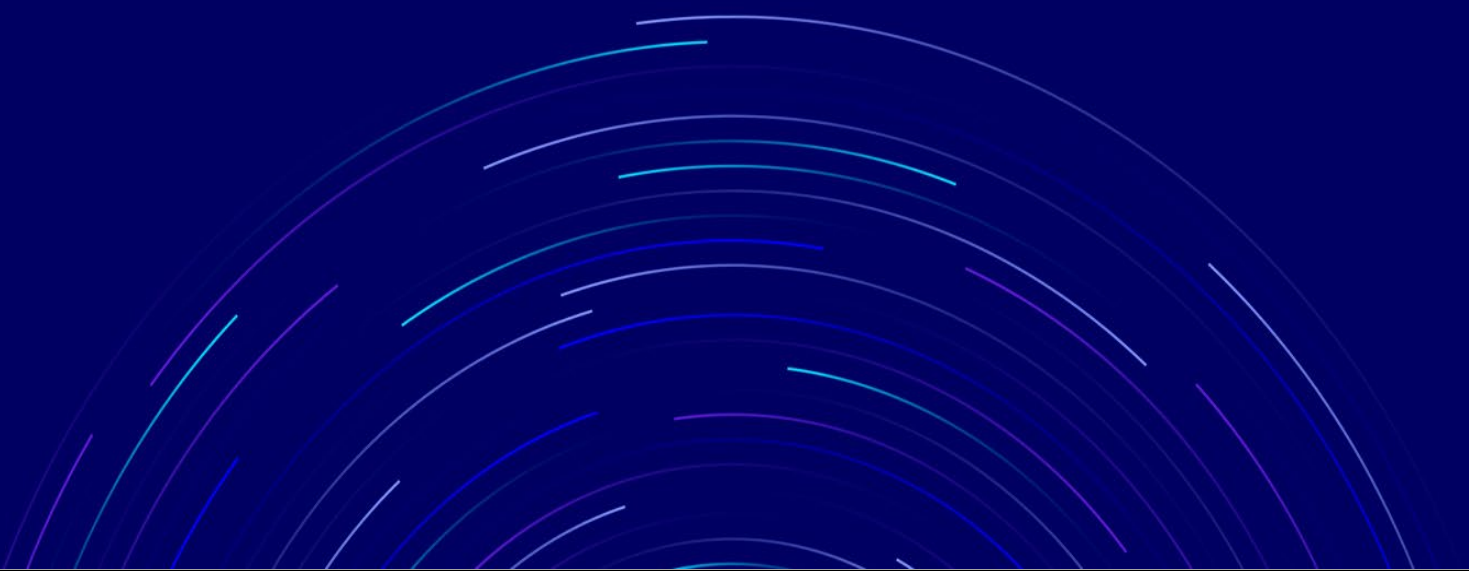


Regulatory Framework on Unbundling



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1. INTRODUCTION

- 1.1 The Telecommunications Act (the Act) states that “The Commission shall establish the terms governing public networks access rights, the interconnection points and the interconnected operators’ obligations.”
- 1.2 Unbundling allows one fixed service provider to lease facilities from another Fixed Facilities Based Provider (FBP) to offer Information and Communications Technology (ICT) services. This also provides a means for the new competitive Fixed FBPs to begin offering ICT services before the completion of the planned rollout of their own facilities.
- 1.3 Unbundling has been implemented in many countries to encourage local access competition.
- 1.4 This “Regulatory Framework on Unbundling” addresses local loop access issues in the provisioning of Fixed Services.

