



Telecommunications Regulatory Authority (TRA) Kingdom of Bahrain

End of year review with Licensees

11th December 2007

Gulf Hotel

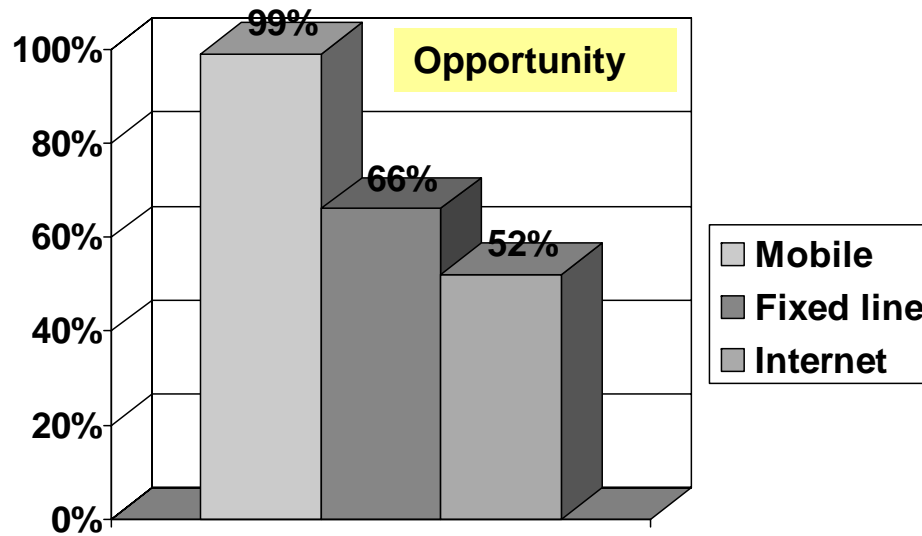


Agenda

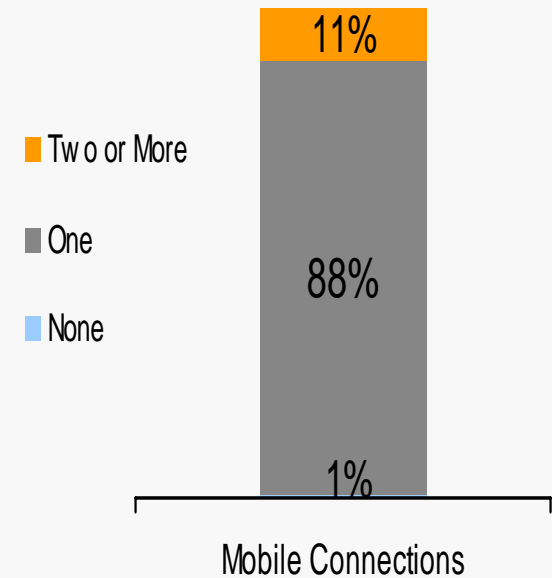
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|----------------------|---|
| 09.30 – 10.00 | Registration and Coffee |
| 10.00 – 10.15 | Introduction by TRA General Director, Mr. Alan Horne |
| 10.15 – 10.20 | Investigations and Complaints, Mr. Eamon Holley – TRA Director of Legal Affairs |
| 10.20 – 10.40 | RIO/RAO Consultation – Mr. Rob Middlehurst – TRA Director of Market and Competition Unit |
| 10.40 – 10.50 | Coffee Break |
| 10.50 – 11.40 | Round Table Discussion |
| 11.40 – 12.00 | Status of Strategic Review – Dr Alex Serot – TRA Chief Economist |
| 12.00 – 12.30 | Summary and Next Actions |
| 12.30 - 14.00 | Lunch |

- Today is all about looking back to 2007 to learn lessons and ensuring we can take actions which will enable us to increase our success in 2008
- Its all about thanking the financial institutions, the share holders and the staff within the licensees for the faith they are putting in all of us to make their investments a success and in expanding new telecommunications services
- Its all about working in partnership with Government to support initiatives such as eGovernment, eHealth, eEducationl
- Its all about finding the win win path to grow the market to benefit not only you the Licensees but the Bahrain consumers and the Bahrain economy

