هيئة الاتصالات وتقنية المعلومات
Communications and Information Technology Commission

HARVESTING REWARDS

DEEPER ROOTS...

ANNUAL REPORT 2006

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Custodian of the Two Holy Mosques
King Abdullah Bin Abdulaziz Al Saud

His Royal Highness
Crown Prince Sultan Bin Abdulaziz Al Saud
The Deputy Premier & The Minister of Defence
& Aviation & Inspector General

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Chairman's Statement

It is my pleasure to introduce the "2006 Annual Report of the Communications and Information Technology Commission (CITC)".

The Government of Saudi Arabia is firmly committed to its announced plans of telecom sector liberalization in line with its strategic economic reforms and structural changes in all economic sectors. The Government is also continuing its policies to promote the development and use of information and communication technology (ICT) in transforming Saudi Arabia into an information and knowledge society.

The ICT sector in Saudi Arabia is fast growing. In addition to its growing contribution to the gross domestic product (GDP), widespread use of ICT services and applications will also lead to significant improvements in productivity and competitiveness of the Kingdom's other economic sectors.

The Government has implemented a multi-stage plan for restructuring the ICT sector with the objectives of encouraging effective competition, attracting local and foreign investment, as well as protecting public interest and consumer and stakeholder rights. The state-run telecommunications organization was incorporated in 1989 as the Saudi Telecom Company (STC) and was partially privatized in 2003. The CITC was established in 2001 as the Regulatory Authority with legal standing and financial and administrative independence. The "Telecommunications Act", the "Bylaw" and the Ordinance were also issued.

The CITC has taken a number of steps to liberalize the market, and create a positive regulatory framework to encourage investment and promote growth of the ICT market. Competition was introduced in the mobile, data and VSAT telecom areas. A number of initiatives and policies have been developed to stimulate spread and usage of the internet. As a result, ICT services have been improving in terms of scope, quality and lower prices to the consumers, as this Report clearly shows.

In conclusion, I would like to recognize the leadership and strong support extended by the Custodian of the Two Holy Mosques and the Government to the CITC, and the ICT sector at large. I would also like to extend my appreciation to the Board, the Governor, and the CITC staff for their efforts and accomplishments. A lot has been achieved so far and even more needs to be done in the coming years. I am confident that the CITC will continue to work hard to meet and exceed the challenges of 2007 and beyond.

Mohammed Jamil A. Mulla
Chairman of the Board

Governor's Statement

On behalf of all CITC employees, it gives me pleasure to present the "Annual Report". The Report highlights the major accomplishments of the CITC for the Year 2006.

As the regulator, the CITC is mandated with liberalizing the ICT sector, and promoting effective competition, in order to enable the provision of advanced ICT services, throughout the country, at affordable prices with high quality.

In 2006, the CITC continued its implementation of the five-year "Strategic Plan" started in 2005, and carried on with its efforts towards enhancing competition, granting more licenses, developing policies, frameworks and guidelines to effectively regulate the market and promote orderly growth, and to ensure availability of enhanced services at lower prices.

The universal access and universal service policy was developed, approved and published in 2006. The CITC prepared the landmark "National Frequency Plan" and submitted it to the Council of Ministers for its approval in 2007. The CITC also completed the internet restructuring program, established the National Center for Information Security, and continued work on a number of initiatives to promote the transformation into an information society.

The Saudi mobile market witnessed the introduction of third generation (3G) mobile services in 2006. Moreover, Saudi Arabia became the first country in the Region to introduce mobile number portability. Major parts of the data network infrastructures have been built by the competing data service providers. Competition in the mobile services has led to more supplier choices, improved customer service, better quality and lower prices for the users.

Licensing processes were initiated to further liberalize the ICT markets, and major activities such as market assessment, development of regulatory frameworks and marketing activities on regional and international levels were completed. These activities will assist in granting a third mobile license and awarding fixed licenses in 2007. The CITC continued in 2006 to address consumer complaints, resolve carrier disputes, regulate tariffs, and review/approve STC's revised Reference Interconnection Offer. A number of ICT studies were also carried out.

The CITC is fully committed to its established principles and practice of fairness, objectivity, transparency, and non-discrimination.

In presenting this 2006 Annual Report, I would like to acknowledge the support of the Kingdom's leadership, ministries and other government agencies. I would also like to thank the Board of Directors and the CITC staff for their dedication and professionalism in addressing current and future challenges.

Mohammad Al-Suwaiyel
Governor

CITC Board

H.E Eng. Mohammed J. Mulla
Chairman
Minister of Communications and Information
Technology

H.E Dr. Mohammed I. Al Suwaiyel
Deputy Chairman
Governor of the CITC

Dr. Abdullah A. Al- Rasheed
Member
King Abdulaziz City for Science and Technology

Mr. Ali S. AL-Hedaithi
Member
Ministry of Finance

Mr. Ahmed H. Bedaiwi
Member
Ministry of Trade and Industry

H.E Ahmed Abdullatif
Member
Private Sector

Dr. Abdelaziz A. Al- Gwaiz
Member
Private Sector

Dr. Ihsan Ali. Bu' Hulaiga
Member
Private Sector

Vission & Mission

Vision

Universally available, high quality and affordable communications and information technology services

Mission

- Provide a fair, clear and transparent regulatory environment to promote competition, safeguard public interest and stakeholder rights
- Enable universal availability of advanced ICT services and optimize utilization of scarce resources
- Increase ICT awareness and usage to enhance national efficiency and productivity
- Build a professional and motivated CITC team.

1. Executive Summary

This is the 2006 Annual Report of the Communications and Information Technology Commission (CITC). It highlights the CITC vision, mission, mandate, structure, major achievements for 2006, and future work program.

The CITC was established in 2001 as a stand-alone legal entity with financial and administrative independence. Its mandate includes regulating the ICT sector, and promoting information technology (IT) adoption in the country, and its vision is "universally available, high quality and affordable communications and information technology services". As such, the CITC is playing a key role, within the overall economic reform in Saudi Arabia, in liberalizing the telecom services sector and achieving a vibrant and competitive ICT market.

The CITC completed its fifth year of continuing effort to lay down the necessary organizational procedures, implement policies and laws enacted by the government, and develop the appropriate regulatory framework. It kept a focus on the public interest and consumer rights with balance between the interests of stakeholders including users, service providers and investors in this sector.

The CITC took major steps towards full liberalization of the telecom market. During 2006, the CITC completed most stages toward issuing a third mobile license, and liberalizing the fixed market by opening up competition for the first time, and awarding new fixed telecom service licenses, expected in the 2nd Quarter of 2007.

The CITC completed the preparation of "the National Frequency Plan" for submission to the Council of Ministers for approval. The National Frequency Plan will be key in optimizing the utilization of this critical and scarce natural resource.

A total of 95 new licenses were issued in 2006, bringing the total number of licenses to 225. Furthermore, the CITC has enhanced the telecommunications regulatory framework, continued tariff regulation, approved the revised Reference Interconnection Offer (RIO), started developing cost based modeling based on the long run incremental cost (LRIC) methodology, and started development of the execution measures and guidelines for implementation of the "Universal Access and Universal Service Policy" approved in 2005.

In 2006, Saudi Arabia became the first Arab country to implement mobile number portability, when MNP service was launched at no-cost to all mobile subscribers in the Kingdom. A number of activities were also carried out in the area of Quality of Service; Numbering; Equipment Type Approvals and Technical Specifications; Spectrum Management; addressing violations of the "Telecom Act" and handling over 1600 consumer complaints.

On the IT front, the CITC developed two draft laws – the "e-Transaction Act" and the "e-Crime Act". Both are expected to be approved and issued in early 2007. The National Center for Information Security was established in 2006 within the CITC. Other IT initiatives such as Home Computing, Smart Cities are ongoing, and the restructuring of Internet operational tasks is nearly completed.

The CITC also completed a number of studies including telecommunications market assessment, Broadband over Power Lines (BPL), Mobile base stations and public health, ICT service in the new "King Abdullah Economic City", SPAM, and small and medium business enterprise initiative.

This Annual Report gives more details on these and other achievements, in addition to various indicators, benchmarks, and tariff information. Furthermore, the Report contains other specific details including CITC Decisions, public consultations, lists of licenses and licensees, and major local and international events the CITC took part in, in addition to the CITC Financial Accounts.

2. ICT Sector in the Kingdom of Saudi Arabia

2.1 ICT Sector Evolution in Saudi Arabia

Fixed telephone lines approached 4 Million at the end of 2006, 75% of which were residential lines (3 Million). This represents a population teledensity of 16.5% and a household teledensity (percentage of households with a telephone) of around 70%, or 70 residential phones for every 100 households. Figure 1 below shows the evolution of fixed telephone service since the establishment of the CITC (2001-2006).

In the Mobile market, the start of competition in 2005 has resulted in major developments in terms of subscriber growth, service offerings, quality of service, customer care and reduced prices. The number of subscribers has more than doubled in just two years from 9.2 Million in 2004 (40% penetration) to around 19.6 Million (over 81% penetration) in 2006, and also as compared to only 2.5 Million subscribers (12% penetration) at the time of CITC's establishment. The cumulative average growth rate (CAGR) during the last five years (2001-2006) amounted to around 51% annually. Figure 2 depicts the mobile subscriber evolution.

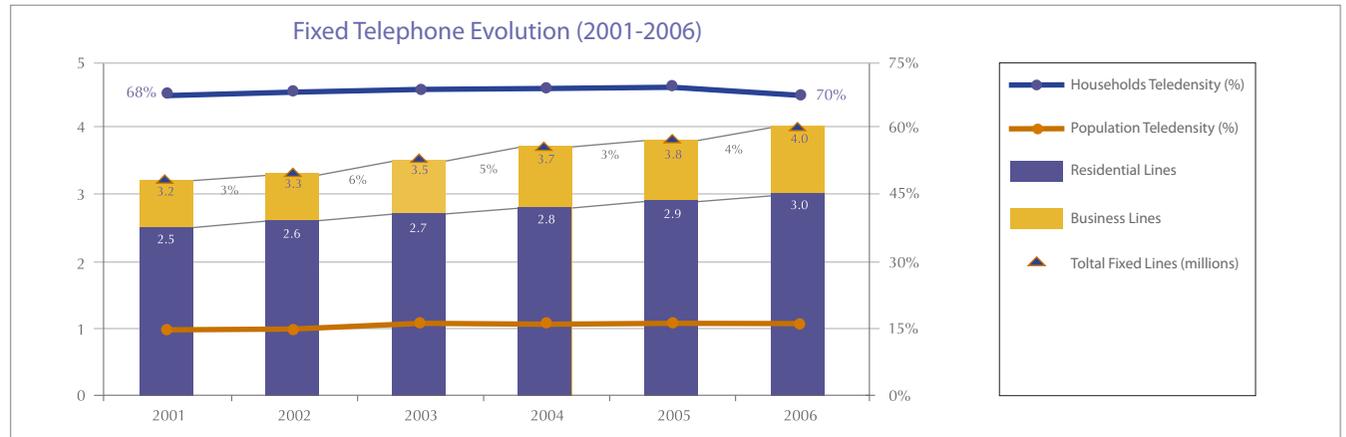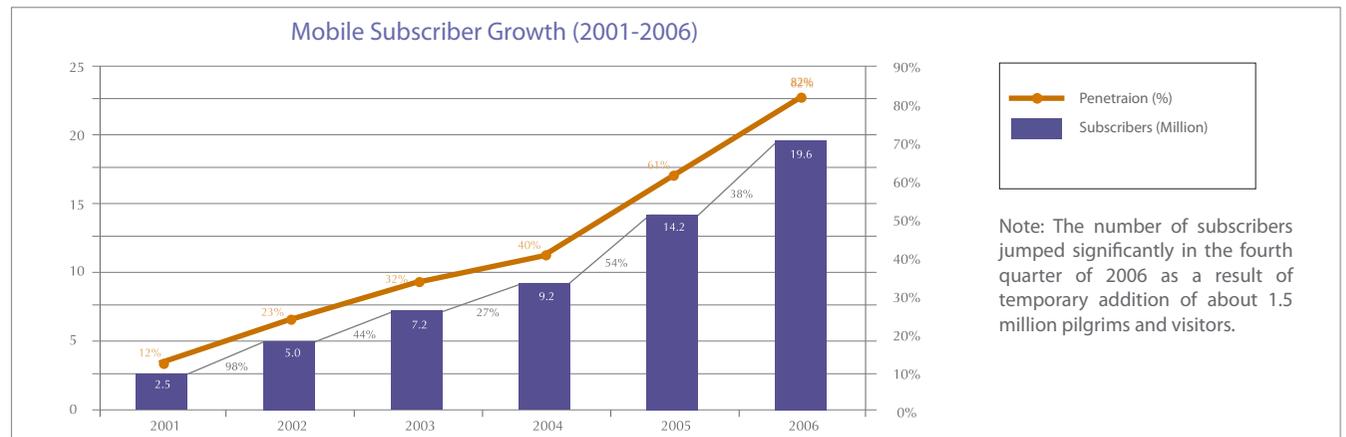Figure 1: Fixed telephone service Growth in Saudi Arabia (2001-2006)

Figure 2: Mobile market Evolution (2001-2006)

Note: The number of subscribers jumped significantly in the fourth quarter of 2006 as a result of temporary addition of about 1.5 million pilgrims and visitors.

2. ICT Sector in the Kingdom of Saudi Arabia

Internet users grew from around 1 Million in 2001 to an estimated 4.7 Million by the end of 2006 (a penetration rate of around 19.6%). This corresponds to a cumulative average growth rate of around 36% annually. Figure 3 shows the growth in internet use for the period 2001-2006.

Broadband subscribers have grown from 14 thousand in 2001, to around 220 thousand at the end of 2006. This represents a growth rate of around 85% annually, with 2006 witnessing a big jump of 240%. This is depicted in Figure 4 below. Despite the high growth, however, broadband penetration rate of around 1% is still very low compared to both the world average of around 5%, and the developed countries' average of around 20%. As a result, there is still a huge growth potential for broadband service in the Kingdom. A large unmet demand exists because of supply side limitations. This demand is forecasted to grow at a fast rate, offering attractive opportunities for broadband network and service expansion in the Kingdom.

