

# STATEMENT

## On Additional Mobile Licenses Consultation

### **The possibility of issuing additional mobile licenses in the Kingdom of Bahrain**

A Statement issued by the Telecommunications  
Regulatory Authority

13 May 2007

**Purpose:** To provide an update of the progress of the Consultation by the Telecommunications Regulatory Authority on the issuing of additional mobile Licenses in the Kingdom of Bahrain.



هيئة  
تنظيم  
الاتصالات  
Telecommunications  
Regulatory  
Authority

# STATEMENT

## On Additional Mobile Licenses Consultation

### 1. Purpose

The purpose of this Statement is to keep stakeholders informed about the progress of TRA's consideration of the potential scope for issuing additional Licenses in the mobile telecommunications sector of the Kingdom of Bahrain.

In its Consultation on "The possibility of issuing additional mobile Licenses in the Kingdom of Bahrain", issued on 3<sup>rd</sup> July 2006, TRA considered two related choices:

- Whether to issue a further mobile License or Licenses; and
- Whether any such Licenses should be for Mobile Network Operators (MNOs, as with Batelco and MTC) or Mobile Virtual Network Operators (MVNOs) or both.

Nine responses were received. A report on the responses to the Consultation Document is issued separately (TOD/0507/062). This document provides a summary Statement.

### 2. Summary of Consultation

TRA has reviewed the nine responses to the Consultation document and carried out further analysis of the expected costs and benefits from entry in the mobile telecommunications sector in the Kingdom of Bahrain. The responses received as part of that Consultation have significantly enhanced TRA's analysis of the issues concerned.

In its initial assessment, TRA has reached the following preliminary conclusions:

- Batelco has argued that additional mobile Licenses, of any kind, should not be issued until a formal market review has been completed and any decisions as to market dominance made. Additional Licenses should, it is argued, be issued only if it can be categorically demonstrated that the market is not effectively competitive. TRA does not accept this assertion. Freedom of entry is characteristic of competitive markets. TRA remains firmly of the view that regulatory barriers to entry should be removed wherever they serve no purpose in benefiting competition and consumers. One such regulatory barrier to entry is the requirement for Licenses.
- The expected consumer benefits for present and future consumers from increased competition in mobile telephony are likely to be significant. In particular, the available evidence on prices suggests that there is room for additional competition in the Bahraini mobile market, which could be expected to lead to lower prices for consumers than would

# STATEMENT

## On Additional Mobile Licenses Consultation

otherwise be the case, without threatening the financial viability of existing players. These benefits are likely to materialise over a period of time.

- It is not clear that nation-wide, infrastructure-based entry by an additional mobile network operator, employing technology similar to that currently in use by the incumbents, would be feasible at the present time, especially given the expected time that it would take such an operator to build a viable market share.
- Entry by mobile virtual network operators (MVNOs) would yield lower (though strongly positive) social benefits than a mobile network operator (MNO) but would appear to be considerably more attractive for potential entrants.

The analysis that lies behind these conclusions is set out more fully in the document TOD/0507/062.

Thus, in summary, it appears to be the case that the potential social benefits from additional competition could be significant, but the extent to which these benefits could be realised through competitive entry is not clear. This indicates that there are may be further impediments to competition that may require investigation.

While the Consultation has been in progress there have been developments implying that both actual competition and the potentialities for competition could be intensifying. In particular:

- There has been a significant degree of technical progress which has led to the convergence of technologies for providing various kinds of telecommunications services. This has created additional possibilities for entry into the mobile sector. For example, technology standards originally designed to provide fixed wireless (nomadic) services may be relatively easily adaptable to the provision of mobile services.
- International experience has demonstrated both the versatility and the limitations of the MVNO model. Entry by MVNOs and their relationships with the network operators that supply them may take different forms, but TRA notes that regularisation of such relationships using agreed codes of practice can be successful.
- There have also been relevant developments in best practice regulation of spectrum which may have significance for the development of competition. TRA has not yet fully analysed these aspects of the changing mobile sector.

# STATEMENT

## On Additional Mobile Licenses Consultation

In addition, it is probable that service providers will seek to supply mobile telephony as resellers insofar as they are able to do so under the Telecommunications Law and present licensing arrangements. Such entrants may in some cases bear a resemblance to suppliers known as “thin MVNOs”.

Since the initiation of this Consultation, TRA has committed to undertaking a comprehensive strategic review of the telecommunications sector. As part of the review, TRA will be considering the impact of convergence of technologies and service functionality. TRA has also received several indications of interest in the assignment of spectrum for uses employing novel technologies. These developments significantly impact on the analysis carried out in consideration of the issuing of additional mobile Licenses, and consequently on any final decisions made.

TRA therefore considers that, on balance, it is preferable to wait until the Strategic Review has been carried out before concluding this consultation process.

### 3. Next steps

TRA intends to delay its decisions on the possibility of additional mobile Licenses until the completion of the strategic and market reviews. This is expected to be in the summer of 2007. Until then, TRA will issue no Licenses for MNOs or MVNOs.<sup>1</sup> TRA will formulate and consult upon its chosen approach at an appropriate time following completion of the strategic review.

TRA considers, however, that entry by subcontractors or affiliates, who may have some of the characteristics of “thin MVNOS” may occur without the issuing of such Licenses being required under the Telecommunications Law.<sup>2</sup> TRA encourages industry players to develop and propose possible terms and conditions for network access.

---

<sup>1</sup> The Law defines two types of telecommunications License: a Class License and an Individual License. Operating a mobile telecommunications network (“MNO”), or providing services as a type of mobile virtual network operator (“MVNO”), will require an operator to have an Individual License. As set out above, a mobile telecommunications network operator will also require a frequency License.

<sup>2</sup> The existing mobile licenses state that the licensee is allowed to provide its services through a subcontractor or affiliate, provided, however, that the licensee remains fully liable for any obligation arising in relation to the provision of such licensed services. Such a subcontractor or affiliate does not need to obtain a telecommunications License, however any such agreement between the licensee and subcontractor or affiliate must be in writing and approved by TRA. Such a subcontractor or affiliate should comply with all relevant laws of the Kingdom of Bahrain, including, if necessary, any laws relating to agency.