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 “CITC” or “Commission” means the Communications and Information Technology Commission.
- 2.3 “Facilities Based Provider” (FBP) means a service provider who builds, owns and operates a public telecommunication network.
- 2.4 “Fixed Services” are defined as electronic communications services between fixed or nomadic apparatus or stations.
- 2.5 “Fixed FBP” means FBP who provides fixed services.
- 2.6 “ICT” means Information and Communication Technology.
- 2.7 “Incumbent” means Saudi Telecom Company.
- 2.8 “KSA” means the Kingdom of Saudi Arabia.
- 2.9 “Local Loop” means the copper twisted pairs that run from the incumbent’s Main Distribution Frame (MDF) to the Subscribers’ premises

- 2.10 “Subscriber” means any person or any entity that is a party to a contract or other similar arrangement that is in force with a service provider for the supply of ICT service(s).
- 2.11 Local Loop Unbundling (LLU) – where Local Loop is made available to other Fixed FBP’s either partially or wholly. LLU requires the co-location of the FBP’s equipment at the incumbent’s facilities. There are several forms of LLU including:
- a) Full Unbundled Access – Fixed FBP’s lease copper pairs from the incumbent. The Fixed FBP’s take full control of the copper pairs and can provide both voice and data services over all frequencies supported by the copper pairs.
 - b) Line Sharing Access – Fixed FBP’s use only the non-voice frequency of the copper pairs to provide Digital Subscriber Line (DSL) services. The incumbent continues to provide circuit switched voice telephony service, while the Fixed FBP’s deliver fixed services over the same local loop, using the higher part of the frequency spectrum.
 - c) Sub-loop unbundling – this refers to the partial unbundling of the local loop at a physical point between the MDF and the termination points at the Subscriber’s premises. The Fixed FBP’s can connect at various physical access points in the sub-loop.
- 2.12 Wholesale Bitstream Access – Fixed service providers lease a high-speed data link to the Subscriber’s premises from the incumbent. The new fixed service providers may offer fixed services on the leased Bitstream Access facilities. Co-location of equipment is not required for this option.

3. CONSIDERATIONS

- 3.1 Internet penetration rate (12.8% in 2005) and broadband penetration rate (0.3% in 2005) in the KSA are below the world average and lag many countries in the Middle East and North Africa region. The broadband penetration rates are very low considering the high GDP per capita and Personal Computer (PC) penetration rates in the KSA.
- 3.2 Fixed line penetration rate of 16.3% in 2005 is also low by international standards.
- 3.3 The ICT sector in the KSA exhibits characteristics of under-investment in the fixed telecommunications infrastructure. The CITC therefore wishes to adopt a licensing regulatory framework which ensures market attractiveness and promotes new investment in the fixed telecommunications infrastructure and particularly in the access network.
- 3.4 The CITC has issued Decision (No. 52/1425) dated 05/08/1425H (19/09/2004G) which directed the incumbent to offer Line Sharing and Bitstream Access to the new Data Service Providers.

- 3.5 The CITC has also reviewed and assessed the comments received from the concerned parties in response to the Public Notice No. (8/1427) dated 15/04/1427H (13/05/2006) on the Proposed Policies Related to Fixed and Mobile Service Licensing in the KSA.

4. REGULATORY FRAMEWORK Incumbent

Obligations

- 4.1 The incumbent shall offer Bit Stream Access and/or Line Sharing on its Local Loop to the new Fixed FBPs. The CITC may also decide upon other forms of Local Loop unbundling at a later stage.
- 4.2 The incumbent shall enable other licensed Fixed FBPs to access the Local Loop at any technically feasible point, in a manner characterized by equity, transparency and no unjustified discrimination.

Duration of Obligation

- 4.3 The incumbent's obligation to the new Fixed FBPs is for duration of only five (5) years from the date of award of the first Fixed FBP license after the issuance of this regulatory framework. At the end of the third (3rd) year, the new Fixed FBPs utilizing the local loop of the incumbent shall submit their plans to the CITC to maintain services to the Subscribers at the end of the obligation period.
- 4.4 The proposed Reference Offer on Line Sharing and Bitstream Access proposed by the incumbent pursuant to decision (No. 52/1425) dated 05/08/1425H (19/09/2004) shall be revised to apply to both data service providers and new Fixed FBPs.
- 4.5 The commercial agreements between the new Fixed FBPs and the incumbent, including the pricing for Line Sharing and Wholesale Bitstream Access shall be filed with the CITC.



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