LEC
COMMUNICATIONS (PTY) LTD

New Europa
House No. 286
Pioneer Road
Maseru
P. O. Box 9743
Maseru 100
Tel: (+266) 22312248 Fax: (+266) 22314565

8th November 2024

Mr. Nizam Goolam
Chief Executive Officer
Lesotho Communications Authority
30 Princess Margaret Road, Old Europa
P.O. Box 14896
Maseru 100

RE: Application for Network Services Licence

Dear Mr. Goolam,

We are pleased to submit our application for a Network Services Licence with the Lesotho Communications Authority (LCA). LEC Communications (LECC), a subsidiary of the Lesotho Electricity Company (LEC), seeks this licence to expand its operations into retail network services, aiming to meet the growing demand for reliable, high-speed internet services across Lesotho.

LECC provides critical wholesale services to Mobile Network Operators (MNOs) and Internet Service Providers (ISPs), leveraging its extensive fibre-optic network. Our services include dark fibre leases, Indefeasible Right of Use (IRU) agreements, leased lines, and IP transit. The robust infrastructure that supports these services enables us to deliver high-capacity, scalable connectivity solutions to our clients. However, significant infrastructure gaps and limited competition in the retail sector have highlighted the need for a direct engagement model with end-users, particularly residential customers, SMEs, and government entities.

With our proven track record in delivering wholesale services, we are well-positioned to offer retail broadband solutions such as Fibre-to-the-Home (FTTH), Fibre-to-the-Business (FTTB), Fibre-to-the-Premises (FTTP), and managed services, providing a reliable and cost-effective

alternative to existing market offerings. Our business plan, enclosed with this application, details our strategy for entering the retail market, including service offerings, infrastructure development plans, and financial projections. We are committed to addressing the needs of the unserved and underserved communities, enhancing digital access, and contributing to the growth of Lesotho's telecommunications sector.

We look forward to the LCA's favourable consideration of our application and the opportunity to further support the development of the telecommunications industry in Lesotho. Please let us know if any further information is required to assist with the processing of this application.

Thank you for your consideration.

Sincerely,

Tšeliso 'Mokela (CERT.DIR)
Managing Director

LESOTHO COMMUNICATIONS AUTHORITY

APPLICATION FORM FOR NETWORK SERVICES — FORM 02

Physical Address: 30 Princess Margaret Road, Old Europa, Maseru Tel.: + 266 22224300/ 22326784
Postal Address: LCA, P.O. Box 15896, Maseru 100. E-mail: licensing@lca.org.ls

Note: *This form shall be completed by a person who has been duly authorised in writing to act as a representative of the Licensee[1]. Any information requested which does not fit in the form may be included in an appendix to this form. You are advised to fill in **all the information** to avoid delays in the processing of your application.*

1. PARTICULARS OF AN APPLICANT

1.1	Full Name of applicant	LEC COMMUNICATIONS (PTY) LTD
1.2	Abbreviated Name	LECC
1.3	Billing/Physical Address	HOUSE NO. 286, NEW EUROPA, PIONEER RD. MASERU
1.4	Postal Address	P. O. BOX 9743, MASERU 100
1.5	Telephone Number	22 312 248
1.6	e-mail	info@lecc.co.ls
1.7	State legal form of applicant e.g. company, trust, other	COMPANY

(Please attach a certified copy of company extracts, certificate of incorporation, constitution or founding document and certified passport copy of the director)

1.8	If registered, office of registration	MIN. OF TRADE AND INDUSTRY / LCA
1.9	Registration Number	50893 / 4626NI/205
1.10	Date of registration	14-04-15 / 04-06-15

2. APPLICATION DETAILS

2.1	Purpose for which the proposed communication is required	COMMERCIAL			
2.2	(Please provide full details and network diagram as an attachment)	ATTACHMENT			
2.3	Is spectrum or numbering resource required[2]	**YES**		**NO**	X

3. ACKNOWLEDGEMENT

3.1 The applicant acknowledges the statements in this form and accompanying documents are true and correct.

LEC COMMUNICATIONS (PTY)LTD
2024 -11- 13
P.O BOX 9743,MASERU 100
TEL: +266 2231 2248 FAX: +266 22314565
Email: info@lecc.co.ls

Signature _____ Date 06/11/2024

Full names of signatory Tsehiso Mokela

[1] Attach certified ID/passport copy of the Director or authorized representative of the licensee.
[2] Attach a separate request for spectrum or numbering resources if there is a requirement.