Telecom service revenues have been steadily growing at a cumulative average rate of around 15% annually, increasing from 19.8 Billion Saudi Riyal (5.28 Billion US$) in 2001 to around SR 40 Billion (US$ 10.67) in 2006. Mobile revenues represented around 75% of all sector revenues (which is in line with trends in other countries). Figure 5 tracks the overall revenue growth including fixed and mobile revenues.

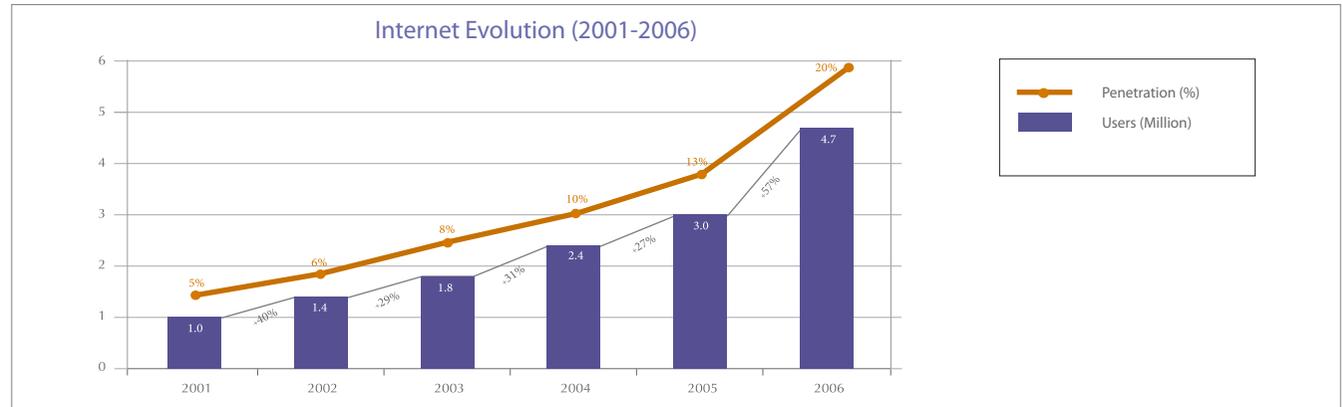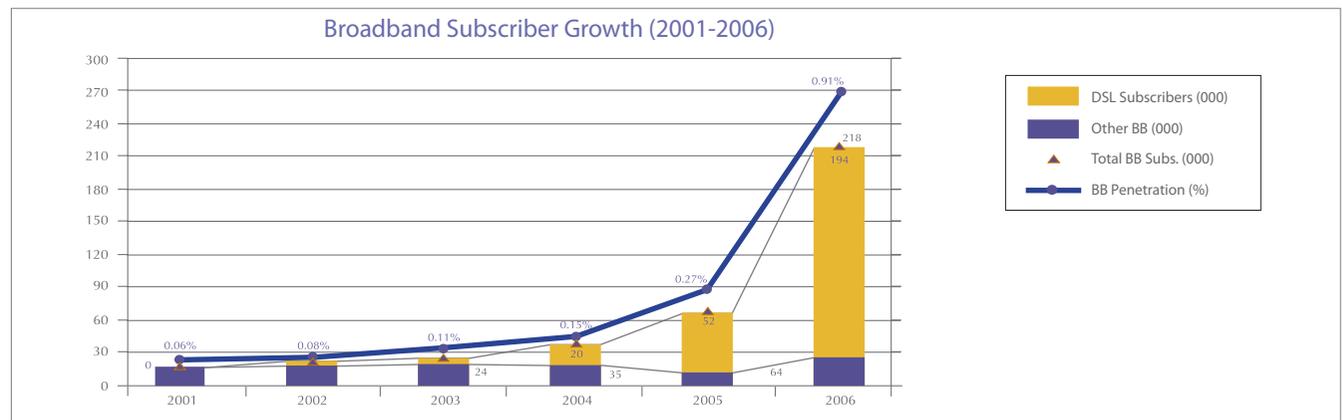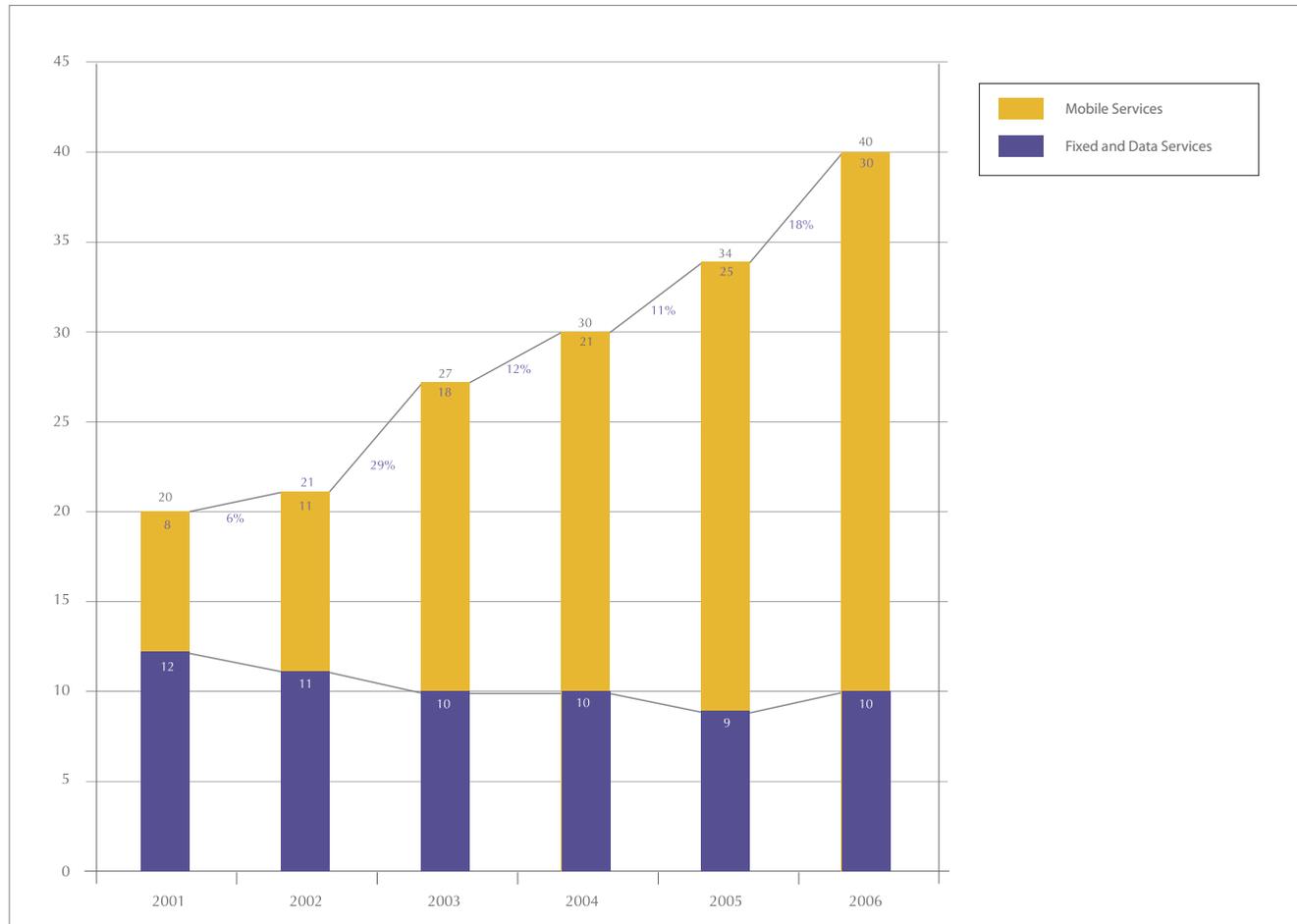Figure 3: Internet User Growth (2001-2006)

Internet Evolution (2001-2006)

Figure 4: Broadband Subscriber Growth (2001-2006)–Demand is high & growing

Broadband Subscriber Growth (2001-2006)

2. ICT Sector in the Kingdom of Saudi Arabia

Figure 5: Telecom Sector Revenues (2001-2006)

2.2 Regulatory Framework

The CITC is the responsible entity for regulating the Communications and Information Technology sector in the Kingdom. The Act enacted in June 2001 and its Bylaw issued in July 2002, provide the basis for the CITC's regulatory framework. The Act includes a number of objectives such as providing advanced and adequate telecommunications services at affordable prices, ensuring creation of favorable atmosphere to promote and encourage fair competition in all fields of telecommunication, ensuring transfer and migration of telecommunications technology to keep pace with its development, ensuring effective and interference-free usage of frequencies, ensuring principles of equality and non-discrimination, safeguarding the public interest and the user interests, as well as maintaining the confidentiality and security of telecommunications information. The Ordinance effective from June 2001 and the Rules of Procedures implemented in 2004 provide CITC's functions, governance, financing, and the details of steps the service providers as well the CITC need to follow for timely disposition of issues addressed to the CITC.

In order to materialize the CITC plans to liberalize the fixed services market, to further increase competition in the mobile market and to enable universal availability of advanced ICT services, the CITC reviewed the existing regulatory environment and its future requirements. This review assisted the CITC to revise its policies to encourage entrance of new fixed and mobile service providers and to rollout of new applications and network infrastructures. As such, key enhancements in the area of regulatory frameworks were undertaken in 2006 for a speedier progress towards full liberalization of the telecom market.

Draft regulatory framework documents were prepared and issued for Public Consultation to seek comments from interested parties. After analysis and evaluation of responses received, the CITC prepared the final regulatory framework documents which were then approved by the CITC Board. These regulatory framework documents were published on CITC's web site during the month of Ramadan 1427H (the related Decisions are listed in the Attachments B and C). The specific regulatory framework documents published are as follows:

- Fixed and Mobile Services Licensing
- License Classifications and Scope of Fixed and Mobile Services
- Interconnection For IP Based Networks, International Cable Landing Points and Leasing of Dark Fiber
- Quality of Service (QoS)
- Carrier Selection
- Local Number Portability
- Unbundling, and
- National Roaming

The CITC Statutes as well as the published regulatory framework documents are available on the CITC's web site (www.citc.gov.sa).

2.3 CITC Roles and Responsibilities

The CITC's main role is regulating the telecommunications sector and planning for liberalization of this sector while attracting investment regionally as well as globally. As a regulator, the CITC must be fair and equitable to all of its stakeholders which include the service providers, investors, the government, and users– both businesses and consumers. The CITC is responsible to ensure public interest, consumer rights, safety and security within the context of the ICT environment. The CITC also has a key role in promoting the IT sector.

The CITC has a responsibility to implement ICT sector policies and plans of the Ministry of Communications and Information Technology (CIT). In this context, the CITC continues to implement the Government strategies and its policies as approved by the Ministry of CIT.

The CITC Ordinance defines the CITC roles and responsibilities in detail, and the CITC Statutes, including the Ordinance, are available on its web site (www.citc.gov.sa).

2.4 Challenges and Opportunities

The CITC strongly believes in cooperation and coordination of its activities and initiatives with the involvement of all stakeholders to face challenges in regulation brought about by technology evolution and globalization, and in order to foster the growth of the ICT sector in the Kingdom. The approach adopted by the CITC in granting the second mobile license gave a clear and encouraging signal to the local and international business communities concerning the fairness and transparency of the ICT regulator and increased their confidence in doing business in the Kingdom. The mobile services market has responded very well to the introduction of competition. Hence, the process of further market liberalization must continue in a fair and transparent manner. The CITC must continue to build on this foundation of confidence and trust.

Therefore, a number of strategic issues need to be considered:

- Updating continually the CITC Statutes and its regulatory framework to keep pace with the Kingdom's international commitments, the ICT technology evolution and changing market conditions

- Managing the country's scarce resources (spectrum, numbering and rights of way) in view of all stakeholders' expectations will be crucial in successfully meeting the challenges of the ICT sector, and specifically in issuing new licenses
- Protecting and promoting competition, and managing the market behavior of the incumbent - Saudi Telecom Company, in light of its dominant position, to ensure a level competitive playing field, and to protect both the consumer rights and the public interest, is crucial
- Managing the expectations of users (consumers/subscribers) and investors will need to be carefully balanced so that new investors can achieve a reasonable rate of return while ensuring that prices for ICT services in the Kingdom are affordable and keep pace with the decreases in per unit prices experienced globally
- Initiating more new and innovative projects in the ICT sector must continue to further assist other economic sectors in order to create investor opportunities and foster cooperative efforts between industry, government and regulators – and with public involvement as often as necessary. The growth in the PC and Internet usage and penetration, and better roll-out of broadband services will assist in promoting transformation to a knowledge society.
- Liberalizing the fixed communications markets and promoting further competition in the mobile markets, by issuing new fixed licenses and a third mobile license in 2007
- Weighing carefully the roles and responsibilities of implementing technology standards and the CITC's policies in relation to over regulation and to keep CITC's mission

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in mind – that of "increasing ICT awareness and usage to enhance national efficiency and productivity", and

• Managing human resources by retaining the expertise and attracting qualified and experienced resources to meet future challenges

