



Regulatory Framework on Fixed and Mobile Services Licensing

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1. INTRODUCTION

- 1.1 Pursuant to the Telecommunications Act (the Act), the Telecommunications Bylaw (the Bylaw) and the Communications and Information Technology Commission Ordinance (the Ordinance), the Communications and Information Technology Commission (CITC), is the entity authorized to regulate the Information and Communications Technology (ICT) sector in the Kingdom of Saudi Arabia (KSA). The Act, enacted in June, 2001, and effective in December, 2001, provides the legislative foundation for developing and regulating the sector. The CITC Ordinance, effective in June, 2001, created the CITC and defines its functions, governance, and financing. The Bylaw was issued in July, 2002 and became effective immediately. The Bylaw provides for the regulation of the telecommunications sector by the CITC in the KSA.
- 1.2 In pursuing its goals of further liberalizing the ICT sector in the KSA, the CITC has reviewed the current industry and regulatory environment as well as anticipated future developments. This review has helped the CITC to develop a fixed and mobile telecommunications regulatory framework that is expected to foster the adoption of advanced applications and services at affordable prices, supported by a state of the art network infrastructure.
- 1.3 The current regulatory framework for fixed and mobile services needs to be updated in view of the need to achieve CITC objectives (as per section 3.3). This “Regulatory Framework on Fixed and Mobile Services Licensing” defines the overall approach to licensing.

2. DEFINITIONS AND DESCRIPTIONS

- 2.1 The words and expressions defined in the Commission Statutes shall have the same meaning when used in this regulatory framework. The following words and expressions shall have the meaning assigned to them below, unless the context requires otherwise.
- 2.2 “Facilities Based Provider” (FBP) means a service provider who builds, owns and operates a public telecommunication network.
- 2.3 “Fixed Services” are defined as electronic communications services between fixed or nomadic apparatus or stations.
- 2.4 “Mobile Services” are defined as radio communication services configured so as to permit full mobility of user terminals (radio stations), which permits a Subscriber within the mobile network to receive communications from or communicate with any apparatus or station. Mobile Services in this context shall exclude satellite Mobile Services.
- 2.5 “KSA” means the Kingdom of Saudi Arabia.

3. OBJECTIVES OF THE FIXED AND MOBILE SERVICES REGULATORY FRAMEWORK

- 3.1 Recognizing the importance and impact of the ICT sector on the KSA's economy and society, the Government of the KSA has taken steps to introduce competition. The CITC's intention is to further liberalize the ICT sector, and thus set the conditions for ending the remaining monopoly segment, namely fixed voice services; as well as issuing additional license(s) for mobile services.
- 3.2 Article three of the Act sets a number of objectives for the regulation of the sector.
- 3.3 In view of the Act, the CITC's policy objectives for the fixed and mobile services regulatory framework include:
- 3.3.1 Increase national coverage of ICT services and teledensity, particularly in broadband;
 - 3.3.2 Promote the affordability and availability of a wider range of high quality ICT services in the KSA;
 - 3.3.3 Increase competition in the ICT market and enable universal availability of advanced ICT services;
 - 3.3.4 Develop an effective and consistent new regulatory framework and associated policies that are needed to establish effective competition and a level playing field for existing and new licensees;
 - 3.3.5 Establish effective competition to ensure long-term demand-side benefits by attracting investment in this very capital-intensive sector; and
 - 3.3.6 Accommodate future trends in convergence to ensure the dynamic development of the ICT market in KSA.

4. CONSIDERATIONS

- 4.1 The CITC has analyzed the current stage of development of the ICT market and infrastructure in the KSA. The mobile market in the KSA has experienced tremendous growth. Mobile revenues now far exceed the revenues from fixed services. It is expected that this trend will continue including fixed to mobile substitution, to which the regulatory framework must adapt in anticipation of its potential consequences for investment in, and growth of the ICT sector as a whole. At the same time it is likely that fixed-mobile convergence will become a trend with service providers owning licenses for both mobile and fixed, thus being able to offer innovative converged products & services.
- 4.2 The ICT sector in the KSA also exhibits characteristics of under-investment in the fixed local access network infrastructure, resulting in very low broadband penetration.

- 4.3 The CITC believes that a sustainable and competitive ICT industry structure, characterized by universal access / universal service and availability of innovative products and services at affordable prices, is best achieved in a competitive environment including competition among access networks.
- 4.4 The CITC's regulatory framework, licensing terms and conditions and requirements for license application are intended to promote investment in building network infrastructure that provides increased bandwidth, especially in the access network.
- 4.5 The CITC believes that the current licensing regime for fixed and mobile services, which is mostly technology specific and service specific, must be revised. In determining the licensing approach to follow, the CITC considered two options:
- a) Either promote a technology-neutral, service-specific regime for the issuance of new fixed and mobile licenses; or
 - b) Promote a fully converged licensing regime that is both technology and service neutral.
- 4.6 Considering the current stage of development of the fixed and mobile markets, the CITC believes that it should first migrate to a technology-neutral service-specific regulatory framework. The advantage of implementing a technology-neutral, service-specific regulatory framework are as follows:
- a) It encourages investment in areas which are more aligned to the immediate policy objective of increasing teledensity.
 - b) It allows the CITC to pursue options for development of the fixed access networks before proceeding to a unified or converged licensing regime.
- 4.7 The CITC has also analyzed different options in terms of the geographical scope of the new facility based fixed and mobile services licenses. The options being considered were: a) to issue only national licenses, b) to issue only regional licenses, or c) to issue national and regional licenses simultaneously, with future licensed services providers having the right to choose which service area(s) to rollout.
- 4.8 In view of the current stage of development of the ICT market and infrastructure in the KSA, the CITC believes that allowing nation-wide licenses will encourage the entry of significant and robust players in the market, with financial and technical capabilities to commit to a nationwide rollout.
- 4.9 The CITC has also reviewed and assessed the comments received from the concerned parties in response to the Public Notice No. (7/1427) dated 19/03/1427H (17/04/2006) on the Proposed Policies Related to Fixed and Mobile Service Licensing in the KSA.



5. REGULATORY FRAMEWORK

- 5.1 The “**Technology-Neutral and Service-Specific**” approach is adopted for the overall regulatory framework. Over a period of time, and after reviewing the experience gained, the CITC may decide to move towards a technology-neutral and service-neutral regime (i.e. a Converged or Unified Licensing Regime).
- 5.2 Under the “Technology-Neutral and Service-Specific” approach, Fixed Services Licenses allow the licensees to use any standardized technology to provide Fixed Services but they are not allowed to provide Mobile Services. Similarly, Mobile Services Licenses allow the licensed service providers to use any standardized technology to provide Mobile Services but they are not allowed to provide Fixed Services.
- 5.3 Licenses will be awarded with “**National Coverage**”, with the licensees allowed to offer services across the KSA. The FBPs will be required to conform to the rollout obligation(s) specified in the license.