

Unofficial translation only

The Second National Telecommunications Plan

The Prime Minister

The Kingdom of Bahrain

**Decision No. (8) of 2008
Regarding the Second National Telecommunications Plan Approval**

The Prime Minister:

After reviewing the Telecommunications Law issued by Legislative Decree No. (48) of 2002,

In particular Section (15/a) of the Law,

And Royal Decree No. (1) of 2008 with respect to naming the Minister responsible for the telecommunications sector,

And based on the recommendation of the Minister responsible for the telecommunications sector, after consulting with the Telecommunications Regulatory Authority (TRA),

And after approval of the Council of Ministers,

Determines the following:

The First Article

The Second National Telecommunications Plan attached hereto is deemed to be approved and takes effect for three years.

The Second Article

The Minister responsible for the telecommunications sector, shall monitor the implementation of this Decision, which shall take effect on the day following the date of its publications in the Official Gazette.

Deputy Prime Minister

Mohammed bin Mubarak Al Khalifa

Issued on: 6 Safar 1429 (h) (13 February 2008)

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THE SECOND NATIONAL TELECOMMUNICATIONS PLAN

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**THE SECOND NATIONAL TELECOMMUNICATIONS
PLAN**

1. Introduction

In 2003, The Kingdom of Bahrain embarked on a process of liberalisation of telecommunications and the first National Telecommunications Plan¹ guided the initiation of that process. The first Plan established the policy of the Government to create a free telecommunications market environment that would be increasingly attractive to private sector entrants. Government policy is that Batelco should be encouraged to thrive by responding constructively and fairly to competition, pursuing greater efficiency, and grasping new business opportunities. The Telecommunications Regulatory Authority (TRA) has been established as the independent regulatory body for the telecommunications sector under the Telecommunications Law². It is independent and operates in a transparent and consultative way.

The first National Telecommunications Plan emphasised: the implementation of liberalisation; the establishment of the licensing regime and the issuing of licenses, including spectrum licenses; the requirement of universal service; and the role of TRA.

This second National Telecommunications Plan sets out the requirements of the Government for the further development of the sector over the next three years. It sets out the policies for the regulation and development of the telecommunications sector. In particular it is an objective of the Plan to further assist the telecommunications sector to become a major force in the development of the national economy. The Plan supports meeting the requirements of international agreements.

This Plan is prepared by the Minister with responsibility for the telecommunications sector in consultation with TRA as is envisaged in the Section 15 (a) of the mentioned Telecommunications Law. TRA, shall act in a manner that is consistent with the objectives of this National Telecommunications Plan. As it is stated in the Section 3 (e) of the Telecommunications Law, this requirement shall not be construed to derogate from the independence of TRA in accordance with the provisions of the Telecommunications Law.

¹ Decision No. (33) of 2003, Regarding the National Telecommunications Plan, 20th July 2003.

² Legislative Decree No.48 of 2002, Promulgating the Telecommunications Law, 23rd October 2002.

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2. The overall objectives of Government policy for telecommunications

The Government aims to further develop an integrated and innovative telecommunications environment that will enable businesses to establish, invest and thrive, and make Bahrain the natural choice for the location of international businesses operating in the Gulf. At the same time, consumers and businesses should reap the benefits of the development of telecommunications technologies, both in terms of the services they consume and the capabilities they need, to realise their personal and business potential. Consequently telecommunications services need to become increasingly available and internationally more competitive in terms of the range of services offered as well as prices.

The Government recognises the need to enhance the institutional framework and powers that will enable the actions required for the objectives of the Government to be successfully achieved.

The Government requires TRA and other authorities within the remit of their mandates to:

- Involve consumers and businesses in the development of the regulatory framework and policies for the sector, in particular with regard to consumer protection;
- Develop competition in telecommunications, including both infrastructure and access services, and enable it by ensuring that barriers to entry for all forms of competitors are minimised and by taking steps to maximise economic efficiency in using scarce resources, in particular the electromagnetic spectrum and access to land;
- Promote active investment by the private sector in telecommunications infrastructure;
- Enhance the use of the Internet and broadband amongst all users at internationally competitive prices;
- Develop the legislative, policy and regulatory environment to take account of convergence in technology and services.

3. Involving the user

An objective of telecommunications policy is to improve, either directly or indirectly, services, terms and prices for the users. The continued development of competition in the market will result in the natural evolution of greater protection for users as choice and the freedom to change a provider encourages a greater emphasis on customer service.

The Government recognizes that in a generally competitive environment, markets might fail to ensure protection of all the interests of the consumers, e.g. consumers may lack the information that is necessary to make decisions in their best interests. The Government requires TRA to address these concerns, e.g. by improving availability of appropriate information on service offerings.

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Increased education and awareness is also required in order to raise the level of use and competitive supply of telecommunications technology and services. Greater utilisation of telecommunications services will in turn support the overall competitiveness of the Kingdom and in turn support economic growth.

