least 50% of the Greek Population by December 2006;

The above coverage requirements must be fulfilled for a guaranteed transmission rate of at least 144kbps (packet switched) for the downlink path and 64 Kbps for the up-link.

The roll-out requirements for 2G New Entrants, which are not holders of a 3G licence are as follows:

- Coverage of at least 10% of the Greek population by December 2003;
- Coverage of at least 30% of the Greek population by December 2006.

There are no roll-out requirements for 3G licensees or current 2G licence holders that obtain a 2G licence in the current process.

1.1.6 Roaming - Infrastructure Sharing

According to art. 8 par.3 of Act 2867/2000 concerning telecommunications, all organisations offering mobile services are obliged, following a Decision given by EETT, to enter into roaming agreements. The obligation will start from January 1, 2002 and there is no time limit set as to the term of such agreements or the applicability of the relevant provision of the law.

With the limitation of Competition Law, infrastructure sharing schemes and/or 3G to 3G roaming agreements, are allowed, provided that at least two networks operate in any single area in the country. For sparsely populated and remote areas EETT will consider the possibility of regulated operation of only one network.

EETT will not object to the introduction of Mobile Virtual Network Operators (MVNOs) if operators come voluntarily to such commercial agreements in the future. EETT will use its regulatory powers to ensure that the agreements do not impinge adversely on competition.

1.2 Legal framework

A synopsis of the relevant legal and regulatory framework of the telecommunications sector in Greece is presented in chapter 3 of this Memorandum. Specifically, the laws that comprise the current Greek legal framework, which is in compliance with the Directives of the European Union, and are summarised in the aforementioned section 3, are the following:

- Law 2867/2000 on the organisation and operation of telecommunications;
- Law 2801/2000 regulating radio spectrum issues (antennas and all relevant policies);
- Law 703/1977 on the protection of competition;
- Law 2251/1994 on consumer protection;
- Law 2472/1997 on personal data protection;
- Law 2774/1999 on personal data protection in the telecommunications sector.

1.3 Policy on unallocated spectrum

If as a result of the 3G Licensing Process four licences are awarded and some or all of the additional spectrum segments are not allocated, then these spectrum segments will be allocated in the future if requested.

In the case that only three 3G licences are awarded, then the 2 x 10 MHz of paired spectrum plus the 5 MHz of unpaired spectrum remaining unallocated and all the remaining additional spectrum segments, will be allocated through a competitive process. This process will take place in the future at least 5 years after the completion of the current Licensing Process.

If as a result of the Licensing Process, only two 3G licences are awarded, then the remaining spectrum will be the subject of a competitive process that will take place at least 3 years after the completion of the current Licensing Process.

If as a result of the Licensing Process, only one 3G licence is awarded (this may happen only in the case of a sole successful New Entrant's bid), then EETT will initiate the process for the allocation of the remaining spectrum one year after the end of the current process.

1.4 Rules of the auction

The Information Memorandum presents in Chapter 4 rules regarding confidentiality, anti-competitive agreements, and restrictions in the ownership status, of participants in the Licensing Process and the pre-qualification criteria.

The Invitation to Tender will include a detailed description of the ownership rules. The main rule regarding ownership and control constraints is the following:

- Members of a Related Party of Participants should not be members of another Related Party of Participants.

Relevant definitions are provided in the main body of the Information Memorandum.

The Licensing Process will take place according to the indicative time schedule presented in Table 1.5:

Table 1.5: Indicative time schedule for the award of 3G and 2G Licences

Publication of the Information Memorandum	Monday 7 May 2001
Deadline for submission of comments on the Information Memorandum	Monday 28 May 2001
Publication of the Invitation to Tender	Friday 1 June 2001
Submission of Applications for both 2G and 3G licences	Monday 2 and Tuesday 3, July 2001
Pre-qualification and announcement of the Qualified Bidders	Tuesday 10 July 2001
Starting date of the 3G Licensing Process	Wednesday 11 July 2001
Estimated 3G Licensing Process completion and announcement of Winners	Friday 13 July 2001
Payment of 3G Licence Fee	Up to 20 days after the completion of the licensing process
Contractual Agreement – Award of 3G Licences	Up to 60 days after the completion of the licensing process
Starting date of the 2G Licensing Process	Monday 16 July 2001
Estimated 2G Licensing Process completion and announcement of Winners	Tuesday 17 July 2001
Payment of 2G Licence Fee	Up to 20 days after the completion of the licensing process
Contractual Agreement –Award of 2G Licences	Up to 60 days after the completion of the licensing process

1.5 Structure of the Information Memorandum

This Information Memorandum consists of 3 Chapters in addition to this Executive Summary.

Chapter 2 refers to the Licences and specifically to the type, number, bandwidth of the spectrum that will be assigned to each, duration, licensing terms, revocation terms, roll out requirements, refarming issues and national roaming.

Chapter 3 presents a summary of the legal and regulatory framework for the telecommunications sector in Greece.

Chapter 4 describes the Licensing Process for the award of the licences, the reserve prices and the payment terms.

Finally the Annexes present:

- the technical description and specifications of the networks for the provision of 3G mobile services;
- an overview of the Greek economy and the Greek mobile telecommunications market;
- a detailed description of the licensing process, and
- a glossary of terms and abbreviations contained in this Information Memorandum.

1.6 Communication with EETT

Interested Parties are invited to submit their comments in writing using either the Greek or English language, stating their identity (company name, address, email, fax and telephone number), and referring to exact sections of the Information Memorandum. Comments can be submitted until the 28th of May 2001, at 13:00 local time. Interested parties are also invited to seek clarifications on the content of the Information Memorandum in writing. EETT in responding to such clarification requests, reserves the right to publish the results on EETT's web site. Interested Parties should appoint a contact person. Comments should be sent to the following address:

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2 THE LICENCES AND ASSOCIATED POLICY ISSUES

In the present chapter the number and type of Licences on offer in the current Licensing Process are presented, following a brief overview of the frequency bands that are identified by CEPT for the provision of 3G (UMTS) and 2G (GSM/DCS) mobile services and the ones that are assigned for this purpose in Greece.

A summary of the most important licensing terms is also presented alongside the associated issues regarding recall, suspension or revocation of an individual licence, roll out and transmission rate requirements, refarming, national roaming and licence trading.

2.1 Spectrum for 3G (UMTS) and 2G (GSM/DCS) mobile services

The core frequency bands for UMTS in Europe are those identified by CEPT in ERC/DEC/(97)07 and its extension ERC/DEC/(00)01 with which the entirety of the 155 MHz in the bands 1900 - 1980 MHz, 2010 - 2025 MHz and 2110 - 2170 MHz are made available for terrestrial UMTS and other terrestrial systems included in the IMT-2000 family. The frequency band 2010-2025 is exempted from the current Licensing Process. EETT following the recommendation CEPT/ERC/DEC(99)25 for the harmonised utilisation of spectrum for terrestrial UMTS, will reserve the spectrum segment 2010 – 2020 for Self Provided Applications. The spectrum segment 2020 – 2025 will be reserved for future use.

GSM and DCS are pan-European cellular digital land-based mobile communications systems. The ERC/DEC/(94)01 decision designated the frequency bands 890-915 MHz and 935-960 MHz for the introduction of the GSM system. This Decision was extended with ERC/DEC/(97)02 that specified that when an Administration requires additional spectrum for GSM beyond the frequency bands mentioned in the ERC Decision on GSM (ERC/DEC/(94)01) all or parts of the frequency bands 880-890 MHz paired with 925-935 MHz shall be used. The ERC Decision ERC/DEC/(95)03 designated the frequency bands 1710 - 1785 MHz and 1805 - 1880 MHz for DCS 1800.

Greece follows the European Radiocommunications Office Decisions CEPT/ERC/DEC/(97)07, CEPT/ERC/DEC/(00)01 which identify the frequency bands for UMTS, the recommendation CEPT/ERC/DEC(99)25 for the harmonised utilisation of spectrum for terrestrial UMTS, the decisions CEPT/ERC/DEC/(94)01 and CEPT/ERC/DEC/(97)02 that identified and extended the frequency bands for GSM and ERC/DEC/(95)03 that designated the frequency bands for DCS.

According to the Greek legislation two types of telecommunication licences are provided, that can be classified either as General or Individual Licences. Individual Licences are issued whenever rights of way are required for the deployment of the telecommunication infrastructure and whenever the provision of services requires the use of scarce resources. The licences for the provision of mobile services of 3G (UMTS) and 2G (GSM/DCS) are classified as Individual Licences. The detailed conditions for the provision of the telecommunication licences are described in EETT's decision 207/2 (Government Official Gazette 195/B/01-03-2001). Hereafter, unless otherwise specified, the term Individual Licences is referring to both 3G (UMTS) and 2G (GSM/DCS) licences that are the objects of the current Licensing Process.

2.1.1 The 3 G Licences

The 3G Licences will be in the frequency bands 1900-1980 MHz and 2110-2170 MHz. The maximum number of Licences that will be the object of the 3G Licensing Process is four (4).

During the licensing process successive attempts will be made to create first a four-licence 3G industry, then a three-licence 3G industry and then a two-licence 3G industry. Each attempt will consist of up to three phases. The first phase concerns allocation of spectrum segments of 2 x 10 MHz of paired spectrum plus 5 MHz of unpaired termed a basic licence. The second phase concerns bidding for additional spectrum segments equal to the number of basic licences allocated in the first phase. In the case that 4 licences have been awarded the additional spectrum segments are one with 2 x 5 MHz size and three with 2 x 4.8 MHz size. In all cases were less than four licences have been awarded the additional spectrum segments are of 2 x 5 MHz size. No Participant will be able to obtain more than two additional spectrum segments. Therefore the size of the licences in the case of 4 licensees can vary from 2 x 10 MHz to 2 x 19.8 MHz for paired spectrum (plus 5 MHz of unpaired). In the case that 3 or 2 are awarded the size of the licence can vary from 2 x 10 MHz to 2 x 20 MHz for paired spectrum (plus 5 MHz of unpaired). These are illustrated in the following tables. The specific part of the frequency spectrum that is allocated, will be determined in the third phase.

