



TRA issues order to Batelco setting fair and reasonable prices and conditions for the services that allow other operators to access its network.

Manama, 12 July 2006 – The Telecommunications Regulatory Authority (TRA) issued today an order to Batelco adjusting downwards a number of prices, amending certain conditions proposed and imposing the expansion of certain services as part of Batelco's first Reference Access Offer (RAO) that required its approval.

The TRA is required by law and regulations to examine and approve the RAO, this being the basic offer by Batelco to other operators upon which they can enter into commercial agreements to access Batelco's network and through it end consumers.

According to the Law and regulations the TRA can order operators obliged to issue a RAO to change terms, conditions or prices in the RAO if it is satisfied that they are not fair and reasonable. This is what telecommunications regulators are required to do around the world, being independent bodies and not having any financial interests in any of the parties. The only interest of the regulator, and in this case of the TRA, is to ensure that the Telecommunications Law and the aims of the Government as set out in the Law are properly implemented.

Batelco was aware since 2005 when the Access Regulation was issued that, subject to a determination of dominance in wholesale markets, it would have to publish a RAO. In January 2006 the TRA issued the determination of dominance and three months later, as required, Batelco submitted the RAO for TRA approval. The TRA, being aware of the delay between the Access Regulation and the Dominance determination, as well as the importance of the RAO to the market, had assigned a specialized team to review and analyze the RAO and in approximately two months thoroughly reviewed the document and the relevant information that was submitted with it. During that period Batelco was asked to provide additional information, particularly to justify the basis of the tariffs it proposed to charge.

Having reviewed the RAO, the TRA was not satisfied about parts of it and, in particular, it was not satisfied that it set fair and reasonable tariffs and terms and conditions in accordance with the provisions of the Telecommunications Law and the Access Regulation. Furthermore, in spite of requests to Batelco to provide proper justifications for certain costs, the TRA did not receive them. Hence the TRA had to commence the formal procedure of asking Batelco to respond to the specific concerns that had not been resolved up to that point. The TRA therefore formally notified Batelco on 31 May 2006 of its concerns regarding the submitted document and of the reasons why it did not consider the RAO to be fair and reasonable. In the same formal notice the TRA also provided Batelco with a draft of the order that the TRA intended to issue to Batelco in this regard if Batelco was not able to adequately meet the concerns of the TRA. In accordance with the process described in the Law, the TRA gave Batelco one month to respond to the notice and draft order. Batelco submitted its reply to the TRA on 2 July 2006.

The TRA has reviewed all the information provided by Batelco as well as its arguments, but as it was still not satisfied that parts of the RAO were in compliance with the law and regulations, it had to order the changes to be made.

Among the TRA's main concerns was that Batelco was not able to provide objective supporting evidence for the basis of the tariffs it included in the RAO. For example, there were elements of the charges for which no proper justification was supplied whilst Batelco's arguments concerning economic risks involved in investing in infrastructure failed to take into account that the costs of the component elements of the services provided by Batelco, and which the TRA used to set the RAO prices, already cover for that risk through the so-called Cost of Capital which has been approved by the TRA in the past.

The TRA considered that since all information was supplied and since Batelco had already had an opportunity to fully argue its case and provide such evidence and arguments as it considered necessary – in particular since it was given a detailed draft order – there was no benefit in further discussing the issue. The TRA had to make a decision on the evidence submitted by Batelco and has done so.

Mr. A. Andreas Avgousti, the General Director of the TRA, made the following statement following the issue of the order:

“The availability of access services was long overdue in our market, which was fully liberalised two years ago. We have issued this order today to carry out the Kingdom's policy of promoting competition so that consumers in Bahrain can benefit from liberalisation and introduction of competition. We had to make adjustments to the RAO issued by Batelco so that it would be fair, reasonable and non-discriminatory. I am well aware that Batelco, like other dominant

operators in other countries, is not happy when it has to offer such services at prices that it does not consider appropriate. I am equally aware that new entrants will not be happy either, because they would like to see further decreases in the prices, obligations of quality of service as well as other services. This RAO is due for review in no later than six months from today, so Batelco and the other operators now have an opportunity to work based on this and to bring to the TRA any justified concerns they have when applying it, so that they can be taken into account when the next RAO is due for review.

I would like to remind the industry as a whole that the role of the regulator in issuing this order is to be fair and reasonable in applying the law. It is not here to protect individual companies. The TRA is here to protect the competitive process for the ultimate benefit of consumers. The industry can work together based on the RAO to meet the needs of Bahrain and its people. The financial incentives are there for all players, old and new.

It's time now for the players to think of how they can meet, within the law, the needs of the consumers. ”

Given that this order contains information that is commercially confidential, the TRA will be publishing a non-confidential version of the Order on its website. The TRA will allow Batelco to comment on the parts that it considers to be confidential before making its decision on the content of the non-confidential version of the Order that will be available to the public.

Note to Editors:

About the TRA

The Telecommunications Regulatory Authority (TRA) was established by Legislative Decree No. 48 of 2002 promulgating the Telecommunications Law. The TRA is an independent body and its duties and powers include, among other things, protecting the interests of subscribers and users and promoting effective and fair competition among existing and new licensed operators. More information regarding the TRA can be viewed at www.tra.org.bh