In addressing these challenges, issues of public interest and privacy, safety and security must continue to be addressed at the same time.
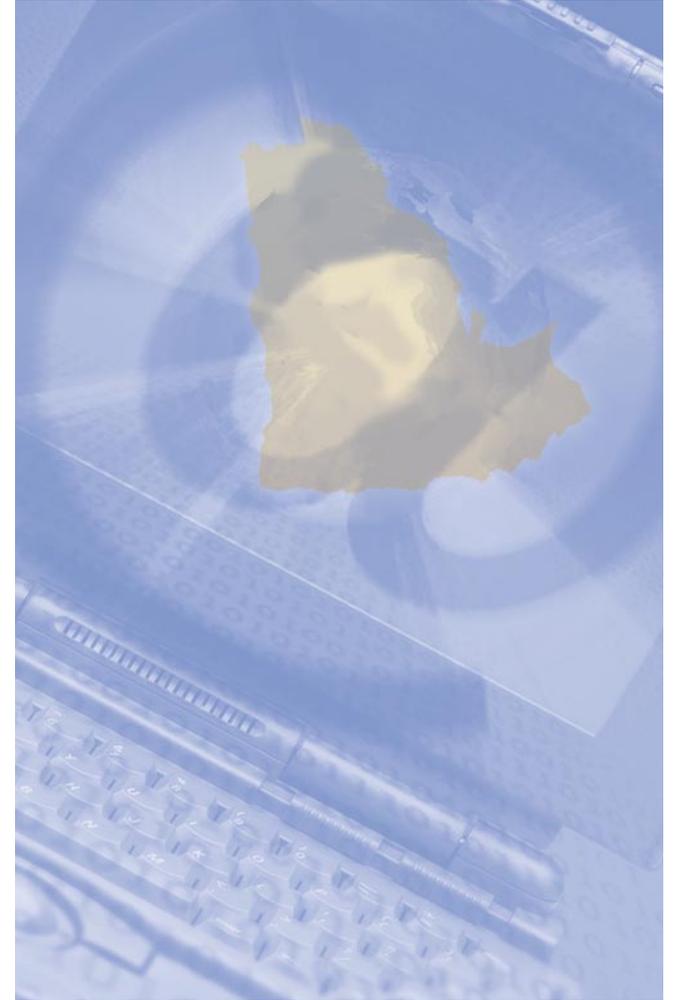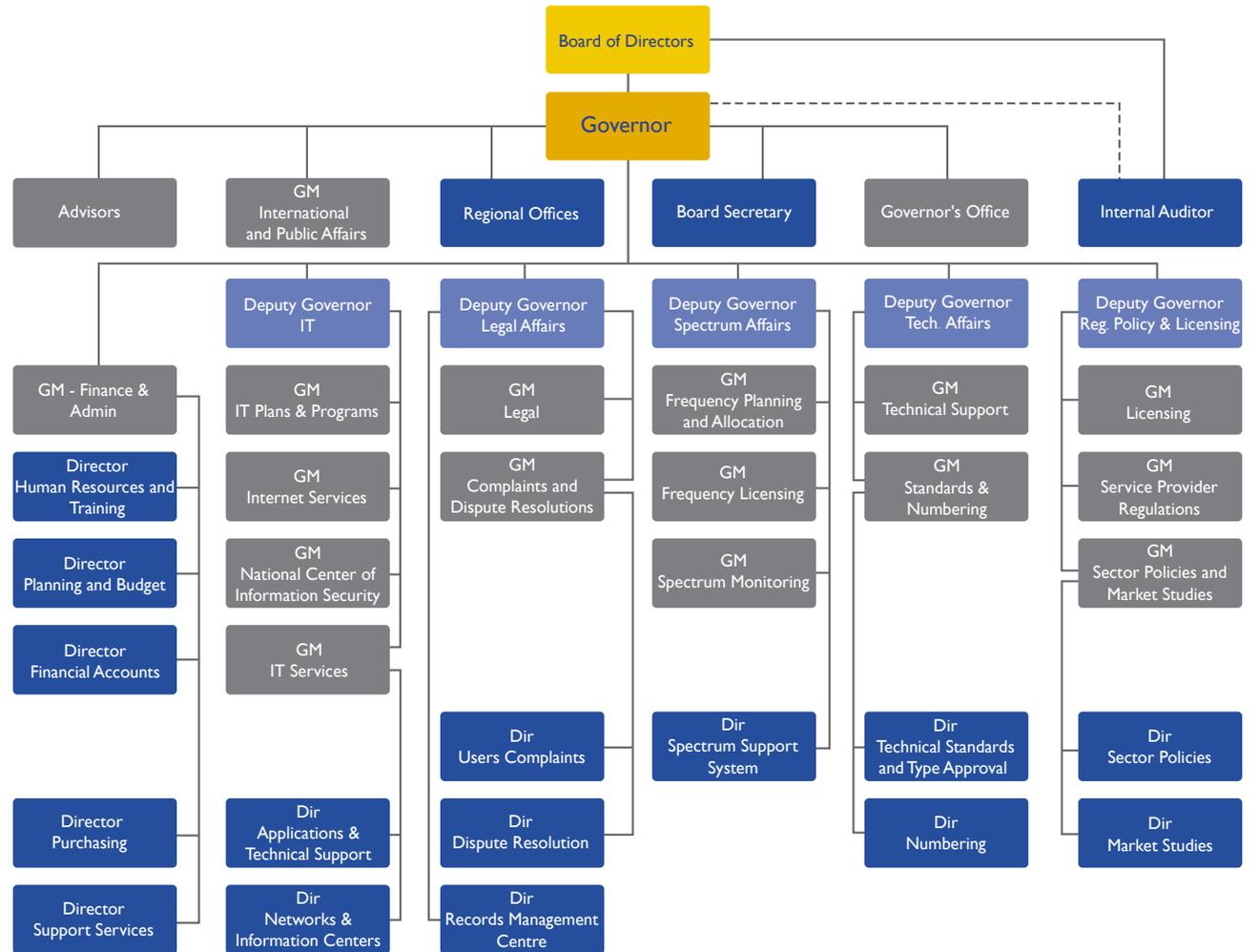
3. Organization Structure and Manpower

The Governor of the CITC is its chief executive officer. He supervises CITC's senior management as well as CITC's relations with all concerned parties including the Government entities. Five Deputy Governors (Regulatory Policy & Licensing Affairs, Technical Affairs, Spectrum Affairs, Legal Affairs, and IT) and two General Managers (International and Public Affairs, and Finance and Administration) report to the Governor. The organization structure is shown in the Chart below.

The CITC aims at recruiting and developing highly qualified personnel to carry out its mission and achieve its objectives. The total number of its personnel at the end of the year 2006 was 240 of which 227 were Saudis (96%). The professionals (engineers, IT, finance, technicians, administrative and legal specialists) accounted for over 71% of the total employees.

Board of Directors

Governor

Advisors | GM International and Public Affairs | Regional Offices | Board Secretary | Governor's Office | Internal Auditor

Deputy Governor IT | Deputy Governor Legal Affairs | Deputy Governor Spectrum Affairs | Deputy Governor Tech. Affairs | Deputy Governor Reg. Policy & Licensing

GM - Finance & Admin

GM IT Plans & Programs | GM Legal | GM Frequency Planning and Allocation | GM Technical Support | GM Licensing

Director Human Resources and Training | GM Internet Services | GM Complaints and Dispute Resolutions | GM Frequency Licensing | GM Standards & Numbering | GM Service Provider Regulations

Director Planning and Budget | GM National Center of Information Security | GM Spectrum Monitoring | GM Sector Policies and Market Studies

Director Financial Accounts | GM IT Services

Dir Users Complaints | Dir Spectrum Support System | Dir Technical Standards and Type Approval | Dir Sector Policies

Director Purchasing | Dir Applications & Technical Support | Dir Dispute Resolution | Dir Numbering | Dir Market Studies

Director Support Services | Dir Networks & Information Centers | Dir Records Management Centre

4. Facilities and Automation

The CITC headquarters is located in Riyadh, with two regional offices in each of Jeddah (Makkah District) and Al-Khobar (Eastern District). All offices are housed in rented space. The Riyadh based employees are currently located in three separate buildings: the main Headquarter's office, the Frequency Spectrum building, and another building in Mursulat, belonging to the Ministry of CIT, where employees of two departments have been moved temporarily.

In order to satisfy the space requirements for existing employees, to accommodate growth, and to consolidate its Riyadh based activities, it is planned to relocate the staff into new premises owned by the CITC. To this end, a 50,000 m^2 lot located in the north of Riyadh, previously owned by Public Pension Agency, was acquired in 2005. The CITC has also, through a public tendering process, selected and approved a design for the new office building. The first phase of building construction comprising erection of the structure started in the fourth quarter of 2006. Detailed building design drawings were also undertaken in preparation for awarding the second phase of the contract in early 2007, comprising the finishing work for the building.

The CITC also purchased a 7,895 m^2 lot at the end of 2006 in a strategic location in Jeddah City to construct its Makkah District Branch.

The CITC continued to maintain state-of-the-art automation with leading edge IT infrastructure. During the year, the CITC:

- Developed the CITC local Intranet exchange and issued a beta version for testing.
- Completed the second stage of the FileNet system
- Constructed and equipped a substitute site for disaster recovery, and

- Connected the 2 CITC branches – in Jeddah and Khobar, and the temporary site with the main headquarters building.

Intel Corp. Chairman visit to CITC

5. Major Achievements in year 2006

5.1. Towards Full Liberalization of the Kingdom's ICT Sector

The CITC's strategic plan provides a five year roadmap including a march towards full liberalization of the Kingdom's ICT Sector. By year 2005, the CITC had granted a second GSM license; two 3G licenses, two Data services licenses, four VSAT licenses, and several other licenses.

In 2006 the CITC embarked on the next phase of liberalization with a view to attracting more investment in this key sector as well as the participation of global network service providers. With an objective of being transparent, a consultancy contract was awarded in late 2005, to a global consultancy firm to assist the CITC with the licensing process leading to issuance of new mobile and fixed service licenses. The following were key achievements during the year:

- The CITC first assessed the current situation in the development of the communications and information technology market and infrastructure in the Kingdom. The qualitative and quantitative market assessment study further included analyses of various market segments; building a business model to study and analyze the current and future trends of the ICT market (traffic demand, revenues) and service requirements; a detailed gap analysis; benchmarking; and studying the tariff (prices and terms and conditions) levels of services (see also Section 6.1 of this report)
- An overall strategy and a detailed program were developed, having assessed the market and the network situation. This included the need to revise CITC's existing regulatory framework
- The CITC has always considered Public input to be key in developing regulatory policies. The CITC carried out detailed benchmarking studies, duly considered the involved issues, discussed available options for each key area of the regulatory frameworks in competitive ICT markets and accordingly developed draft public consultation documents
- The CITC issued a Decision 136/1427, after reviewing the responses to the public consultation and the benchmarking analysis of best practices, which stipulated the regulatory framework for fixed and mobile services licensing in the Kingdom of Saudi Arabia. The issuance of eight key areas of regulatory frameworks, by the CITC and over a period of less than a year, is unprecedented (details are provided in Section 3.1 of this report). These Decisions provide a clear roadmap to the new entrants as well as to the obligations placed on the currently licensed service providers
- The CITC decided that it would issue one new mobile services license as well as several fixed service licenses, during this round of licensing and based upon its analysis of the availability of scarce resources (frequency spectrum, numbers, and rights of way), and that these licenses would be technology neutral but service specific
- Extensive marketing campaigns were undertaken to increase the local and international participation and to attract major international operators and Saudi investors to compete for the issuance of new licenses. The marketing campaigns program included:
  - Promotion through visits, direct meetings with potential investors and press releases in various local and international media
  - Participation in local, regional and international conferences, exhibitions, and presenting the telecommunication sector and investment opportunities in the Kingdom
  - Conducting marketing studies, showing the economic viability of the new fixed and mobile licenses, and
  - Encouraging the targeted parties to respond to the public consultation documents
- Public comment was then solicited on the draft "Request for Applications" documents (RFA) related to the fixed and mobile services licenses. The RFAs detailed the licensing process, identifying requirements for the potential bidders to submit an application, as well as the qualification criteria, terms and conditions of the draft license, and a detailed schedule of events. The CITC analyzed the responses of 24 interested parties from around the world. Thereupon, the two final RFA documents related to the public fixed and public mobile services licensing were finalized and issued on 21/09/1427 (corresponding to 14/10/2006).

5. Major Achievements in year 2006

- The licensing process also provided an opportunity for potential bidders to ask questions to further clarify the RFAs. A total of about 1,200 questions (over 700 for fixed services and about 500 for mobile services) were received. Answers were prepared and published on 25/11/1427 (16/12/2006) and 18/11/1427 (09/12/2006) respectively.
- The schedule of events of the fixed and mobile services licenses, provided in the RFAs, provides details of the license award process, including evaluation of the applications; public opening ceremony of financial bids from the qualified applicants for the mobile license; the method for spectrum assignment for the fixed services licenses; and the overall approval process leading ultimately to the award of the licenses by the Council of Ministers in 2007.

5.2. National Frequency Plan
The CITC prepared the draft National Frequency Plan (NFP), which contains categories of users and frequency allocation table for different services in accordance with user needs and international trends. A public consultation document was issued, in addition to several coordination meetings with the concerned parties. The final NFP proposal will be submitted to the CITC Board and then submitted to the Council of Ministers for their approval in 2007.

5.3. Number of Licenses Issued
In meeting its objectives of introducing more competition and liberalizing the ICT market, the CITC issued 95 new licenses during the year. The total number of the issued licenses, by the end of 2006, was 225. The details of issued licenses are contained in the Attachment F of this document.

5.4. Reference Interconnection Offer (RIO)
The CITC completed a process of review and revision of the STC RIO which was initially approved in April 2005. The process included a public consultation to seek comments on issues arising from experience with interconnection of new networks in the Kingdom, including the need for new interconnection services, any impact on interconnection arising from the Kingdom's international commitments, and a full review of STC's interconnection tariffs. The CITC also conducted an extensive benchmarking study; especially with respect to tariffs for interconnect services offered by comparable companies globally. Based on CITC requirements arising from analysis of the public responses and the benchmarking, STC modified and resubmitted its RIO in April 2006. The CITC then issued a Decision approving the modified RIO and requiring STC to include three additional services, as well as to review its RIO and file a revised RIO for approval by the CITC within one year. The CITC also issued a report accompanying the Decision entitled "Report on CITC's Review and Analysis of STC Revised RIO" The Report stated CITC's intention to periodically review interconnection rates with a view to gradually bring them to long run incremental costing (LRIC) based levels within three years. STC's revised RIO is available on the CITC web site.

5.5. Reference offer for Data Access (RODA)
Pursuant to a Decision issued by the CITC, STC as a dominant service provider submitted a draft RODA to the CITC for its approval. The RODA included offers for provisioning of bit stream access services and line sharing services, and their associated tariffs. The CITC reviewed STC's proposal, conducted an extensive public consultation process, and will hold discussions with STC

and developed a report including a draft Decision requiring STC to implement certain amendments to the document. The CITC expects to complete these activities with an approval of STC's RODA in the first half of 2007. Subsequent activities will likely include a process for periodic updates taking into consideration the new competitive environment, especially in view of service providers offering voice services over data lines. STC's approved RODA will be made available, in 2007, on the CITC web site.

