



Zain Bahrain's response to the public document regarding

**“Market and Competition Review of the Retail Market for  
International Outgoing Calls from Bahrain”**

Issued by the Telecommunications Regulatory Authority on 15 December 2015

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Zain Bahrain Ref. RI/1602/018

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This response to the Draft Determination is submitted via email to [MCD@tra.org.bh](mailto:MCD@tra.org.bh), by:

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The following is our feedback on the raised questions:

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

1. Zain does not agree with the Authority's definition of the market for international outgoing calls from Bahrain. The definition conclusion failed to include further considerations that would in Zain's view alter the market definition.
2. The Authority built the substitutability effect analysis based on
  - a. Traffic substitution
  - b. Revenue relation
  - c. Customer Survey
3. With regards the traffic substitution, Zain is of the view that looking at the trends in Figures 2 and 7 does not suggest that substitution exists between fixed and mobile originated international calls. The exponential sharp growth in the mobile originated internal calls are due to the elasticity generated by the effective competition witnessed between the mobile operators since the inception of 3<sup>rd</sup> mobile entrant. Whereas, the fixed originated international calls did not had the same countervailing traffic drop over the same period.
4. The still existence of almost stable traffic suggest that there is a specific customer segment are unlikely to substitute fixed originated international calls with mobile originated

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international calls despite the competitive rates offered in the mobile IDD. This means that there is no effective competition or substitution for that segment, which is the non-residential subscribers that cannot change their usage preference for many non-price factors with their existing service providers, Batelco.

5. Figure 8 is consistent with above interpretation. With the uptake of mobile IDD, only PPCC service on mobile and fixed have notably declined. Whereas fixed IDD seldom showed different pattern.
6. While 2008 SMP Determination did not segregate between residential and non-residential categories because the Authority sought at that time that potential competition and regulatory concerns for each category of users could be addressed without separate market definitions, Zain is of the view that this is not valid anymore, because of the obvious ineffective competition level in non-residential subscribers making international calls from fixed services. The Authority did not advise on what are the measures that will address those competition and regulatory concerns in the current draft determination.
7. With regards to the revenue relation on international calls substitution, it is notable that fixed IDD ARPM is still at much higher levels (almost 5 times) than the reset calls scenarios. This also indicates that the mobile originated international calls does not exert much constraints on fixed IDD retail prices.
8. On the other hand, the conducted customer surveys formed a sort SSNIP test to assess the service substitutability, although the Authority did not state that a formal SSNIP test was conducted in this exercise in Market Definition. Nevertheless, the test did not take into consideration:
  - i. That the finding of Paragraph 59 is not consistent with Figure 8 and 9. In which, fixed IDD traffic remained idle at both point when mobile IDD ARPM was at BHD 0.08 in 2008, and when it reached close to BHD 0.02 in 2014
  - ii. That substitutability in the economic literature states that it should work both ways. Then the question that should have been addressed in the



customer surveys is that if the customer (residential and non-residential) susceptible to shift to fixed originated international calls if mobile originated international calls price increased by 10%. This would have indicated how much really consumers precise each option as a substitute rather than last resort.

iii. That the market definition based on this customer survey *Per Se*, in Zain's view is leading to a Cellophane Fallacy situation. Where, there may appear to be a large number of potential substitutes at a prevailing price (mobile IDD, mobile PPCC and OTT VoIP). However, given that the prevailing price is above the price level that would emerge in a competitive market, it is not the case that all these apparent substitutes form part of the same market.

9. Zain does not agree with the Authority view to remain agonistic about OTT impact and exclude them from the relevant market definition, despite the fact that the results of customer surveys shows high level of current usage and potential substitutability. OTT is a prolonging issue and its impact on international calls traffic and revenues is evident. Therefore, Zain urges the Authority to include the OTT assessment in this determination.
10. Based on all of the above, Zain is of the view that fixed originated international calls, especially in the case of non-residential fixed IDD, requires a separate market definition.

*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.*

11. Zain does not agree with the Authority preliminary view is that the market is effectively competitive and that no operator holds SMP in the redefined retail market. Zain is of the view that there is no effective competition exists in the non-residential fixed originated international calls category, specifically fixed IDD.
12. With reference to Zain's answer to Q1, Zain is of the view that fixed originated international calls, especially in the case of non-residential fixed IDD, requires a separate



market definition. Therefore, Zain does not agree with the Authority's view that that no operator holds SMP in the retail market for international outgoing calls from Bahrain.

13. Zain of the view that Batelco's holds an SMP in non-residential fixed originated international calls. Accordingly, since the assessment did not factor any analysis of residential and non-residential categories, Zain's request the Authority to conduct further analysis on the traffic, market share and revenue patterns of Batelco's non-residential fixed originated international calls since 2008.

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

14. Zain does not agree with Authority's conclusions and the resulting implications for the reasons stated in the answers to Q1 and Q2. Nevertheless, Zain's agree with the Authority that the defined markets should not be separated by geographical destination (Zone).
15. Zain is of the view that Batelco holds an SMP in non-residential fixed originated international calls and accordingly Batelco shall be subject to tariff controls under Article 58 of the Telecommunications Law and the RTN Regulation in respect of such services.

Should you require further details, please do not hesitate to contact us.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Mohamed Yusuf", with a stylized flourish at the end.

Mohamed Yusuf  
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