Table 2.1: Number of spectrum segments in a 4-licence case

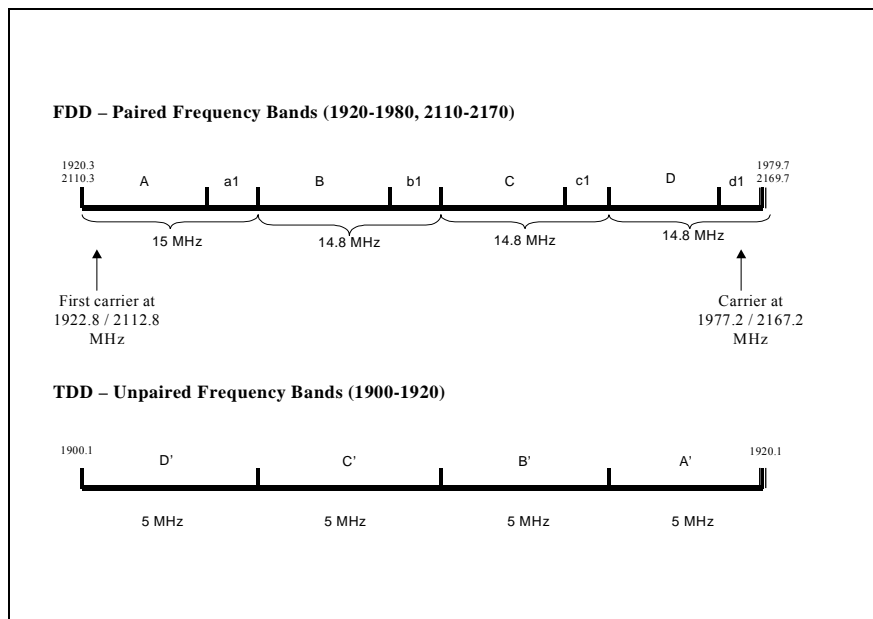
	Phase 1 Main Auction	Phase 2 Auxiliary Auction
Total number of Spectrum Segments	4	4
Bandwidth of Spectrum Segments	2 x 10 MHz (+5MHz)	1 segment of 2 x 5 MHz & 3 segments of 2 x 4.8 MHz

Table 2.2: Number of spectrum segments in a 3 or 2-licence case

	Stage A Main Auction	Stage B Auxiliary Auction
Total number of Spectrum segments	3 / 2	3/2
Bandwidth of Spectrum segments	2 x 10 MHz (+5MHz)	3/2 segments of 2 x 5 MHz

Given the fact that the amount of frequency spectrum allocated and the part that may be allocated to each bidder can vary, an indicative spectrum packaging is presented in Figure 2.1 under the hypothesis that all available spectrum segments are awarded.

Figure 2.1: Indicative Spectrum Packaging for 3G



If as a result of the Licensing Process 4 licences are awarded and some or all of the additional spectrum segments are not allocated, then these spectrum segments will be allocated in the future if requested.

In the case that only 3 licences are awarded, then the spectrum remaining unallocated, will be allocated through a competitive process. This process will take place in the future at least 5 years after the completion of the current Licensing Process.

If as a result of the Licensing Process, only two licences are awarded, then the remaining spectrum will be the subject of a competitive process that will take place at least 3 years after the completion of the current Licensing Process.

If as a result of the Licensing Process, only one 3G licence is awarded (this may happen only in the case of a sole successful New Entrant's bid), then EETT will initiate the process for allocation of the remaining spectrum one year after the completion of the current process.

2.1.2 The 2G Licences

The 2G Licensing Process will follow the 3G one. The spectrum that has already been allocated is as follows:

- TELESTET: 890 - 900 MHz and 935 - 945 MHz
- PANAFON: 905 - 915 MHz and 950 - 960 MHz
- COSMOTE: 1760 - 1785 MHz and 1855 – 1880 MHz

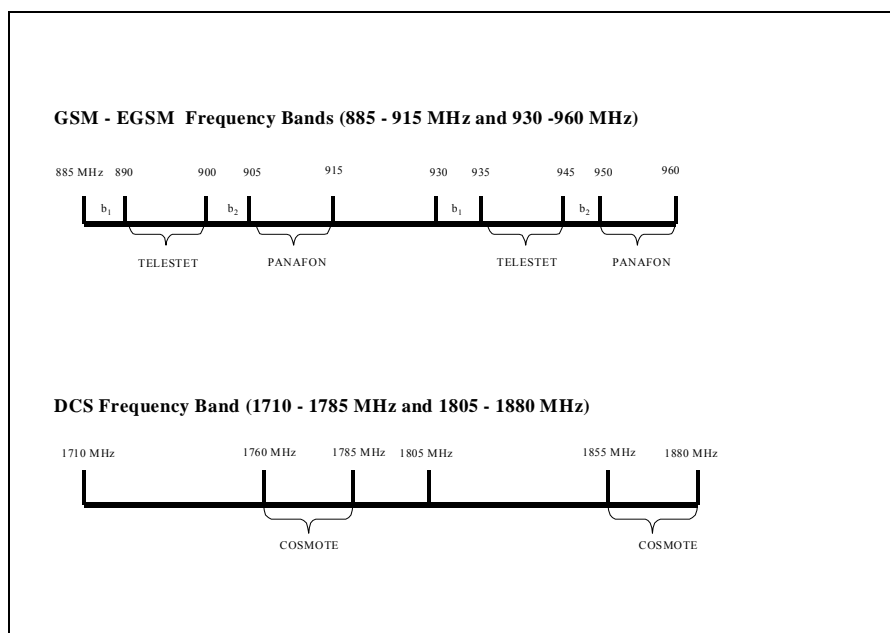
The spectrum that is available in the current licensing process is presented in the following table:

Table 2.3: Available 2G frequency blocks

Type of services	Frequency Block	Spectrum segments	Frequency Band
EGSM	2 x 5 MHz	1 (one) spectrum segment	885 – 890 MHz and 930 – 935 MHz
GSM	2 x 5 MHz	1 (one) spectrum segment	900 - 905 MHz and 945 – 950 MHz
DCS	2 x 50 MHz	10 (ten) spectrum segments of 2 x 5 MHz	1710 – 1760 MHz and 1805 – 1855 MHz

The current allocation of spectrum for GSM and DCS services and the available spectrum is presented in Figure 2.2

Figure 2.2: Spectrum segmentation and allocation of GSM/DCS



The number of 2G Licences to be awarded will be a maximum of four (4) national Licences.

The 2G licences are not of fixed size as all the players will be able to bid for all combinations of spectrum segments. That is subject to the condition that after the auction the spectrum to be allocated to each participant will not be more than 2 x 30 MHz (including the spectrum for which a participant already holds a 2G licence). Also no participant will be allowed to hold less than 2 x 10 MHz (including its current holdings) after the completion of both the 3G and 2G licensing processes.

2.2 Summary of the Licensing Terms

The winners of the Licensing Process will be awarded Individual Licences for the deployment of a telecommunication network and the provision of mobile telecommunication services. The signing of the licence contract will not cover the requirement for registering for the provision of services for which a General Licence is required. These General Licences must be sought separately.

The terms of the licence award contract and the terms of the Individual Licences will be included as an appendix in the Invitation to Tender. The Individual Licences will include, among others, terms regarding:

- The description of the network which the Licensee is planning to deploy, the roll-out requirements, the requirements regarding the provision of service and the qualitative characteristics that EETT is imposing as a minimum;
- Issues of interconnection, access, collocation , facility and infrastructure sharing;
- Issues about rights of way;
- Numbering issues;
- Legislation issues regarding universal service obligation;
- The obligation of the Licensee to acknowledge the terms of provision and discontinuity of services, emphasising the terms of his pricing policy;
- The obligation to acknowledge a fixed contractual text for telephony services and the conditions under which it may be amended;
- The compliance with confidentiality restrictions and obligations with respect to secrecy;
- The protection of consumers and the competition legislation;
- Provisions regarding provision of directory and emergency services and services to persons with special needs;
- Provisions concerning obligations arising from significant market power;
- The fees due for the use of the licence and the letter of guarantee for the good performance of the obligations deriving from the Contract and the Licence;

- Provisions regarding the extent and the conditions of control of the licensee's activities by EETT;
- Licence trading or the change of the control over the licensee or the commercial exploitation of the awarded frequencies and numbers;
- The conditions under which the Licence may be amended, suspended or revoked;
- The obligations of the Licensee in relation to essential facilities.

The award of the Individual Licence does not disengage the Licensee from the following obligations:

- to request all the necessary administrative licences for the deployment of the network;
- to request the separate necessary Individual or General Licences for any additional telecommunications services he may wish to provide now or in the future, and for any non telecommunication operations.

2.3 Recall, Suspension or Revocation of an Individual Licence

The terms for recall, suspension or revocation of the Individual Licences are provided in Article 15 of EETT's decision 207/2 (Government Official Gazette 195/B/01-03-2001). The reasons for recall, suspension or revocation of the Individual Licences can be the following:

- Infringement of the obligations deriving from the Licence or repeated actions violating the provisions of the competition law, the regulations for personal data protection or the penal provisions regarding telecommunications.

2.4 "Use-it or lose it" clause

The failure of the operator to adhere to the roll-out obligations presented in point 2.6 of this Information Memorandum and article 6 of Law 2867/2000 may result to the revocation of the licence.

2.5 Duration of the Licence

In the article No 10 of EETT's decision 207/2 (Government Official Gazette 195/B/01-03-2001) it is provided that the minimum duration of an Individual Licence is 15 years and the maximum 20 years. The 3G Individual Licences that are the object of the current Licensing Process will have a duration of 20 years, whilst those for 2G will have a duration of 15 years.