5.6. Accounting Separation
The main goal of the Accounting Separation filings is for the CITC to be able to ensure that STC, as a dominant service provider, does not abuse its position of market dominance by engaging in any form of anti-competitive behavior, such as cross-subsidization between STC's various business units. In response to the CITC Decision requiring STC to submit financial statements on a separated basis, STC provided CITC with this information for the year 2005, using Activity Based Costing methodology, for its three business units (Fixed, Mobile and Data). The CITC reviewed and is continuing to hold discussions with STC on the unaudited financial statements. It is also expected that STC will provide audited financial statements on a separated basis for 2006, during the first half of 2007. The focus in 2007 will be to move towards improving the quality and reliability of STC's separated financial statements.

5.7. Telecommunication Services Costing
In order to achieve its vision of "Universally available, high quality and affordable communications and information technology service", the CITC must ensure that, in an increasingly liberalized and competitive environment, there is no predatory pricing

or anti-competitive behavior by dominant service providers, and that wholesale prices charged by the incumbent to its competitors are the same as it would charge to its own business units. In order to meet these objectives, the CITC is moving towards cost based pricing, especially for wholesale services.
The CITC completed a detailed benchmarking study, reviewed the current tariff approval procedures and developed draft revisions, and developed a project plan for tariff approvals and service costing. The process also included conducting a number of internal workshops for the knowledge transfer in this key area of regulation. The complete study, with involvement of key stakeholders, is expected to be completed by the end of 2007.

5.8. Terms of Service
The CITC issued a Decision mandating the mobile, fixed, data and internet service providers to submit to the CITC for approval of documents on the "Terms of Service" they offer to their customers.
The CITC approved the updated Terms of Service document submitted by STC. Other service providers started submitting their proposed Terms of Service documents to the CITC for approval. The CITC will complete its review and approval process in 2007.

5.9. Service Provider Regulation
• Global Mobile Broadband Services via Satellite
The CITC studied the requirements for introduction of Global Mobile Broadband Services via satellite to the Saudi market, and their potential impact on other services such as cellular services, VSAT, etc., with the intent of developing an appropriate regulatory framework.

During the year, the CITC conducted a public consultation process and completed its preliminary analysis of the responses received. The CITC will complete its review, in coordination with applicants expected to provide these services, and issue a Decision in 2007.
• Promotions and Campaigns for ICT Services
Guidelines were developed, approved and issued for promotion offers and campaigns undertaken by the ICT service providers. The intent is to regulate the marketing activities in order to ensure fair competitive practices and to project a positive image to the public.

5.10. Tariff Regulation
Tariff Regulation of STC as the dominant service provider covered a) proposed new services and b) proposed price reductions for existing services offered by STC. The following summarizes CITC's main Decisions on tariffs:
a) Tariff reductions for the following existing services were approved:
   - Internet International Backbone service
   - Cancellation of fixed telephone lines installation fees for those who have special needs, in addition to granting them free calls to the Directory Inquiry Service
   - Provisioning of Mobile services facilities for Disabled Individuals
   - Varying % price reductions for International calls to different countries
   - Price reduction in international calls, issued from public call centers and fixed line prepaid cards by 25%
   - Provisioning of amendments to Special Numbers
   - Fixed internal and local telephone services, and
   - Amendment of local internet circuits - DSL

b) Tariffs for the following new services were approved:
   - PSTN Hot Line - a Fixed Telephone service
   - Favorite Country Plan - a Fixed Telephone service
   - Temporary disconnection of Mobile service by request
   - Business Jawal service
   - Group Communication service within the iDEN
   - Missed Call Alert service within the iDEN
   - Aljawal Blackberry - a Mobile service
   - SMS Bulk Messages service, and
   - Collect Calls - a Fixed Telephone service

5.11. Mobile Number Portability (MNP)
MNP service implementation activities started in 2005. In 2006, the CITC completed all the necessary steps to implement this service, which included establishing the National Number Portability Database, interconnecting this database with both service providers and establishing mobile number portability processes. MNP was then tested and made available to customers, who can now port their numbers at no charge.
It is worth noting that Saudi Arabia is the first country in the Islamic World and Africa to introduce mobile number portability.

5.12. National Numbering Plan System
Adequate numbering resources must be made available to meet forecasted growth in the provision of telecom services. The CITC is mandated to develop the national numbering plan and manage the scarce numbering resources. In order to meet these requirements efficiently, the CITC implemented an electronic web-based system to allocate numbers to service providers via the Internet. The electronic system guarantees transparency

and efficiency. The system was installed, tested and put in service enabling the service providers to submit their requests electronically via the internet. Saudi Arabia is one of the few countries that have implemented such an electronic system.

5.13. Type Approval and Technical Specifications

This project consisted of developing Technical Specifications for Telecommunications and Information Technology Equipment. In 2006:

• Equipment Approval

The CITC prepared the "Regulations and Procedures of Declaration of Conformity and Registration for Telecommunications and IT Equipment" document; and prepared and implemented a web based system for online submission of equipment approval applications.

In addition, among its active regional and international contributions, the CITC led the working group responsible for preparing a telecommunications and IT equipment approval scheme for Arab Regulatory Commission networks, which will help in simplifying and unifying the approval procedures of equipment in the Arab countries. The CITC also prepared the final draft of the telecommunications and IT equipment approval scheme for these networks.

• Technical Specifications for Equipment

In order to ensure compatibility of ICT equipment with service provider networks, to protect users and spectrum, and to facilitate equipment approval, the CITC prepared and published 58 technical specifications for telecommunications and information technology equipment which are considered the basis for equipment licensing. The technical specifications are

published on the CITC web site. They have been prepared based on the international standards. All equipment imported into the KSA must comply with the relevant Technical Specifications. In addition, the CITC prepared and published the draft technical specification for WiMAX equipment for public consultation as a preliminary step towards approving the equipment specifications.

• Regulation for Importing and Usage of Equipment

As part of the CITC's objectives to enable universal availability of advanced ICT services, and as a continuation of what has been achieved during the past years to facilitate and encourage the development of new technology, the CITC prepared the following:

- Regulatory guidelines for importing and using WLAN equipment inside compounds and campuses (e.g. universities and hospitals)
- Regulatory guidelines for importing and using Broadband over Power Line (BPL) equipment inside buildings and private compounds. (See section 3.7), and
- Regulatory guidelines for importing and using VoIP equipment in buildings and compounds, and to be used for telephony in closed user groups only

5.14. Quality of Service (QoS)

In order to ensure provisioning of high quality communication and information technology services, the CITC prepared the general framework for QoS. The CITC reviewed the associated regulations, with a focus on accommodating new developments in ICT services, and conducted a benchmarking study to determine international best practice for QoS indicators,

standards, measurement and reporting, as well as for methods to measure the level of precision of the reported results. An action plan is now underway to detail mechanism to update QoS standards and measurement.

The CITC has also been participating in the projects of the Arab ICT Regulators network for the organization of the communications and information technology sector, and as part of regional and international activities. The CITC chaired the working group responsible for "preparing the general framework of the QoS". The purpose is to standardize QoS procedures in the Arab countries. The final draft of the QoS regulatory framework guidelines, for the Arab ICT regulators, was prepared and distributed for comments.

5. Major Achievements in year (2006)

5.15. Technology Regulatory Framework for Access Network

In view of competition and additional Fixed Facilities based licenses being awarded by the CITC, there is an increasing number of service providers who will need to construct telecommunications infrastructure in the Kingdom. This must be done in accordance with recognized international standards, CITC's statutes and regulations, safety and security requirements, as well as the Kingdom's obligations. Therefore, the CITC prepared a draft regulatory framework and associated guidelines to allow Right of Way (ROW) for competitive networks to be constructed in urban areas and between cities within the Kingdom.

5.16. Technical Regulations

*   Short Message Service (SMS) Application Codes
    With the advent of many new value added services (VAS), appropriate regulations need to be developed to promote such services in a transparent and a competitive environment.
    In order to ensure transparent and fair competition, the CITC prepared a regulation for Value Added Services based on Short Message Service (VAS SMS) Short Codes taking into consideration international benchmarks and best practices. A draft document on regulating the VAS SMS Short codes was prepared and published for public comments.
*   Radiation from Wireless Base Stations
    Due to widespread usage of wireless communications technology antennas and towers required to provide wireless communications and IT services, there is a growing need to develop regulations and technical guidelines to determine maximum permissible exposure from wireless base station in accordance with international safety guidelines. In this

respect, the CITC conducted a study summarizing the results of the findings of relevant international organizations and adopted the guidelines of the International Commission on Non-Ionizing Radiation Protection (ICNIRP) for maximum exposure limit. It also prepared preliminary regulatory guidelines for radiation from wireless base stations.
*   Allocation of EasyNet Number (366)
    The CITC issued new regulations for the allocation of EASY NET numbers within the code (366) to provide EasyNet services. Many EASY NET numbers were also allocated.

5.17. Spectrum Management

The CITC continued its efforts in regulating and managing the spectrum, frequency assignment and licensing (the details are included in Appendix G of this report).
The CITC provided a modern system for frequency management and assignment, to facilitate the analysis and planning of the frequencies in the Kingdom, in accordance with the international radio regulations and the National Frequency Plan. The main objective of this system is to meet demands in the spectrum usage, to minimize the effect of radio interference, and to provide information on the assigned frequencies and radio licenses.
The spectrum management and assignment system has the following capabilities:
*   Use of topographic maps in the engineering analysis
*   Calculation of the frequency prices
*   Automation of the National Frequency Plan and its use in frequency assignment
*   Regional and International frequency coordination models
The CITC also started work on the project to modernize, re-engineer, simplify, and document the procedures, taking into

account the international best practices. The CITC prepared the RFP for this project, studied and evaluated the proposals and awarded a contract. The project is expected to be completed in 2007.

5.18. Internet Restructuring

The restructure of the internet service in Saudi Arabia consists of transfer of filtering and administration of domain names registration from King Abdulaziz City for Science and Technology (KACST) to the CITC, continued during the year. During the year, the CITC:
*   Completed the first two stages of CITC readiness to take over National Domain Registration Services and National Internet Filtering Services.
*   Completed the transition and operation of internet international gateways in Riyadh and Jeddah.
*   Transferred ISU (Internet Services Unit) staff from the KACST to STC
*   Arranged for valuation of current ISU software and hardware assets and moved these assets to STC
*   Coordinated the signing of an MoU between KACST and to use STC's ISU Jeddah international gateway.

5.19. International Internet Governance

The CITC continued to play an outstanding role in following the developments of the Internet Governance and in achieving excellence at both the World Summit on the Information Society (WSIS) and the Working Group on Internet Governance (WGIG). The Kingdom represented by the CITC has participated in several international meetings and forums one of the main being the Internet Governance Forum (IGF) held in Athens in

5. Major Achievements in year (2006)

November 2006. Process was started towards the enhanced cooperation to ensure stability, security and continuity of the Internet.

5.20. Information Technology (IT) Strategic Plan

In view of CITC's role of promoting the IT field, development of a national IT strategic plan was undertaken. The IT strategic plan will:

- Define CITC's national role in the IT sector,
- Develop a pragmatic IT strategy,
- Develop an action plan to enable the CITC to fulfill its obligations on both the national and international levels,
- Carry out a benchmarking study to provide comparative analysis of their national IT strategies,
- Develop supporting plans and methodologies which are required to achieve the strategy and its action plan, and
- Develop a suitable career development plan that includes training programs along with relevant training material.

In addition the scope of work includes development of work plans with priorities for several national initiatives aimed at bridging the digital divide, and increasing the use of IT in the Kingdom.

5.21. Smart City Initiative

The Smart City Initiative is one of the initiatives that support the transfer of Saudi society to the new-age economy and knowledge society. The objective of the Smart City Initiative (starting with Riyadh) is to provide advanced e-services to businesses and the public at home and other public places such as airports, parks, and hospitals. During the year, the CITC:

- Prepared a preliminary working document about the Smart City Initiative, and presented the issues in many seminars
- Held many meetings with all participating entities such as data service providers, traffic department, Riyadh development supreme organization, and Intel for the project trials
- Selected an international company to develop a detailed study to transform all cities of the Kingdom into Smart Cities.

5.22. National Center for Information Security

The CITC is tasked with the establishment of a national center for information security awareness called the Saudi Arabian - Computer Emergency Response Team (CERT-SA). The center is expected to play an important role in cultivating awareness, management, detection, prevention, coordination and response to information security incidences at the national level. It is expected that CERT will start functioning in 2007. During the year, the CITC:

- Developed a CERT-SA Vision and Mission and the National Framework in order to develop a plan/program for the Center
- Established a CERT-SA Digital Forensic Lab and Secured network infrastructure
- Developed a CERT-SA Portal
- Finished the first draft of the National Information Security Handbook
- Published several awareness brochures
- Conducted a CERT-SA Workshop
- Developed policy and operating procedures for the CERT-SA, and

- Developed an incident tracking and reporting system for CERT-SA for the purpose of continuous monitoring of the information security at the national level and the early stage discovering the vulnerabilities.

5.23. Internet Service Development Strategy

The main objectives are to upgrade the quality of Internet service in the Kingdom and to promote new services resulting in higher penetration rates. A Request for Proposals (RFP) document was developed to hire consultants to assist with assessment of the current situation; to identify possible new internet initiatives and services, and to develop and recommend a strategic plan and its implementation. The RFP responses were evaluated and a contract was awarded to a consulting consortium to begin its work in 2007.

5.24. Small and Medium Business (SMB) Enterprise Initiative

A project was initiated to foster the development of the Kingdom's new SMBs by strategically leveraging ICT to accelerate their economic growth and enhance their competitiveness. During the year, the CITC:

- Held a workshop with the Riyadh Chamber of Commerce to obtain a better understanding of market needs.
- Finalized an MoU to cooperate with a vendor on performing an SMB market study, and
- Performed a number of workshops to understand the key implementation elements of the project, and
- Selected an international company for studying the state of the market and classifying the companies according to the

size, sector, location, types of operations, needs, difficulties, and their ability to deal with technology for the purpose of developing the necessary tools.

5.25. Dispute Resolutions
The CITC Dispute Resolution Committee studied and resolved 1413 cases, of different nature, and issued associated Decisions.

5.26. Complaints and Violations
According to the Telecommunications Act and the Bylaw, the CITC is required to provide protection to users and operators. The CITC resolved and processed over 1614 complaints during the year.