The Government considers that in order to benefit users the entities which more generally represent them, such as the Bahrain Consumer Protection Association and the Bahrain Chamber of Commerce and Industry, should be appropriately involved in the development of the telecommunications sector. These entities should, for example, be able to assist the licensed operators and TRA by identifying how a market could better satisfy the interests of users.

The Government requires TRA to facilitate the development of fora and institutions which will coordinate customers' opinion, for both business and residential consumers.

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4. Continuing to develop the potential of competition

The liberalisation of the telecommunications market in Bahrain has already brought benefits to consumers by giving them greater and better choice of both services and service providers, as well as, in some instances, lower prices.

The Government recognises that the growth of competition is underway but has not yet reached full development. A significant amount has been achieved, during the period from 2003 to 2006, in laying the foundations for a regulatory environment to support sustained competitive supply of telecommunications services. The Government regards both the continuation of new entry into the market and the growth of existing entrants as important to achieving Government objectives. Therefore, the Government requires TRA to continue to remove or minimise all barriers to entry and expansion in the telecommunications market and support the achievement of an open market whereby market forces dictate the number of alternative providers and the wide range of services provided.

TRA must also continue to work towards elimination of opportunities and incentives for anti-competitive behaviour. TRA must continue to take measures to promote competition and ensure that wholesale products, including infrastructure sharing, are appropriately priced and regulated so as to encourage their proper and adequate provision. It is particularly important that opportunities for the use of the most innovative, versatile and efficient technologies are facilitated. The Government requires TRA to support industry in the use of any technology in the provision of facilities allowing both service and infrastructure competition.

Where competition has not developed sufficiently, and is unlikely to do so in the near future, the Government requires TRA to use appropriate instruments of regulation to ensure that consumers are not unreasonably disadvantaged in the period until competition is fully developed. Barriers that prevent customers from realising their right to choose should be eliminated wherever feasible. The Government expects TRA to consider adopting measures enhancing consumer choice. TRA should treat, as a priority the investigation as to whether the preconditions to implement number portability, as defined within the Telecommunications Law, have been satisfied or not.

The Government recognises that in order for competition to thrive and to deliver real long term benefits for citizens, policy and regulation should not deter investment or development of competition by mandating price structures that do not reflect costs of provision of respective services. Where traditionally integrated services (e.g., telephone line rental and call services delivered over that line) separate, these services should be adequately priced in accordance with the costs of these different services. The Government therefore supports implementation of regulatory measures and policies that maximise long-term consumer benefit, even where there may be some unavoidable short term costs. Therefore, the Government requires TRA to ensure that there is a full rebalancing of tariffs of fixed telephony (i.e., by eliminating cross-subsidies between different services provided by the dominant provider).

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The Government recognises the need to protect a low income user. Where charges are increased to cover costs it may be that certain sectors of the community cannot afford to pay for basic telecommunications services and do not benefit from the general decrease in prices for telecommunications services. The Government considers the availability of telecommunications services to the low income users should be tackled under the general social assistance without hindering the development of competition in the telecommunications sector.

TRA must balance the interests of different current and potential consumer groups, business, residential, present and future, high income and low income. TRA should regularly review the provision of services to check the development of the market and the effectiveness of its Regulations in achieving sustainable competitive services meeting the needs of the different consumer groups.

The Government requires economic efficiency in the use of scarce resources, in particular, spectrum and access to land. The Government believes that economic efficiency is best achieved by employing market-based mechanisms, based on or replicating performance of competitive market forces, for distribution of rights to use scarce resources. TRA therefore shall use both actual competition, and mechanisms that seek to replicate competitive outcomes, in designing the regulatory regime for telecommunications. The Government also requires the charges (such as administrative fees and charges) of using scarce resources to balance: administrative costs, encouragement of efficient use and economic benefits gained from their use.

5. Creating the right climate for investors

It is an objective to work towards Bahrain becoming a regional centre for telecommunications innovation with businesses and consumers benefiting from enhanced performance and access to the latest services, as well as from lower prices. Such an environment should assist telecommunications providers develop innovative services both for the Kingdom as well as regionally. At the same time, consumers will benefit from new telecommunications systems by gaining access to new media and different forms of knowledge and entertainment.

To support investment it is crucial that Bahrain has available diverse, high capacity and low cost international connectivity. All the relevant authorities shall ensure that there are no unjustified barriers hindering the development of such international connectivity. TRA shall monitor and review the market developments in this field and undertake necessary actions (including submitting relevant suggestions in this regard to the Government) in order to remedy identified market failures, hindering development of international connectivity.

The Government encourages telecommunications companies, and especially large network providers, to place national and international broadband connectivity, development and

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services at the centre of their business and investment strategies. TRA and other authorities shall ensure that the regulatory frameworks and policies support development of such broadband connectivity.

The Government aims to stimulate private sector investment in telecommunications and to develop the promising capabilities of entrepreneurs, especially young entrepreneurs, in establishing small and medium businesses in telecommunications and related sectors. The Government will seek ways, e.g. education and training programmes, in which to provide support in developing decision making and management skills as well as providing other support.