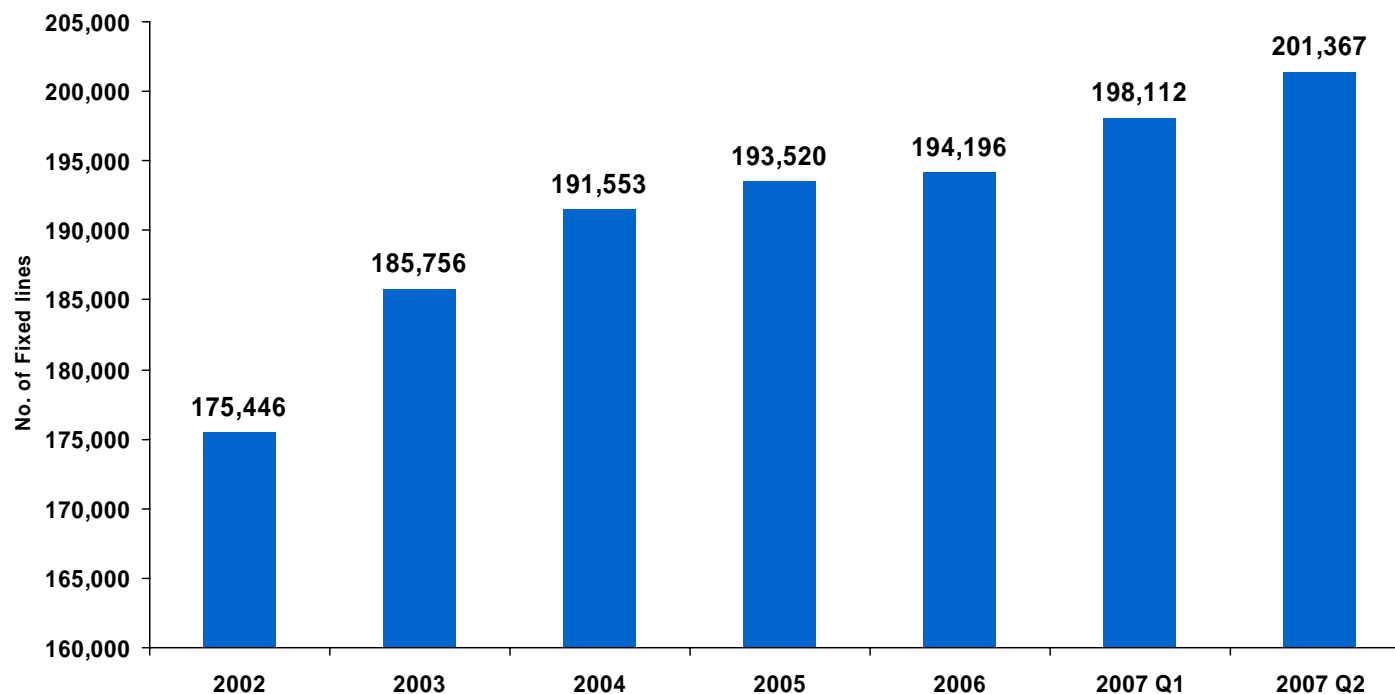
Households with service



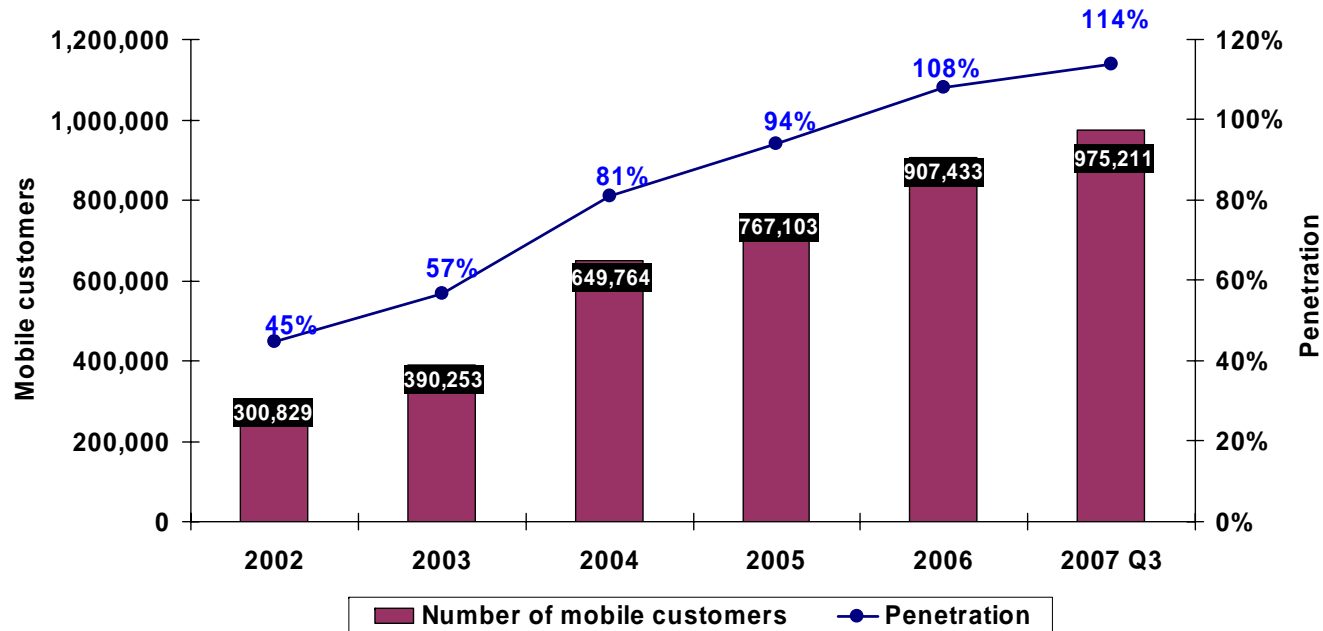
No of Mobile Connections



Number of Telephone Lines (Res. and Bus.) in the Kingdom of Bahrain (2002 – 2007 Q1)



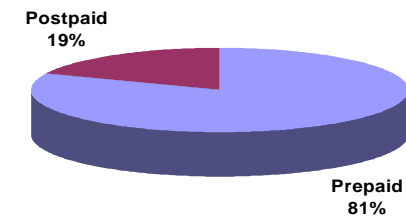
Mobile subscribers Growth in Kingdom of Bahrain (2002 - 2006)



