Kingdom of Bahrain Telecommunications Strategic & Retail Market Review

Presentation to consumers & businesses

11th September 2007

Telecommunications Regulatory Authority
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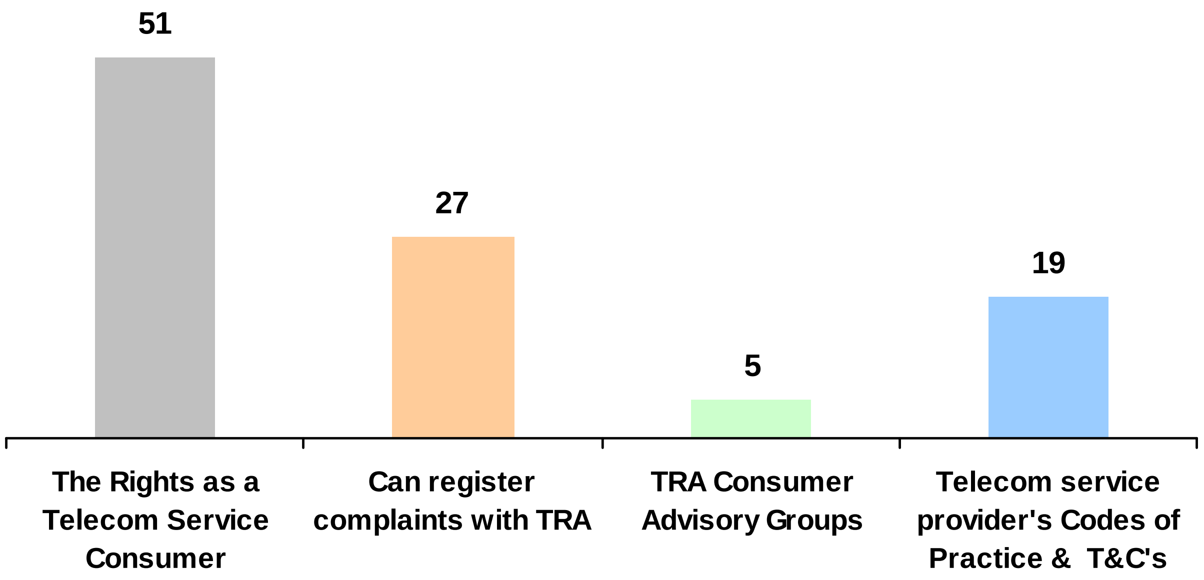
General Director

Introduction

1. Creating awareness – What are TRA's roles and responsibilities?
2. What is the current state of the telecommunications market in Bahrain?
3. What actions are TRA taking to improve services?
4. How can consumers and business users do more to support growth in competitive telecommunications and internet services and providers?

TRA awareness summary

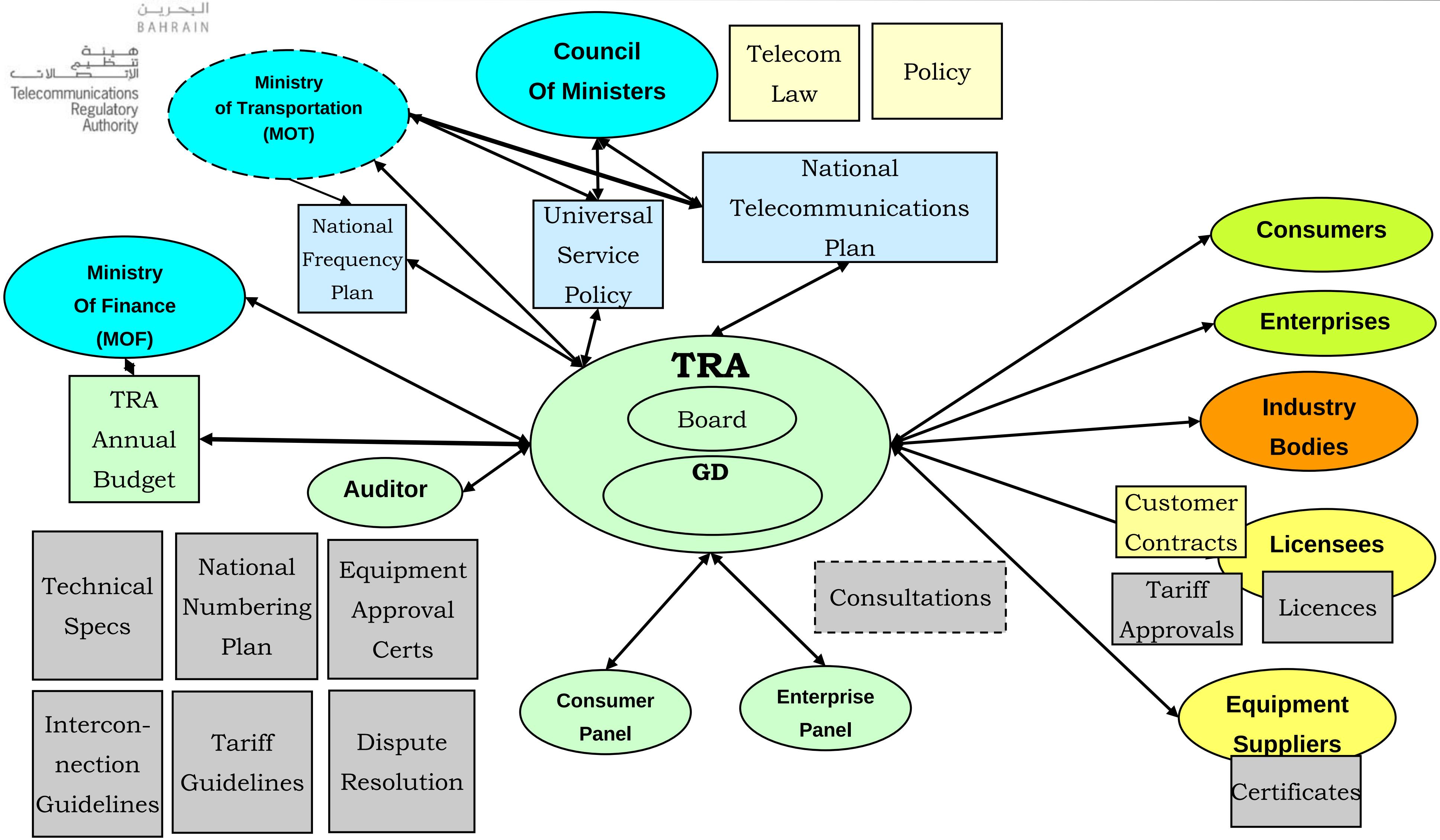
- 18% of residential consumers are aware of TRA when shown the TRA logo



TRA's main purpose

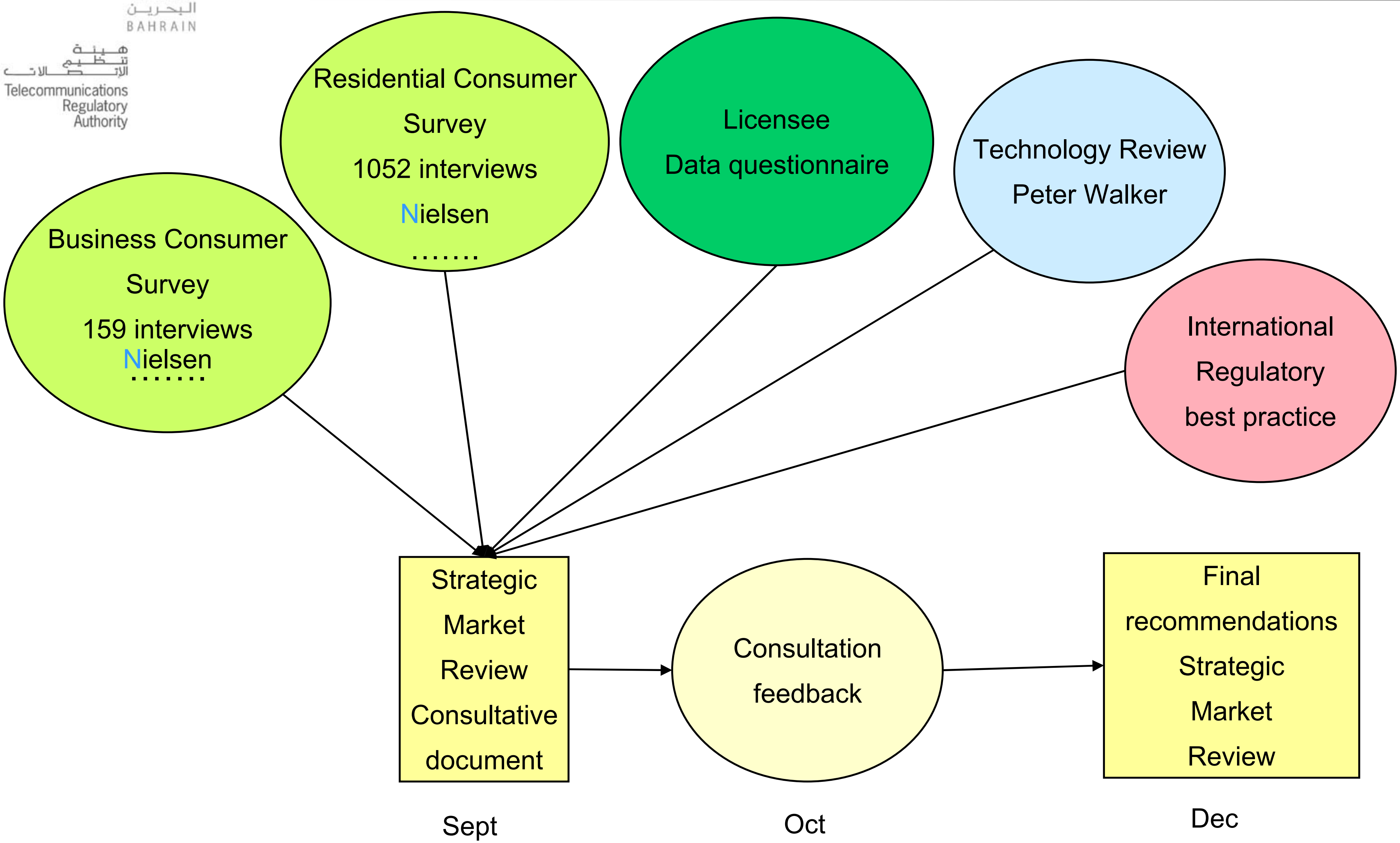
- Creating choice for consumers and businesses of telecommunications products and services
- Results in:
  - –Better customer service
  - –Innovation
  - –Better value for money
  - –Greater usage
  - –Supports growth in the economy

TRA's roles and responsibilities?