KINGDOM OF LESOTHO

THE COMPANIES ACT 2011

CERTIFICATE OF INCORPORATION

Reg Number. **50893**
TIN Number. **200040106-3**

I hereby certify that:

LEC COMMUNICATIONS (PTY) LTD

was incorporated under the Companies Act 2011 as a private company on **14 April 2015** and that the liability of the shareholders thereof is limited.

REGISTRAR OF COMPANIES LESOTHO

Registrar of Companies

07 November 2024

LESOTHO MOUNTED POLICE SERVICE
PIONEER MALL POLICE STATION
07 NOV 2024
Certified Correct
Maseru Lesotho

The validation code for this certificate is LESOTHO-4639281. To check the validity of this certificate, go to http://www.companies.org.ls/lesotho-companies-br/service/create.html?service=verifyDocumentCode and enter the validation code.

Business Plan: Retail Services

LEC COMMUNICATIONS | 286 PIONEER ROAD, NEW EUROPA, MASERU 100, LESOTHO

2. Environmental Scan (Pest Analysis)

The PEST analysis evaluates the macro-environmental factors influencing LECC's business strategy.

Political: Lesotho's political instability, marked by frequent leadership changes, affects investor confidence and can hinder infrastructure development, making a stable political climate crucial for growth in the telecommunications sector.

Economic: Challenges like high unemployment, poverty, and reliance on imports pose obstacles for businesses. High internet costs and infrastructure issues complicate operations, but improvements in infrastructure and market access present growth opportunities.

Social: There is a growing shift toward mobile data usage driven by younger populations and increased social media engagement. However, high internet costs remain a barrier for lower-income groups. Affordable internet access is key to unlocking growth in telecommunications, banking, and retail.

Technological: Technological advancements and a push for digital services, such as e-Government, are increasing demand for robust telecommunications infrastructure. The adoption of fibre services is rising, with competitors like Vodacom and ETL accelerating fibre and 5G network deployments, creating a more competitive market.

Ecological: Climate change and resource depletion pose risks to sustainability. LECC must address environmental challenges, as extreme weather events can disrupt service reliability. Sustainability considerations will also impact future projects and partnerships.

Legal: Growing compliance requirements and complex regulations related to labor, taxation, and communication laws increase operational costs and risks. LECC must integrate legal compliance into its structure to mitigate risks associated with non-compliance.

3. SWOT Analysis

Strengths: The company has a strong foundation with its reliable and high-performance fiber optic backhauling infrastructure, ensuring effective connectivity. Its international presence is bolstered by strategic partnerships, allowing it to serve diverse global markets. A key strength is its talented and dynamic workforce, composed of young, innovative professionals who can quickly adapt to new opportunities and challenges.

Weaknesses: The company faces several internal challenges, such as the lack of a comprehensive distribution network, limiting its customer reach. Restrictive business licenses and budget constraints hinder its ability to expand and invest in large-scale

projects. Additionally, a shortage of technical staff affects the company's ability to implement internal projects. Pricing inconsistencies, caused by redistributing costs through monthly charges, may confuse customers, while the reliance on retail providers for sales limits control over customer relations.

Opportunities: There are significant opportunities for growth, including expanding the fibre distribution network to serve more SMEs and households, addressing current service gaps. The company's established relationships with IP Transit providers provide competitive pricing advantages. A direct sales model could foster closer customer relationships, enhancing loyalty and market insights. The company is also building its brand recognition through direct engagement with end users, which strengthens its market position.

Threats: The company faces strong competition from other providers with extensive fibre networks serving large enterprises. Additional competition comes from mobile network providers with unified licenses and wireless service providers targeting SMEs and home businesses. High setup costs present a financial challenge, potentially delaying a return on investment. Moreover, many business prospects are already served by other providers, which may slow the adoption of alternative solutions.