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

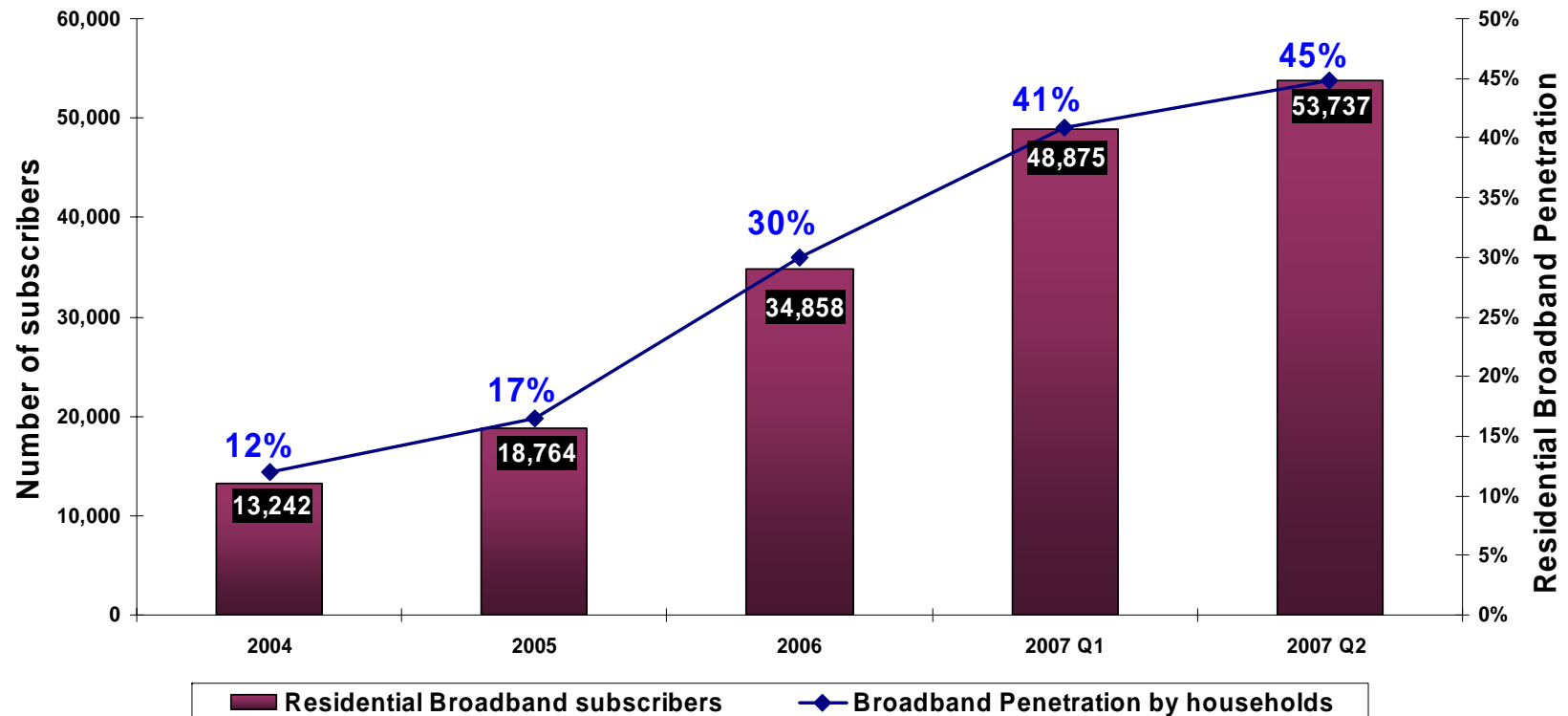
About 11% have more than 1 connection

Proportion of prepaid and postpaid