

DOCUMENT

Response on TRA's Development Panel 2005 Report

**Response to TRA's Development Review Panel 2005
Report**

A response issued by the
Telecommunications Regulatory Authority
5 June 2005

REFERENCE CCA/0605/080

Purpose: To provide feedback on the comments of the TRA's Development Review Panel 2005.



هيئة
تنظيم
الاتصالات
Telecommunications
Regulatory
Authority

DOCUMENT

Response on TRA's Development Panel 2005 Report

Table of contents

1 Introduction	3
1.1 Scope	3
2 RESPONSE TO THE REPORT	4
2.1 The Background to the TRA's work.....	4
2.2 The Panel's Priorities - First tier.....	4
2.3 Priorities – second tier	5
2.4 Spectrum issues	6
2.5 “Broadband Bahrain”	7
2.6 The Panel's Recommendations on Process	7
2.7 Resources.....	8
3 Summary and Conclusions	10

DOCUMENT

Response on TRA's Development Panel 2005 Report

1 Introduction

On January 2005, the TRA established its first Development Review panel where the three panel members were asked to carry out a review of the developments in the telecommunications sector, the work of the TRA and listen to the views of the interested and affected parties of the industry.

Based on the Panel's report titled "Report on the operations of the Bahrain Telecommunications Regulatory Authority " which was published on February 28, 2005, the TRA issues its response in conjunction with its plan for the period 2005 -2006; where the Plan sets out the projects that the TRA will deal with, this document illustrates the TRA observations and views on the Panel recommendations.

The TRA would like, to thank the Panel Members and each and every company and individual that made time available to meet with them as well as all those who attended and presented at the panel meeting on 30 January 2005.

This document illustrates the TRA response to the aspects the Panel tackled in their Report. In line with the transparency approach the TRA adopts, we hereby present the response on the Panel Report.

For ease of reference, the document adopts headings similar as those of the panel report. It is worth mentioning that this response doesn't address each and every point mentioned in the Panel Report. We believe that this document together with our forward plan, the TRA Development Review Panel and our day to day work are proof of our commitment to transparency and our commitment in working for the benefit of the Kingdom of Bahrain.

1.1 Scope

As a response document, this document has no status other than as a means of disseminating information.

DOCUMENT

Response on TRA's Development Panel 2005 Report

2 RESPONSE TO THE REPORT

2.1 The Background to the TRA's work

The TRA welcomes the comments of the Panel that the reforms undertaken by the Government of the Kingdom of Bahrain were "*forward-looking and far-seeing*" and that the panel considers that these reforms "*lead the way in the region, and ... that they will confer considerable benefits on households and businesses in Bahrain.*"

Despite the heavy burdens the panel pointed out, the TRA will continue to carryout its duties and responsibilities, taking into account the resources available and the "heavy burdens", to ensure that the TRA in moving forward is inline with the best international practices and with the overall policy of the Kingdom to ensure that it best serves the need of the Kingdom and its people.

The TRA also welcomes the fact that the panel noted the heavy burdens placed on it being, at the outset of liberalisation, and asks that people keep this in mind when assessing the work of the TRA.

2.2 The Panel's Priorities - First tier

The Panel identified what they thought the priorities should be . These included the issue of "*spectrum availability*" and the need for "*key access and interconnect products at guaranteed prices and quality of service, with no discrimination.*" as crucial and one that needs to be in the top of the TRA's priorities.

The issue of access for new operators whether through wireless means or through Batelco, is a very important one. The TRA in recognising this has recently issued a regulation on access and will be examining under the "Access Framework" project what steps needed in terms of having a legal yet workable framework in place to ensure access.

The Panel also identified the issues of international connectivity and access to end customers as very important points under this heading.

The TRA notes the concerns expressed by the panel. The TRA is well aware of the impact that high prices of international connectivity have,

DOCUMENT

Response on TRA's Development Panel 2005 Report

not only been on operators, but on the economy as a whole. Although there have been some reductions in the prices, the TRA will be monitoring the market both in terms of prices and access and will consider the inclusion of international leased lines in any future price control. The TRA is also aware of the shortages of international capacity from and to Bahrain but as this is a matter of investment; all the TRA can do is to encourage investment in international facilities to bring capacity to the Kingdom of Bahrain. The TRA welcomes the additional capacity that will in due time be made available as a result of the Falcon Project and will be looking closely, once it becomes operational, at the impact it will have on the market.