2.6 Network deployment requirements.

The Winner of the 3G Licensing Process that is allotted a spectrum segment, undertakes the obligation to install, operate and maintain the necessary equipment in order to provide services that fulfil the following requirements:

- Coverage of at least 25% of the Greek population until December 2003;
- Coverage of the Olympic Games facilities, venues and main connecting routes in the Attica region by February 2004;
- Coverage of at least 50% of the Greek Population by December 2006;

The above coverage requirements must be fulfilled for a guaranteed transmission rate of at least 144kbps (packet switched) for the downlink path and 64 Kbps for the up-link.

The roll-out requirements for 2G New Entrants, which are not holders of a 3G licence are as follows:

- Coverage of at least 10% of the Greek population by December 2003
- Coverage of at least 30% of the Greek population by December 2006

There are no roll-out requirements for 3G licensees or current 2G licence holders that obtain a 2G licence in the current process.

2.7 Refarming

The term “refarming” refers to the re-allocation of spectrum segments that are currently used with one standard, in order to be used with another standard. In the context of 3G mobile, “refarming” relates mainly to the use of spectrum that is currently licensed for GSM 900 or DCS 1800 standards, by equipment complying with the 3G standards. Spectrum at 900 MHz and 1800 MHz is identified by the ITU for mobile telecommunications. ERC has also designated the same bands for GSM 900 and DCS 1800 operations respectively. In order for refarming to be enabled it is anticipated that a future ERC decision regarding the use for 3G of the 900 MHz and 1800 MHz bands, should be taken.

Although it is yet uncertain as to when such a recommendation will be published, EETT retains the right for refarming as described in article 7 paragraph 7 of Law 2867/2000 (Government Official Gazette 273/A/19-12-2000). EETT’s intention is not to delay refarming if a scarcity of spectrum for mobile communications arises in the future. In such a case, the intention of EETT is to proceed to refarming after taking into account the views of the operators and of their customers, the requirements of national, European and International law and the appropriate timing. EETT’s objective is to sustain and enhance competition while taking into account the potential effects on the business cases of 2G and future 3G operators.

2.8 National Roaming - Infrastructure Sharing

Up until December 31, 2001 all mobile operators are obliged to enter into roaming agreements between them (i.e. both 2G licensees and 3G licensees, and Incumbents and New Entrants). EETT, in accordance with art. 8 para. 3 of Act 2867/2000 will issue a regulation setting the general framework for such agreements. No time limit is set for the application of the provision of the law regarding roaming. The parties will be allowed to determine the duration of the roaming agreement, which will bind them.

Infrastructure sharing is allowed provided that at least two networks operate in any single area in the country and competition law is not infringed. For sparsely populated and remote areas EETT will consider the possibility of regulated operation of only one network.

EETT will not object to the introduction of Mobile Virtual Network Operators (MVNOs) if operators come voluntarily to such commercial agreements in the future. However EETT will use its regulatory powers to ensure that the agreements do not impinge adversely on competition.

Prior to the publication of a decision regarding National Roaming EETT will take into account the opinions of all interested parties.

2.9 Spectrum for infrastructure

The operation of the networks for the provision of mobile services requires means of support via some form of back-haul connections, including microwave point-to-point links. If point-to-point microwave links in other frequency bands are required for the support of 3G mobile services, then Participants should describe their requirements for the above frequencies at the technical description of their 3G/2G networks. The standard application procedure for fixed links should be used. A licensee can develop his own wired infrastructure, provided that it is directly supportive to the mobile networks that will be deployed.

2.10 Licensed technologies

All radio equipment should comply with the current national telecommunications legislation regarding Certification issues.

2.11 Spectrum clearance

Currently the Spectrum in the frequency bands under consideration is not utilised by any other service/users. Therefore, the auctioned Spectrum is free from interference.

2.12 Licence trading and ability for licensing concession

In the following certain issues regarding the ability for Licence trading, concession or change in the controlling status of the licensee are presented, as well as regulatory

constraints regarding transactions of frequencies and numbering, that are included in the licence award contract.

Licence transfer requires the prior approval by EETT after the appropriate application. EETT will ensure that as a consequence of such an act, the licence terms can be fulfilled by the new holder of the licence, and that the latter has at least the qualifications that the original holder had when the licence was awarded. Additionally EETT will ensure that no restrictions in competition arise.

As a result of the fact that the licences will be awarded under a “limited number status”, a licence cannot be transferred for a period of nine months after the day of its award. In addition to that, a participant classified as a New Entrant in the current Licensing Process will not be able to sell his licence to an Incumbent, at a price lower than the average paid for comparable licences in the current process or the relevant reserve price for Incumbents. If the average price paid (or the reservation price) for comparable licences in the current process is higher than the price paid by the New Entrant, then in the case of a New Entrant selling his licence to an Incumbent, the difference will be paid to the EETT.

The lease and joint exploitation of the Individual Licences as well as any change in the share capital composition of the enterprise resulting in direct or indirect change of control is not allowed without the prior approval of EETT. In such case, if the resulting classification of the enterprise changes from New Entrant to Incumbent, the above condition concerning the sale of a licence from a New Entrant to an Incumbent applies.

Any transfer of shares to and from the same legal entity equal or above 2% of the share capital of the holder of an Individual Licence, must be notified to EETT within 15 days from the transfer.

3 LEGAL FRAMEWORK

In this chapter the legislation which is relevant to the Licensing Process is presented, and in particular, the most important issues regulated by the telecommunication legislation. The relevant legislation includes mainly the new Law 2867/2000 as well as the Presidential Decrees that have been issued prior to the above law but still apply to the extent that they are not contradictory to its provisions. In addition, the basic provisions of the laws regarding the protection of competition, of consumers and of personal data as well as the provisions of EU legislation regarding telecommunications are summarised in the present chapter.

3.1 Telecommunications legislation

3.1.1 Deregulation of the telecommunications market

Law 2867/2000, that entered into force on the 1st of January 2001 replacing the legal framework of its predecessor Law 2246/1994 and its respective amendments, introduced the deregulation of the Greek telecommunications market. The current law, being the principal regulatory enactment regarding the telecommunications market in Greece, forms a new framework for telecommunications contributing to their development and growth in an environment of free competition, while its provisions take into account the needs of the consumers and the importance of telecommunications due to the convergence of technologies at an international level.

This act defines the legal environment in which any telecom enterprise should operate and also regulates every telecom activity performed in Greece in accordance with some fundamental common economic principles, such as consumer protection, free competition, personal data protection, confidentiality of telecommunications, universal service and the development of telecommunications services.

3.1.2 The regulatory role of EETT

The Ministry of Transport and Communications has the exclusive competence to plan the State's strategy as regards the telecommunications sector and furthermore to introduce and draft the applicable bills. However, the competent authority for the regulation and supervision of the telecommunications market is by law the National Telecommunications and Post Commission (EETT). Thereby, the decision-making and regulatory role of EETT is substantially enhanced, which makes it the appointed independent regulatory authority for telecommunications with extended and exclusive responsibilities. The State and EETT are responsible for safeguarding telecommunication activities so that they are performed in compliance with the law and the principles of objectivity, transparency and non-discrimination between telecommunication enterprises.

In the frame of its enhanced regulatory role, EETT is also the competent authority for the award of the Individual Licences, (including the setting of the rules and the design of the Licensing Process), the regulation of issues regarding General Licences, the award of licences for the construction of antennas for terrestrial stations, the promulgation of

regulations and decisions concerning telecommunication issues such as the provision of universal service, interconnection, publication and amendment of the National Numbering Plan, the tariff policy telecom enterprises should comply to, the allocation of radio frequencies, the management and supervision of the spectrum use.

According to the above, EETT is the competent authority for the conduct of the current Licensing Process and the award of the 3G (UMTS) and 2G (GSM/DCS) Individual Licences.

3.1.3 The Licensing Process for the award of Individual Licences under a limited number status

According to Law 2867/2000 the Minister of Transport and Communications is entitled to limit the number of Individual Licences to be awarded if this is necessary for the effective use of radio frequencies or the provision of sufficient numbers, and to determine the kind of procedure for the award of the licences. The Minister of Transport and Communications also determines the procedure of the public consultation, which by law is conducted by EETT in the occasion of licences awarded under a limited number status. For the implementation of the law the decision 515/2001 of the Minister of Transport and Communications was published (Official Government Gazette 177/volume B'/21-2-2001) in order to enable interested parties to express their opinions on the award of licences under the aforementioned status and sets out the terms, the principles, the procedure and the content of the public consultation, as well as the publication of its results. EETT makes the results of the public consultation known to the public sixty days after the expiration date for the submission of the answers and forwards them (together with its proposal and the answers of the interested parties) to the Minister of Transport and Communications, who announces his decision for the limitation or not of the number of licences and the procedure to be followed within forty five days.

According to the EETT's Individual Licences Regulation (decision 207/2/2-2-2001, Official Government Gazette 195/ volume B'/1-3-2001) the Licensing Process under a limited number status can either take the form of an auction or of a comparative assessment. In any occasion, EETT determines the licensing process terms in an objective, clear and non-discriminatory way. In the event of an auction, EETT can determine the reserve price as well as the payment terms.

3.1.4 Right of way

According to Law 2867/2000, telecommunications organisations that hold Individual Licences have a right of way for their networks and in general of their infrastructure to public property and common areas, in order to supply the services, (for the provision of which the Individual Licence has been awarded), under the condition that the provision of those services is not possible in a different, less burdensome, way. The competent authority awards the corresponding licence in a period of 12 weeks from the submission of the application by the interested party. If this period elapses without result, the licence is awarded ex officio. The competent authorities can only deny the award of a licence for reasons that concern the protection of the environment, public health and archaeological sites. Additionally, telecom organisations are entitled to request conclusion of servitude on

private property to the extent that this is necessary for the access, maintenance and restoration of their networks and their infrastructure in general.