subscribers as at September 2007



Residential Broadband subscribers in Kingdom of Bahrain (2004 - 2006)

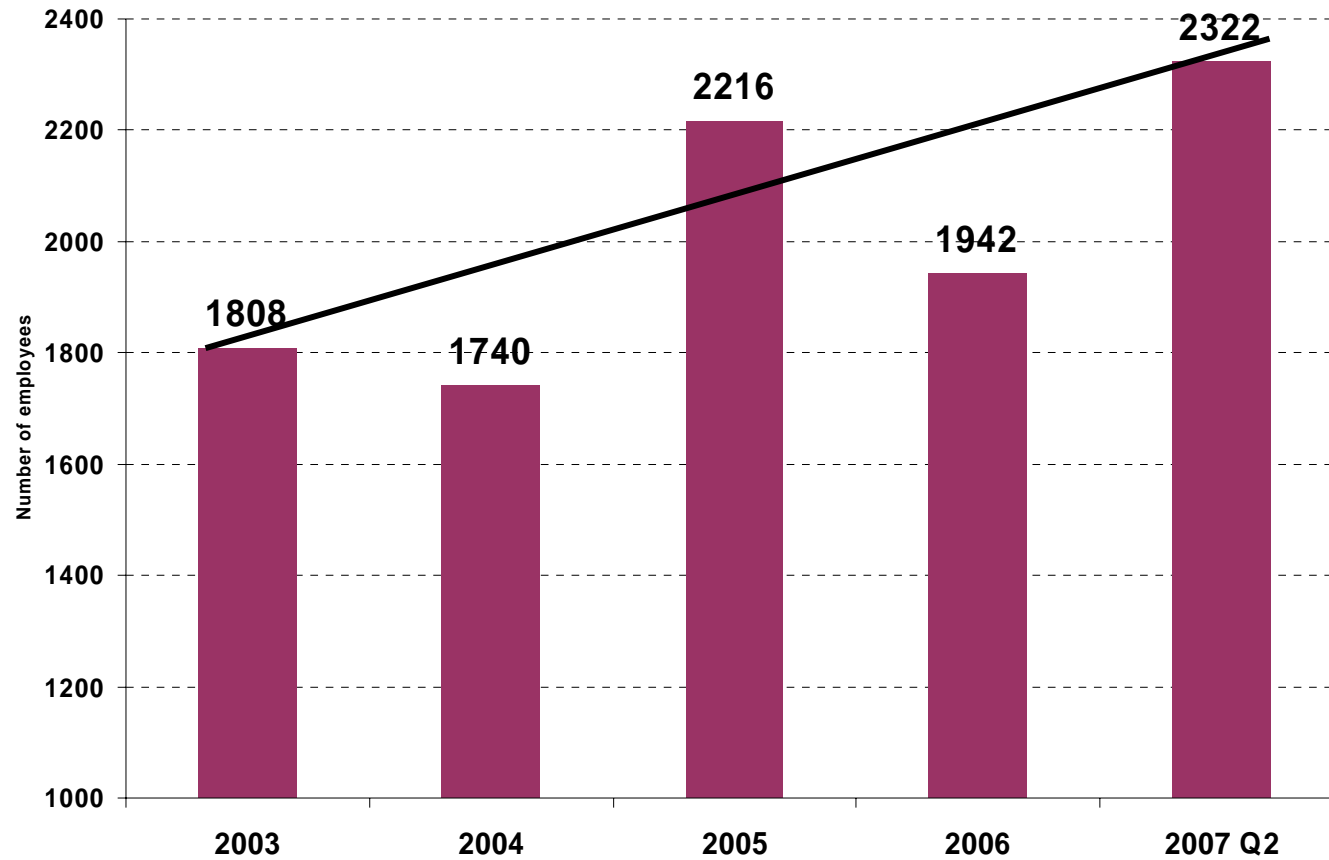
120,000 households (C10)



