



Moulding
Competition

TRAnSforming into a Competitive Environment



Promoting fair and effective competition

There were a number of regulations issued during 2004 that were aimed at improving the competitive environment. In addition, other initiatives were started to examine further regulation that may be required. The aim of the TRA was to create a regulatory framework that ensured operators could compete fairly with no barriers to market entry, and that operators, investors and users benefited from liberalisation.

Carrier Pre-Selection

On 14 June the TRA issued the final regulation on Carrier Pre-Selection (CPS). CPS allows consumers to pre-select a menu of different operators for different types of service they may wish to use. For example, a consumer might select one operator for domestic calls, and a different operator for international calls. This allows consumers to reap the full benefits of competition by enabling them to choose the combination that suits them, on grounds of price, quality and facilities on offer.

As always, there was a period of consultation before the final regulation was introduced. The draft regulation was issued for consultation on 28 March, following the first consultation on key aspects of CPS at the end of 2003. A total of 14 responses were received, and these influenced the shape of the final regulation.

The regulation itself was groundbreaking in that it also set up the first Consumer Advisory Group. The purpose of the Group was to make recommendations to the TRA on various aspects of CPS, including a

code of conduct. Details about the Group are given in the next section on Working for Consumers.

Accounting separation

The final Accounting Separation Regulation was issued on 2 August, following two stages of consultation. This requires all companies operating telecommunications services in Bahrain to submit separate financial reports for each separately licensed activity, unless an exemption is granted on specified grounds. Batelco, for example, holds 9 separate services licences. The Regulation sets out the basic recording and reporting framework for regulatory financial information.

These regulatory reports are an essential part of ensuring fair competition in the telecommunications market. They allow the TRA to assess the situation in relation to costs of services offered, and enable competing and potential operators to have the necessary confidence that their dominant counterparts do not cross-subsidise their services in an anti-competitive manner. The TRA is able to use the information to monitor whether the tariff charged for a service is reasonable and based on the real costs of providing that service. This prevents operators offering services in both competitive and non-competitive markets from using profits made in non-competitive ones to cross-subsidise, and thus offer below costs, services in markets where they face competition. Cross-subsidisation of this nature has potentially serious anti-competitive implications.

Accounting separation also gives companies considering investing in the Bahrain

telecommunications industry confidence that they will not encounter this type of anti-competitive behaviour as a new market entrant. The TRA can thus carry out its duty of monitoring the market more effectively and apply standards in line with best practice in world telecommunications.

The TRA undertook a review of Batelco's regulatory accounting procedures during the year. With the advent of accounting separation and the growth in competition, it is particularly important these are robust and rigorous.

Mergers and acquisitions

Another Regulation that ensured the competitive environment in the Kingdom of Bahrain would be furthered, concerned mergers and acquisitions. The Mergers and Acquisitions Regulation in relation to telecoms was published on 28 September and came into effect on 1 October. It put in place a number of safeguards to protect the interests of both consumers and other competitors when various structural changes in the industry occur. These include mergers, acquisitions and alliances to set up joint ventures between different entities.

Under the Regulation, in line with regulators worldwide, the TRA is able to analyse all such transactions before they go ahead. Where the TRA considers that the proposed transaction could adversely affect the competitive structure of the telecoms industry in the Kingdom, thereby putting consumers at a disadvantage, the Authority has the power to prohibit the potential transaction or impose conditions intended to remove the potential anti-competitive concerns.

As with all other Regulations, there was a series of consultations before the final Regulation was issued. The aim was to ensure that it was fair, workable and in line with the best international practices of well-established telecommunications and competition regulators elsewhere.

Market dominance

Under the Telecommunications Law, an operator determined to be dominant in a relevant telecommunications market may be required to offer other operators holding an appropriate licence access

to its telecommunications network and services on fair and reasonable terms. A licensee in a dominant position is one who is able to act independently, to a material extent, of competitors and users in the relevant market.

At the end of May the TRA began consulting in order to determine market dominance for certain sectors of the Bahrain telecommunications industry and the terms on which access services should be offered.

This was an important initial step in promoting fair competition and attracting new market entrants. It enables new operators and providers of services not requiring a network of their own – for example value added services (VAS) and internet service providers (ISP) – to enter the market with confidence. Market entrants can build their services and business models on Batelco's services. They can also resell Batelco's services, adding value in ways that increase the choice for end users.

The consultation also addressed issues of access to directory enquiries, emergency call services and international direct dialling (IDD).

Local loop and related facilities & services

The 'local loop' is the connection between a subscriber's premises and the network operator's distribution point at the local exchange. In June the TRA started consulting on the issue of new market operators having access to the 'local loop' of the incumbent operator, Batelco, which is likely to be dominant in this part of the market for some time. The consultation sought views on the options for giving other licensed operators access to these facilities and services.

Defining fair and reasonable terms for access is critical to stimulating competition in:

- Fixed telephony services
- Leased lines
- Switched data services
- Dial-up or broadband DSL (Digital Subscriber Lines) internet access.

The specific facilities and services being considered in the consultation were wholesale DSL, simple DSL

resale, unbundled local loop (ULL), sharing of wiring ducts and sharing of other elements of the physical infrastructure.

The TRA has received the comments on the consultation and will be publishing the report in 2005 along with the relevant draft regulation.

Numbering plan

Another potential barrier to competition can be a restriction on the supply of telephone numbers or control of their use in a way that favours one operator over another. In Bahrain steps have been taken to remove both obstacles.

At the end of 2003 the TRA introduced the new 8-digit National Numbering Plan. The key feature of the 8-digit format is its stability. It secures a pool of a hundred million numbers for Bahrain, which should satisfy present and future demand. Nowadays people may require several numbers each – a fixed phone number at home, a separate fax number, a mobile number, office number, pager number, separate internet connection, and so on. Many countries, including the UK, have had to change their numbering plan more than once within a decade.

From December 2003 to the end of May 2004, there was a period of parallel running when both old and new numbers were operating. This gave subscribers in Bahrain an opportunity to become familiar with the new system and change all signage, stationery and other listings. It also gave callers from outside Bahrain the opportunity to update their contact details for the Kingdom.

The TRA, together with Batelco and MTC-Vodafone Bahrain, launched an awareness campaign—“The Numbers”. This raised the awareness of the numbering change in the Kingdom through extensive media coverage, including press ads in local and regional media, as well as the distribution of posters in public access areas such as hospitals, schools and post offices. The campaign also published a guide with detailed steps that needed to be taken by both residential and business customers in preparation for this change.

From 1 June 2004 the old system ceased to operate. Subscribers dialling an old number in error received a recorded message giving instructions on how to derive the equivalent new number.

The TRA owns and administers all Bahrain telephone numbers. Although there are now plenty of numbers available, they need to be carefully managed to avoid any wastage, to allow flexibility, and to encourage innovative services in the future. This will ensure that Bahrain’s consumers avoid any further disruption in the long term and the sector can develop modern telecommunications services without any constraints or anti-competitive behaviour caused by restricted access to numbers.

The TRA conducted a full review of the plan, which resulted in the publication of an updated National Numbering Plan on 26 June 2004. This was to clear the plan from redundant provisions that applied to the period before June 2004.

