



Date: June 30<sup>th</sup>, 2009

**Mr. Alan Horne**  
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Dear Horne,

**Subject: Comments on the Retail Tariff Notification Framework Documentation**

Please find enclosed with this letter the response of Zain Bahrain to the public consultation issued by the TRA on the above subject dated 31<sup>st</sup> May 2009.

Should you require additional information or clarification, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jaffar Abdulla", written over a light blue circular stamp.

Jaffar Abdulla  
Manager, Regulatory & Interconnection

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Zain Bahrain Response to the TRA Consultation on the

**“Consultation on Retail Tariff Notification Framework”**

Issued by the Telecommunications Regulatory Authority on 31<sup>st</sup> May 2009

June 30<sup>th</sup>, 2009

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This response to the consultation is submitted by:

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#### **1- Comments on the Draft Statement, LAU/0509/123 of 31 May 2009**

***Question 1: Do you have any comments regarding the rationale for and objectives of allowing fixed line tariffs to move closer to costs? Please elaborate.***

Zain Bahrain agrees with the rationale and objectives for allowing fixed line tariffs to move closer to costs. Most importantly, this will provide the funds necessary to maintain and build infrastructure and also gives the correct price signal to new entrants.

***Question 2: Do you have any comments regarding access to and affordability of basic voice telecommunications services? Please elaborate.***

Zain Bahrain agrees with the TRA's approach that low income users should not be significantly affected by access to and affordability of basic voice telecommunications services, in particular given the availability and substitutability of mobile services for fixed line services. Nevertheless, (see question 4 below) Zain Bahrain supports the introduction of a neutral stand-alone subsidy to aid low income households/individuals who may be negatively affected by tariff rebalancing, in that this would not affect competition in the telecoms field, but would still provide assistance for those with low incomes who may require it.

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***Question 3: Do you have any comments regarding the proposed broad parameters for Batelco to prepare a rebalancing plan? Please elaborate.***

Zain Bahrain supports the broad parameters for Batelco to prepare a rebalancing plan, in particular that this should be spread over a few years; that there is no carry over, and that Batelco move to elapsed time charging.

With regard to point number 21 of this Draft Statement "...It is also important that incumbent operators earn a reasonable return overall in order to generate and attract sufficient capital to both maintain and build infrastructure ...", Zain Bahrain has not noticed any commitments from Batelco to invest nor any requirements directed to Batelco from the TRA, that Batelco should invest in its Fixed Services infrastructure in Bahrain after generating more revenue from the customers by increasing the retail tariffs, although Zain Bahrain believes that this is one of the main objectives of this Draft Statement.

***Question 4: Do you have any comments regarding the proposed approach to deal with the needs of low income users? Please elaborate.***

As mentioned above, Zain Bahrain agrees that some kind of subsidy should be in place in the event that any low income households/individuals are negatively affected by tariff rebalancing. Zain Bahrain agrees that this should be a direct demand-side subsidy, as proposed by the Government, in order to avoid distorting competition.

***Question 5: Do you have any comments regarding the proposed tariff monitoring framework? Please elaborate.***

No. The tariff monitoring framework is clearly and rationally explained.

## **2- Comments on the Draft Regulation on the Retail Tariff Notification Regime, contained within the Consultation Document, LAU/0509/118 of 31 May 2009**

Zain Bahrain considers that the proposed notification process is sound and well-thought out. In particular, the duration of the notification period and the steps involved seem appropriate. Zain Bahrain considers that an eventual move to same-day implementation is sensible. The rules proposed and the forms of draft Determination are also appropriate. The one area in which Zain Bahrain has concerns, relates to the draft Notification Form ("the Form") (document LAU/0509/121) which appears unduly burdensome on notifying licensees due to the volume of information it requires. One such situation is the need to provide considerable data as proof of passing each 'test'



and, for example, data on the required return on capital. However, Zain Bahrain appreciates the advantage of ensuring that the Form includes sufficient data so that notifying licensees and the TRA can quickly establish whether each 'test' is passed, and in so doing, licensees need only consider implementing, and notifying suitable new tariffs and packages.

We do propose, however, that the TRA add Article 5.3 to the Articles that have been mentioned in Article 5.8, that is: to inform the Notifying Operator of the TRA decision “the Notification deemed to have lapsed and the Notifying Operator is prohibited from applying the Notified Tariff” since the TRA has received no reply from the Notifying Operator within thirty (30) Days.