Man power growth in Telecommunications Market

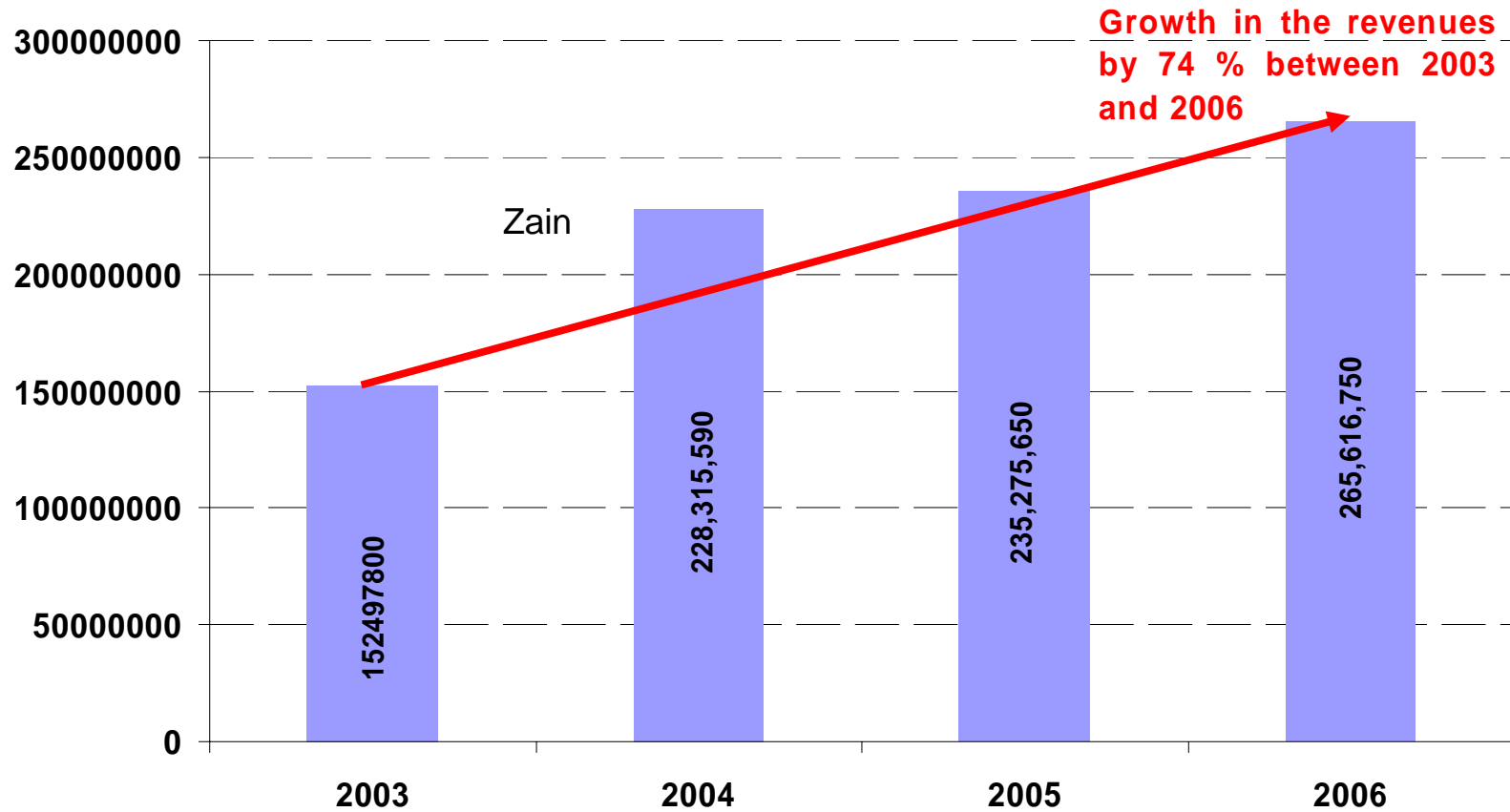
Man power details in Telecommunications Market