3.1.5 Collocation right

Presidential Decree 124/1998, which incorporates Directive 90/388/EU into the Greek legislation, allows providers of mobile and personal communication services to use the infrastructure provided by third parties as well as to commonly use infrastructure and equipment under the condition that this use is intended for the sole purpose of providing the services included in the Individual Licences. In accordance with Presidential Decree 165/1999 organisations that provide public telecommunication networks and/or services available to the public and that are entitled to install equipment in public and private property have the right to negotiate with counterpart organisations and to make commercial and technical agreements for the common use of equipment and/or property especially in occasions where the access to viable alternative solutions is not possible.

The agreements for the collocation and common use of equipment between interested organisations must not violate the legislation regarding the protection of competition.

EETT arbitrates for the settlement of any dispute that may arise from the collocation and common use of equipment after the relevant appeal by an interested party, and is entitled to make a final judgement in the case that a commonly accepted solution cannot be reached.

3.1.6 Assignment of radio frequencies and spectrum fees

Law 2867/2000 has assigned the management of radio spectrum including the allotment of frequency bands and the assignment of individual radio frequencies to EETT. The licensing framework which governs the assignment of radio frequencies is described in EETT Decision (210/2/28-2-2001-Official Government Gazette 285/volume B'/19-3-2001) «Regulation for the Assignment of Individual Radio Frequencies under an Individual Licence Status for the Provision of Public Telecommunication Services». According to this Regulation, only those operators that hold Individual Licences for the provision of public telecommunication services have the right to apply for the assignment of radio frequencies, as well as those operators that already hold a licence with which radio frequencies have been allotted to them.

Radio spectrum fees are determined by the «Regulation for the Determination of the Fees for the Use of Spectrum and the Assignment of Radio Frequencies» (EETT Decision 210/3/28-2-2001-Official Government Gazette 351/volume B'/30-3-2001). Of particular interest to 3G and 2G operators may be the administrative fee for microwave point-to-point links, which is worth Drs 51,113 (EURO 150) and paid upon the submission of the application for frequency assignment. Fees for spectrum usage are paid on an annual basis and are calculated according to the provisions of article 4 and Appendix A of the Regulation.

3.1.7 Installation of antennas

Telecommunication organisations to which radio frequencies have been allocated may proceed to the construction of antennas after obtaining a licence for the construction of antennas on land, issued by EETT according to Law 2867/2000 in combination with Law 2801/2000. In case that the antenna is used by two or more organisations the application for the licence is submitted by the holder of the antenna. For the installation of stations of companies providing telecommunication services to the public, Law 2801/2000 allows the building of cabinet for housing the equipment of the radio-communication stations and infrastructure for the installation of antennas of transmission or and reception of electromagnetic signals provided that the conditions provided by law are met. Installations of stations and antennas' constructions may be connected with the networks of public utility organisations after approval of the city planning authorities confirming the observance of the legal procedure and the feasibility of the connection. A licence should be obtained in order to install constructions with antennas or other similar equipment in forested areas. The installation of antennas without the above licence as well as the provocation of interference entails the penalties provided by article 1 paragraph 5 of Law 2801/2000.

Telecommunication enterprises are obliged to avoid taking any action that could be harmful for public health. In view of the above, the Ministerial Decision 53571/3839/2000 (ΦΕΚ 1105/volume B/6-9-2000), having taken into consideration the Recommendation of the Council of the European Union with respect to the limitation of the public's exposure to the electromagnetic fields (0 Hz – 300 GHz), introduces the measures for the protection of the public from the operation of antennas installed on land and imposes penalties in case of breach of its provisions.

3.1.8 Interconnection

The telecommunication organisations that are defined by Law 2867/2000 and by the Annex II of the Presidential Decree 165/1999, that harmonises Greek legislation with the EU Directive 97/33 for the interconnection in the telecommunications sector, and are holders of Individual Licences, are obliged to provide interconnection with each other or with equivalent foreign organisations in order to ensure the provision of public telecommunication networks and services to the entirety of the Greek territory to all users on a community level. Organisations, holders of Individual Licences for the provision of public telecommunication networks or/and services that are defined in Annex I of the Presidential Decree 165/1999 (i.e. fixed public telephone network and service, leased lines, public networks and services of mobile telephony) and hold significant market share are obliged to satisfy all reasonable requests for access to the public telecommunications network according to the principles of impartiality and equal treatment. The Presidential Decree in conformity with Directive 97/37/EC defines the organisations that should apply cost-oriented interconnection tariffs ensuring the transparency of their calculation. In case that they have additionally special or exclusive rights for the provision of services in sectors other than telecommunications in Greece, or in another member state of the EU, they are obliged (unless their annual turnover is less than 50 million EURO) to keep separate accounts for telecommunications activities, as if they were conducted by separate legal entities, or to unbundle these activities. Moreover, organisations with significant market power that provide interconnection services to other organisations are obliged to keep separate accounts

for the activities related to interconnection from the accounts kept for the rest of the telecommunication activities.

Telecommunication organisations that provide public telecommunication networks or/and public telecommunication services provided by Annex I (Part 1 and 2) of the Presidential Decree 165/1999 and hold significant market power should establish Reference Interconnection Offer in accordance with the law.

OTE, being an organisation with significant market power, has established Reference Interconnection Offer (RIO) for the year 2001 that was amended by EETT's decision number 203/4/18-1-2001 and published as amended in the Official Government Gazette (ΦΕΚ 138/volume B/12-2-2001). OTE's RIO determines, among other things, the basic national and international traffic, the special access to 3digital or 4digital services, to OTE's IN network, to Audiotex services, as well as other services for which interconnection is provided to the other contracting party, the application process for the interconnection and its implementation by OTE, the technical standards, the interconnection tariffs and the way they are charged. RIO also imposes the co-operation between contracting parties for the restoration of the operation of the network within 24 hours at the latest from the relevant notification and allows OTE to provide the other contracting party with collocation (lease of its installations) after a relevant request.

EETT may intervene in order to ensure competitive conditions for interconnection and telecommunication enterprises may appeal to EETT in order to ensure the application of the existing legislation. EETT may request from telecommunication organisations to interconnect their installations and may set the conditions of the interconnection when it considers this is necessary for the protection of users and public interest.

3.1.9 National roaming

Law 2867/2000 imposes to telecommunication organisations that provide mobile public telecommunication networks the obligation to enter into agreements of national roaming between them following a decision of EETT and at the latest within one year from the date that the new law comes into force (namely from 1 January 2001). EETT has already started the procedure for the adoption of regulatory documents that will set the legal framework for the development of national roaming in mobile services of second generation. Similar issues regarding the conclusion of agreements for national roaming will be treated by EETT in the case of mobile services of third generation as well.

3.1.10 Numbering and number portability

According to Law 2867/2000, EETT drafts and amends the National Numbering Plan and assigns numbers or groups of numbers to interested telecommunication enterprises following their request. In compliance with the law, EETT issued the National Numbering Plan (NNP) for Telephony Services and Mobile and Personal Communications by the decision 206/2 (Government Official Gazette 127/volume B/8-2-2001) and the Regulation of Management

and Assignment of NNP numbers by the decision 207/6 (Government Official Gazette 159/volume B/16-2-2001).

The new NNP ensures the long-term demand of numbers for telecommunication services and the needs of new-entrants in the Greek telecommunications market according to the relevant EU Directives, the international organisations' standards and the relevant international experience. The numbering series for mobile telephony will have the digit six (6) as the first digit of the closed ten digits numbering scheme.

According to EETT's Regulation the assignment of numbers is classified as primary and secondary. EETT effects the primary allocation to the providers of telecommunication networks or services and the latter proceed to the secondary assignment to the users. After the award of 3G licences the licensees will be entitled to apply for reservation of numbers or for primary assignment of numbers. It is not necessary to apply for reservation of numbers before the application for the primary allocation, as such an application is considered to be simultaneously submitted.

According to Law 2867/2000 the obligation of the telecommunication organisations to provide number portability should be introduced until 1 January 2003 at the latest. With respect to this issue the Presidential Decree 181/1999 provides that until the application of number portability organisations providing fixed telephony services should ensure that either a telephone call to the old number of the subscriber can be re-routed to his new number or callers are given an indication of the new number. Moreover, EETT's Regulation (decision number 207/6 that referred to above) provides that organisations are obliged to ensure in case of a number's change a period of parallel operation of both numbers or/and indication of the new number after the end of the parallel operation for at least six months.

3.1.11 Unbundling of the Local Loop

Law 2837/2000 provides the obligation of operators with a significant market power to permit the uninhibited access of New Entrants to their local loop at a fee that reflects the actual cost and under the same conditions, quality and time limits they allow the access to their associated companies.

EETT is currently in the process of creating the regulatory framework for the unbundling of the Local Loop and amending the Reference Offer of OTE.

3.1.12 Open Network Provision (ONP)

Telecommunications organisations are according to Law 2867/2000 obliged to ensure the access to the ONP at a fair price and in accordance with the principles of objectivity, transparency, non-discrimination and equality and also to provide access to third parties under the same conditions and of the same quality as they provide for their own services or those of their subsidiaries or partners (under the condition that there is a sufficient level of competition in the telecommunications market). These ONP principles may be restricted only for the safety and integrity of the network, for the protection of personal data, of the environment and the use of spectrum. Issues arising from the ONP are also regulated by the Presidential Decree 156/1999, which incorporates Directive 97/51 into the Greek legislation,

while Presidential Decree 181/1999, which harmonises Greek legislation with Directive 98/10, pursues the implementation of the ONP principles.

3.1.13 Leased lines

Law 2867/2000 authorises EETT to regulate all issues related to leased lines. Presidential Decree 40/1996 (as it was amended by Presidential Decree 156/1999) regulates the ONP on leased lines in order to conform to Directive 92/44/EEC, while Presidential Decree 121/1998 imposes restrictions on the access/use of leased lines. According to Law 2867/2000 OTE is obliged to provide the minimum number of leased lines until December 31st, 2001. EETT will decide which telecom organisations will be obliged to provide the minimum number of leased lines in the future.