5.27. Media Activity
The CITC must play an active role to increase awareness and create opportunities, in the ICT Sector, amongst the Users, the Investors and the Public through a marketing effort. A CITC Spokesman was appointed. The CITC participated in many informational activities including but not limited to:
- Holding information symposiums about the CITC in the Chambers of Commerce and Industry in the Kingdom to acquaint businessmen and the public about the role of the CITC and the investment opportunities available in the ICT Sector
- Conducting discussion seminars and workshops in related subjects like:
  - Study of the ICT market in the Kingdom.
  - The Impact of joining the WTO on the ICT Sector

- The CITC Initiatives in the field of Information Technology examples are: Smart Cities Initiative, Small and Medium Enterprises Initiative and the Computer Emergency Response Team (CERT- SA) Initiative
- Participating in worldwide conferences and exhibitions to market the new fixed and mobile services licenses
- Publishing, in the media, some of the major CITC activities
- Issuing many press announcements related to CITC's important activities
- Publishing enlightening and cultural announcements for customers, especially some services like: (700 Service and SMS service)
- Communicating with various local and foreign mass media groups through interviews, and Press and TV briefings
- Holding press conferences on some of the CITC activities example: (New Licenses Project, Home Computer Initiative and Government Electronic Transactions Program and other)

The CITC plans to expand such informational activities focusing also on enlightening the users on the cultural aspects of ICT.

PERCENTAGE CHANGE

Daily 1 wk. 52 wks.

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3.8% 6.9% 37.6%

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or A$0.24 Japan

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▶ **4.4% or ¥2**

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In yen

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7500

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In Australian dollars

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10

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Price-to-earnings ratio

Earnings per share, 52 wks

Dividend yield

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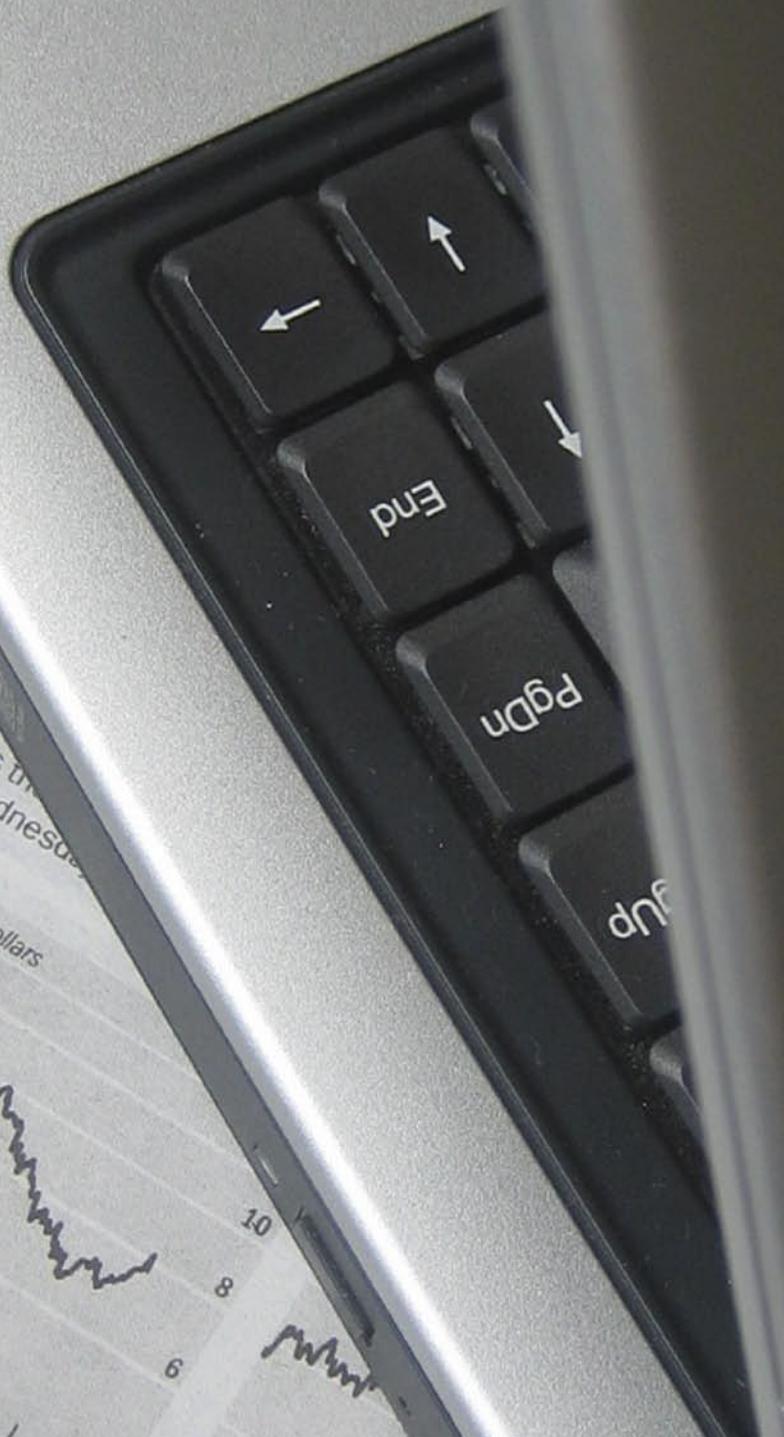
6. Studies undertaken by the CITC

The CITC continued to carry out a number of key studies in its march toward meeting its broad objectives as well as in completing major projects of its Strategic Plan.

6.1 Mobile and Fixed Services Market Evaluation
A detailed assessment of the current market situation in the KSA was conducted with the following objectives:
- To ensure that the CITC and other stakeholders have a good understanding of current market conditions and to enable key regulatory and licensing Decisions to be based on a rigorous and accurate market analysis
- To provide a clear picture of the market situation for potential applicants and investors, and to highlight the potential mobile and fixed market opportunities in the KSA

The key findings of the mobile & fixed services market analysis included:
- Rapid subscriber growth resulted from the introduction of competition in the mobile services market in 2005. However, there is still room for further growth which would make the new Public Mobile Services License attractive for the third mobile service provider
- The per-minute and initial connection charges for mobile services decreased significantly with the introduction of competition. A new mobile (3rd) licensee will lead to enhanced competition with lower prices to consumers and also increase the overall size of the market
- There are substantial opportunities in the fixed services market (especially broadband), in view of the current teledensity of fixed telephony (16.5% of population and 70% of households) and the extremely low penetration of broadband services (1%) due to supply side constraints.

6.2 Commercial Provisioning Fee (CPF)
The objectives of this study were to evaluate and analyze the impact of reducing the annual Commercial Provisioning (Royalty) Fees paid by service providers on the government income, assess its impact on the ICT sector and new investment opportunities.

This study examined 10 different scenarios on reducing the CPF for the service providers, and assessing their impacts on the government income. The study results were discussed with the Ministry of Finance, and an agreement was reached to recommend reducing the CPF for fixed service providers to 10% (instead of the existing 15%) to be applied gradually on new licensees. (The Council of Ministers agreed later with the recommended course of action on the CPF).

6.3 Broadband over Power Line (BPL)
The communications market has witnessed introduction of innovative new ICT technologies, and use of electrical wiring networks to provide communications applications using Broadband over Power Line.

The CITC carried out a study of the BPL technology and issued relevant guidelines on the use of the equipment to provide BPL-based communications services. The guidelines suggest that communications services offered over power lines located inside buildings or within private complexes, where electrical wirings would be owned by building or private complex owners, do not require a license to provide services to such closed user groups. The service providers and users, however, are required to follow these guidelines posted by the CITC on its website. The communications services offered over power lines owned by public utilities will require a license from the CITC. The CITC will review the license terms and conditions in the year 2007.
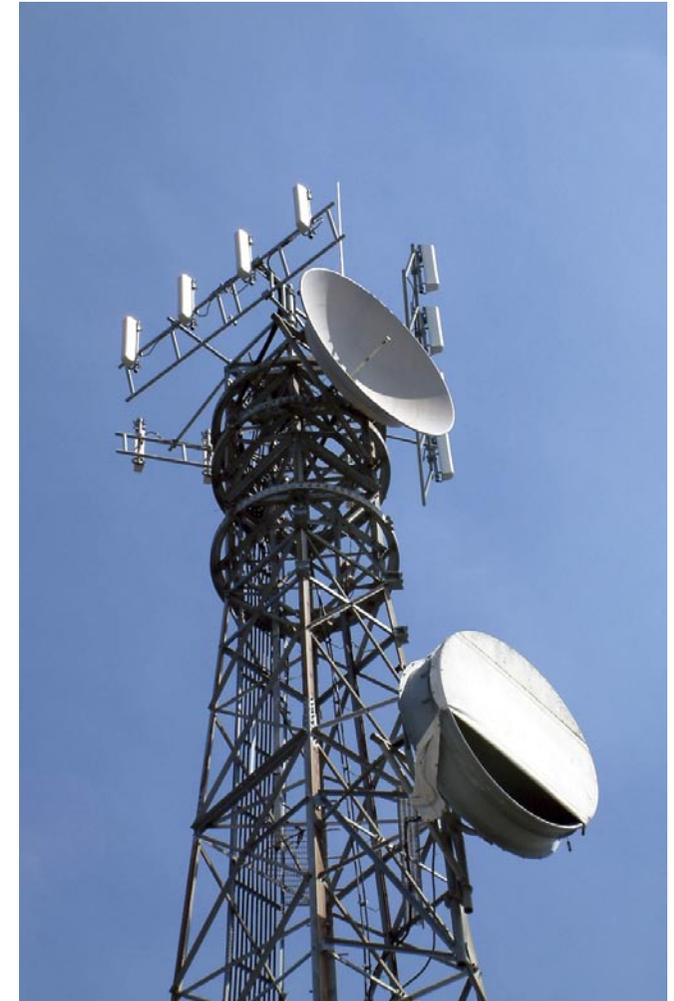
6. Studies undertaken by the CITC

6.4 Antenna Tower Radiation Impact and Health

The objective was to study the impact of mobile base station antennas on public health. Due to widespread usage of mobile base station towers and the concerns raised in the media and throughout the society about the possible effects on public health from emitted radiation, the CITC prepared an extensive report summarizing the up-to-date findings in this area. The comprehensive report outlined the findings of the international organizations and the neutral international bodies regarding the effect of mobile base stations radiation. The findings were endorsed in the minutes of a joint committee chaired by the Riyadh Governorate and consisting of members from the CITC, the Ministry of Health and King AbdulAziz City for Science and Technology.

6.5 Service Provider Network Reliability

A study was completed to review dependability and reliability aspects of current operating communications networks to determine adequate commitment to diversity and availability of sufficient capacities, provisioning of service restoration and minimizing total breakdown at critical times. The analysis will assist in monitoring the service provider network reliability and for considering any CITC actions.

6.6 ICT Services in King Abdullah Economic City (KAEC)

The CITC prepared a concept paper that examines the ICT objectives in the Kingdom's new economic cities and the role of CITC within the perspective of the Saudi Service Providers. This paper highlights the results of a comprehensive study carried out by the CITC and includes an analysis of eight major Digital City projects around the world, and presents a broad framework of ICT services and network considerations for the KAEC. It also makes specific recommendations, services and network models for the KAEC. The paper concludes with a preliminary roadmap of next steps for the successful planning, design, implementation, deployment, and management of the ICT networks and services at the KAEC.

6.7 SPAM

Electronic SPAM messages – the digital descendants of unsolicited paper mail advertisements and marketing phone calls present a major nuisance for ICT users, and come in several forms such as e-mail, cell phone text, and fax messages. The rapid spread of the internet, coupled with the negligible cost of sending email, has helped make SPAM highly infectious on a global scale. In order to increase confidence and security of information technology and communications usage, the Anti-SPAM project was launched, with an objective to develop regulatory framework, to define roles and responsibilities of the service providers, to increase the awareness of the SPAM problems, to develop the measures to deal with, and to develop a technical solution.

A Request for Proposals (RFP) document was prepared and issued to seek qualified consultants. The application submissions were evaluated, a contract was awarded to the winning bidder and the project was launched.

6.8 Business Continuity and Disaster Recovery

This project developed a Business Continuity (BC) strategy to conform with the CITC's business priorities taking into consideration the personnel, the systems and the infrastructure. The study identified the current BC gaps at CITC, and in order to develop a strategy to be in compliance with international BC standards. The study provides the directives, plans and procedures in order to react efficiently, accurately and safely to any business service disruption.

6.9 National Internet Data Exchange

This project was launched in order to improve Internet service speed, response and security in the Kingdom. The main objectives were to build a national internet gateway to exchange local traffic between the Internet Service Providers (ISPs) and the

6. Studies undertaken by the CITC

Data Services Providers, to preserve the exchange of national information within the country, to increase the reliability, continuity, and speed of the transmission media, to support national internet sites hosting, to improve the quality of service and reduce overhead costs, and to increase security in the national Internet service.

This project will conduct a comprehensive study of the current status of the local information exchange and develop a strategic plan to improve it; conduct a study of other exchange networks and solutions used in other parts of the world; and coordinate with Data Service Providers to achieve the project objectives.