The current state of the telecommunications market

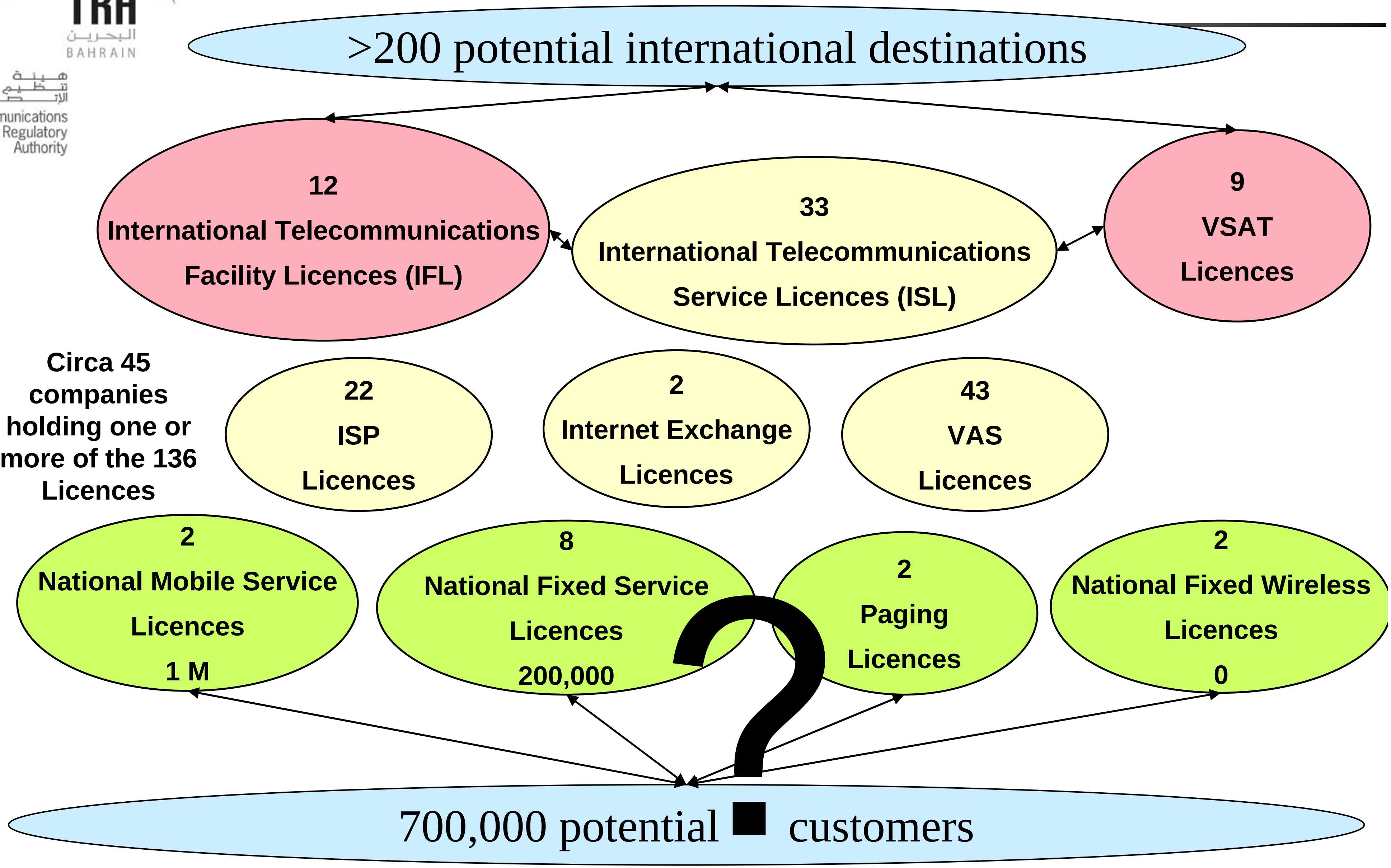
Market Review



Framework for review

- When considering the form and extent of regulation that should apply to the retail markets in Bahrain TRA considers that there are a number of issues to be taken into account:
  - Market size and growth potential compared with minimum economic size of operators
  - Lack of relation of retail prices to underlying costs
  - Way-leaves and land reclamation
  - Lack of International Capacity
  - Lack of general competition law

Objectives of Review



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Services being offered by Licensees

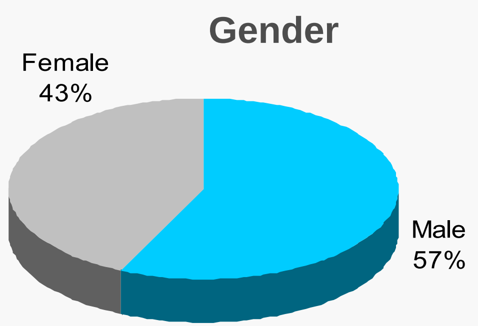
Retail Services

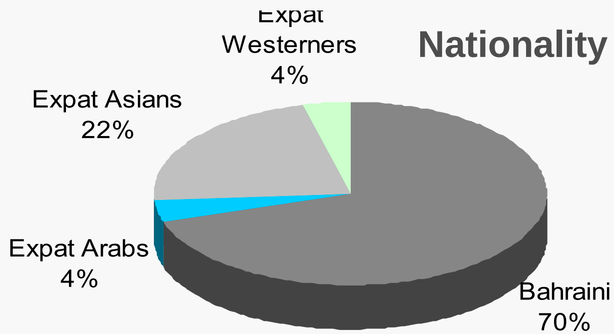
y = currently offering services

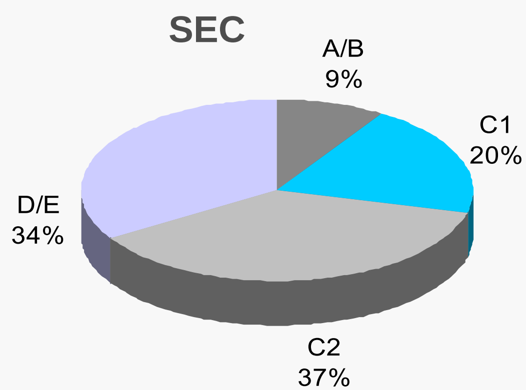
Licensee		Fixed Access	Fixed Calls	Mobile	ISP	Inter Service	VAS	Paging	NFWS
2Connect	1					y			
Neutel Telecom	2	y	y		y	y			
ANIS	3					y	y		
Batelco	4	y	y	y	y	y	y	y	
Business Communication Networks	5					y			
Etisalcom W.L.L	6		y			y			
Fakhro	7					y	y		
Kalaam Telecom	8				y	y			
Light Speed	9		y		y	y	y		
Mena Broadband services WLL	10					y	y		
MTC - Vodafone Bahrain	11			y	y	y	y		
North Star	12					y	y		
Orbit	13				y	y	y		
Swiftel International	14					y	y		
TeleGulf	15					y	y		
Viacloud WLL	16					y			
Total	**16**	**7**	**7**	**2**	**14**	**16**	**16**	**1**	**2**
Offering Services	**16**	**2**	**4**	**2**	**6**	**16**	**10**	**1**	**0**

Residential Respondent Profile

Region	Sample Size	Sample Proportions
Muharraq	170	16%
Manama	223	21%
Northern/JiddHafs	190	18%
Eastern/Sitra	62	6%
Central/Isa Town	144	14%
Western/Hamad	141	13%
Southern/Riffa	122	12%
Total	**1052**	**100**