3.1.14 Universal service

The aim of the universal service is the provision of telecommunication services in the entire territory of a Member State at an affordable fee and in a satisfactory quality, as well as to develop the information society. In accordance with Law 2867/2000 while every telecom organisation is entitled to provide universal service, EETT determines which telecom organisations have the relevant obligation. Organisations that are burdened with the provision of universal service have the right to request from EETT the apportionment of the net provision cost with other telecom organisations that provide services similar to the universal service, if they prove that the cost of providing universal service is particularly high. At present, OTE is the telecom organisation charged with the provision of universal service in Greece until the 31st of December 2001.

Universal service issues are also regulated by the Presidential Decree 165/1999 (article 5), which incorporates Directive 97/33/EU and by the Presidential Decree 181/1999, which incorporates Directive 98/10/EU on the application of ONP to voice telephony and on universal service on telecommunications in a competitive environment. Especially mobile telephony operators are obliged to offer directory services, voice-mail services and access emergency services at no charge, as well as to have a fixed contractual text in order to regulate their relationship with their subscribers. The content of this contract is set out in detail in the Presidential Decree and is announced to EETT.

3.2 Law 703/1977 on the protection of free competition

This is the principal act that regulates free competition in every market within the Greek territory. It has been amended several times in order to conform to the European Union Law and includes provisions that safeguard free competition and financial freedom for the trading parties.

Specifically, it prohibits:

- all agreements between undertakings, decisions by associations of undertakings and concerted practices which have as their object or effect the prevention, restriction or distortion of competition, and

- any abuse by an undertaking of a dominant position within the domestic market or in a substantial part of it,

while it provides the regulatory framework for the control of the concentration of companies deriving from mergers and acquisitions.

The Individual Licences, which are awarded in accordance with the telecommunications law (Law 2867/2000), can also include conditions aiming to impede actions that could restrict free competition in the telecommunications market. The licences can also include conditions for the conformity of the tariff policy with the rules governing the abuse of competition, as well as provisions for the avoidance of the illicit abuse of competitive advantages (e.g. collocation obligations, universal service, additional dues etc.). EETT is entitled even to deny the award of a licence in case free competition is threatened.

Law 703/1977 established the Competition Committee, an independent public authority responsible for safeguarding the compliance with the aforementioned act. The Competition Committee is authorised to address recommendations to undertakings for the termination of infringements, to impose financial penalties, audit the books and records of suspected undertakings, investigate premises or even residencies in accordance to the law, interrogate and take testimonies, as well as to collaborate with the Competition Authorities of the E.U. and of other countries. The interested enterprises can appeal against the decisions of the Competition Committee before the Administrative Court of Appeal of Athens.

EETT is by force of Law 2867/2000 (telecommunications law) the competent authority for the supervision of the compliance with Law 703/1977 in the telecommunications sector. Therefore, EETT has the same authorities and responsibilities as the Competition Committee, such as to impose penalties, audit the books and records of telecom companies suspected to be breaking the law, investigate premises or even residencies in accordance with the law, interrogate and take testimonies. EETT in exercising its duties can request the aid of the Competition Committee or forward to the latter any competition-related matter.

3.3 Law 2251/1994 on Consumer protection

This law incorporates into the Greek legislation the community provisions for the protection of the consumer, who is considered to be the weaker trading party. In accordance with this law the commonly applied general terms of business, which were not negotiated with the consumer but were rather imposed by the service provider -who is in a dominant position- as well as any other term that was not negotiated and therefore imposed to the consumer, does not bind the consumer if the latter in entering the contract was not aware of the term and the provider did not indicate its existence. Those terms that conclude to the infringement of the consumer's rights and obligations are in fact forbidden and become by right null and void. In order to achieve a higher level of consumer protection the law includes an indicative list of terms that are nonetheless abusive and therefore become null and void.

Additionally, the law foresees the legal obligation of the service provider to compensate the consumer for any damage caused to him during the provision of those services. However, the service provider can be released from his obligation if he proves that he is not responsible for the damage.

The aforementioned provisions are also applicable to the activities of telecom enterprises to the extent that these defaulted general terms of business or other non-negotiated terms are included in the contracts telecom enterprises and consumers/users enter into. Additionally, users have the right to lay a claim to telecom enterprises for the direct and complete compensation for any material or moral damage caused either by a defective manufacture and operation of the networks or by the provided services, as well as by any unjustified interruption of the service provision.

In the frame of the protection of the telecommunication services user EETT issued on October 25th, 1999 a "*Recommendation for the regulation of consumer related issues concerning the provision of fixed and mobile telephony services*" which follows the spirit of Law 2251/1994 and indicates to telecom enterprises their obligations in reference to the provision of better information service and the protection of the consumer in general.

3.4 Personal Data Protection Legislation

The conditions under which the processing of personal data in Greece is legitimate have been determined by virtue of Law 2472/1997. The latter has harmonised the Greek legislation with the Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data. However, new advanced digital technologies in public telecommunications networks are currently introduced in the Community, which give rise to specific requirements concerning the protection of personal data and privacy of the user. As a result and in order to harmonise the Greek legislation with the 97/66/EC Directive concerning the processing of personal data and the protection of privacy in the telecommunications sector, Law 2774/1999 was issued.

Law 2774/1999 applies to the processing of personal data in connection with the provision of publicly available telecommunications services in public telecommunications networks, such as interactive television and video on demand, and in particular via the Integrated Services Digital Network (ISDN) and public digital mobile networks.

The aforementioned act protects the confidentiality of communications by means of a public telecommunications network and publicly available telecommunications services by determining under which conditions it is legitimate to process personal data, by allowing the processing of such data for market-research or advertisement reasons only with the written consent of the user/subscriber, by prohibiting the provision of these services to be subject to the aforementioned prior consent of the user/subscriber, and by obligating telecommunication service providers to take appropriate technical and organisational measures to safeguard security of the services.

The implementation of the legislation as well as the regulation of specific issues concerning the process of personal data in the telecommunications sector is conducted by the Data Protection Agency, which was established by virtue of Law 2472/1997 and operates as an independent authority. In case the formal opinion of EETT is required, the Agency does not act before the announcement of EETT's relevant decision.

Telecommunication service providers that violate Law 2774/1999 face civil and criminal charges.

3.5 Community Legislation

The Community legislation is applicable to Greece either directly, as in the case of Regulations, which are issued by the Community Bodies (Authorities, Institutions), or after its incorporation into the Greek legislation by the promulgation of a law or a presidential decree, as in the case of Directives. As a general rule, the Greek legislator is engaged with the timely harmonisation of the national and community legislation, while he often -even though he is not obliged to (as in the case of recommendations)- legislates in accordance with the spirit of the community rules. However, if exceptionally the Greek legislator does not promptly incorporate a Directive, its set of rules will be applied directly to the Greek territory under the condition that their content is unconditional and sufficiently defined and they establish rights citizens can directly exercise.

3.5.1 Directive 1999/5/EC of the European Parliament and of the Council of 9 March 1999 on radio equipment and telecommunications terminal equipment and the mutual recognition of their conformity

The 99/5/EC directive on radio and telecommunication terminal equipment has not yet been incorporated into the national legislation. Nevertheless, under Law 2867/2000 this directive will apply directly to the Greek territory until the promulgation of the consolidating act.

The Directive regulates the manufacturing, marketing and use of radio and telecommunications terminal equipment in the European Union aiming to create an open competitive single market for telecommunications equipment. The Directive also determines the essential requirements the equipment should fulfil and the conformity assessment procedures that shall be used to demonstrate this compliance (mainly by enforcing the manufacturer to declare the conformity of the apparatus to the essential requirements). At the same time, it obliges the member states to allow the placing on the market and putting into service of the equipment that conforms with the provisions of the Directive and it also obliges them to take all necessary measures for the withdrawal and prohibiting or restricting the placing on its market of the equipment that does not meet the harmonised standards.

According to the transitional regulatory regime provided by the Directive, the equipment that complies with the essential requirements of the member state legislation (in Greece the requirements are set out by the Presidential Decrees 424/1995 and 122/1998) as long as it was placed on the market before April 8, 2000 (date of entry into force of the Directive) or the latest within 2 years from that date, is allowed to be placed in the market and put into service.

3.5.2 Decision 128/1999/EC for radio spectrum policy in the European Community

Decision 128/1999/EC of the European Parliament and of the Council, dated 14 December 1998, for the harmonised availability and efficient use of radio spectrum in the Community is intended to facilitate the direct and co-ordinated import of the 3rd generation mobile and wireless communications system (Universal Mobile Telecommunications System – UMTS) according to the internal market principles and the market demand. The Decision appoints

Member States to take all necessary measures in order to achieve a harmonised and co-ordinated use of the spectrum allocated for the provision of UMTS services in their region by January 1st, 2002 as well as to regulate the UMTS licence award system no later than January 1st, 2000.

4 THE LICENCES AWARD PROCESS

4.1 Introduction and Indicative Timetable

The Licensing Process for the award of the Individual Licences for the provision of 3G (UMTS) and 2G (GSM/DCS) services consists of a number of pay-your-bid sealed bid auctions. The Licensing Processes for 3G licences will be undertaken in a first step. The 2G licences award process will follow. The two processes will be conducted separately.

The Invitation to Tender will include the final form of the rules regarding the Licensing Process. A summary of the most important of these rules is presented in this section. In the event of any discrepancy between the Invitation to Tender and the Information Memorandum, Applicants should note that the Invitation to Tender will take precedence. EETT reserves the right to decide the overall timetable of the Licensing Process. For the benefit of Applicants who wish to participate in the Licensing Process, an indicative timetable is presented in table 4.1.

Table 4.1: Indicative timetable for the award of 3G and 2G Licences.