6.10 Information Security Handbook

The Information Security Handbook was prepared for Small and Medium Enterprises (SME), which provides information and guidelines on vital aspects of information security. The handbook was crafted in a generic manner to ensure that the contents are relevant to organizations of various sizes, complexities and industries. The handbook contains best practices and guidelines with the primary goal of preventing, detecting, containing and recovering from security breaches. In addition, it provides a broad overview of security threats, information security components, criteria and processes to evaluate, implement, maintain, and manage information security agendas such as awareness programs, risk management exercises and management of human resources.
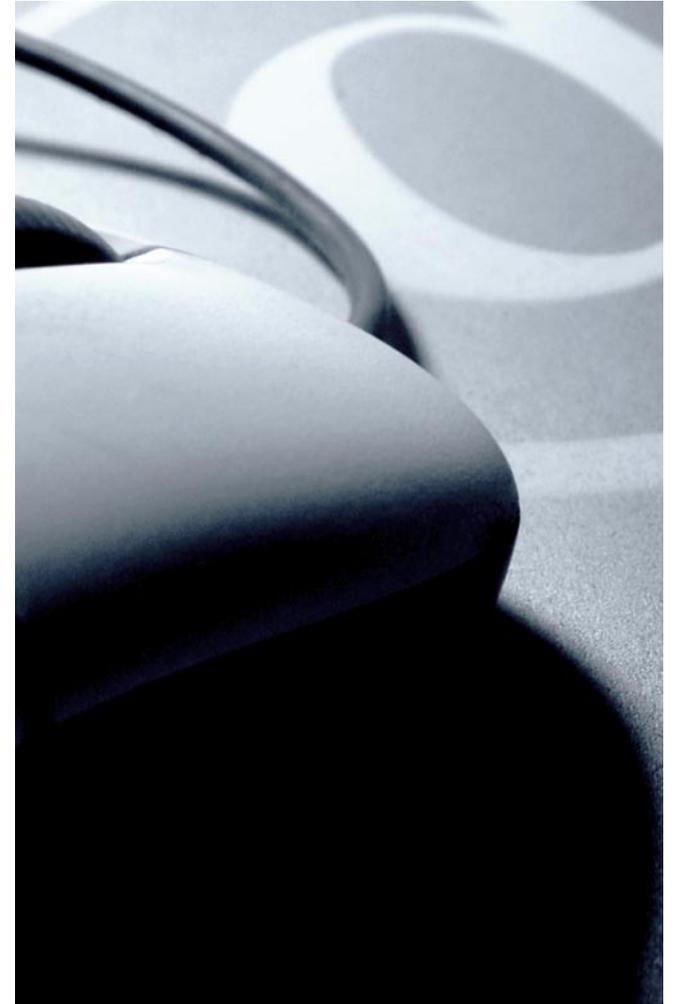
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80.60	1634.60 u	233.70		2.2...	2.7387		467.77
66.43	1243.71 u	177.82	227.99	2.178229	4.631975	1.852467
66.43	1594.61 u	227.99	183.64	417.34	1.852270	2.993270
50.52	1284.47 u	183.64	132.71	255.35	1.686088	2.851635
80.60	2919.00 u	417.34	130.74	665.92	6.944402	1.865170
66.43	928.22 u	132.71	240.12	134.08	2.168411	2.970693
66.43	1785.99 u	255.35	182.59	238.75	1.319320	4.351314	1.662569
50.52	914.43 u	130.74	75.40	2.046641	2.539009
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66.43	1579.49 u	240.12	
66.43	937.99 u	134.08	

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...8 mp

7. Strategic Plan and 2007 key Activities

The CITC is in the second year of the five year Strategic Plan developed in 2005. The Strategic Plan was updated and aligned with the CITC Annual Budget. The CITC will continue to fulfill the requirements of the approved strategic plan. The CITC's Program Coordination Office (PCO) has been tracking and monitoring the progress of the planned activities, on a monthly basis.

The main projects and ongoing activities planned for Year 2007 include:

- Issuance of the 3rd mobile services license
- Issuance of fixed services licenses
- Approval of the National Frequency Plan by the Council of Ministers
- Execution procedures for the Universal Access and Universal Service policy
- Development of policies for networks' emergency cases
- Development of policies for safety procedures in usage of ICT tools and devices
- Development of standards and update of service reselling policy
- Completion of the second phase of the telecom services costing project
- Development of terms and conditions for renting private telecom networks
- Completion of the technical and regulatory aspects of the access network
- Development of guidelines for protection from electromagnetic radiation
- Conducting field survey studies and measurements to ensure compliance with international standards for emission of radiation from radio stations

- Update of the QoS indicators and monitor their implementation
- Cooperation with universities and research centers on scientific matters
- Assignment of bulk numbers and SMS codes to the service providers
- Update of the technical standards for the ICT devices
- Development of guidelines for the Local Number Portability
- Conducting a SMART City forum in Riyadh and completion of the SMART Cities initiative activities
- Completion of small and medium enterprise initiative activities
- Initiation of activities in supporting the Local Electronic Content initiative
- Completion of CITC Internal Internet Exchange project
- Completion of the IT Strategic Plan development
- Development of the CERT project
- Completion of the Internet Usage in the Kingdom study
- Development of anti SPAM policy framework and procedures
- Implementation of Frequency management procedures and methodology
- Review and update of the frequency costing methodology
- Finalize the procedures for Dispute Resolution between service providers
- Development of the bylaw for e-transaction and information crime
- Development of methodology to handle customer complaints
- Development of the Human Resource Management strategy
- Initiation of the construction of the CITC main building in Riyadh
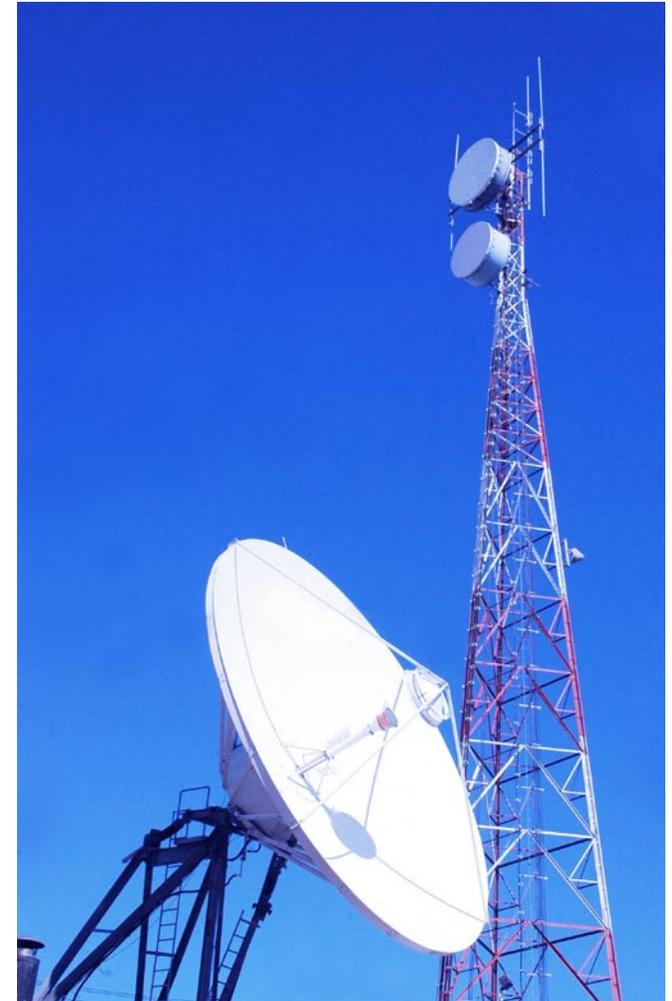
Appendix (A): Benchmarking

ICT Service Penetration:

Figure (A-1) compares fixed telephone lines and teledensity among Arab countries and other world averages. Saudi Arabia (KSA) is the second largest among Arab states in terms of number of lines (after Egypt), and the seventh best in teledensity. While KSA teledensity (16.5%) is lower than the developed countries and some other neighboring Arab countries, it is well above the average (10.5%) of Arab and the developed countries average (15%). It is worth pointing out that the relatively high teledensity of around 50% (which is gradually decreasing year on year) of developed countries is attributed to the higher number of business phone lines, and the fact that the average household size of 2-3 individuals per family is relatively small compared to family size in KSA and other developing countries. KSA average household size is around 5.7 persons.

Figure (A-1): Benchmarking KSA Fixed Telephony Service

Fixed Telephone Lines and Teledensity (2006)

Legend: Fixed lines (Million) — Fixed Teledensity (%)
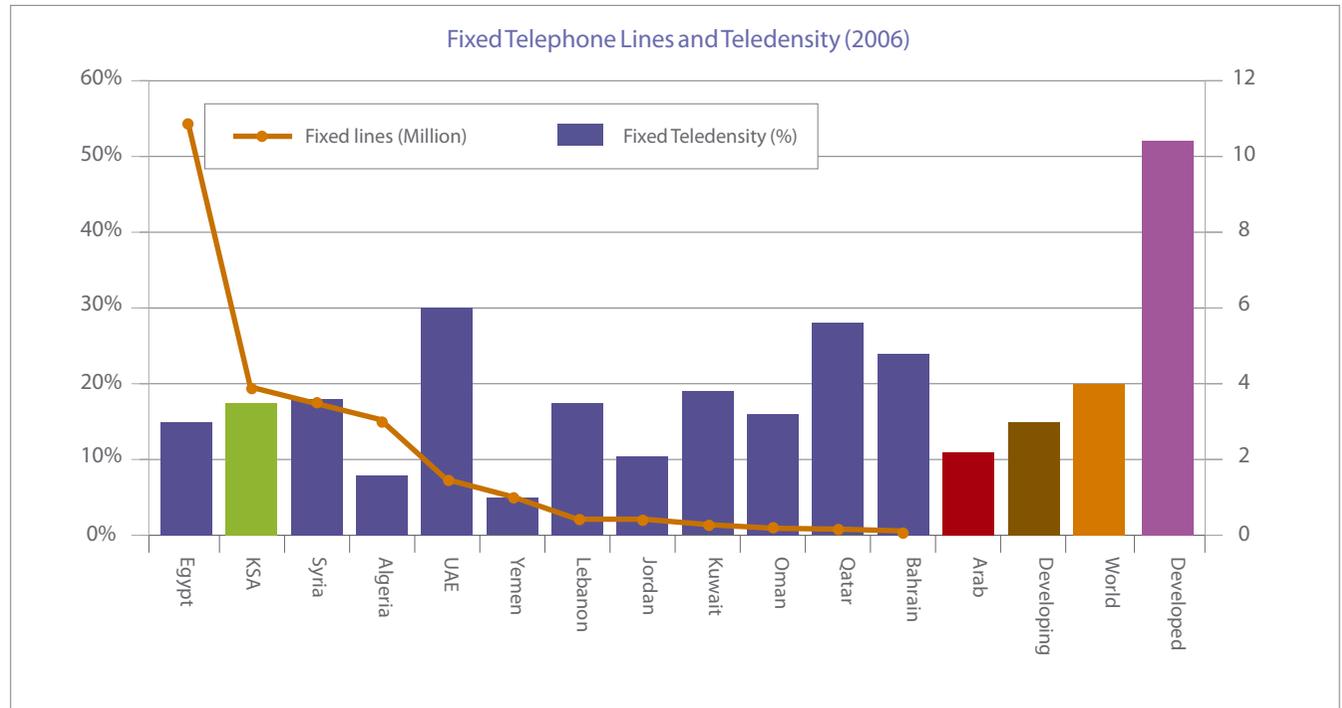
(Source: CITC, ITU, Arab Advisors Group and others)

Appendix (A): Benchmarking

For mobile services (Figure (A-2)), KSA has the second largest number of subscribers (after Algeria), and fifth highest in terms of mobile penetration rates (following UAE, Bahrain, Qatar and Kuwait). Mobile teledensity (82%) in KSA is approaching that of the developed countries average, but is much higher than teledensities of the developing countries (30%), the Arab states (35%) and the world average (40%).

Figure (A-2): Benchmarking KSA Mobile Service

Mobile Service Benchmarking (End 2006)
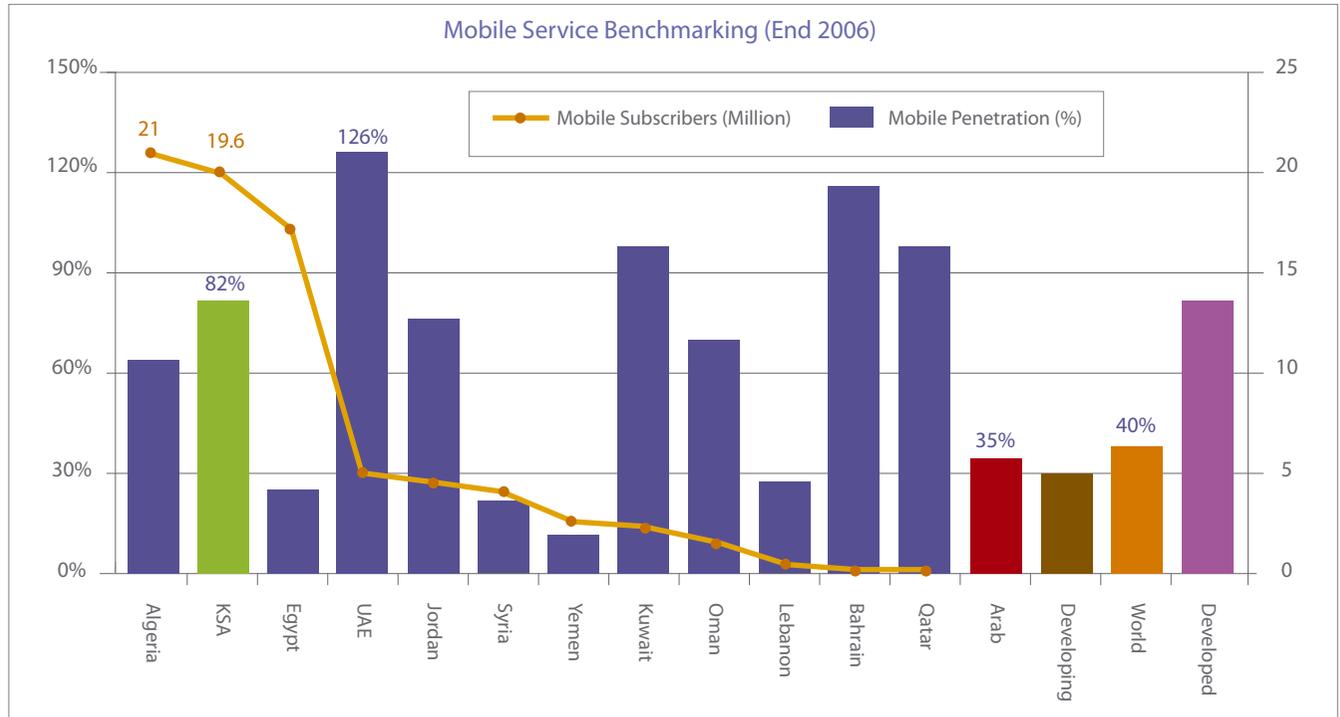
(Source: CITC, Arab Advisors Group and others)

Appendix (A): Benchmarking

Internet users in Saudi Arabia are estimated to be around 4.7 Million by the end of 2006, the largest number among Arab countries, as shown in Figure (A-3). In terms of internet penetration rates, however, KSA (19.6%) ranks fourth in the Arab World (after UAE, Kuwait and Bahrain). KSA Internet penetration rate is higher than Arab countries average (7%), developing countries average (10%) and global average (16%), but is well below the developed countries average internet penetration rate of around 60%.