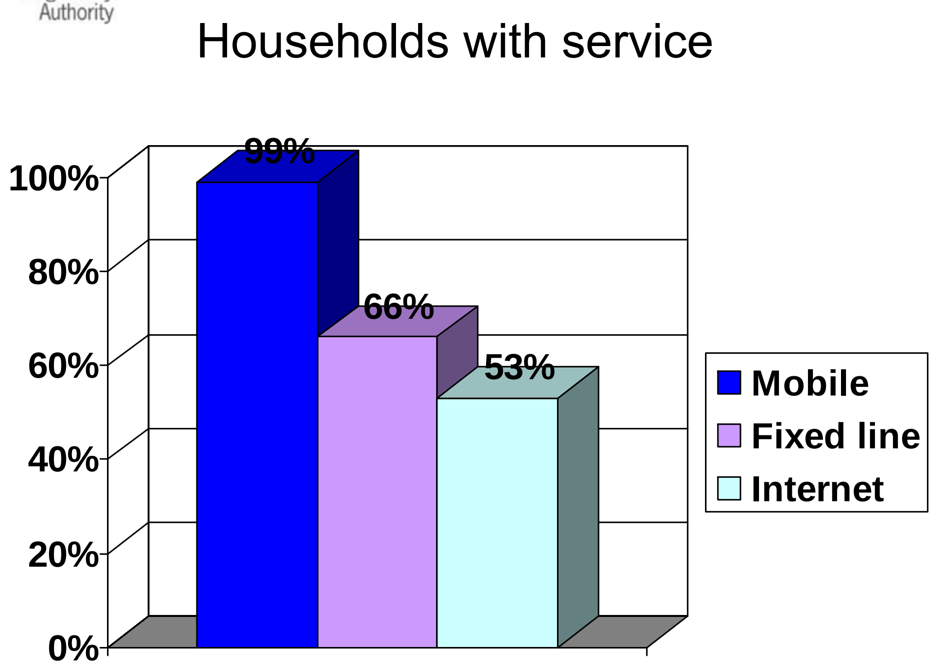


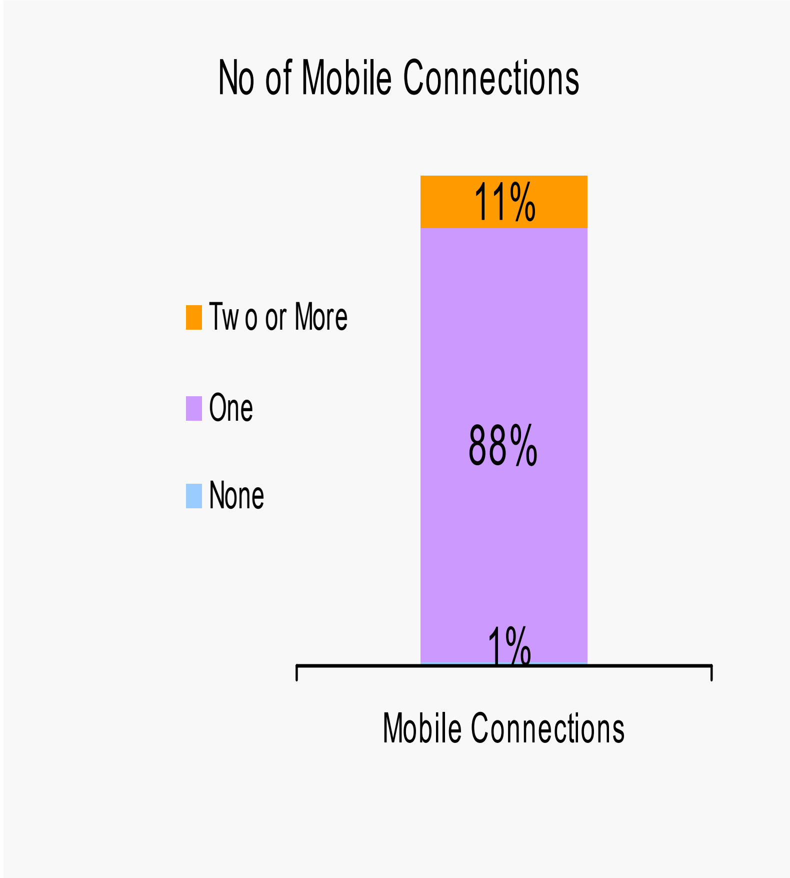




Base: All respondents = 1052

Usage of Residential Telecommunications services





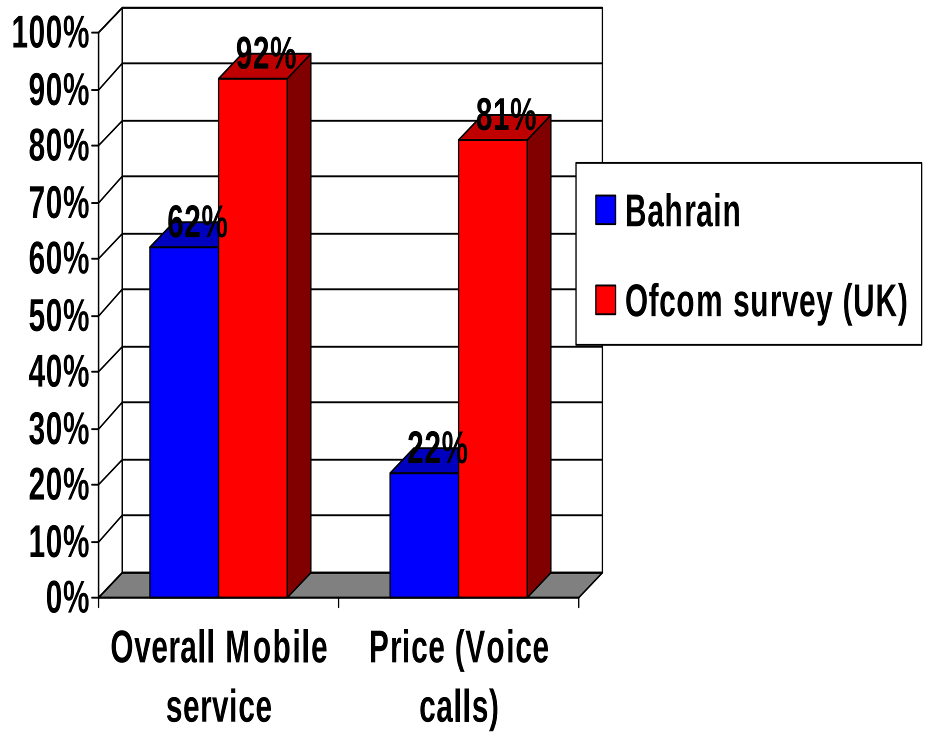
➢Mobile subscribers spent BD24 per month on mobile calls (including value added services).

➢Although on average BD8 per month is spent on value added services (MMS, video, mobile Internet etc) the use of these services is not widespread.

Most national calls from a mobile phone fall within the range of 2 to 3 minutes duration.

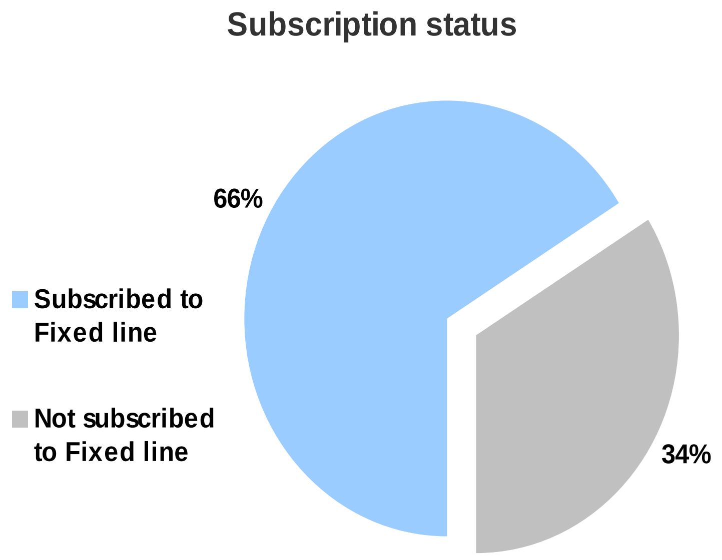
❑Majority seems to be fairly satisfied with the mobile services available.

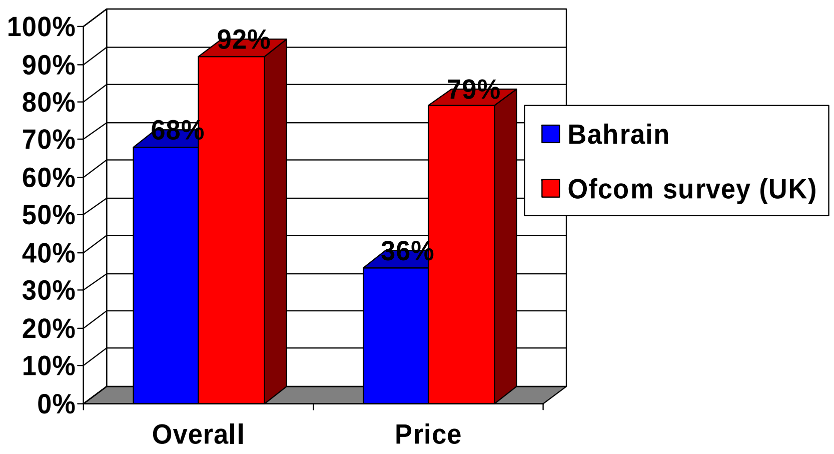
❑Large proportion of consumers who expressed the view that they were 'neither satisfied nor dissatisfied' or who made no response.



Fixed Line

- The mean monthly bill for fixed line services for consumers in Bahrain is BD29 per month (including national, international calls and line rental charge).