Publication of the Information Memorandum	Monday 7 May 2001
Deadline for submission of comments on the Information Memorandum	Monday 28 May 2001
Publication of the Invitation to Tender	Friday 1 June 2001
Submission of Applications for both 2G and 3G licences	Monday 2 and Tuesday 3, July 2001
Pre-qualification and announcement of the Qualified Bidders	Tuesday 10 July 2001
Starting date of the 3G Licensing Process	Wednesday 11 July 2001
Estimated 3G Licensing Process completion and announcement of Winners	Friday 13 July 2001
Payment of 3G Licence Fee	Up to 20 days after the completion of the licensing process
Contractual Agreement – Award of 3G Licences	Up to 60 days after the completion of the licensing process
Starting date of the 2G Licensing Process	Monday 16 July 2001
Estimated 2G Licensing Process completion and announcement of Winners	Tuesday 17 July 2001
Payment of 2G Licence Fee	Up to 20 days after the completion of the licensing process
Contractual Agreement – Award of 2G Licences	Up to 60 days after the completion of the licensing process

EETT is planning to review the pre-qualification documentation included in the Applications of the Participants, during the period between submission of Applications and announcement of pre-qualified bidders. Based on this review, EETT will verify that each one of the Participants is eligible to participate in the Licensing Process, according to the criteria defined in the Invitation to Tender.

EETT retains the right to suspend any of the terms of the Licensing Award process set out below or to cancel the Licensing Process altogether while it is in progress.

4.2 General Rules for the conduct of the Licences Award Process

4.2.1 Restrictions in ownership structure

The Invitation to Tender will include a detailed description of the ownership rules. The main rule regarding ownership and control constraints is the following:

- Members of a Related Party of Participants should not be members of another Related Party of Participants.

A **Participant** is defined as any Enterprise that has submitted an Application for participation in the Licensing Process. In case of a legal Person under establishment the term Participant refers to the legal person under establishment, to which the Individual Licence will be awarded. In case of a consortium the term Participant refers to the legal person that the parties of the consortium are obliged to establish and to which the Individual Licence will be awarded.

Related Party of Participants: The Members of a Related Party of Participants are defined as follows:

- i) The Participant in the Licensing Process
- ii) Enterprises that Control or are Controlled by the Participant and Enterprises that are under the same control with one of the Participants in the Licensing Process (subsidiaries of the same company).
- iii) Any Enterprise that Controls or is Controlled by Enterprises falling within categories (i) and (ii) and (iii).

For a full list of the relevant definitions see Annex 4.

4.2.2 Changes in the Composition of the Related Party of Participants

The composition of a Related Party of Participants is not permitted to change following submission of Applications and at least up to the date that the licences are awarded. New members are not allowed to join a Related Party of Participants after the date of application.

The composition of Related Party of Participants is only permitted to change as a result of any concentration of undertakings (i.e. merger / acquisition), that may concern an entity other than the Participant or in case of a consortium or legal entity at the stage of incorporation, an entity other than those constituting the consortium or participating in the legal entity under incorporation. Concentrations concerning the above entities that need to be cleared under competition law, can be cleared after the conclusion of the Auction.

Any change in the composition of a Related Party of Participants arising from concentration of undertakings will be considered to have taken place on the date on which the agreement is concluded or the transaction is completed or (in case of mandatory prior announcement of

the concentration) the date on which the clearance of the transaction according to the competition rules (with or without conditions), is made, whichever date comes first. Participants that are affected by the above are obliged to notify directly and in writing EETT of any concentration of undertakings that has taken place.

4.2.3 Incumbents and New Entrants

A New Entrant is an enterprise in which an operator with a current 2G Licence or an enterprise which is controlled by or directly controls the current 2G operator has an Economic Interest which does not exceed 10%. An Incumbent is any enterprise who is not a New Entrant.

4.2.4 Confidentiality and Competition Rules

4.2.4.1 Confidential Information

From the date and time of submission of each Participant's Application, Members of the Related Party of Participants are not allowed to provide in any way Confidential Information relevant to their Related Party's bid to another Participant or Member of a Related Party of participants. In case of infringement of these Rules by a Member of a Related Party of Participants, EETT reserves the right to exclude these Participants from the Licensing Process.

Any information exchanged before the submission of Applications between Participants or Members of their Teams with the purpose of determining whether they will participate together in the Licensing Process as well as any information exchanged before the Application's submission between Teams of Participants and suppliers in order for the latter to create their business plan is not considered to be Confidential Information.

4.2.4.2 Restrictions for Members of the Board of Directors and Employees

Herein after, and for the purposes of this section the definition of an Employee is:

- i) any Employee of a Member of the Related Party of Participants, who participates in the preparation and/or the participation of the Participant to the Auction.
- ii) any Enterprise that is bound by any other contractual agreement with a Member of the Related Party of Participants and participates in the preparation and/or the participation of Participant to the Auction.

The Participant is obliged to ensure that any Employee of a Member of the Related Party of Participants, who is also an Employee of any other Related Party of Participants:

- Participates in the preparation for the participation to the Auction of only one Related Party of Participants;



- Possesses or receives Confidential Information of only one Related Party of Participants;
or
- Does not communicate Confidential Information relating to one Related Party of Participants to another Related Party of Participants.

The Participant must also ensure that the members of the Board of Directors of the Participant are not participating in the Board of Directors of any other Participant.

4.2.4.3 *Anti-competitive agreements*

Participants and/or Members of their Related Party of Participants must not come into any agreement with equipment suppliers (including software suppliers) in order to restrict the supplier's ability to supply such equipment to other Participants.

Participants and/or Members of their Related Party of Participants must not come into any agreement with equipment suppliers (including software suppliers) in order to achieve any form of restriction, such as the prices or the terms and conditions that could be agreed between the suppliers and other Participants in the future.

4.2.4.4 *Advisers to the National Telecommunications Commission*

Participants or members of Related Party of Participants are not permitted to receive advice on matters related to the Auction from any person who has been retained as an adviser to EETT (or a sub-contractor to such adviser) in relation to the current Licensing Process. Advisers to EETT in this regard are the employees that have advised EETT from the following companies:

- KPMG Consulting;
- K Legal;
- ELSECo;
- Teleplan.

4.3 The UMTS Licensing process – Registration and Pre-qualification stage

Within a specified time period prospective Participants in the Licensing Process will deliver two sealed envelopes at a location to be specified in the Invitation to Tender. The first envelope will include the Participant's Application to enter the auction, a letter of guarantee for the participation to the process of GRD 500 mn as well as a series of documents regarding ownership and control issues, technical adequacy and financial feasibility. Any Application, which does not include a Letter of Guarantee for the participation to the process, will be declared invalid.

The second envelope will include the Participants' Bid for the first stage of the 3G Licensing Process (4-licences) and a letter of guarantee equal to 25% of the amount of their bid. Registration is mandatory even if the Participants do not intend to submit bids in the first stage (4- Licences) of the Licensing Process. In that case, instead of a bid, they have to submit a declaration of their intention not to bid in the first stage, enclosed in the second sealed envelope. At any stage of Phase 1 of the auction, Participants will be required to submit with their bids a letter of guarantee equal to 25% of the amount of their bid.

The Participants may submit multiple envelopes that differ only in the amount of the Bid, and the appropriate Bid Letter of Guarantee. Only the largest bid by a particular Participant will be taken into account during the Auction. EETT will ensure the confidentiality of the amounts of the Bids and the Bid Letters of Guarantee provided by the Participants.

The Letters of Guarantee must be provided by any bank or any financial institution within the EU, which is under legal operation. The bank or the financial institution of each EU member state country must have the right, according to the law of each country, to provide a letter of guarantee within the country.

If two or more valid bids are received from Participants that are eventually proved to be Members of a Related Party of Participants, only the highest bid will be awarded a licence and the lower bid(s) will be considered invalid.

During the Pre-qualification Stage, EETT may request a Participant to provide additional information or documentation relating to his Application. Any request must be reasonable, and must set a reasonable period for provision. Participants must use their best endeavours to satisfy the request.

4.3.1 Application requirements

Applicants wishing to pre-qualify for the Auction should submit applications in accordance with the requirements stated in the Invitation to Tender. Application Forms, including detailed instructions for their completion, will be available from EETT. The Invitation to Tender will specify which information of the Application Form will be made available to other Participants.

On submission of Application, Participants should provide all of the following:

- Their contact details such as name, address, and other information, i.e. legal form, tax registration number, etc.
- Documents regarding the ownership status of the Applicant i.e. share composition, participation in other companies etc.
- Description of technical elements i.e. description of the licence requested, the quality and geographical cover of the Applicant's services, the network, the technical standards, timetable of the network's development.

- Elements certifying the Applicant's effectiveness such as elements proving the Applicant's paid share capital, financial statements of the last three years, a medium term (5 year) business plan including the minimum licence fee (reserve prices), ways of financing and written declaration of a bank regarding its solvency.
- Elements regarding the Applicant's technical efficiency such as information regarding the personnel to be involved in the project, declarations or recommendations with respect to the operation of similar projects.
- Statutory Declaration of the Applicant that no revocation or suspension of Individual Licence has occurred, no penalties have been imposed for infringement of telecommunication and data protection acts and no bankruptcy, liquidation or compulsory receivership has been imposed upon the Applicant's company or a company controlled by the Applicant or the members of the Board of Directors.
- In the case of legal persons certificates confirming that no bankruptcy, liquidation or compulsory receivership has been imposed, must be delivered.
- The Letter of Guarantee for the participation in the Licensing Process.

The application forms should be submitted in duplicate and should include the above documents in the Greek language.

4.3.2 Pre-qualification Tests

In order to pre-qualify, the Applicant must satisfy the following criteria:

(a) Application requirements

The Applicant must comply with the requirements for provision of information, the required certification and submission of the Letters of Guarantee for the participation in the Licensing Process. Failure to provide any of these documents may result in the Applicant not qualifying for the Auction.

(b) Certification of financial strength

The application should include the financial statements of the Participant for the last 3 years. In case that a Participant is a consortium this requirement applies to the companies that established the consortium. EETT is planning to evaluate the financial strength of the candidate based on the ratio of stockholder equity to the level of investment required to deploy a UMTS network as it will be defined in the Invitation to Tender.