Figure (A-3): Benchmarking KSA Internet Users

Internet User Estimation (End 2006)
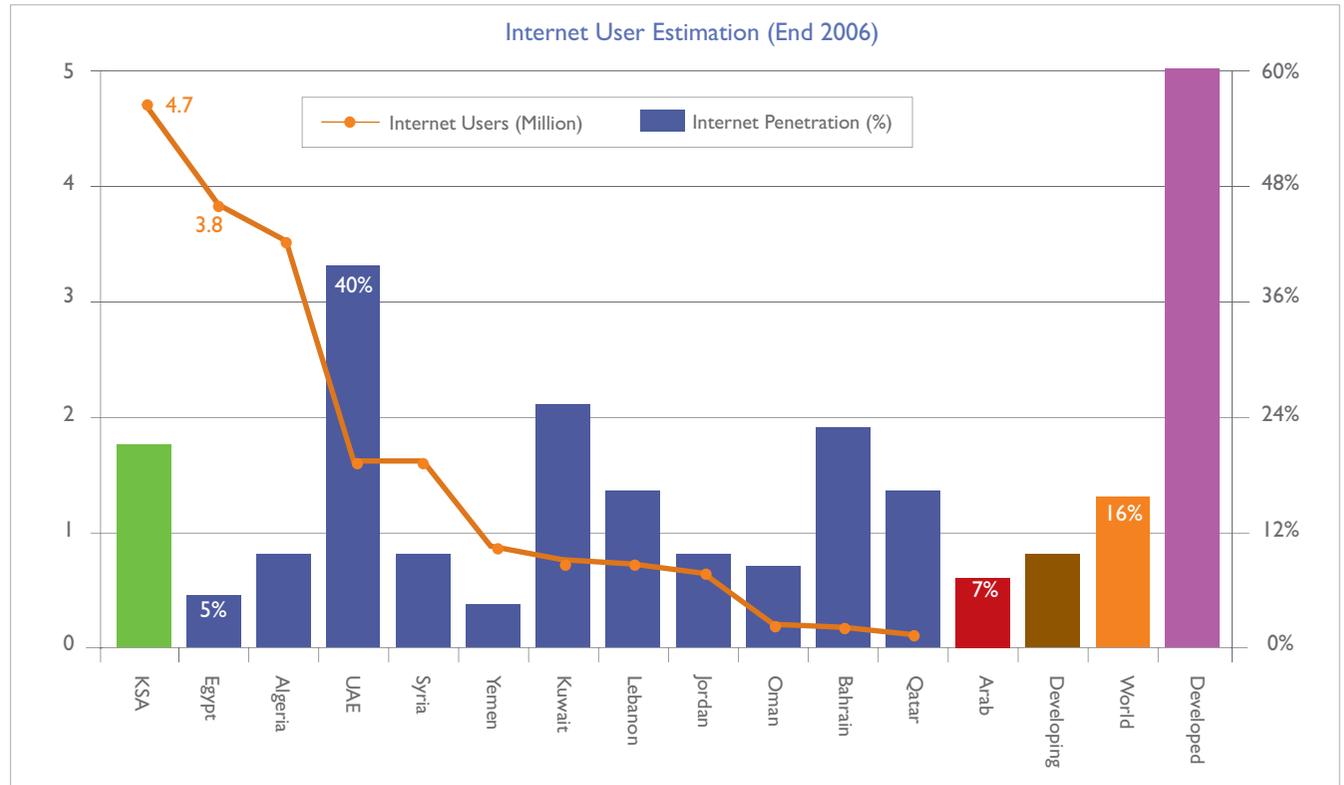
(Source: CITC, ITU, Arab Advisors Group and others)

Appendix (A): Benchmarking

Tariff Benchmark:

Figures (A-4) through (A-10) give standard benchmark comparisons of mobile services in Saudi Arabia, GCC and other Arab countries. The comparisons include connection fees, monthly fees, and per-minute rates for both post-paid and prepaid services. The main conclusion of the benchmarking given in the following Figures can be summarized as follows:

- Connection Fee (Post-paid) – Figure (A-4): KSA connection fee averages SR 47.5, which is lower than average fee of most Arab countries (with the exception of Bahrain, Tunisia and Morocco), the GCC average fee (SR 128) and Arab countries average fee (SR 118)

- Connection Fee (Prepaid) – Figure (A-5): KSA has no connection fee for all prepaid offered packages while all other GCC countries do have such fees (average connection fee of SR 92). Similarly all other Arab countries (except Lebanon) have prepaid connection fee averaging to around SR 52.

- Monthly Service Fee (Post-paid) – Figure (A-6): The average monthly fee of the 5 postpaid packages currently offered in KSA is around 33 SR/month, which is lower than the average monthly fee in most Arab countries, the GCC average (43 SR/month) and the Arab countries average (44 SR/month).

Figure (A-4): Average Connection Fee (SR) for Postpaid Mobile Service
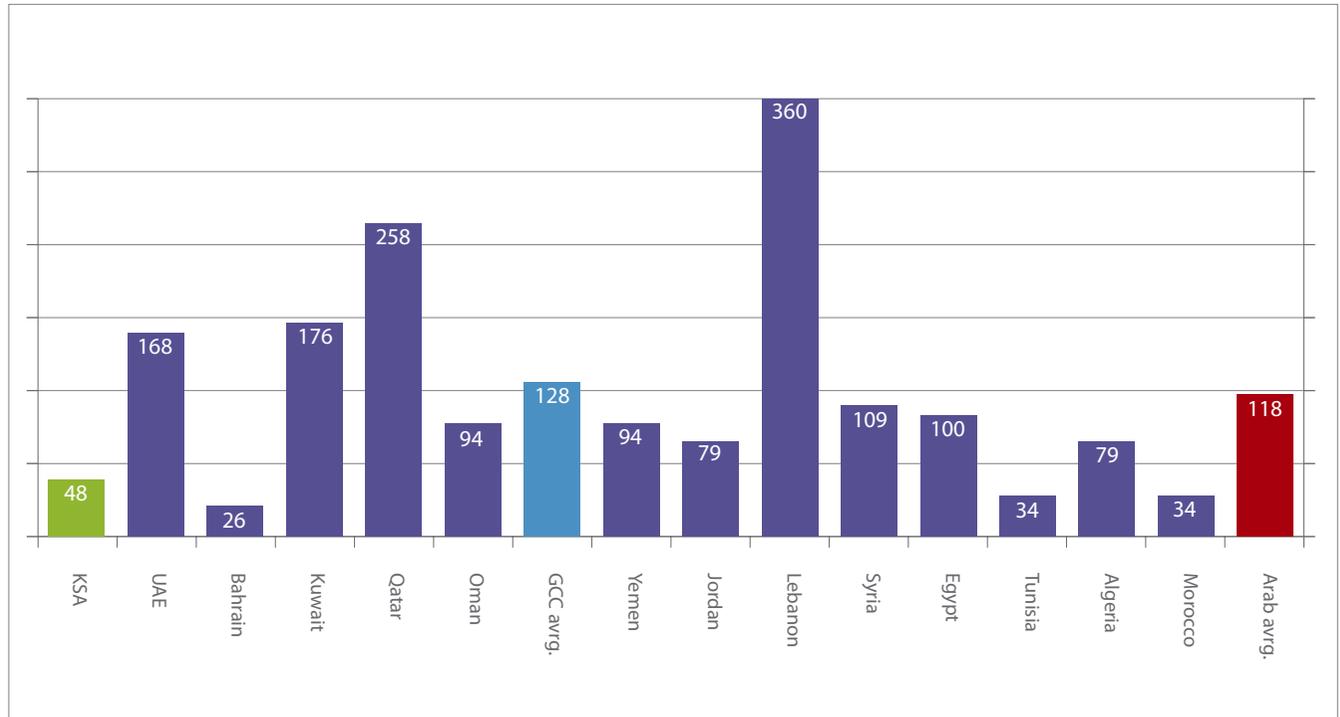
NOTE: Average of basic postpaid plan offers from operators in each country (does not include special and promotional offers)

(Source: CITC, Arab Advisors Group and Operators)

Appendix (A): Benchmarking

- Per Minute Rate (Post-paid) – Figure (A-7): The KSA average per minute rate stands at around 37.5 Halalah/minute (1 SR = 100 Halalah). This is slightly higher (by 10%) than the GCC average rate (34 Halalah/minute), but slightly lower than Arab countries average rate (34 Halalah/minute).
- Per Minute Rate (Prepaid) – Figure (A-8): The KSA prepaid rate averages around 70 Halalah/minute, which is higher (by 40%) than the GCC average rate (50 Halalah/minute), but slightly lower than Arab countries average rate (75 Halalah/minute).

The comparisons of direct minute rate shown above and shown in (Figures (A-7) and (A-8)) are misleading as they do not include the billing unit, which together with the published nominal rate determines the actual real cost to the customer per minute. KSA (and limited number of operators in some Arab countries) use "per second" billing. Most other operators from the Arab countries use per minute billing, or variations of it, which leads to higher real cost of a call to consumers.

Per second billing means that the cost charged to the subscriber reflects the actual time of the calls (to the nearest one second). On the other hand, per minute billing will mean that call duration are rounded up to the next higher minute, which leads to longer charged call duration and higher real costs to the subscriber. As a result, and in order to have an objective and fair comparison, nominal published tariffs need to be corrected to reflect the same basis of billing. With such correction the actual effective rates will be higher than the nominal published rates for all countries using higher than 1 second billing unit (the higher the billing unit, the higher the correction). Figures (A-9) and (A-10) show the comparisons after correcting the nominal rates to effective actual rates. It is evident from the

Figure (A-5): Average Connection Fee (SR) for Prepaid Mobile Service

Country	Value
KSA	0
UAE	158
Bahrain	35
Kuwait	123
Qatar	180
Oman	56
GCC avrg.	92
Yemen	25
Jordan	26
Lebanon	0
Syria	29
Egypt	34
Tunisis	25
Algeria	21
Morocco	14
Arab avrg.	52

NOTE: Average of basic prepaid offers by all operators in each country (does not include special and promotional offers)
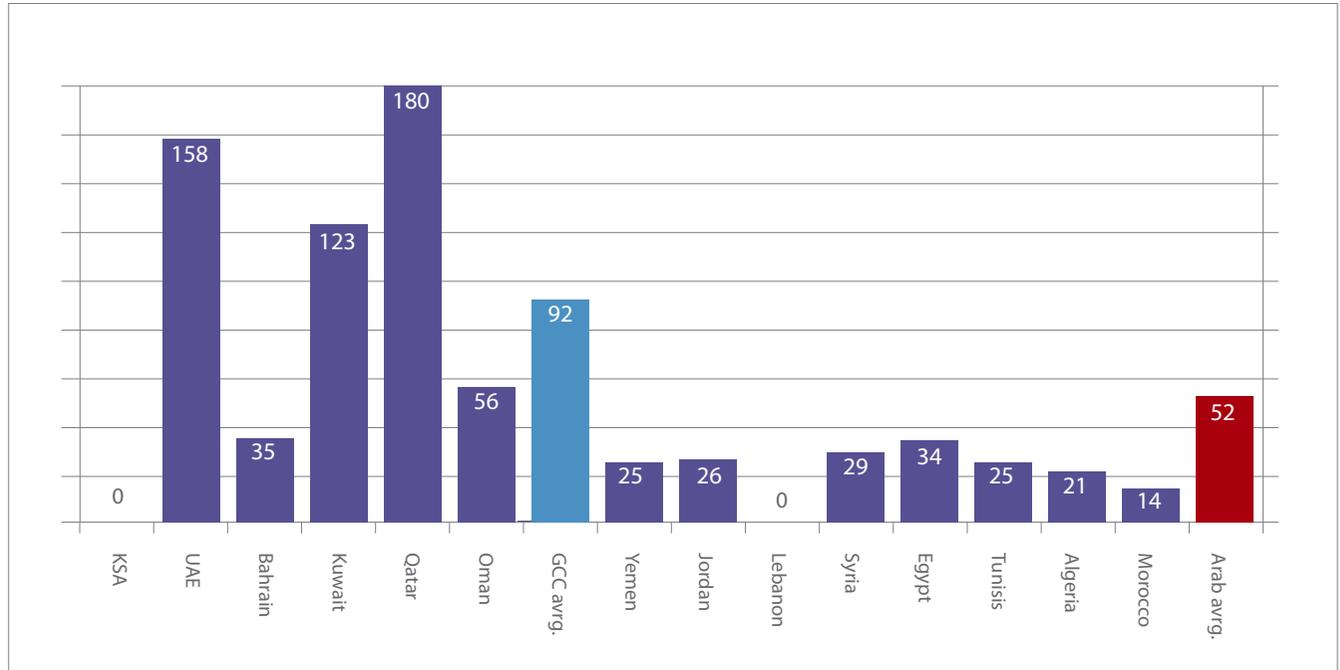
(Source: CITC, Arab Advisors Group and Operators)

Appendix (A): Benchmarking

comparisons that the true level of mobile pricing in KSA is more favorable in relation to other countries, and is as follows:

- Effective per Minute Rate (Post-paid) – Figure (A-9): The KSA average per minute rate (37.5 Halalah/minute) is the least among the GCC and other Arab countries (with the exception of Yemen and Egypt). It is now lower (by 20%) than the GCC average rate (47 Halalah/minute), and lower (by 28%) than Arab countries average effective rate (52 Halalah/minute).
- Effective Per Minute Rate (Prepaid) – Figure (A-10): The prepaid per minute rate in KSA (70 Halalah/minute) is still slightly higher (by 13%) than the average GCC effective rate (62 Halalah/minute), but is well lower (by 30%) than the Arab countries average rate (99 Halalah/minute).