### **3- Comments on the Draft Retail Tariff Notification Guidelines, document LAU/0509/120 of 31 May 2009**

With respect to Figure 1: Decision tree diagram – under the box: “(Do you have SMP in the market for this product OR the market for one of the bundled products / the tying product?), in both cases (Yes and No), the decision is to notify the TRA. Zain Bahrain believes that if the “No” track is selected, the outcome should read (DON'T NOTIFY) rather than (NOTIFY).

***Question 1: Do you agree with the proposed approach outlined above, in terms of when tariffs should be notified under the Regulation by SMP operators and the treatment of tariffs subject to a rebalancing plan? Please elaborate.***

Zain Bahrain agrees with the TRA's approach regarding when tariffs should be notified by SMP operators and the treatment of tariffs subject to rebalancing. Zain Bahrain considers it is appropriate to include non-price terms which could have an effect on the effective price of a product, such as changes to quality of service and minimum call periods.

***Questions 2: Do you agree with the proposed test for the no undue discrimination notification rule? Is it clear how to calculate tariffs and costs for the purposes of performing this test? Are the***

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*requirements to pass the test clear? Please elaborate. If you have suggestions and comments regarding these questions please be as specific as possible.*

***Question 3: Do you agree with the proposed test for the excessive pricing notification rule? Is it clear how to calculate tariffs and costs for the purposes of performing this test? Are the requirements to pass the test clear? Please elaborate. If you have suggestions and comments regarding these questions please be as specific as possible.***

***Question 4: Do you agree with the proposed test for the margin squeezing notification rule? Is it clear how to calculate tariffs and costs for the purposes of performing this test? Are the requirements to pass the test clear? Please elaborate. If you have suggestions and comments regarding these questions please be as specific as possible.***

***Question 5: Do you agree with the proposed test for the predatory pricing notification rule? Is it clear how to calculate tariffs and costs for the purposes of performing this test? Are the requirements to pass the test clear? Please elaborate. If you have suggestions and comments regarding these questions please be as specific as possible.***

***Question 6: Do you agree with the proposed test for the no abusive bundling notification rule? Is it clear how to calculate tariffs and costs for the purposes of performing this test? Are the requirements to pass the test clear? Please elaborate. If you have suggestions and comments regarding these questions please be as specific as possible.***

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**Answers to Questions 2 to 6:**

Test	Do you agree with the test?	Is it clear how to calculate tariffs and costs for this test?	Are the requirements to pass the test clear?	Comments
<b>Q2. No undue discrimination</b>	Yes	Although the calculation methods and test requirements seem to be clear, Zain Bahrain believes that the operators need to be involved in workshops organized by the TRA to clarify all the calculation steps and the requirements. In fact, it would be useful to walk operators through several sample exercises in order to demonstrate how the calculations are to be carried out and how the test requirements will be applied. If the requirements are not clear to the operator, then the operator will keep submitting incorrect information (albeit unwittingly) to the TRA which will cause the operator's submitted offers to be rejected. The TRA would then be required to clarify these issues on case by case basis; therefore, it would be much more practical and extremely helpful if the TRA were to organize this training/workshop session for the SMP operators.		
<b>Q3. No excessive pricing</b>	Yes			
<b>Q4. No margin squeezing</b>	Yes			
<b>Q5. No predatory pricing</b>	Yes			
<b>Q6. No abusive bundling</b>	Yes			

***Question 7: Please indicate and explain what you believe would be an appropriate value threshold for the notification of specific negotiated agreements with large corporate customers. Please provide a justification (in the form of bill distribution for example). Do you agree with TRA's proposal for dealing with specific installation charges for leased line services?***

**(a) Large corporate customers**

Zain Bahrain considers the value of a corporate is either on the BD value that it will generate or on the number of lines that they required from the operator:

- BHD 10,000 per month, or
- 300 lines and more,

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That both scenarios would be an appropriate threshold above which specific negotiates agreements with large corporate customers should be notified to the TRA pursuant to the tariff notification process.

**(b) Leased lines**

Zain Bahrain considers that the approach suggested by the TRA seems reasonable.

***Question 8: Do you agree with the above guidance on the measurement of tariffs and costs? Please elaborate. Do you agree with the proposed sensitivity analysis outlined above? Please elaborate.***

**(a) Guidance on tariff and cost measurements**

Zain Bahrain's comments on the tariff and cost measurements are set out in relation to questions 2 -6 above. Kindly take note of Zain Bahrain's suggestion with respect to Questions 2 – 6 that a workshop organized by the TRA would be useful for the industry as a whole.

**(b) Sensitivity analysis**

This is clear and appropriate.

Sincerely,

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Jaffar Abdulla

Manager, Regulatory & Interconnection

June 30<sup>th</sup>, 2009

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