2.3 Priorities – second tier

In the second tier, the panel's priorities included the following areas:

- Streamlining the retail price control regime.

The TRA notes the comments of the panel and is well aware of the need to balance flexibility and speed with the need to protect the market whilst one of the operators maintains its dominance across most if not all of the telecommunications markets in the Kingdom for the time being. Nonetheless, as mentioned by the panel it may be possible to replace the existing individual approval with some scheme of caps on groups of prices and perhaps floors and ceilings in relation to individual price changes. The TRA will be keeping this in mind in carrying out the Retail Price Controls & Tariff Rebalancing Project. However the behaviour of the market and in particular of the affected parties in terms of compliance with their obligations will have a significant role to play in forming the TRA's approach to the way forward. A system of caps on groups of prices and floors and ceilings relies extensively on the ability of the operator to self police itself to comply with the law and licence obligations.

- Taking forward the work on the remaining suite of interconnection and access products which need to become available to all competitors.

The issue of access as mentioned above will be examined further under the "Access Framework" project whereby the TRA will be consulting and taking necessary actions to ensure that access is available on fair, reasonable and non discriminatory terms and conditions to all eligible operators in Bahrain.

- The third mobile operator review.

DOCUMENT

Response on TRA's Development Panel 2005 Report

The Panel noted that they were inclined to think that, provided spectrum is available, the market should decide whether there is room for a third mobile network. Although this is the normal approach in most advanced economies where competition and the market is let to decide on whether to invest in the market as we are still at the early stages of liberalisation in the region and to ensure that the players and the community is involved in the process we will be carrying out a specific project on Third Mobile Services License which will examine the pros and cons of such a licence and the options available to the TRA in dealing with this.

- A timetable for rebalancing

The issue of tariff rebalancing is a sensitive one and certainly, as the Panel noted, should be tackled gradually. It requires the TRA to balance short term and long term benefits, detailed analysis of the figures presented by the companies and above all an appreciation of the impact that it may have on segments of the society. The TRA during the next twelve months plans as part of the Retail Price Controls & Tariff Rebalancing project to look at these issues and to tackle the issues that arise under it.

- Continued work is needed on separate accounting in support of efficient network pricing.

The TRA has started with this project and will ensure that all operators who are not given an exemption from the regulation comply with it. This is crucial not only in terms of network pricing which affects all other operators but also in the case of tariff rebalancing as the TRA will need to be fully satisfied with the costs of the relevant operators before it can make any decisions on the subject matter.

2.4 Spectrum issues

The panel correctly noted that wireless technology is a key component in fixed as well as mobile competition and concerns have been expressed regarding responsibility for spectrum management to facilitate market entry

Concern has also been raised about the time that it was taking to resolve FWA spectrum issues and delays were causing investors to lose interest.

We have noted these concerns and we are already working with the Ministry of Transportation so as to be in a position to carry out a definitive study on spectrum availability and licensing of the same. A piecemeal approach would only cause long term problems as allocation

DOCUMENT

Response on TRA's Development Panel 2005 Report

without proper planning could impact on current and future services. Also due to the issue of scarcity of spectrum limitations need to be placed on license allocations, in the cases that is relevant, as only a certain number of operators can be licensed at any one time. Thus we must ensure that those who obtain such licenses are able to fully utilise them not only for their benefit but also for the benefit of the economy as a whole.

With this in mind, the TRA and the MoT have agree to work together taking into account their respective areas of responsibilities to deal with the issue of spectrum. This is under the project of Telecommunications Spectrum Allocation & Management.

2.5 “Broadband Bahrain”

The panel has also raised what they have described initiative “Broadband Bahrain”. The TRA would support any activity by the appropriate authorities to promote broadband. The TRA is aware of its remit as a regulator being limited within certain parameters. Save if there was change in the law or the next telecommunications plan was to require the TRA to act otherwise, all the TRA can do at this point is to ensure that dealing with issues of access, including wholesale DSL, and unbundling of the local loop in its different forms is the extent to which it can assist in such a project.