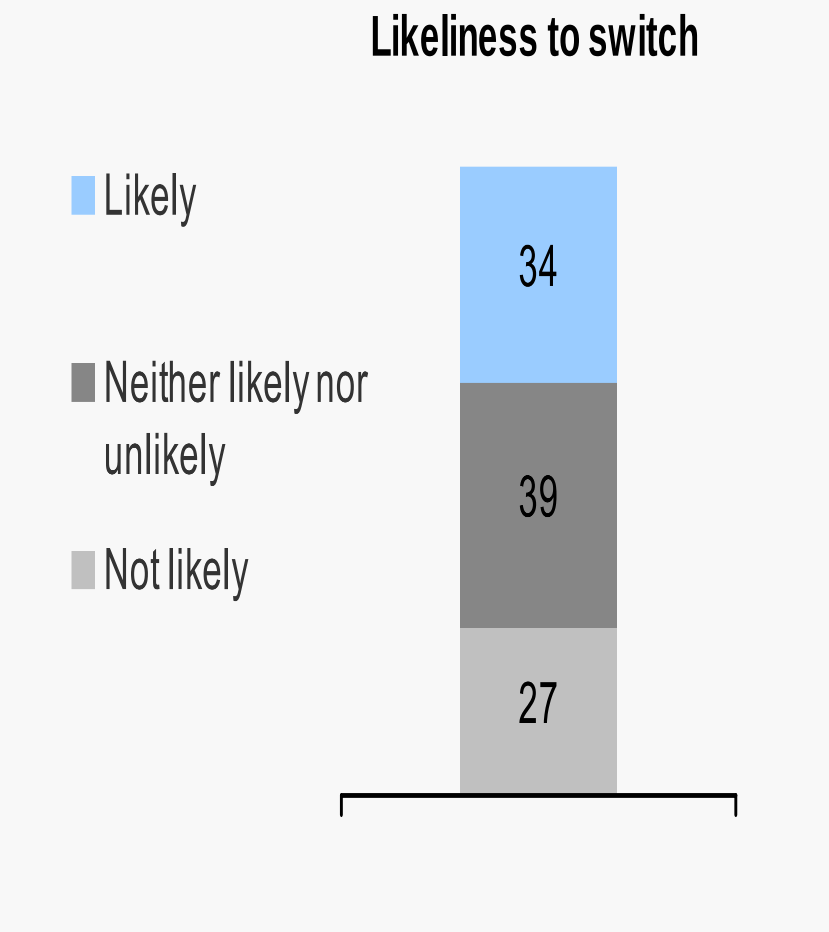


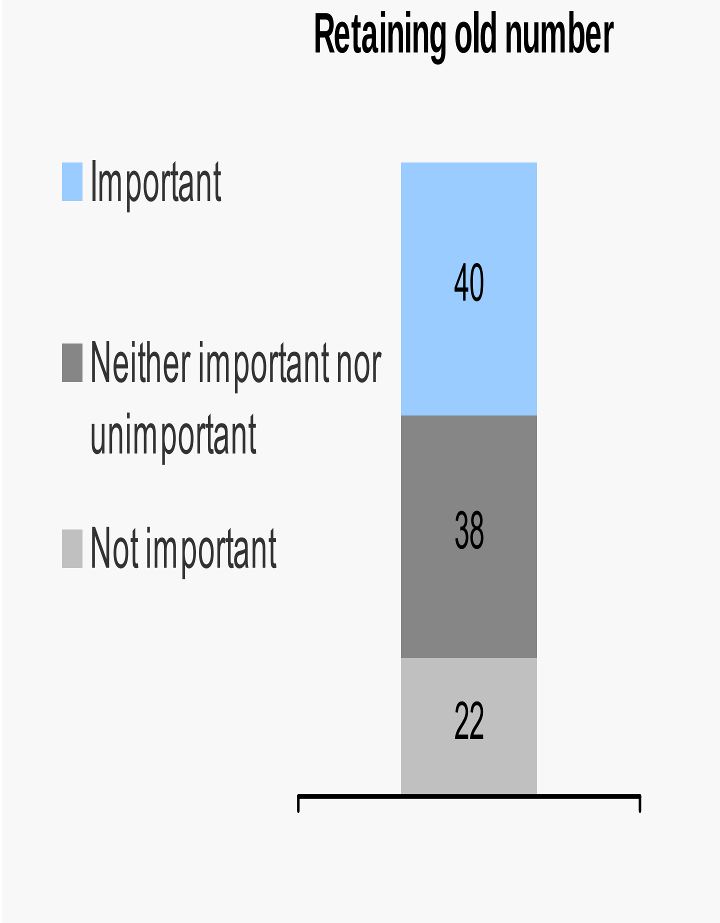
- Customers seems to be fairly satisfied at an overall level.

Low correct awareness of the Monthly Rentals and Billing Pulse observed amongst the fixed line customers.

Desire to change provider

Over 30 percent of residential fixed customers indicated they are likely to switch operators.
BUT only if they can **keep their number**



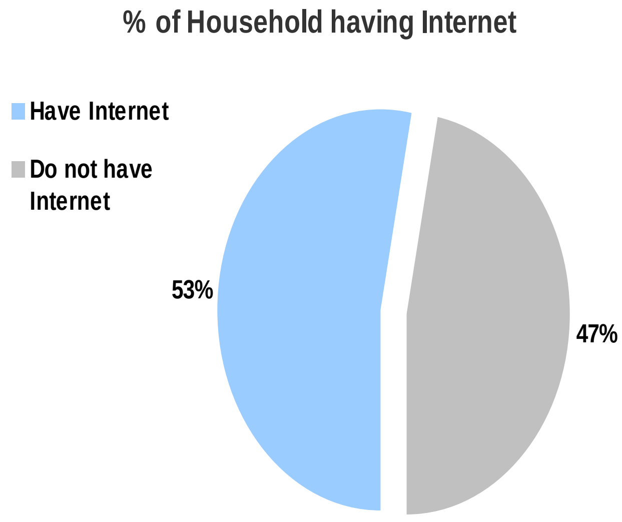


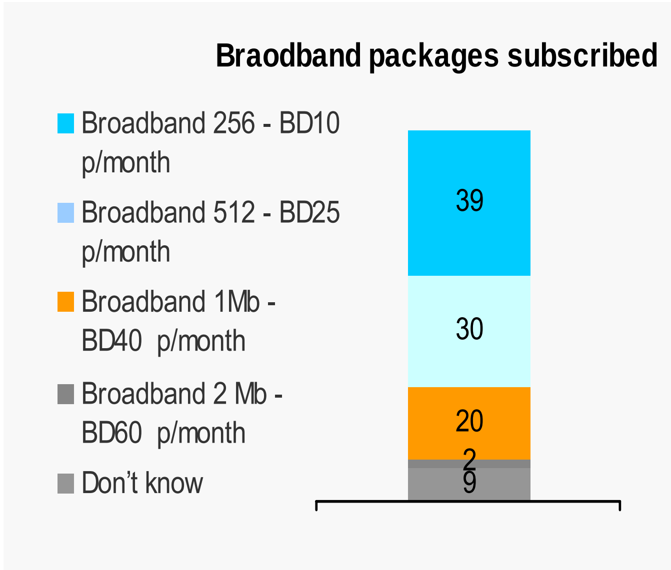
Internet

➢There is little awareness of competitive alternatives, and even less use of them.

➢Internet penetration is moderate and broadband access is significantly more common than dial-up access.

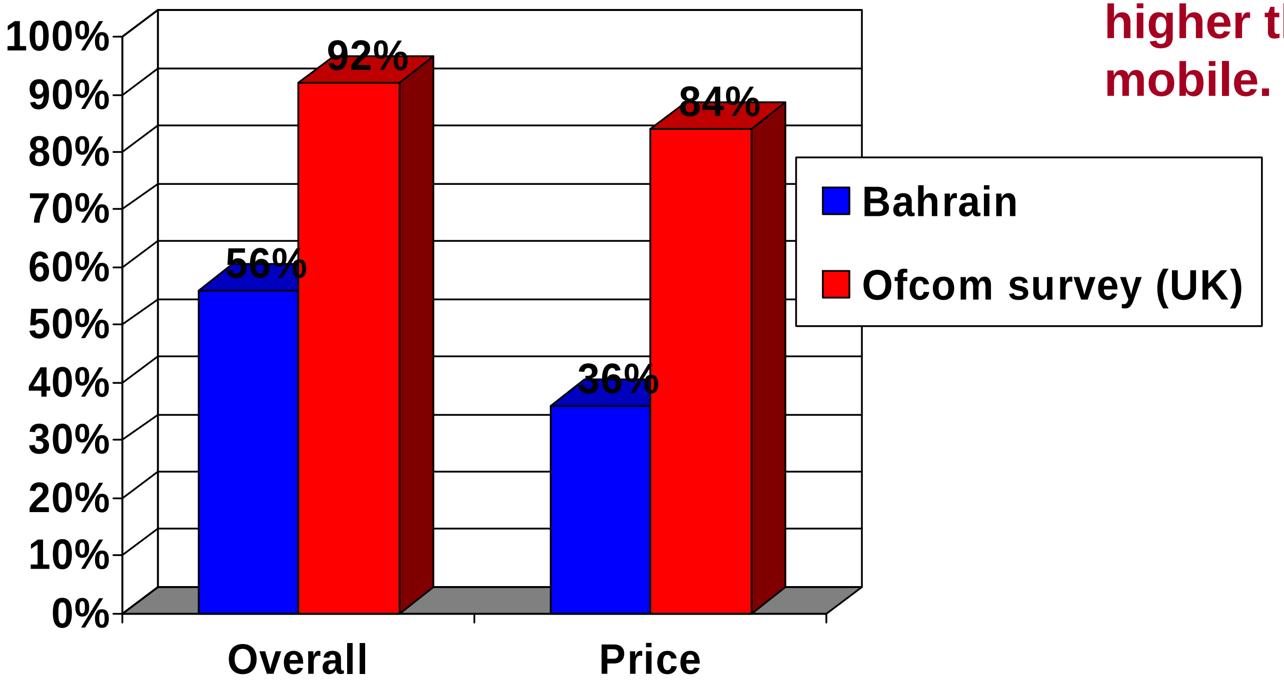
➢Residential consumers make relatively simple use of the Internet and are not making large demands on speed of access.





Internet satisfaction levels

While most claim to be satisfied with the overall internet services, dissatisfaction levels are higher than fixed line and mobile.

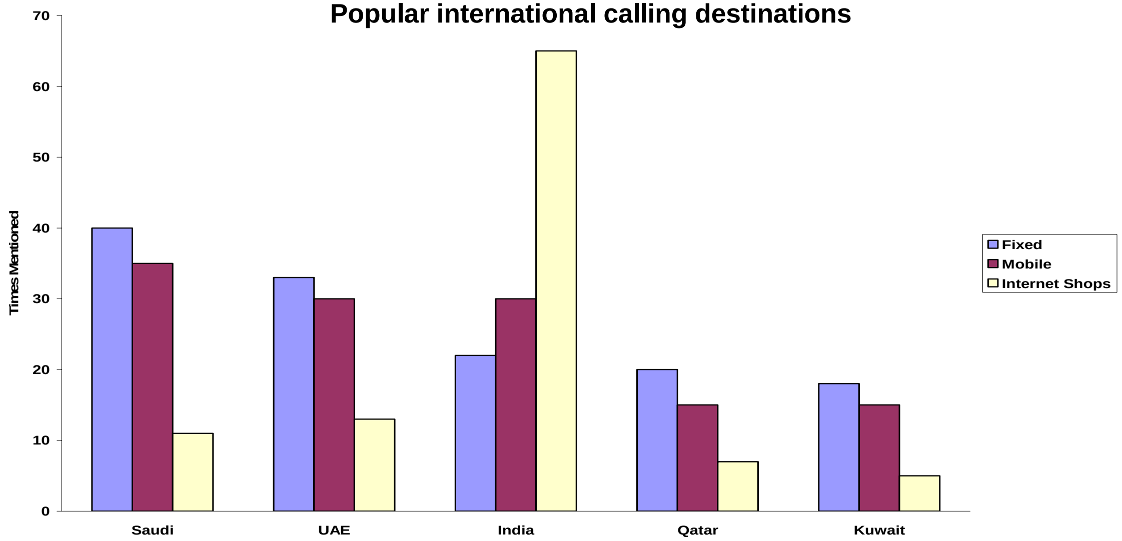


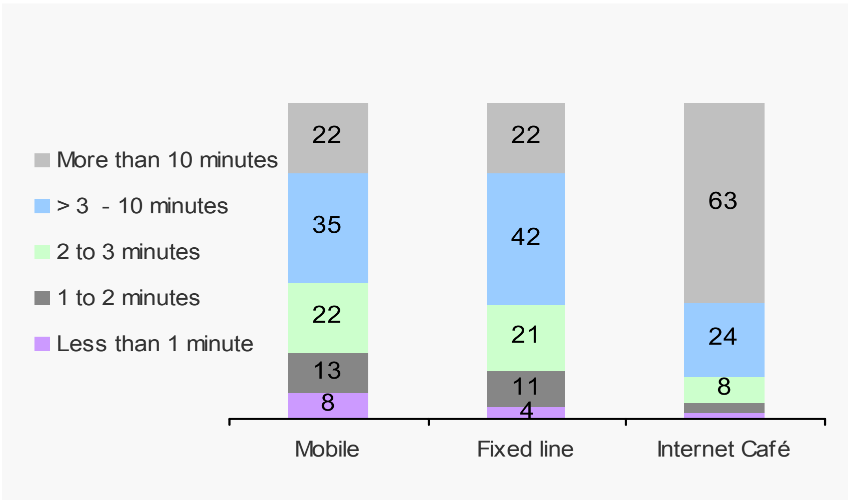
International Usage

❑The pattern of international telephony is dominated by the behavior of expatriates.