4. Market Analysis

4.1 Industry Overview

Lesotho's telecommunications industry is growing due to rising demand for high-speed internet, but faces limited competition and infrastructure gaps, especially in fibre-optic services. The market is dominated by a few Mobile Network Operators (MNOs) and Internet Service Providers (ISPs) focused on mobile data and limited fibre deployments in urban areas. As a result, suburban and rural regions have poor access to affordable, high-speed internet, leading to high data costs and low fixed broadband penetration.

3G, 4G, and 5G networks offer high-speed internet but come with higher data costs compared to fibre-optic networks. While mobile data provides broad coverage, it is less reliable for consistent, high-capacity needs, particularly for businesses and households relying on data-intensive applications like video streaming and cloud computing. Fibre-optic technology, particularly GPON, offers superior performance, with faster speeds and scalability, but is mainly available in urban areas. Despite higher initial costs, fibre is a more reliable, future-proof, and cost-effective long-term solution compared to the more expensive mobile data for heavy usage.

4.2 Target Market

Residential customers in Lesotho are increasingly seeking reliable, high-speed internet for activities like remote work, online education, and streaming. However, many areas,

especially outside urban centres, lack affordable, high-quality internet options. By offering Fibre-to-the-Home (FTTH) solutions, we aim to meet the growing demand for faster, more reliable connectivity, providing a competitive alternative to existing services and helping bridge the digital divide across residential communities.

Small and medium enterprises (SMEs), as well as large enterprises and government institutions, form key target segments for our fibre-optic broadband services. SMEs need reliable internet for day-to-day operations, but many face limited access to affordable, high-quality connectivity. Large enterprises and government institutions require robust, high-speed internet to support critical operations, including cross-border communication and data-intensive applications. Our Fibre-to-the-Premises (FTTP) solutions are designed to meet the complex needs of these organizations, offering scalable and secure infrastructure to enhance productivity, streamline operations, and support economic growth in Lesotho and beyond.

4.3 Market Needs

4.3.1 Market Segment: Residential

Key Needs: Affordable, high-speed internet for remote work, online education, streaming, and home-based businesses.
Challenges: Limited access to affordable, high-quality internet, particularly outside urban areas.

4.3.2 Market Segment: SMEs

Key Needs: Reliable, scalable internet for cloud services, online transactions, communication, and operational efficiency.
Challenges: High costs and limited options for quality connectivity, especially in districts outside of major cities.

4.3.3 Market Segment: Large Enterprises

Key Needs: High-speed, secure internet for data-intensive applications, multi-location coordination, and cross-border operations.
Challenges: Difficulty in securing high-capacity, affordable connectivity in non-commercial hubs and ensuring cross-border consistency.

4.3.4 Market Segment: Government

Key Needs: Secure, scalable internet to support public services, data communications, and cross-border operations.
Challenges: Difficulty accessing affordable, robust, secure internet infrastructure outside metropolitan areas.

4.4 Competitive Analysis

The retail telecommunications market in Lesotho is dominated by a few key players, creating opportunities for disruption. Mobile Network Operators (MNOs) and Internet Service Providers (ISPs) have primarily focused on mobile data and limited fixed-line services, with slow expansion into Fibre-to-the-X (FTTx) solutions. This has resulted in significant infrastructure gaps and underserved markets. The expansion into retail Fibre-to-the-Home (FTTH), Fibre-to-the-Business (FTTB), and Fibre-to-the-Premises (FTTP) services presents an opportunity to offer high-speed, reliable internet to residential, SME, and enterprise customers at competitive prices, addressing these gaps.

The primary competitors in the retail market include major MNOs with strong mobile service presence but limited fibre deployments. One competitor focuses mainly on enterprise clients and has shown little interest in expanding its fibre services to residential or SME customers, leaving a gap for affordable, high-speed fibre offerings. Another dominant mobile provider has not significantly expanded its fixed-line services, further limiting high-speed internet options for residential and SME customers. Additionally, while some external companies have a presence at the Maseru Bridge border, their infrastructure within Lesotho is limited. LECC's direct fibre connectivity and competitive pricing offer an opportunity to better serve underserved markets.