2.6 The Panel's Recommendations on Process

The TRA noted the comments on timeliness and responsiveness. The TRA is aware that it is still not in a position to respond to all requests as speedily as it may have wished. However, it is important to keep in mind the resources and expertise available at the TRA at this stage. Nevertheless, the TRA will endeavour to the best of its ability to ensure that it carries out its duties and responsibilities in line with market requirements.

The current resources of the TRA are limited in numbers and expertise and whilst we are seeking to train local staff this means that we are neither in a position, nor do we want to, simply import expertise from overseas whilst not making plans to train local staff. One should keep in mind when comparing the TRA today to what it should be like that other regulators such as OFCOM (UK), FCC (USA), OFTA (Hong Kong) etc ; have been established a long time ago. They have in their local market extensive expertise in the area of regulation and their size is

DOCUMENT

Response on TRA's Development Panel 2005 Report

vastly greater than ours. They are a benchmark that the TRA strives to reach.

On the issue of accountability and oversight the TRA considers that not only it has met from day one best practices compared to other well established regulators but in certain cases it has even exceeded these; the obvious example being TRA Development Review Panel, being the first of its kind in the world.

TRA notes the comments of the Panel that "*TRA's processes stand up well against international comparators for transparency and consultation, and that this lends a great deal of public legitimacy to its actions and decisions, and underlines its impartiality*" and will aim to continue on the same basis and were appropriate to further improve these if possible.

The TRA notes the comments made that "*by simplifying and speeding up the process of licence approval and price approvals – for example, could the TRA outsource the making up of the dossier on which it makes its decision on licensing? Could it adopt a different and less demanding price approval procedure?*"

The TRA has already carried out a review of the demands it places on prospective applicants balanced by the duties and responsibilities it has as a regulator. With this in mind it has already carried out a review of the internal procedures and forms used and will shortly simplify these where appropriate. We believe that should help applicants and at the same time speed the process up. We will review the procedure again after it has been in operation for some time to see if it can be further improved. The TRA has considered that the cost of outsourcing such a process and the issues about confidentiality, etc that would arise. Based on these it has been decided that at this point outsourcing was not an option for us. However, we would like to stress that applicants supplying complete and properly documented applications can help speed up the process as required information to assess the application are available from day one to be considered.

The panel raised the very important question whether "*inter-operator agreements can be facilitated and accelerated in some way*"

2.7 Resources

The TRA notes the comments of the Panel concerning resources and in particular the need for "*more specialists in law, economics and technology – so they can be informed customers as well as informed*"

DOCUMENT

Response on TRA's Development Panel 2005 Report

appliers of regulation” together with “a long-term staff development strategy which recognises the need for them to grow their own skills.”

However, we have to recognise, as did the Panel, that the ability to recruit is budget and market constrained. To a certain extent we have to rely on overseas expertise concerning regulatory experience as this is an area that is just developing in the region, therefore experienced local or regional individuals are very few indeed to meet the needs of the industry. Therefore the TRA within its resources has been seeking to recruit experienced individuals from overseas for some of the positions whilst ensuring that more junior staff have the necessary academic background and skills to enable ongoing knowledge transfer during day to day work. However, this approach takes time and whilst it does not resolve problems short term wise, it should over a period of some years ensure that we have our own fully trained staff.

DOCUMENT

Response on TRA's Development Panel 2005 Report

3 Summary and Conclusions

In conclusion, the TRA would like to reiterate that the recommendations of the Panel have been taken into account in terms of preparing the TRA Plan for 2005/2006 and are also being acted upon to the extent that the resources and work load allows.

We have found the input of the Panel, and through them of the market, invaluable but we believe that the system, like any other system, will work for the benefit of Bahrain only when people believe in it and work with it as opposed to fight it.

We are at taking steps to cement the liberalisation of the market and we will work to make sure that the advice of the Panel is fully utilised along the way.