

11th February 2016

CONFIDENTIAL

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To:

General Director

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Subject: Response to TRA Market and Competition Review of the Retail Market for International Outgoing Calls from Bahrain

Q1. Do you agree with the Authority's definition of the market for international outgoing calls from Bahrain? If not, please explain why.

Combining Fix and Mobile outgoing calls market results in increase in the advantage Mobile license operators currently have over Fix license operators. Fix market had declined as stated in the document, which in turn reflects the market power mobile license operators have over fix license operators.

Q2. Do you agree with the Authority's view that that no operator holds SMP in the retail market for international outgoing calls from Bahrain? If not, please explain why

Authority neglected to include operators that had to exit the market due to Mobile originated traffic increase (ex: Ascentech, ElephantTalk and BCN) in the study. Those operators were mainly dependent on PPCC. With aggressive rates introduced by Viva to generate market share and the response taken by Batelco and Zain to maintain their market share was the main reason for such operators to abandon the market. This highlights the decline of market share that fix license operators encountered (Mena and Kalaam), plus reducing or completely eliminating the possibility of any new entries to the international outgoing calls market.

Although OTT is not yet established for fix nonresidential customers, future trends shows that technology is rapidly evolving to provide VoIP services that will decrease fix outgoing calls revenue more.

While no single operator has SMP, it should be noted that this market must still be regulated as mobile operators are using their market power as a loss-lead (through cross-subsidisation) to grow market share. This has disrupted the market dynamics and driven operators out of business.

Q3. Do you agree with the Authority's overall conclusions and the resulting implications? If not, please explain why.

Mobile operators should be considered SMP and provide regulated Wholesale rates to other operators in order for fix license operators to be competitive in the international outgoing calls market.