4.5 Market Size and Growth Potential

There are thousands of businesses throughout the country, particularly in major towns including the Maseru metro, along with a substantial number of households in the surrounding areas. The lack of compatible fibre networks in many of these locations presents a significant opportunity for fibre network investment to address this gap. This situation invites interested investors to engage in closing the gap and ultimately delivering reliable services to a market that remains underserved.

5. Marketing and Sales Strategy

LECC positions itself as a trusted leader in the telecommunications industry, offering reliable, competitive-priced fixed broadband services through optical fibre, directly delivered to customers. The company is committed to continuous improvement in customer communication, ensuring prompt responses and high service standards.

LECC's multi-tiered pricing strategy is designed to offer flexibility across various customer segments, including enterprises, SMEs, government entities, NGOs, and residential users. This approach ensures that cost-sensitive customers, such as residential users and non-profit organizations, receive competitive pricing while maintaining value for all segments. Marketing strategies will include targeted radio programs, social media campaigns, and promotional activities aligned with revenue

goals. Sales efforts will focus on underserved small-to-medium businesses and residential customers in district towns, using a reseller model while directly targeting key customers and providing strong customer service to enhance delivery.

6. Customer Retention and Support

As LECC enters the retail market, it will prioritize customer retention and support through a comprehensive strategy that includes 24/7 customer service, self-service options, and personalized engagement. The goal is to provide timely support, reduce churn, and build long-term customer loyalty.

LECC will also implement proactive retention strategies by monitoring customer satisfaction and identifying at-risk customers to re-engage with tailored offers. Regular product updates and new services will be introduced to maintain value for customers, while success will be measured through key metrics such as churn rate and customer satisfaction.

7. Pricing Structure – Retail Market

Shared (Broadband) Internet Service:

1. **Home Users:** Offers various packages with unlimited data.
2. **Small to Medium Businesses:** Packages with unlimited data, and over-the-top services (SD-WAN) for high-availability branch connections.
3. **Schools:** Internet packages with unlimited data.

Dedicated Internet and Branch Connection Leasing:

1. **Tertiary Institutions:** Dedicated service with priority service levels, available with flexible contract terms.
2. **Large Enterprises:** Dedicated internet and branch connections, with the option for SD-WAN to ensure high availability, are offered alongside customized packages designed to meet specific customer needs. Flexible contract terms are available to suit diverse requirements.
3. **Government and Non-Profit Organizations:** Dedicated internet/branch connection with priority service levels, customized based on customer needs, with adaptable contract terms.

8. Organizational Structure and Management

8.1 New Roles for Retail Expansion

LECC is committed to expanding into the retail market by building dedicated teams for sales, customer service, and marketing. A focused retail sales team will help target the residential and SME markets efficiently, driving growth and expanding the customer base.

To meet the needs of retail customers, LECC will enhance its customer service function by offering personalized support, real-time assistance, and self-service options. The company will also establish a specialized marketing team to drive awareness and customer engagement in the residential and SME segments, positioning LECC as a trusted provider of affordable and reliable internet services. These efforts will support the transition from a wholesale-only model to a comprehensive retail service provider.

8.2 Training and Development

LECC is focused on improving its teams through targeted training initiatives. For the technical team, the training covers areas like cybersecurity, network security, project management, and operations management to enhance service delivery, protect customer data, and ensure network resilience. Continuous learning and certifications are encouraged to keep the team updated on industry trends and best practices.

In customer service, the company aims to enhance support skills for effective retail customer interactions, improve issue tracking with CRM systems, and develop a robust knowledge base for self-service options. Marketing teams will receive training on mass marketing, digital strategies, brand positioning, and data analytics to boost customer engagement and visibility. Meanwhile, the finance team will strengthen its skills in financial planning, retail management, billing systems, compliance, and risk management, ensuring efficient operations and profitability in the retail market. These comprehensive training efforts will contribute to operational excellence and long-term growth across departments.

9. Product and Service Offering

In the future, LECC plans to expand and enhance its range of connectivity solutions to better meet the evolving needs of customers. Point-to-point links will continue to provide managed bandwidth for SMEs and enterprises, ensuring seamless connectivity between multiple locations. Dedicated internet access will remain a reliable solution for large enterprises, educational institutions, and government offices, offering guaranteed, high-quality bandwidth. The broadband service will evolve to cater to a broader range of cost-sensitive users, offering flexible access at affordable rates.