(c) Restrictions of ownership

EETT must be convinced that members of a Related Party of Participants are not members of another Related Party of Participants. In the Invitation to Tender the EETT will specify in detail the documentation that will have to be submitted by the Participants for that purpose.

(d) Classification

EETT must be convinced that each Participant is an Incumbent or a New Entrant. In the Invitation to Tender EETT will specify in detail the documentation that will have to be submitted by the Participants for that purpose.

4.3.3 Announcement of Qualified Participants and notification of start of the Auction

A Participant Notice will be sent to each of the pre-qualified Participants, following their determination by EETT as a Qualified Participant. All the applicants that have not been pre-qualified will be notified by EETT accordingly.

Within a time period to be specified in the Invitation to Tender the Participant will notify EETT of:

- an address within Greece at which EETT may deliver by messenger any notification or other document during the Auction,
- the names of three Authorised Persons each of whom the Participant has provided with authority to participate, either jointly or individually, in any way in the Auction on behalf of the Participant. All communications during the Auction will need to be authenticated by at least one Authorised Person.

4.4 3G Licensing Process - Auction Stage

The 3G Licensing Process consists of 3 Phases. In the first phase spectrum segments of 2 x 10 MHz of paired plus 5 MHz of unpaired are allocated. In the second phase, Participants are given the opportunity to obtain additional spectrum segments (of approximately 5 MHz of paired spectrum). The third phase concerns the allocation of the spectrum segments within the available frequency band. Each phase is presented in detail in the following sections. A step by step description of the Licensing Process is presented in Appendix 3.

4.4.1 Phase 1 – 3G Main Auction

This phase involves the allocation of licences consisting of spectrum segments of 2 x 10 MHz plus 5 MHz of unpaired spectrum and will be concluded in successive stages.

Each stage will consist of a pay-your-bid, sealed-bid auction. The spectrum segments and consequently the licences will be awarded to the Participants that offered the highest valid bid, at the price that they offered. A bid in order to be valid must be at or above the reserve price and only for a single spectrum segment. In cases of ties, the award of licences will be determined using a randomised method. Therefore bidders are asked not to risk creating ties by submitting bids that end in one or more zeros.

The reserve price is GRD 50 bn. The payment terms of a valid bid will differ depending on the stage of the Auction at which a licence is awarded.

The first stage concerns the process for creating a 4-licence industry and therefore four spectrum segments of 2 x 10 MHz plus 5 MHz of unpaired will be offered. If some, but not all, of the spectrum segments that are offered in this stage are validly bid for, then no licence is awarded and the process proceeds to the next stage which aims to create a 3-licence industry. Nevertheless, if a New Entrant has bid at or above the reserve price, he and any other bidder who bid above the reserve price at the current stage is awarded a licence at the price he bid.

In the three-licence stage the number of spectrum segments of 2 x 10 MHz plus 5 MHz of corresponding unpaired that are offered are three (3) minus the number of the spectrum segments that were awarded in the four-licence stage. After the end of this stage, if the number of spectrum segments that are validly bid for in this stage is less than three, in total, including any that were awarded in the first stage, then no licence is awarded and the Licensing Process proceeds to the 2-licence industry stage. Nevertheless, if a New Entrant has bid at or above the reserve price, he and any other bidder who bid above the reserve price at the current stage is awarded a licence at the price he bid.

If at the end of the 2-licence stage the total number of the valid bids for spectrum segments is less than two, in total, including any that were awarded in the earlier stages, the Auction for the provision of 3rd (UMTS) generation of mobile services ends without award of licences with the exception of a licence for a New Entrant, which will be awarded if he has bid at or above the reserve price at any stage.

If all the licences offered at some stage are awarded, this phase of the auction ends.

4.4.2 Phase 2 – Auxiliary 3G Auction

This phase follows after the termination of the main phase of the 3G Auction. At this phase Participants that have been awarded a licence in Phase 1 will be offered the opportunity to expand the spectrum segments that were allocated in Phase 1 with a maximum of 2 additional spectrum segments. The number of additional spectrum segments on offer will be equal to the number of spectrum segments that were allocated in Phase 1. A number of additional spectrum segments equal to the number of New Entrants that won a licence in Phase 1 will be reserved for them at a lower reserve price. In the case that four spectrum segments are allocated in Phase 1, because of the necessity for guard bands at each end of the frequency band, the additional spectrum segments will not be of equal size. In that case three of the four additional spectrum segments are of size 2 x 4.8 MHz and the fourth of size 2 x 5 MHz. The additional spectrum segment with the 2 x 5 MHz size will be allocated to the Participant with the highest bid. In the case that the additional spectrum segments on offer are less than four then all of them will be of 2 x 5 MHz size.

The licensing process for the allocation of the additional spectrum segments will be a multi-unit, pay-your-bid, sealed bid auction, in which Participants will submit simultaneously two bids, one for one additional spectrum segment and one for two additional spectrum segments. A bid in order to be valid, must be at or above the reserve price. The segments allocated in this Phase will be located adjacent to the spectrum segments that Participants were awarded in the previous phase, in a way that is going to be determined in Phase 3.

The reserve price for an unreserved additional spectrum segment is GRD 5 bn. The reserve price for an additional spectrum segment reserved for a New Entrant is GRD 1 bn. If New Entrants do not choose to completely exercise their rights for the additional spectrum segments at the above preferential reserve price, then these additional spectrum segments will be available to Incumbents. No Participant is allowed to obtain more than two additional spectrum segments.

The final allocation under the previously mentioned restrictions, will be the one that maximises the total value of the spectrum to the bidders, as reflected in their monetary bids.

Phase 2 will take place within a period after the termination of the Phase 1, which will be adequate for successful Participants to provide further letters of Guarantee, if needed.

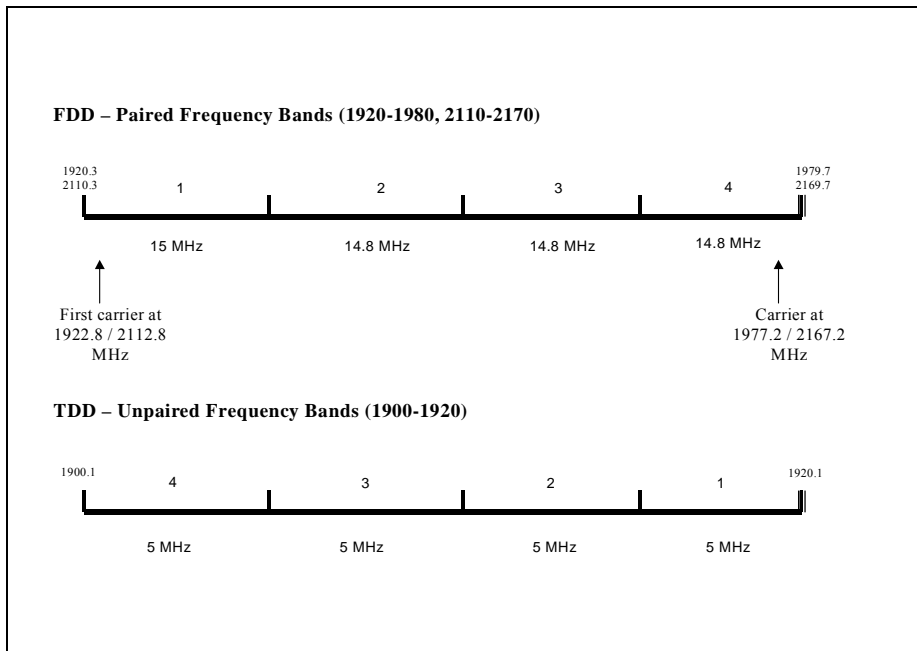
4.4.3 Phase 3 – Locating the spectrum segments within the available frequency band

In Phase 3 of the Licensing Process the spectrum segments awarded in Phases 1 and 2 are located within the available frequency band. The available frequency band will be nominated by EETT in advance of the locating stage and will be a contiguous band of UMTS spectrum equal to the total amount sold in Phases 1 and 2.

The order in which successful Participants select the spectrum segment corresponding to their licence from the contiguous band of available UMTS spectrum is determined by the total bids offered by them in Phases 1 and 2 and which represent the Licence fee. The initial ranking will consist of Participants arranged in decreasing order of the licence fee. In cases of ties, the award of licences will be determined using a randomised method. Therefore bidders are invited not to risk creating ties by submitting bids that end in one or more zeros. In order of their ranking, each participant will choose any number they prefer in the range from 1 to the total number of Licences.

The Participant who has selected number 1 will have the paired spectrum of his licence placed at the left end of the UMTS frequency band starting at 1920.3 MHz and 2110.3 MHz and the unpaired spectrum segment in the frequency band 1915.1 MHz – 1920.1 MHz. The Participant who has chosen number two will have the paired spectrum of his licence placed at the left end of the remaining UMTS frequency band after the allocation of the first participant's spectrum segments and the unpaired spectrum segment in the frequency band 1910.1 MHz – 1915.1 MHz. The same process will apply for the remaining participants, until the spectrum is allocated.

Figure 4.1: Indicative allocation of 3G spectrum segments



4.4.4 Important rules of the Auction

Rights of EETT on the conduct of the Auction

EETT reserves the right to decide if the Auction will take place or be postponed for a later date. It also reserves the right at any stage during the Bidding process to interrupt or to cancel the Auction.

Communications with EETT

During the Auction, all communications between EETT and a Participant in relation to the Auction process must be made by one of the Authorised Persons notified to EETT as having authority to act on behalf of the Participant during the Auction. During the Auction, Participants may notify EETT of a change in the identity of one or more of the Authorised Persons.

In any communication thereafter between EETT and an Authorised Person, EETT may request and check a password or other identifier to confirm the identity of the Authorised Person.

