



News Release

Getting a better understanding of the cost of providing telecommunications services in Bahrain

TRA to develop, implement and use bottom-up cost models

Seef District, Kingdom of Bahrain – 14 Dec. 11

Following public consultation, the Telecommunications Regulatory Authority (TRA) has issued its Final Position Paper on the development, implementation and use of bottom-up cost models. TRA will now move to the next phase and develop the bottom-up cost models for the fixed access, fixed core and mobile networks in accordance with the Position Paper.

Bottom-up models use engineering rules combined with detailed costing and operational data to build efficient telecommunications networks, thereby identifying all components of the networks necessary to produce the required services. This approach contrasts with “top-down” models which instead derive the cost of services based on operators’ historical accounting information. Bottom-up models better reflect the economic cost of services.

Commenting on the issuance of this Position Paper, TRA’s General Director, Mr. Mohamed Hamad Bubashait, said: “The development and use of bottom-up cost models will complement existing regulatory instruments in determining the fair and reasonable cost of retail and wholesale telecommunications services in Bahrain. They will also help TRA and operators to gain a better understanding of the cost structure and the cost drivers of services.”

Mr Bubashait went on to say: “Having this additional tool in place will help TRA in reviewing wholesale and retail prices to ensure that they meet legal requirements.”

From a regulator’s perspective, the use of bottom-up models allows for greater transparency. They enable sensitivity analysis of key variables. Such models can also be useful to assess the cost of new investments (such as new fibre deployments) or to set cost efficiency targets.

TRA expects that the bottom-up models will be finalised by mid-2012.

About TRA

Since its establishment in 2002 the Telecommunications Regulatory Authority of the Kingdom of Bahrain (TRA) has been working with government, consumers, operators and investors to develop the Kingdom of Bahrain into the region’s most modern communications hub and to facilitate the growth of the market. As an exemplary Regulator for the region, TRA independently carries out its duties in a transparent and non-discriminatory manner. More information about TRA can be viewed at www.tra.org.bh