

## Strategic Review

# ANNOUNCEMENT OF A STRATEGIC REVIEW AND RETAIL MARKET REVIEWS

An announcement issued by the  
Telecommunications Regulatory Authority  
13 February 2007

The address for responses to this document is:

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Alternatively, e-mail responses may be sent to the Authority's email  
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The deadline for responses is **4pm on 28 February 2007**

**Purpose:** To provide a framework for strategic and market reviews by the  
Telecommunications Authority.



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# Strategic Review

## 1. The need for a Strategic Review

The Telecommunications Regulatory Authority intends to carry out a strategic review of telecommunications in the Kingdom of Bahrain. TRA and the current regulatory regime have been operating for some three years during which time many new licences have been issued and markets have developed considerably. The first phase of specific actions in TRA's strategy was set out in the Telecommunications Law (Legislative Decree No. 48 of 2002). The large majority of these actions have now been explored and implemented. Over the past three years, market entry has taken place, and competition intensified but it is unclear to what extent, and in which markets, competition has become effective. Broadband and Internet activities are widely perceived to have grown only slowly but other technological developments – such as next generation networks (NGN) and Voice over Internet Protocol (VOIP) – are beginning to impact Bahraini telecommunications. A first reassessment is now appropriate.

The Review will be rigorous and evidence-based and consequently will require considerable assistance from the various stakeholders in the industry. It will be based on the principle that regulation should be guided ultimately by the benefits it delivers to present and future consumers (both residential and business) and moulded by the belief that effective competition will normally be the best method of delivering those benefits. Regulation should therefore be directed at promoting competition taking account of the size of the market and only be a continuing feature of those sectors where effective and sustainable competition cannot be expected to develop.

## 2. Six questions to be addressed in the Strategic Review

In its preliminary work, TRA has identified six questions that the Review should seek to shed light upon:

1. What do consumers expect of telecommunications providers and are their expectations currently satisfied?
2. To what extent can effective and sustainable competition ensure that consumers' and national objectives are met?
3. Is the removal of barriers to entry by competitors sufficient to ensure the development of effective and sustainable competition or are measures (such as allowing freer price movements or reducing consumers' switching costs) in some cases necessary to improve the way markets function?
4. Is the power of some participants such that transitional regulation is required to ensure the satisfaction of current

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consumers and the longer-term development of undistorted competition?

5. How can TRA incentivise sufficient investment, the adoption and roll-out of new technologies, and enhanced access to and usage of the Internet?
6. Are all aspects of the current regulatory framework appropriate or is modification of some aspects (such as the price determination and approval processes or the licensing framework) required to ensure the successful future development of the sector?

### 3. The Strategic Review process

Over the coming months, TRA intends to take a two-pronged approach to the Strategic Review.

The first element is an assessment of the current state of competition in retail markets, for which formal market review has not yet been carried out. This will involve identifying specific markets and the state of competition in each, in some cases benchmarking Bahraini experience in an international and regional context. These market reviews will entail considering a number of interlocking issues:

- whether or not there are separate markets for mobile and fixed telephony;
- whether or not residential and business markets are separate;
- the balance of prices across the whole range of telecommunications services;
- competition in international telephony;
- the nature of markets for Internet/broadband services.

TRA expects to conduct its market reviews in accordance with the regulations on market definition and competition assessment as already issued. This will require close cooperation with all market participants. This initial review of markets is intended to highlight the most immediate regulatory issues. It will take a relatively short term perspective. Subsequently, and where appropriate, suitable regulatory regimes and/or instruments will be designed. This element of the strategic review is intended to establish the proper market and regulatory context for future market developments.

The second element of the Strategic Review will take a somewhat longer term perspective, seeking to look forward three to five years. TRA believes strongly that it must fully understand the perceptions and needs of all consumers in Bahrain, the extent to which these needs are currently met and how they might be better met in the future. This will involve significant market research and will

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contribute to the development of TRA policies that can specifically address the objective of TRA to be consumer focussed. This will require close liaison with both residential and business consumers and their representative organisations. This longer term perspective will also involve surveying developments in technology and especially the impact of 'convergence' on the structure of markets and barriers to entry. Such developments are likely to come about both on the 'supply side' (in terms of communications network technologies) and the 'demand side' (in terms of services bought by consumers). TRA considers understanding of 'convergence' to be extremely important in setting its regulatory strategies.

## 4. The preliminary timetable

It is expected that a review of the telecommunications sector in Bahrain will be published early in the second half of 2007. At about the same time, TRA will put forward its initial proposals for the regulatory framework for retail markets, based on the specific market reviews; it is expected that the results of these market reviews will be published for consultation in the second quarter of 2007. Where specific regulatory action may be appropriate, regulatory options will be put forward. TRA also expects to take stock of its analysis as a whole, and the implications for future regulation, in a strategy document issued in the second half of 2007 that will address the six questions set out above.

## 5. Request for comments

TRA seeks views on this strategic process. TRA is pleased to receive at any time the views of consumers and suppliers on these broad-ranging questions. In order, however, for TRA to consider such responses to be incorporated in establishing the process for completion of the above tasks, the final date for the submission of comments is 28 February 2007. TRA will also be approaching stakeholders where they can provide specific assistance. They will inform an important part of the strategic review; indeed they are essential to its success. Should the strategic review suggest specific proposals for regulation, Consultation will take place in accordance with TRA's consultation procedures.

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