❑They are also the main users of alternative suppliers of such calls.

❑Within the expatriate community, the pattern is differentiated, with Arab, Asian and 'western' expatriates calling different destinations in different ways. Specifically, Indian and other Asian nationals are the greatest users of Internet call shops and pre-paid calling cards.

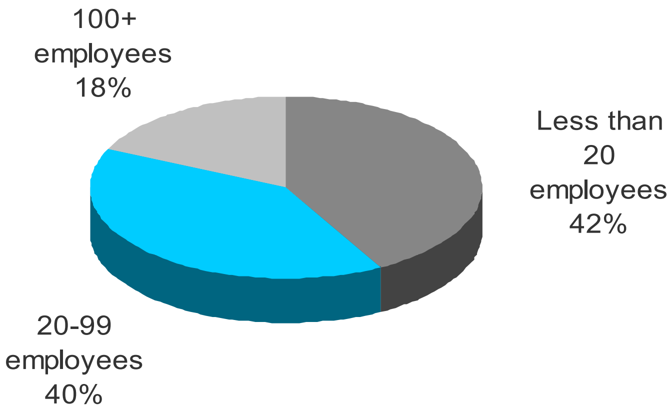




Business respondent profile

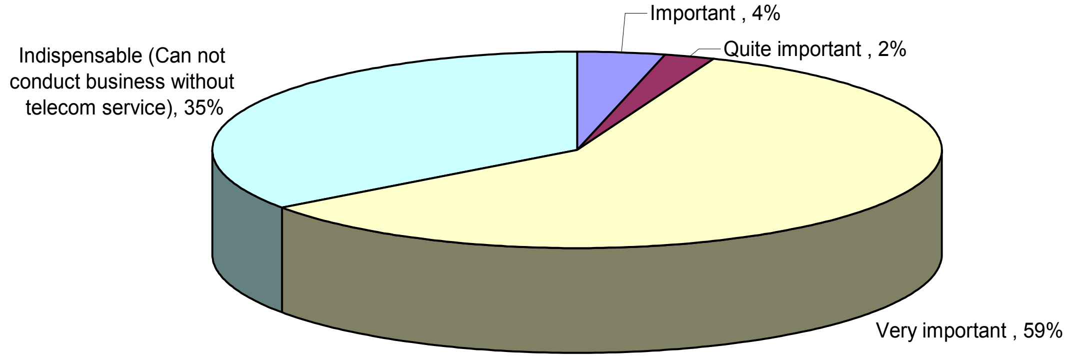
Industry Type	Sample Size	Sample Proportions
Construction and building	23	14%
Financial, Insurance, Real estate & Business services	33	21%
Health care	5	3%
Hotels + Restaurants	32	20%
Manufacturing industries	21	13%
Transport, IT and Communication	6	4%
Wholesale and Retail trade	25	16%
Business Services (Ad agencies / Consultants) etc	14	9%
Total	**159**	**100**

Employee Size



Base: All respondents = 159

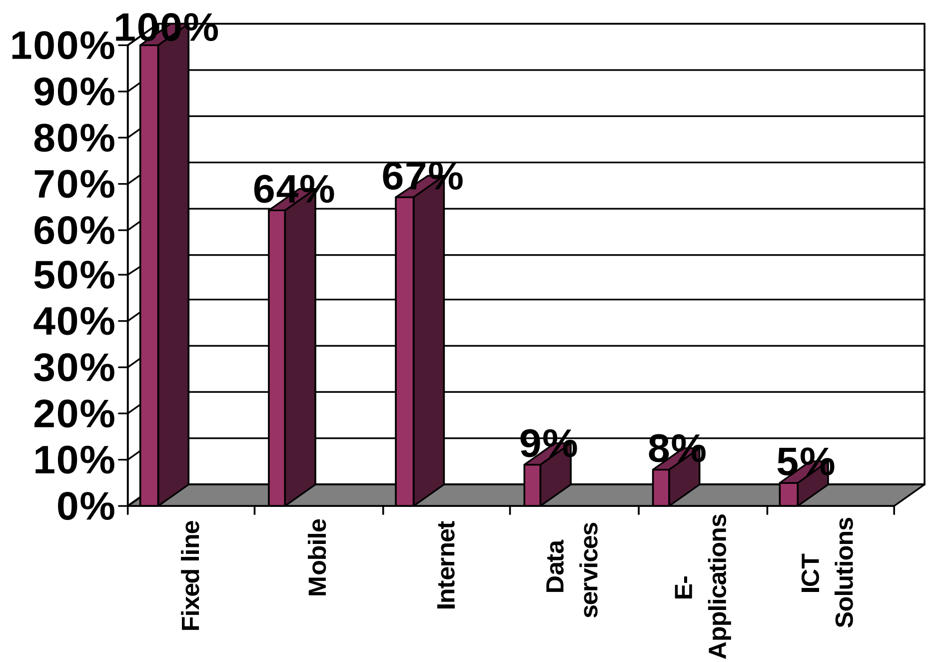
Business Users



100 percent of businesses used a fixed line in their business.

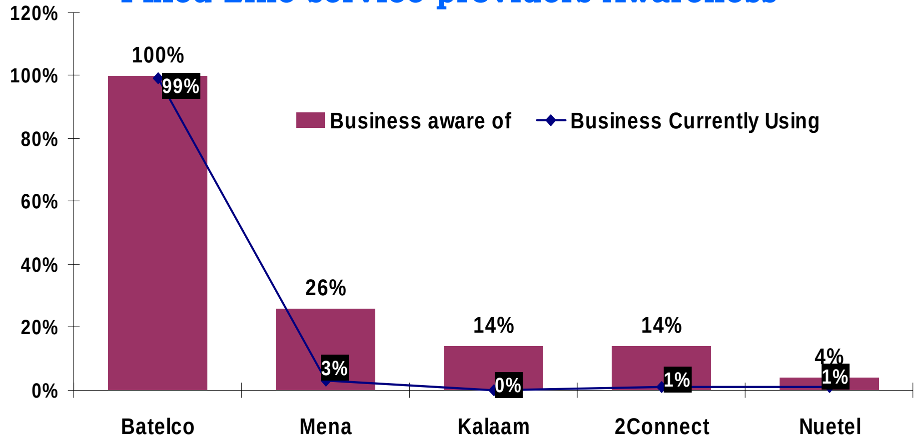
64 percent of business used mobile services and 67 percent had Internet access.

Only 9 percent of businesses surveyed used business data services, 8 per cent E-Applications and 5 percent ICT Solutions.

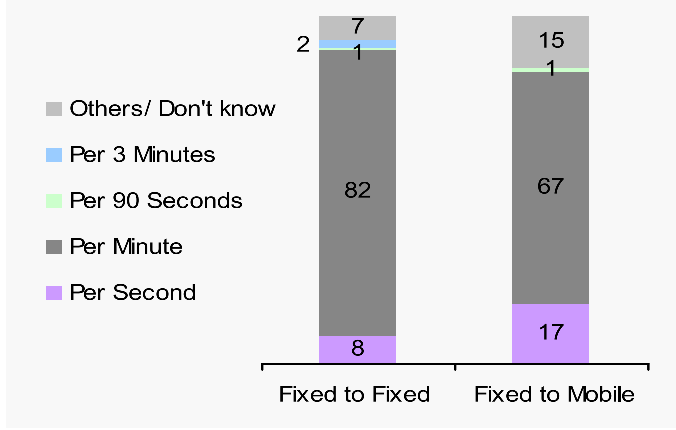


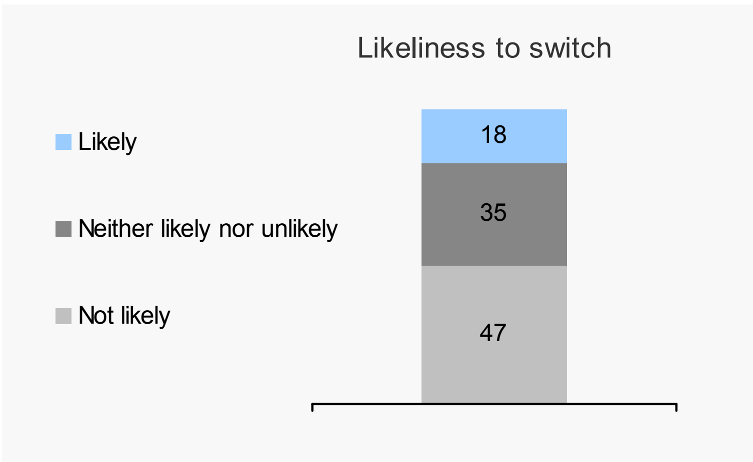
Fixed line - Business

Fixed Line service providers Awareness



Fixed Line Billing Pulse Awareness





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Reasons for switching the provider…

Cheaper prices – 50 %

Better services – 43%

Base: All those who are willing to switch – 28

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Reasons for not switching the provider…