The Government will also continuously review administrative procedures and reduce red-tape in order to open the possibilities for investment, creativity and entrepreneurship. TRA will work with other relevant authorities to make the Kingdom even more attractive for research and development. In this respect, Bahrain's small and self-contained market may prove attractive in testing innovative and new technologies and business models.

The Government requires all the public authorities to use open competitive tendering processes when seeking telecommunications services. It is important that the Tenders Board vigorously monitors the procurement of telecommunications services in order to ensure openness of the Government procurement to all the players of the telecommunications sector.

The Government recognizes that information on plans for future development in the Kingdom, including information on physical planning, is an important input into assessing the viability of possible investments in telecommunications infrastructure. The Government requires that such information should be made available and transparent wherever possible.

The Government aims to ensure that all telecommunications providers have equal opportunities in investing in duct and similar physical infrastructure, and in attaining public notification of new developments that will require ducting and telecommunications cabling. The development of telecommunications networks is considered to be at least of the same importance as development of any other public infrastructure. The Government expects effective co-operation among the authorities concerned, in particular TRA and the Ministry of Works and Housing, in eliminating possible barriers to alternative infrastructure build-out. Public Utilities should seek efficiencies where feasible in sharing and coordinating infrastructure e.g. ducting and poles.

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6. Enhancing the use of the Internet and broadband amongst all users

Many sectors of the economy will only fulfil their full potential if they have access to high speed Internet connectivity at internationally competitive prices. The growth of Internet usage is reliant on the availability of reliable connectivity offered at prices that are internationally competitive. The Government requires TRA to establish the environment which will ensure that wholesale access is available to international capacity, backhaul, and customer premises, at prices that will encourage the uptake of services.

The Government of the Kingdom of Bahrain is one of the largest employers and spenders on telecommunications services. The Government seeks to ensure that the public sector uses this widespread involvement in the industry to promote the “information society” in all its aspects – health, education, administration and commerce – by demonstrating its benefits and easing its development. Specific measures will include supporting greater PC penetration in public sector organisations, hospitals, schools and libraries, and promoting broadband usage in the public sector. These activities will not only increase the efficiency of the Government but also play an important role in familiarising their users with electronic communication. The Government already has a number of electronic initiatives underway in e-learning, e-health, e-government and e-commerce. The Government will establish education and training programs that provide access to necessary knowledge and skills (especially amongst the young and the old) as well as support the development of public Internet access points such as those provided by internet cafés.

The Government will also promote broadband usage within public sector organisations. It will seek to develop ways of purchasing (for example the aggregation of purchases) that will reduce costs and increase demand for both service providers and infrastructure builders. Such actions will increase economies of scale and scope for the providers, willing to invest in the Internet connectivity, and further stimulate investment. The Government will also take the lead in encouraging growth of the private sector telecommunications industry by outsourcing the fulfilment of telecommunications needs of Government departments. These initiatives will provide a significant driver to competition in the provision of these services, as well as reduce Government costs.

7. Developing the regulatory environment to take account of convergence

One of the most significant factors that will encourage investment by international companies in Bahrain and the growth of the telecommunications industry in general is a stable and reliable regulatory environment, matching the market and technological developments.

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The Government recognizes that the rapid technological and market developments in telecommunications, including increasing importance of the use of radio spectrum, as well as, convergence among various historically distinct technologies, networks, and services, necessitate a review of the present institutional framework for the regulation of the sector. Therefore, the Government intends during the period of this Plan to review the present system and implement necessary changes. It is possible that the scope of TRA's responsibilities and powers may need to be adjusted in order to ensure that the converged information and communication technologies sector is regulated in a coherent manner.

The Government policies are in place to ensure the continuing independence of TRA in ensuring the development of consumer benefit, investment and competition. In all cases TRA will remain such an independent body.

The Government undertakes to dispose of the majority if not all of its shares within Batelco over the next three years. This will enable Batelco to operate with full independence from the Government and to be free to make wholly commercial decisions. The Government will continue to treat Batelco equally to any other licensed operator. Government ownership in Batelco is, and will continue to be, managed by a body clearly separated from policy and regulatory decisions and entrusted only with the financial management of its investment.

It is possible to foresee that rapid change in the telecommunications sector and in the constellation of activities in information and communication technologies sector as a whole may require important changes to the structure of regulation. Activities in these two sectors are increasingly "convergent" in terms of both the interdependence and technology neutral services and the range of technologies that can be used to supply them. It will be important to ensure that the regulatory regime leads, as far as is possible, to decisions that are technologically neutral.

Because of the necessity to adapt the policy, regulatory and institutional framework to the changing technological environment and market development the Government will review the Telecommunications Law during the period of this current Plan. In order to reflect the convergent nature of the information and communication sector and the need for a coherent development, the Government intends to adopt a comprehensive policy and strategy for the information and communication sector.