Batelco + OLO's exclude staff of the services companies working in the Telecom sector



28%
growth of
people
employed

Growth in the telecommunications markets revenue



A Good Year for the Telecommunications Sector

- Industry investment in infrastructure and services
- Batelco hits over 200,000 fixed lines
- Zain plus Batelco reached the 1Million active mobile handsets
- Employment in the sector grew to in excess of 2,500 employees
- Increase in activity by licensees – seen by the level of advertising
- Consumers get increased choice in services e.g. Bitstream service introduced, new broadband wireless service, new mobile services
- Quality of customer service increases
- Consumer see fall in price basket
- New Business and Consumer Groups formed
- Increased dialogue

- Anti-competition investigations – section 65
- General compliance with Law, regulations etc – section 3(c)(2)
- TRA’s role under section 65 is largely investigative
- Contrast this with interconnection and access disputes commenced under section 57(g) of the Telecommunications Law where TRA is placed in the position of a dispute mediator. TRA will be reluctant to take such an active investigative role – to ensure its independence
- Investigations can vary in terms of time
- TRA must ensure that its investigations and conclusions are legally correct and transparent to ensure their standing if later challenged in court or arbitration
- TRA cannot guarantee the result of an investigation, but can guarantee that any investigation and conclusion will be made to the highest standards
- As the market matures and operators grow they need to invest not just in products and services but in **regulatory knowledge and understanding**

- 15 OLO requests for TRA investigations or intervention with Batelco since 1 May 2007 (including complaints that were first reported before then but are ongoing)
- 7 are active
- 4 were investigated and are concluded
- 4 requests for investigation did not proceed for various reasons

- Other “inter-OLO” disputes or complaints
- Consumer complaints

- Complaints should be as focused as possible...

Investigations going forward

- TRA will be working to further operators' understanding of TRA's requirements to commence an anti-competition complaint;
- Standard of complaints has improved however still some way to go;
- TRA will be issuing a complaints guideline in early 2008;
- Where dispute is with respect to the procedures under the Reference Offer operators should attempt to resolve disputes between each other through the escalation procedures outlined under the terms of the Reference Offer as much as possible before reference to TRA;
- Evidence is key;
- A clear allegation of abuse is required, preferably referring to the Telecommunications Law or to the specific provisions of the relevant Regulation or provisions of the Reference Offer;
- TRA can investigate matters without a complaint i.e. self initiate investigations, however it is usually easier to investigate a matter with evidence already collated and a clear understanding of the exact allegations

How to formulate a complaint

How do I achieve my goals?

- Do I have the necessary legal rights? Do I have the correct licences?
- Am I dependent on third party Access/ Interconnection providers?
- Am I seeking the correct Access/ Interconnection products?
- If so, do I have the necessary contractual rights?

If there are difficulties, ask *why*?

- Check that you have complied with your legal and contractual obligations. In particular, consider if ordering and forecasting requirements are complied with.
- Follow agreed escalation and dispute resolution procedures.

Considerations if submitting a complaint

Following the below steps will help TRA achieve a swifter analysis and resolution of your complaint:

- Refer to the background facts.
- Provide and reference supporting documentation.
- Refer to specific legal rights (Telecommunications Law, Licence conditions, Reference Offer)
- State, with reasons, your expected outcome



Reference Offers Consultation

Rob Middlehurst

Director Market and Competition



Reference Offer Consultation

A consultation on possible amendments to Batelco's existing Reference Interconnection Offer and Reference Access Offer

- Consultation published 29th November 2007
- Responses deadline 11th January 2008

Significant opportunity to input into the Reference offer cycle

Amendments to RO Consultation

- Main areas for review:
 - Forecasting
 - » Fundamentally important, but...
 - Source of complaint from OLO

 - Service level agreements
 - » Only available for interconnection links

 - Bank Guarantees
 - » Requirement to provide & Level are onerous?
 - » Are there alternatives?