Additionally, LECC is planning to introduce Software-Defined Wide Area Network (SD-WAN) offering, providing more flexible, cost-efficient ways for businesses to connect multiple branches globally without incurring high operational costs. By integrating SD-WAN with point-to-point and internet services, LECC will offer greater scalability and convenience for customers, making it a viable, cost-effective alternative to traditional networking solutions. This forward-looking approach will empower businesses to manage their networks more efficiently while keeping costs low.

10. Operations Plan

10.1 Infrastructure Development

10.1.1 Current Infrastructure

LECC's infrastructure primarily utilizes dark fibre, with parts of the network running on electricity lines, which helps prevent vandalism. The company operates multiple Points of Presence (POPs) strategically located to support its backbone network, with high-capacity Ethernet links between them. LECC also has IP transit and Layer 2 transport links in place to ensure connectivity. Additionally, a pilot Fibre-to-the-Home (FTTH) network has been successfully deployed in a designated area, covering a significant number of houses.

10.1.2 Planned Infrastructure

LECC plans to expand its fibre network, including new fibre segments to connect more rural and underserved areas. The company is also pursuing funding for a project to deploy a comprehensive fibre optic network across major towns. This project will involve the installation of a GPON network, additional POPs, and necessary infrastructure to support future growth and provide reliable internet services to a larger customer base.

10.1.3 Customer Support, Quality Control and Service Assurance

LECC's Network Operations Centre (NOC) plays a critical role in ensuring seamless service delivery, focusing on proactive incident management, customer advocacy, and efficient service request fulfilment. The NOC is responsible for detecting and resolving network issues quickly, tracking incidents through a ticketing system, and ensuring minimal downtime. It also handles routine service requests, escalates complex issues to specialized teams, and oversees change management processes to avoid disruptions. Additionally, when tailored solutions are needed, the NOC works with the Business Development Unit to design and implement customer-specific services.

LECC employs a sophisticated Network Management System (NMS) to monitor its network infrastructure, ensuring optimal device uptime, analysing traffic patterns, and

monitoring device health in real-time. This system provides comprehensive visibility into network performance, enabling quick identification of issues. The NOC uses this data to manage network devices and optimize resources. In parallel, LECC enforces strict Service Level Agreements (SLAs) to maintain high service standards, utilizing a ticketing system to log, track, and resolve issues in line with SLA metrics, ensuring prompt and reliable customer support.

11. Financial Plan

LECC's revenue model includes various streams targeting different market segments, with each tailored to customer needs. These include Fibre-to-the-Home (FTTH) and Fibre-to-the-Business (FTTB) plans, with tiered pricing based on service speed and additional features, aimed at residential customers and SMEs. For larger enterprises, LECC offers custom fibre solutions with pricing based on service agreements and capacity. The company also generates substantial revenue through IP Transit/Dedicated internet and Leased Lines. Additional revenue comes from value-added services, one-time installation fees, equipment rentals, and consulting services for large enterprises.

Financially, LECC anticipates steady revenue growth, with projections indicating an increase from Year 1 to Year 5, driven by the expansion of services like dark fibre, dedicated internet, and SD-WAN. Operational costs are expected to rise modestly, primarily due to inflation and expanded bandwidth capacity. LECC's strategic focus on infrastructure investment and partnerships aims to maintain a balance between growth and cost efficiency, ensuring financial stability and sustained cash flow. The company is positioned for long-term success, with plans to prioritize growth through infrastructure expansion, technological advancements, and market-driven service improvements.

12. Risk Analysis

LECC faces various risks in its operations, including competition and revenue challenges. One key risk is the failure to meet strategic revenue targets, which may arise from not acquiring sufficient or high-quality connections. To mitigate this, the company needs to either meet connection targets or increase revenue per connection. Operational costs pose another risk, particularly if unforeseen expenses exceed budgeted provisions, though contingency planning can help manage this risk. Infrastructure risks include the potential for high network maintenance costs due to vandalism. LECC can address this by maintaining good relations with law enforcement to prevent damage and ensure network security.