Don't want to change the number 36%

Satisfied with Batelco – 27%

Current provider offer good services – 25%

Have good features – 7%

Base: All those who are not willing to switch – 75

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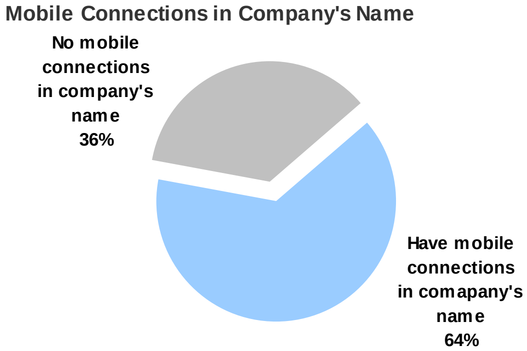
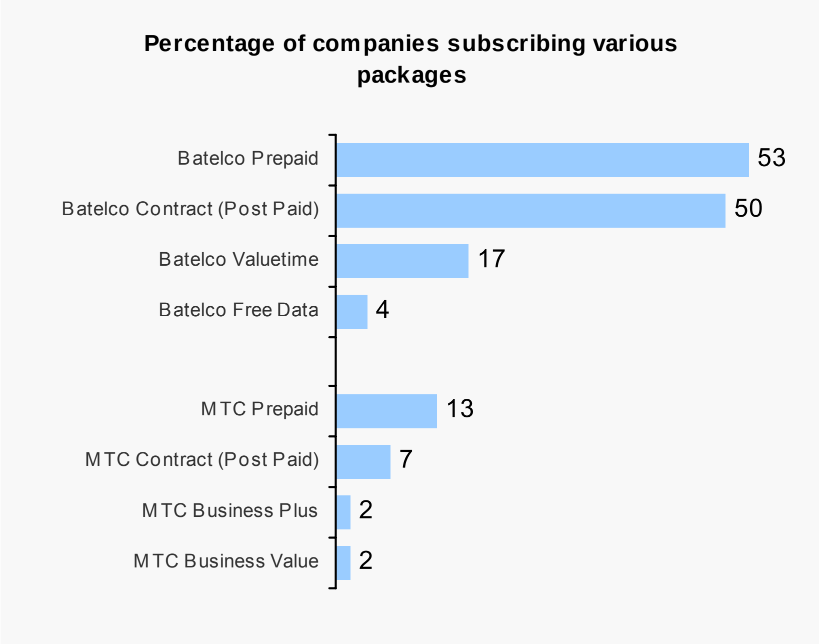
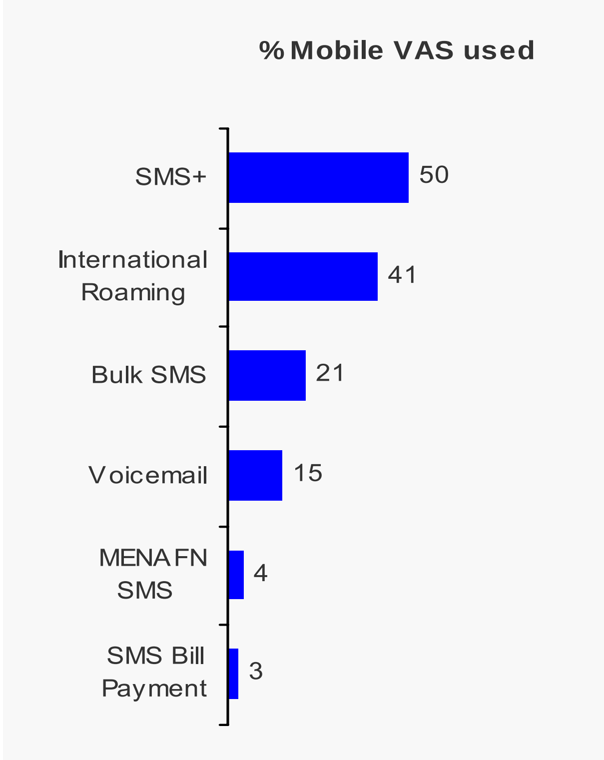
Mobile - Business



Reason for using Mobile phones…

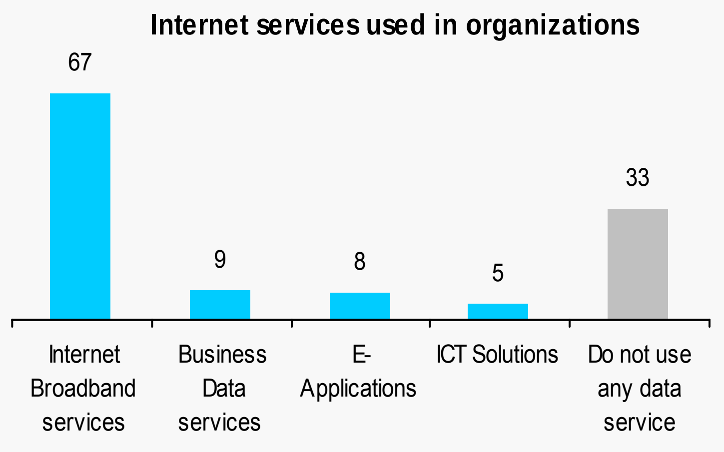
- *Mobile workforce – 75 %*
- *Quality of service – 31 %*
- *Availability of additional services – 25 %*
- *Can control spending – 14 %*

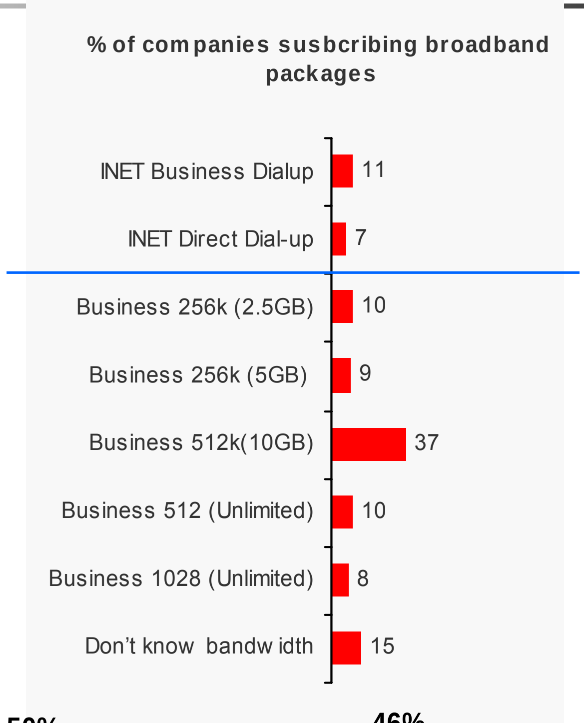




Base: All companies who have mobile connections in their name - 102

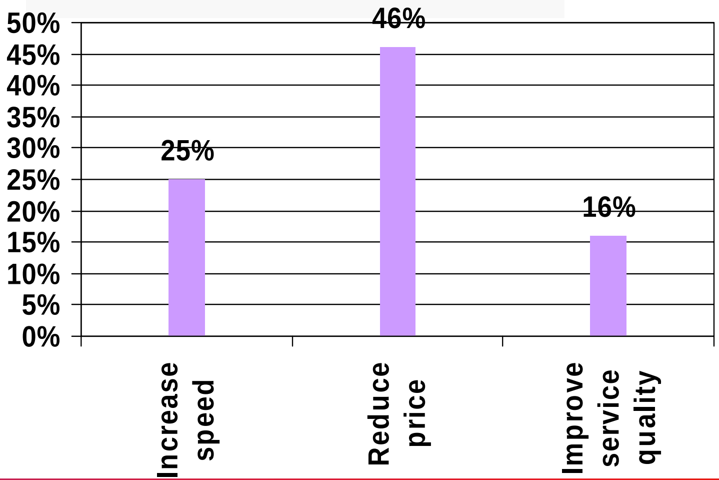
Internet - Business





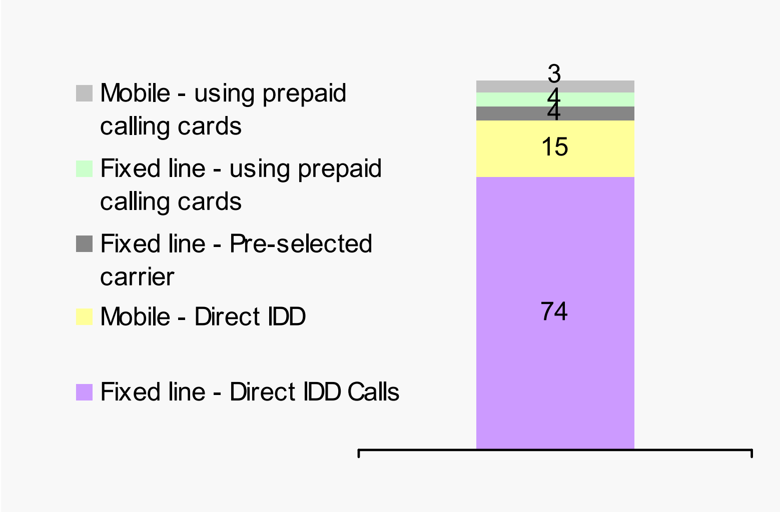
- *Almost 100% subscribe to Batelco internet*
- **The companies which do not use any data service are mainly traders and restaurants etc.**