Amendments to RO Consultation

- Main areas for review:
 - Joint Working Manual
 - » Is it confused in its purpose?
 - » Should it be constrained to technical issues

 - Procedural issues – Equivalent, Fair, Defined?
 - » e.g. Handover between Batelco and OLO's
 - Wholesale DSL
 - Bitstream
 - CPS

 - Supply Terms and Conditions generally
 - » Comments on Schedule 9
 - » Scope of Commercial Agreements
 - Do the Reference Offers provide a base line

Amendments to RO Consultation

Unified Reference Interconnection Offer and Reference Access Offer – “Reference Offer”

- submission timing
 - Current - processes requires 4 submission per year
 - Proposal - RIO and RAO timetable synchronised

- Frequency
 - Current - Each six months
 - Proposal - Each 12 months

- Why?
 - Workload considered to be disproportionate to benefits
 - » Submission to approval/order on average 5 months
 - Staggered timing not considered to provide additional regulatory certainty to the market

Reference Offer timetable

Date/indicative date	Action
4 th December 2007	Batelco Submit new revised RIO and revised RAO for TRA review
22 April 2008	TRA issues approval or order on Batelco 4 th December 2007 submitted RIO/RAO. Effective date 1 st May 2008. Publication on or before 1 st May 2008 (minimum of tariffs)
Before 1 May 2008	If Ordered TRA publishes non-confidential version of RIO/RAO order.
6 months following publication of last RIO/RAO (No later than 1 st October 2008)	Batelco re-submits 22 nd April approved or ordered RIO/RAO for re-approval TRA approves RIO/RAO Batelco publishes RIO/RAO
1 st December 2008	Batelco submits <u>NEW</u> revised RIO and <u>NEW</u> revised RAO for TRA approval

Round Table Discussion



Strategic and Retail Market Review: An Update

Tuesday 11 December 2007

Dr Alex Serot

Chief Economist



Strategic and Retail Market Review: An Update

Purpose: to give an update on the status of the Strategic and Retail Market Review

Why is the review important for you?

What did the first consultation document say?

What are we currently working on? What are the next steps?

Why is the review important for you?

The review will result in regulatory changes

- Ex ante retail regulation (e.g. price controls)
- Market entry conditions
- Linkages with wholesale regulation

Those changes will affect market dynamics and the competitive landscape

It is therefore important that you provide input into the process:

- Submissions do not have to be long, but justified and well explained positions are most useful for us
- We value your input and consider your responses carefully

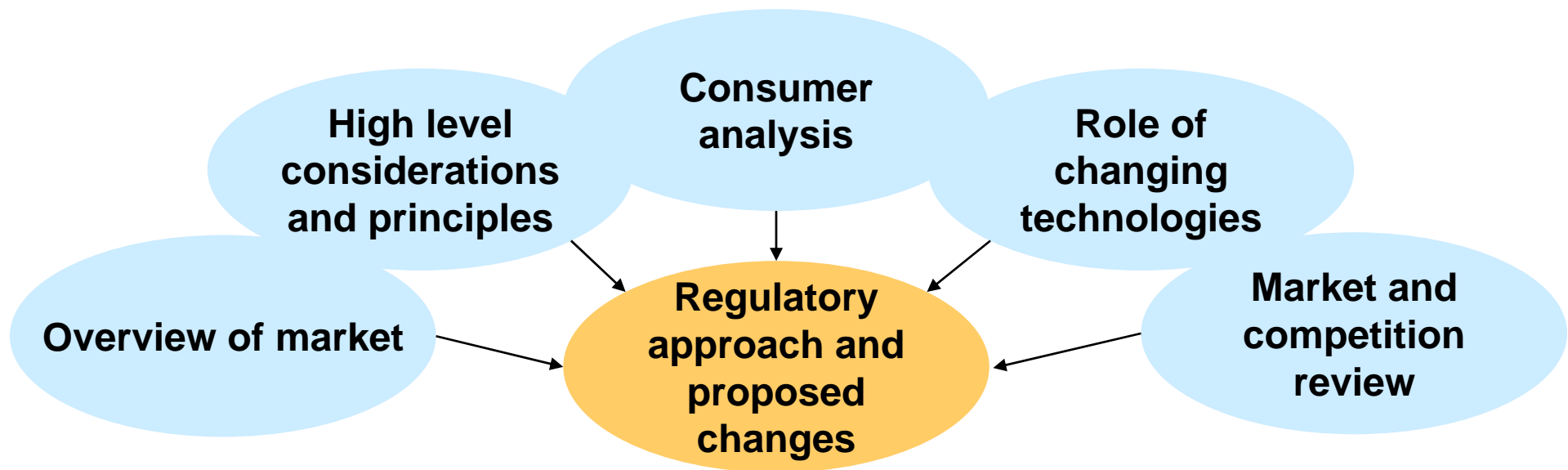
What did the first consultation document say? Purpose and building blocks

Purpose of the review:

- Stock taking exercise 4 years after the introduction of sector reforms
- Whether and if so how should retail regulation be amended to better suit market conditions? Are there other regulatory changes required?