EETT may communicate with Participants by any means, unless specifically required to use a particular method by the Invitation to Tender.

Any official notice given to EETT by a Participant in accordance with the Invitation to Tender must be submitted (either by fax, to the fax numbers notified to the Participant by EETT for such purposes), or in writing, delivered to the Auction Location.

Bidding

Bids must be submitted by using sealed envelopes, that the Participant will send to EETT.

The envelopes containing the bids will be opened in public at the same time when all the Bids have been received from the Participants.

Penalties and Forfeiture of Deposits

The Bid Letter of Guarantee will be forfeited in full if a Participant fails to remove any Pre-Condition for award of the licence within 60 days.

The Participation Letter of Guarantee may be forfeited in full or in part if a Participant or a member of that Participant's Related Party of Participants breaches the rules of the Auction. In particular, a Participant is not allowed to withdraw his bid. In such case both his Participation Letter of Guarantee and his Bid Letter of Guarantee will be forfeited.

If a Participant has submitted an Additional Letter of Guarantee before he is required to do so by the rules of the Auction, then that sum will not be subject to penalties or forfeiture until such time as the payment of that sum would have been required.

Financial penalties will be paid at once at the day they are imposed, and not when the licence is awarded.

4.5 Reserve Prices and Payment terms

4.5.1 Announcement of Successful Participants

Following the Auction, EETT will notify each successful Participant of the frequency spectrum which it has been provisionally awarded, the price at which the relevant frequency spectrum will be awarded, and the identity of all other successful Participants.

EETT will award the relevant Licence to the successful Participants within 60 days of receiving notification that the Participant is not (or is no longer) subject to any such Pre-Conditions that will be described in the Invitation to Tender.

4.5.2 3G Licences Reserve Prices

The reserve prices for the Licensing Process regarding the provision of 3rd (UMTS) generation of mobile services, are presented in the following table. They represent the minimum prices that will be accepted.



Table 4.2: Reserve prices for 3G spectrum segments

	For New Entrants	For Incumbents
Phase 1 (1 spectrum segment of 2 x 10 MHz +5 MHz)	GRD 50 bn*	GRD 50 bn*
Phase 2 (additional 2 x 5 MHz)	GRD 1 bn	GRD 5 bn

** If some (but not all) of the licences offered at any stage of the Auction are allocated at this stage, the reserve price at the next stage is the largest of the reserve price and the lowest price paid for a licence at the previous stages. That means that the reserve price at stage 2 is the maximum of GRD 50 bn and the lowest price paid for a licence at stage 1. The reserve price at stage 3 is the maximum of GRD 50 bn and the lowest price paid for a licence at stage 1 or stage 2.*

4.5.3 Award and Payment of the licence fee

The payment of the licence fee for the Individual Licences for the provision of 3rd (UMTS) generation mobile services will consist of three components:

- The first component will be an up-front payment to be paid within 20 days after the completion of the Licensing Process. The up-front payment will be equal to 40% of the value of the bid of successful Participants in the case of 4-licence industry (stage 1), 70% in the case of 3-licence industry (stage 2) and 100% in the case of 2-licence industry (stage 3).
- The second component will be a deferred payment to be paid in equal annual instalments starting in year 2005 at no interest. This will be equal to 60% of the value of the bid of the successful Participants in the case of 4-licence industry, to be paid in four annual instalments and 30% in the case of 3-licence industry to be paid in three annual instalments.
- The third component will be an annual payment of 2 % of turnover from 3G services or an equivalent percentage of a correlate measure, which will be paid on an annual basis. The first year for which the payment will be due is year 2005.

It should be noted that all telecommunication enterprises operating under the status of individual licence are subject to an annual duty, calculated as a percentage of their total gross revenue arising from the telecommunication activities for which the individual licence has been awarded and falling within the limits provided by EETT's Regulation for Individual Licences.

4.6 The 2G licences Award Process

The 2G licence award Process will take place immediately after the conclusion of the 3G licensing process.

The number of the 2G licences is four (4). These licences will include spectrum segments, the bandwidth of which will be determined by the Participants' selections under the constraint that at the end of the Auction the total bandwidth that each of the Participants will have, will be no more than 2 x 30 MHz. This provision includes the 2G spectrum that an Incumbent already holds. In addition, after the conclusion of both the 3G and 2G licensing processes, no Participant will be allowed to hold a total of less than 2 x 10 MHz of spectrum (including its current holdings) combined on all frequency bands.

4.6.1 Registration and pre-qualification stage

The registration process is common between 2G and 3G. Prospective participants in the Licensing Process should submit sealed envelopes including the Participant's application to enter the Licensing Process, a letter of Guarantee and a series of documents regarding ownership and control issues.

In case that an Applicant desires to participate in both 2G and 3G Auctions he should submit two separate folders with the technical descriptions of each network. The rest of the documentation should be submitted in a common application folder.

The application requirements and the above mentioned pre-qualification conditions regarding the 3G Auction (see 4.3) apply also in the 2G Licensing Process.

4.6.2 2G Auction Process

Phase 1 (Spectrum Allocation)

The Licensing Process regarding the award of Individual Licences for the provision of 2G (GSM/DCS) services is a multi-unit, pay-your-bid, sealed bid auction. The 2G licences are national and their number can not be higher than four.

The total available spectrum is 2 x 50 MHz in the DCS frequency band and 2 x 10 MHz in the GSM/EGSM band. The spectrum to be allocated to the 2G licences will be packaged in spectrum segments of 2 x 5 MHz in both the GSM/EGSM and the DCS frequency bands.

Four spectrum segments of 2 x 5 MHz in the DCS frequency band and one spectrum segment of 2 x 5 MHz in the EGSM band (885-890 MHz and 930-935 MHz) is going to be reserved for New Entrants. The remaining six spectrum segments of 2 x 5 MHz in the DCS band and the one spectrum segment of 2 x 5 MHz in the GSM band (900-905 MHz and 945-950 MHz) will be open to bidding by both 2G Incumbents and New Entrants. Reserved spectrum that will not be sold to New Entrants in the current Licensing Process will be retained by EETT for allocation in the future.

The reserve price for 2 x 5 MHz spectrum segment of unreserved GSM spectrum is 12 bn GRD. The reserve price for each 2 x 5 MHz spectrum segment of unreserved DCS spectrum is 9 bn GRD. The reserve price for the 2 x 5 MHz spectrum segment of the reserved EGSM spectrum is 1 bn GRD. The reserve price for the first 2 x 5 MHz spectrum segment of reserved DCS spectrum sold is 1 bn GRD; of the second, 6 bn GRD; of the third, 7 bn GRD; of the fourth, 8 bn GRD.

Participants will be entitled to bid for as many spectrum segments as they wish, under the condition that no valid bid can result in the Participant holding more than a total of 30 MHz of 2G spectrum. This upper limit of 30 MHz includes the spectrum segment of 2G that an Incumbent is already licensed for. Participants will not be allocated less than a total of 2 x 10 MHz (including its current holdings) in both 3G and 2G frequency bands after the end of the current licensing process.

Under the current design which is a multi-unit, pay-your-bid, sealed bid auction, each Participant may submit a bid in each cell of the bidding matrix that is presented in table 4.3.

Table 4.3: Bidding matrix

		DCS						
GSM	(MHz)	0	2 x 5	2 x 10	2 x 15	2 x 20	2 x 25	2 x 30
	0							
	2 x 5							
	2 x 10							

The allocation of spectrum will be determined by that combination of bids that comply with all restrictions and results to the maximum value offered by participants.

Each bid commits the bidder to pay his bid for the amounts of spectrum corresponding to the cell in which it is written. The bids are exclusive in that at most one bid can be successful.

Valid bids must be accompanied by a letter of Guarantee issued by an acceptable credit institution, the amount of which is equal to 25% of the bid.

Regarding the allocation of the spectrum segments that have received two or more equal bids, the highest Participant will be decided by using a randomised method. Therefore bidders are invited not to risk creating ties by submitting bids that end in one or more zeros.

Phase 2 - Locating the spectrum segments within the frequency band

The Incumbents that will acquire spectrum segments under the current Licensing Process will be given the opportunity to locate it as to be adjacent to their current holdings.

Following the potential allocation of spectrum segments to the current Incumbent that already holds DCS spectrum the remaining acquired DCS spectrum will be allocated as follows. Licensees will be ranked in decreasing order of their successful bid (for both DCS and GSM spectrum). In the order of their ranking, they then each choose one of the numbers starting from number one and up to the number of remaining licensees. The licensee who chooses number one is allocated the spectrum he has bought at the right extreme of the

remaining available DCS spectrum. The licensee who chooses number two is allocated the spectrum he has bought at the right extreme of the available remaining DCS spectrum; and so on.

4.7 Reserve prices and Payment terms

4.7.1 Reserve Prices

The reserve prices for each of the spectrum segments are presented in table 4.4.

Table 4.4: Reserve prices for 2G spectrum segments

	For New Entrants	For Incumbents
Reserved DCS 1 spectrum segment 2 x 5 MHz	GRD 1 bn	Non Applicable
Reserved DCS 2 spectrum segments 2 x 5 MHz	GRD 7 bn	Non Applicable
Reserved DCS 3 spectrum segments 2 x 5 MHz	GRD 14 bn	Non Applicable
Reserved DCS 4 spectrum segments 2 x 5 MHz	GRD 22 bn	Non Applicable
Reserved EGSM 2 x 5 MHz spectrum segments	GRD 1 bn	Non Applicable
Unreserved DCS 2 x 5MHz spectrum segments	GRD 9 bn per segment	GRD 9 bn per segment
Unreserved GSM 2 x 5MHz spectrum segment	GRD 12 bn	GRD 12 bn

4.7.2 Payment of the licence fee

Successful Participants should pay the full amount of their bids within 20 days from the completion of the Licensing Process, in cash and deposit the full amount into a bank account announced by EETT.

Subject to meeting any Pre-Conditions, the Licence will be issued within 60 days from the completion of the Process.