Improvements required are: Speed; price & quality

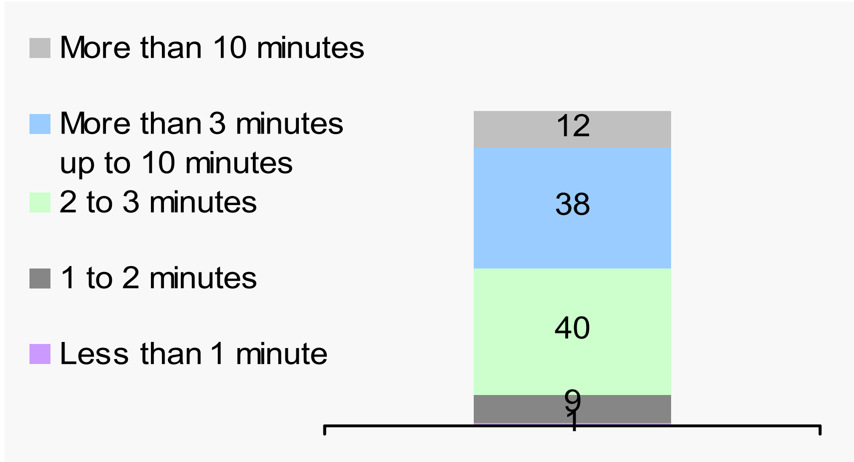


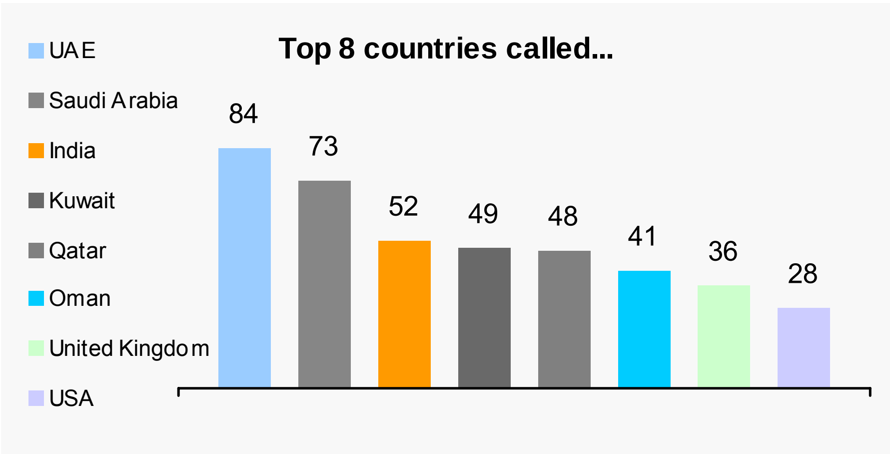
International Usage - Business

Channels used to make International Calls



Duration of international calls

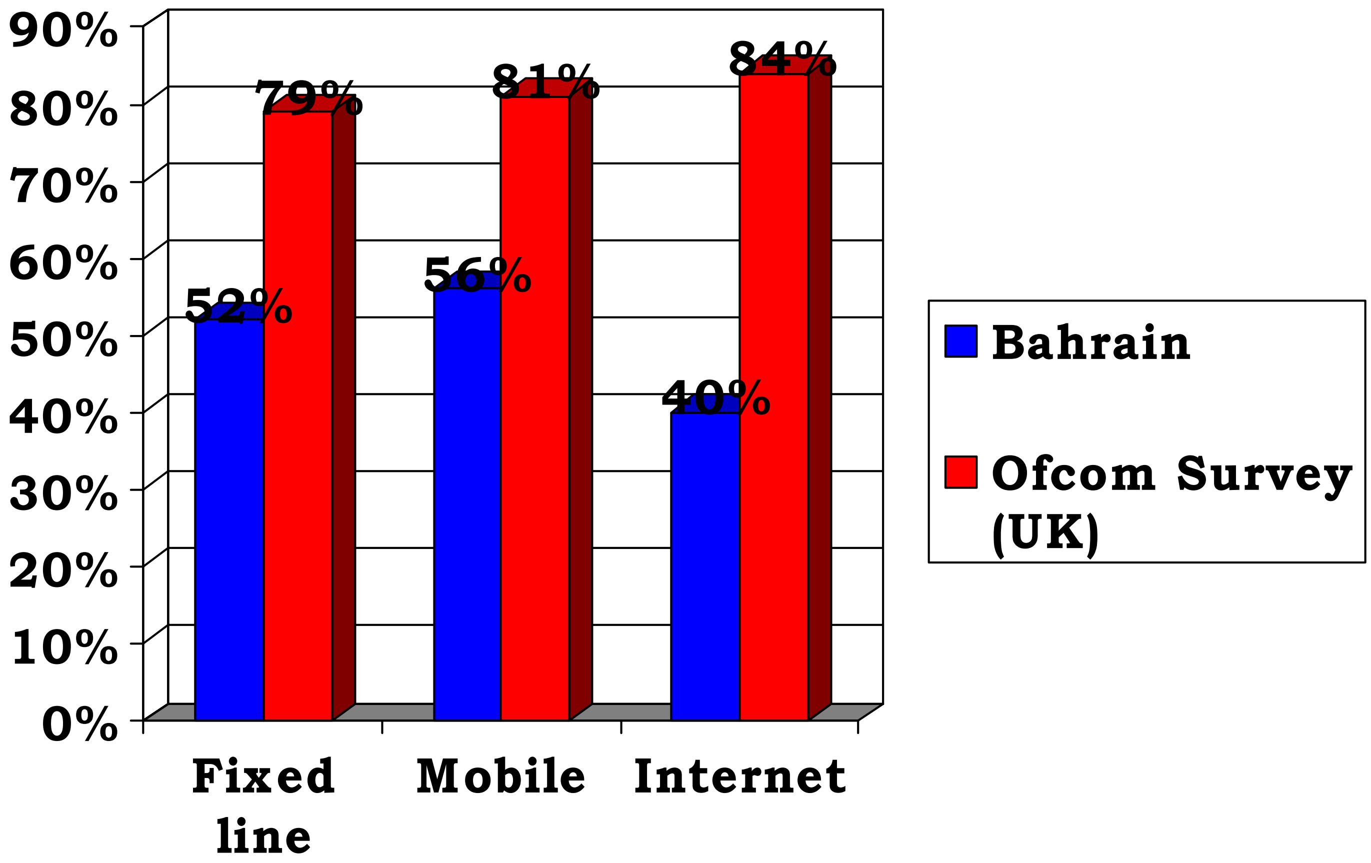




Popular International Calling Cards - Used by the business customers

- MENA Talk
- K Talk

Overall Satisfaction levels - Business



TRA actions to improve services

Markets

The Review looked at each of the retail markets (national, international, internet, mobile and data services) in order to establish which ones were:

- Currently competitive and likely to remain so;
- likely to become competitive over the next 2-3 years;
- not likely to become competitive over the next 2-3 years

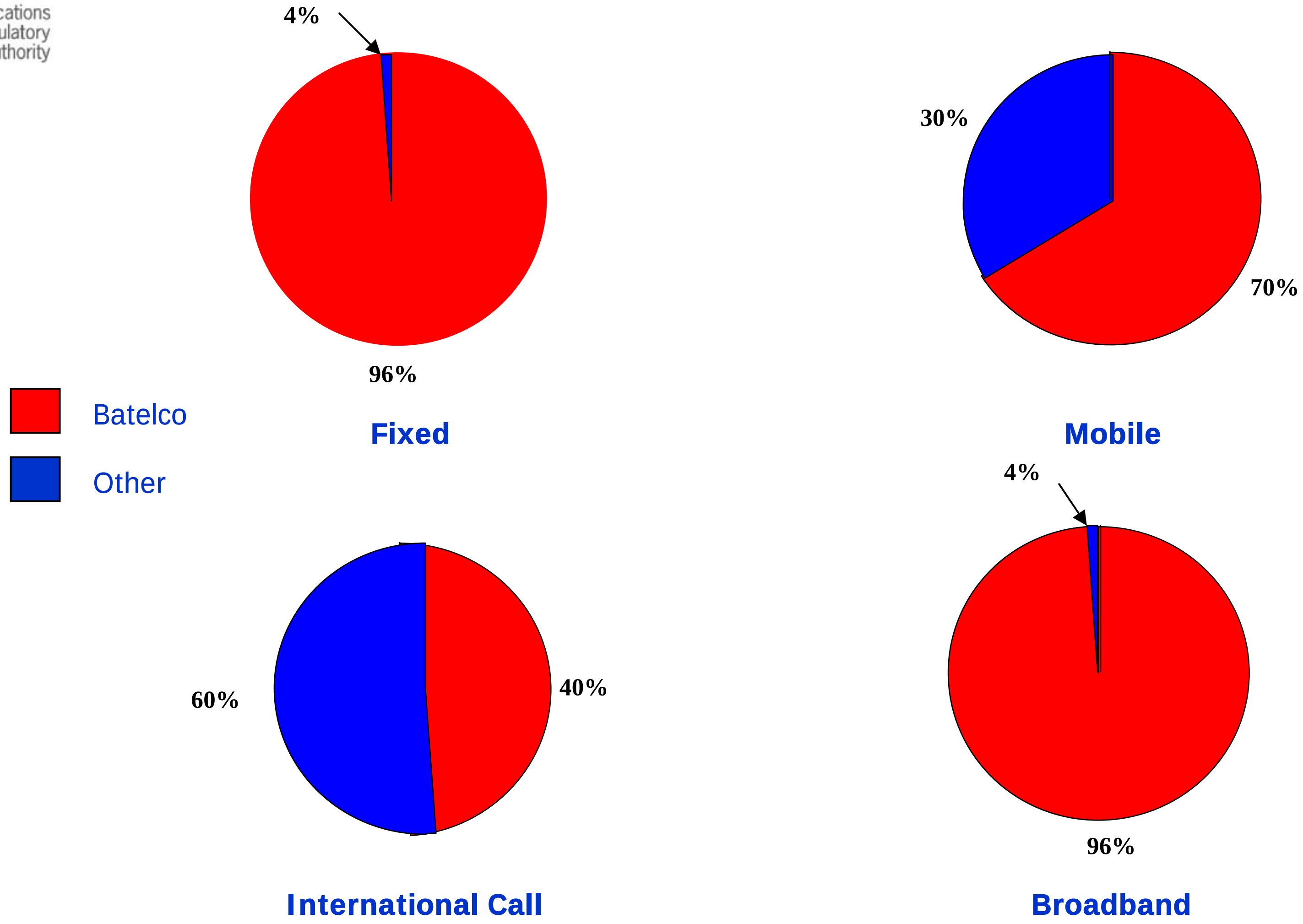
Both the Review and the Market Survey are available at www.tra.org.bh

Assessment of competition

Retail Market	Retail Market	Assessment of Competition
1	Fixed lines and national calls - business customers.	Not competitive
2	Fixed lines and national calls - residential customers.	Not competitive
3a	Fixed telephone international calls to destinations in Zones 1, 3 and 4 Zone 1: All GCC Countries Zone 3: Major Destinations (UK, US, France etc) Zone 4: All other destinations	Calls to Zone 1– Not competitive Calls to Zone 3– Prospectively competitive Calls to Zone 4 – Prospectively competitive
3b	Fixed or mobile telephone international calls to destinations in Zone 2 Zone 2: India, Pak, S'Lanka, Philippines, B' desh	Effectively competitive
4	Mobile services, including international calls to Call Zones 1, 3 and 4.	Prospectively competitive
5	Internet access from a fixed location.	Not competitive
6	Leased line data services.	Not competitive