High level option recommended: Option C

- Encourage facility-based competition over time and gradually withdraw from retail regulation at competition progress



What did the first consultation document say? Main proposals put on the table

Based on the issues and problems identified through the competition and market analysis, we proposed:

Ex ante retail regulation:

- Replacement of tariff approval process by a lighter and better targeted notification process
- Formal retail price control for some markets
- Removal of tariff approval for mobile

Ex ante wholesale regulation:

- LLU study
- Carrier selection
- On-going monitoring and improvements of processes and offers

Market entry conditions:

- Facilitate MVNO provisioning
- Removal of mobility restriction of NFSWL
- Spectrum policy review

Other initiatives:

- Number portability
- Competition law guidelines
- Data collection and dissemination

TRA's ongoing work and next steps

On-going work to:

- Analyse responses and amend our position where warranted
- Refine our analysis and proposals
- Define a realistic roadmap regarding the development and implementation of ex ante retail remedies and other changes

Next steps:

- February 2008: Release of second consultation document for comments
- One month consultation period
- March/April 2008: After consideration of responses, release of Final Document
- Afterwards: implementation of the outcomes of the review

Summary and Next Actions

- TRA focus has to be in line with the Law protecting the consumer, promoting effective and fair competition and satisfying ourselves of the competency of new applicants for Licences
- TRA has a detailed road map which will be refined as a result of the Strategic review
- In addition we will be carrying out our day to day activities of managing spectrum applications, equipment approvals, complain handling etc
- In order to achieve a win – win situation for all the market has to continue to grow
 - What practical actions can we collectively take to assist in this process?
 - What role if any does TRA play in this process?
 - Would it help to present to the new Business and Consumer Groups et al?
- In terms of raising knowledge within the licensees in respect to regulations, rights and obligations would you like to have more briefing sessions? E.g.:
 - Consumer Protection & Consumer Contracts
 - Telecommunications Law and your Licence?
 - RIO/RAO?
 - ?

Task Name	2008												2009									
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Strategic market review	[Bar chart showing activity from Sep to Mar]																					
Ensuring equal access to public land	[Bar chart showing activity from Sep to Feb]																					
Review of duct rental prices	[Bar chart showing activity from Dec to Apr]																					
Review of international links (IPLC) tariffs	[Bar chart showing activity from Dec to Apr]																					
Review of bitstream charges	[Bar chart showing activity from Sep to Apr]																					
Review of weighted average cost of capital	[Bar chart showing activity from May to Oct]																					
Local loop unbundling (feasibility analysis)	[Bar chart showing activity from Sep to Mar]																					
Market data collection and publishing	[Bar chart showing activity from Sep to Dec]																					
New framework for radio spectrum	[Bar chart showing activity from Sep to May]																					
Licensing of new radio spectrum	[Bar chart showing activity from Mar to Dec]																					
Decision on introduction of MNO/MVNO	[Bar chart showing activity from Sep to Mar]																					
Number portability	[Bar chart showing activity from Oct to Dec]																					
-> Trial (Number Portability)	[Bar chart showing activity from Sep to Oct]																					
Consumer rights protection framework	[Bar chart showing activity from Sep to Apr]																					
Reform of retail price control	[Bar chart showing activity from Sep to Aug]																					
Framework for unified licensing	[Bar chart showing activity from Sep to Feb]																					
Review of the numbering plan	[Bar chart showing activity from Sep to Feb]																					
Review of the type approvals regime	[Bar chart showing activity from Sep to Mar]																					

- Collectively we have a significant responsibility in support of the economic development of Bahrain
- Seeing Bahrain as a center for regional and international business is key to achieve economies of scale
- Resistance to change by some, will only hinder benefit to all
- Naturally there will be winners and losers
- It will only be by working professionally as a team will we maximise our collective success and minimise failures



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