Batelco is still dominant

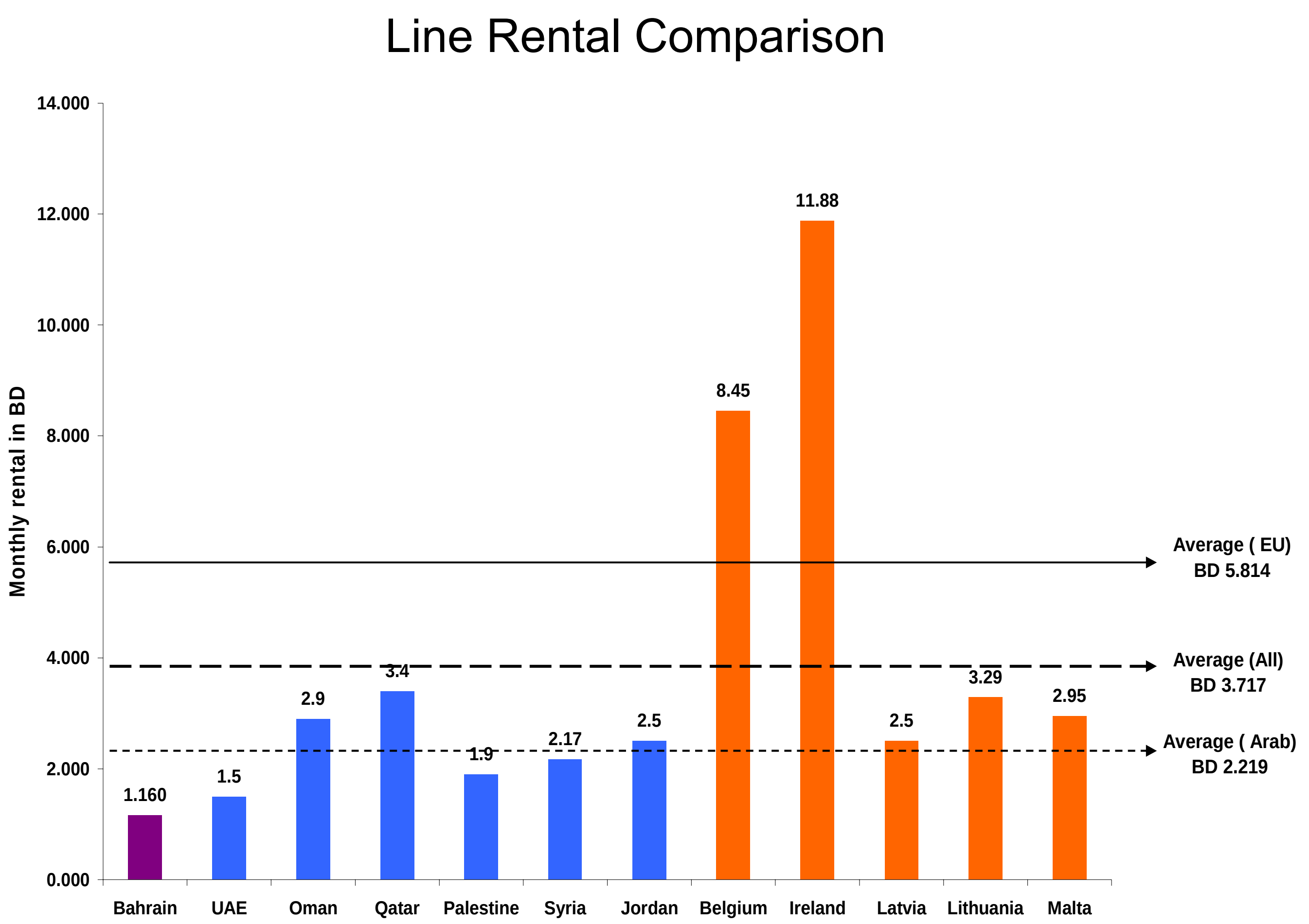
The following pie charts present market shares for selected high level markets (approximated market shares only)



Recommendations of Review

1. Competitive Markets – International calls to South Asian Countries – market was liberalized (no requirement to get approval from TRA on call prices)
2. Prospectively Competitive Markets - Mobile Market – Market is liberalized but review of some additional measures are justified:
   - Assessment of the need to introduce number portability
   - Allowing additional mobile operators to enter (MVNO)
   - Allowing fixed wireless operators (Mena and MTC) to offer full mobile services
3. Markets not competitive – National Calls and Lines, Internet, Data
   - Assessment of the need to introduce number portability
   - Measures for higher speed/ lower price internet services
   - Carrier selection to sit alongside carrier pre-selection
   - Increased price flexibility for Batelco – replacement of price approval with price notification
   - Regulation to allow flexible line rental and call prices

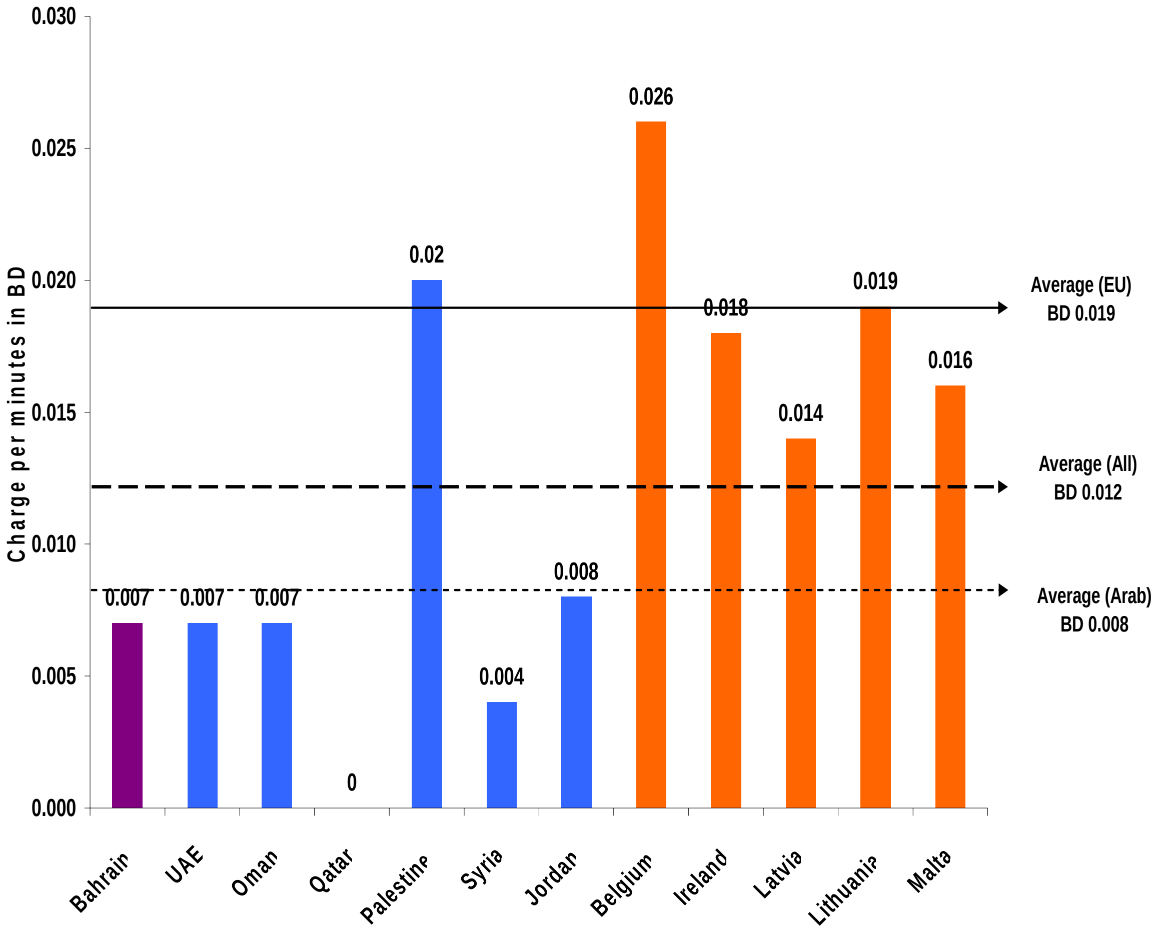
Line rental



Line Rental Comparison
Monthly rental in BD
14.000
12.000
10.000
8.000
6.000
4.000
2.000
0.000
1.160
1.5
2.9
3.4
1.9
2.17
2.5
8.45
11.88
2.5
3.29
2.95
Bahrain
UAE
Oman
Qatar
Palestine
Syria
Jordan
Belgium
Ireland
Latvia
Lithuania
Malta
Average (EU)
BD 5.814
Average (All)
BD 3.717
Average (Arab)
BD 2.219

Call charges

National Call Charges Comparison



Price controls in the fixed market

- TRA is proposing to introduce ‘price controls’ in the fixed market
- Telecommunications prices within a ‘basket’ of services ***must*** fall by a rate greater than inflation each year
- However within the basket of individual services such as line rental charges and national call prices ***may*** rise by a small amount each year
- This may be allowed as a consequence of these prices not changing since 2000 and the effect low price has on the levels of investment and service quality
- Vulnerable consumers who ***may*** suffer due to price rises on line rental will be identified and protected

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Consumers and business users action to improve services

Consumers

Make sure you inform yourself of:

- your bills,
- your rights and obligations in your contract or terms and conditions of sale,
- your options

Keep a record of all correspondence

Bring your concerns to your provider

If you are not satisfied contact TRA by:

- phone
- Email
- fax

Participate in Consumer Panel and surveys

Businesses

- Information is an essential component of effective management across all parts of an organisation and as well as supporting communication with customers and all stakeholders
- The availability of high-quality, timely, authoritative information to decision makers supports effective development of the organisation and in turn profitability:
- The objective of the policy is to achieve:
  - efficient and effective information management and dissemination to support program and service delivery;
  - foster informed decision making;
  - facilitate accountability, transparency, and collaboration;
  - preserve and ensure access to information and records for the benefit of present and future employees and stakeholders.

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Businesses

- Request providers to review your business and offer a range of solutions to your own particular needs
- Go out to tender for systems and services
- Seek contract with defined quality of service parameters
- Seek ways to achieve least cost routing of calls
- Review bills against circuits, equipment, voice and data calls
- Request comparative quotations for circuits and calls
- Plan in diversity of communications to ensure business continuity
- Manage fraud and security
- Plan for Mobility and unified communications
- Use Interactive Voice Response (IVR) systems and call centers wisely
- Participate in Business Panel and surveys

Summary

1. TRA's roles and responsibilities – to support fair competition and protect consumer rights
2. Current state of the telecommunications market in Bahrain – come a long way but much more can be done
3. Actions are TRA taking to improve services – Greater choice and lower barrier to change
4. Consumers and business users – use the power to choose to stimulate competition

Conclusion

- The Bahrain market is far from saturated when it comes to communications
- We have a growing choice in electronic highways
- Now we have to grow our use of them for social and economic benefit
- The Power is in your hands to use the electronic highways to support economic growth

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