Figure (A-6): Monthly Fee (SR) for Postpaid Mobile Service
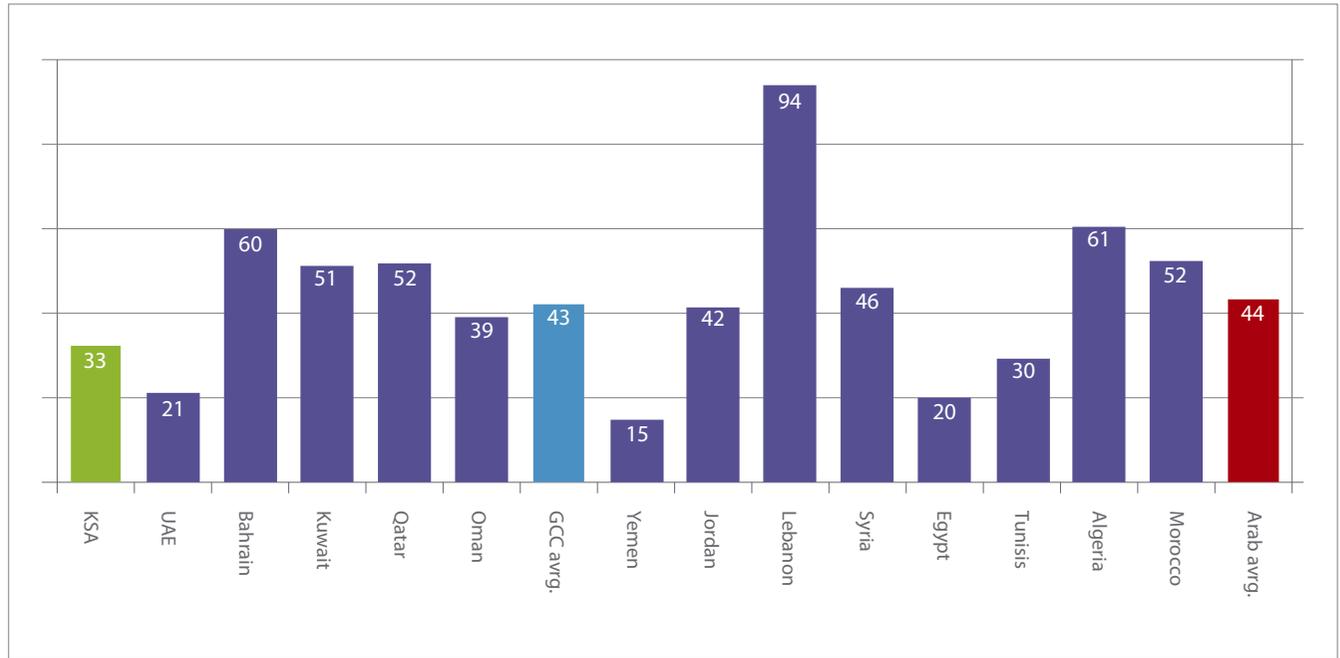
NOTE: Average of basic postpaid plans offered by operators in each country

(Source: CITC and Operators)

Appendix (A): Benchmarking

Figure (A-7): Published Tariff (rate per minute) for Postpaid Mobile Service (Halalah/minute, 1 SR = 100 Halalah)

Average Post-paid Tariff (Halalah/minute)

Country	Value
KSA	37.5
UAE	30
Bahrain	34
Kuwait	34
Qatar	37.5
Oman	32
GCC avrg.	34
Yemen	18.75
Jordan	37.5
Lebanon	56
Syria	34
Egypt	26.5
Tunisis	49
Algeria	41
Morocco	75
Arab avrg	39
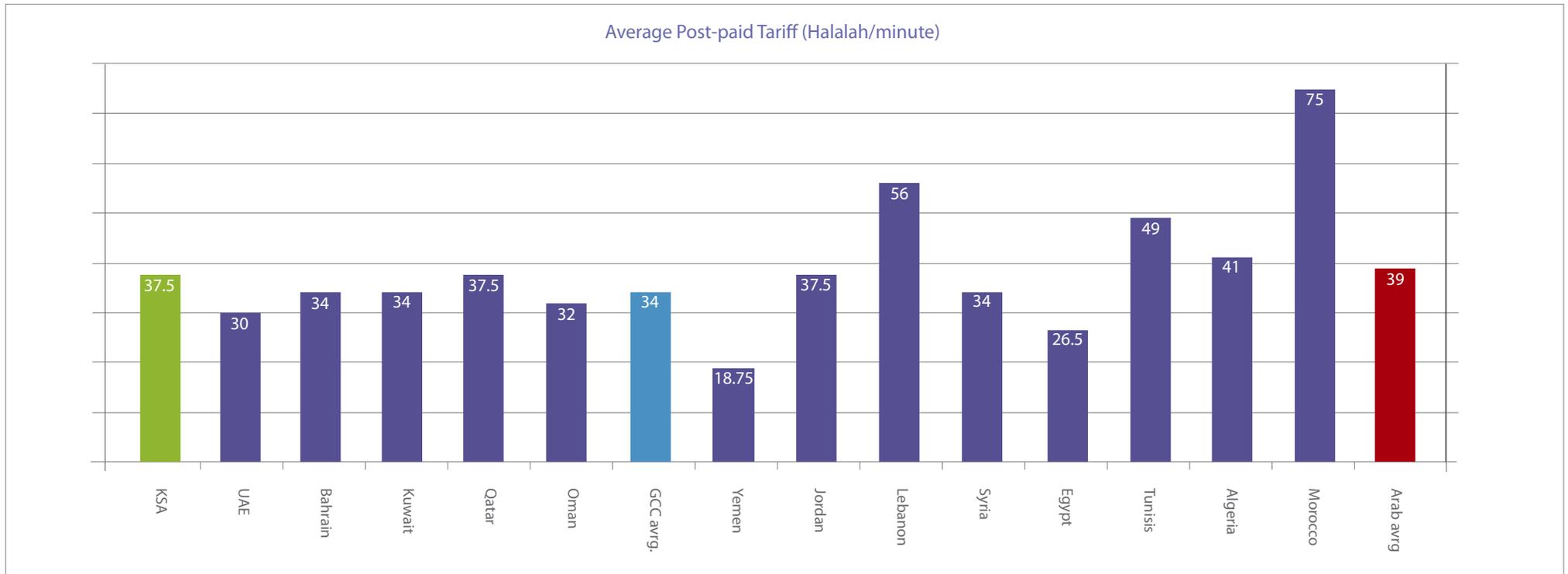
NOTE: Average published tariff of basic postpaid plans in each country (excluding special and promotional offers)

(Source: CITC, Arab Advisors Group and Operators)

Appendix (A): Benchmarking

Figure (A-8): Published Tariff (rate per minute) for Prepaid Mobile Service

Average Prepaid Tariff (Halalah/minute)

Country	Value
KSA	70
UAE	30
Bahrain	38
Kuwait	56
Qatar	56
Oman	49
GCC avrg	50
Yemen	38
Jordan	45
Lebanon	165
Syria	60
Egypt	97
Tunisia	60
Algeria	64
Morocco	229
Arab avrg	75
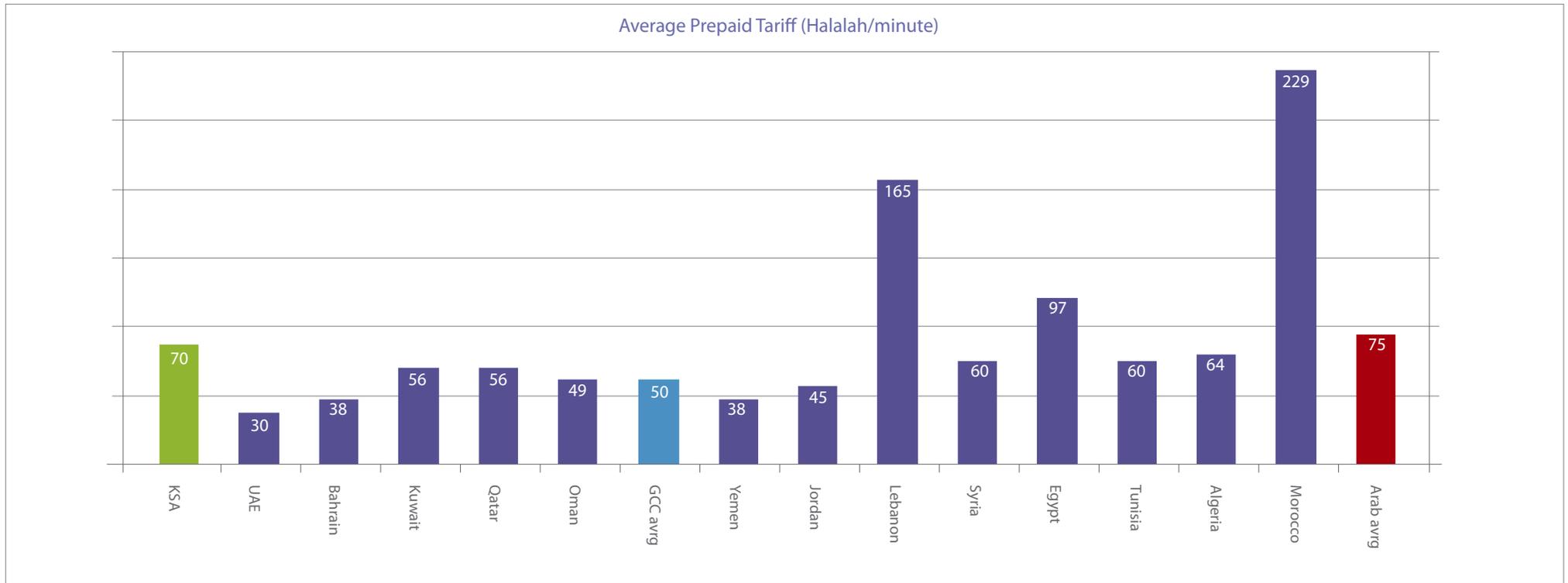
NOTE: Average published tariff of pre-paid standard packages in each country
(excluding special and promotional offers)

(Source: CITC, Arab Advisors Group and Operators)

Appendix (A): Benchmarking

Figure (A-9): Effective Rate (real cost per minute) and Published Tariff (nominal rate per minute) for Postpaid Mobile Service (Halalah/minute)

Effective versus Nominal (Published) Rates -- Postpaid

Legend:
- Nominal (published) Rate
- Effective Rate (actual cost per minute)

Country	Nominal (published) Rate	Effective Rate (actual cost per minute)
KSA	37.5	
UAE	30	40
Bahrain	34	48
Kuwait	34	48
Qatar	38	53
Oman	32	53
GCC avrg	34	47
Yemen	19	24
Jordan	38	49
Lebanon	56	79
Syria	34	48
Egypt	27	37
Tunisia	49	60
Algeria	41	54
Morocco	75	98
Arab avrg	39	52
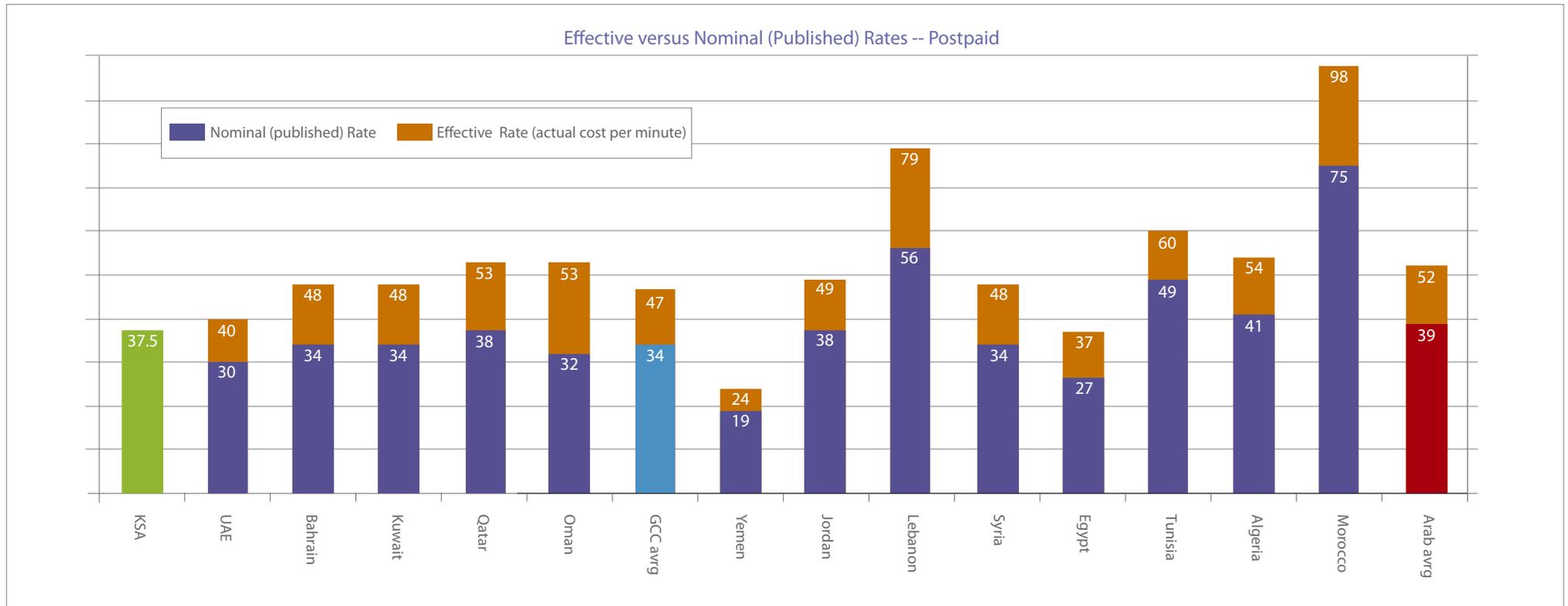
(Source: AAG and CITC Analysis)

Appendix (A): Benchmarking

Figure (A-10): Effective Rate (real cost per minute) and Published Tariff (nominal rate per minute) for Prepaid Mobile Service (Halalah/minute)

Effective vs. Nominal Rates -- Prepaid

Legend:
- Nominal (Published) Rate
- Effective Rate (Real per minute cost)

Country	Nominal (Published) Rate	Effective Rate (Real per minute cost)
KSA	70	
UAE	30	40
Bahrain	38	53
Kuwait	56	62
Qatar	56	79
Oman	49	65
GCC avrg	50	62
Yemen	38	49
Jordan	45	58
Lebanon	165	234
Syria	60	85
Egypt	97	137
Tunisia	60	73
Algeria	64	83
Morocco	229	297
Arab avrg	75	99
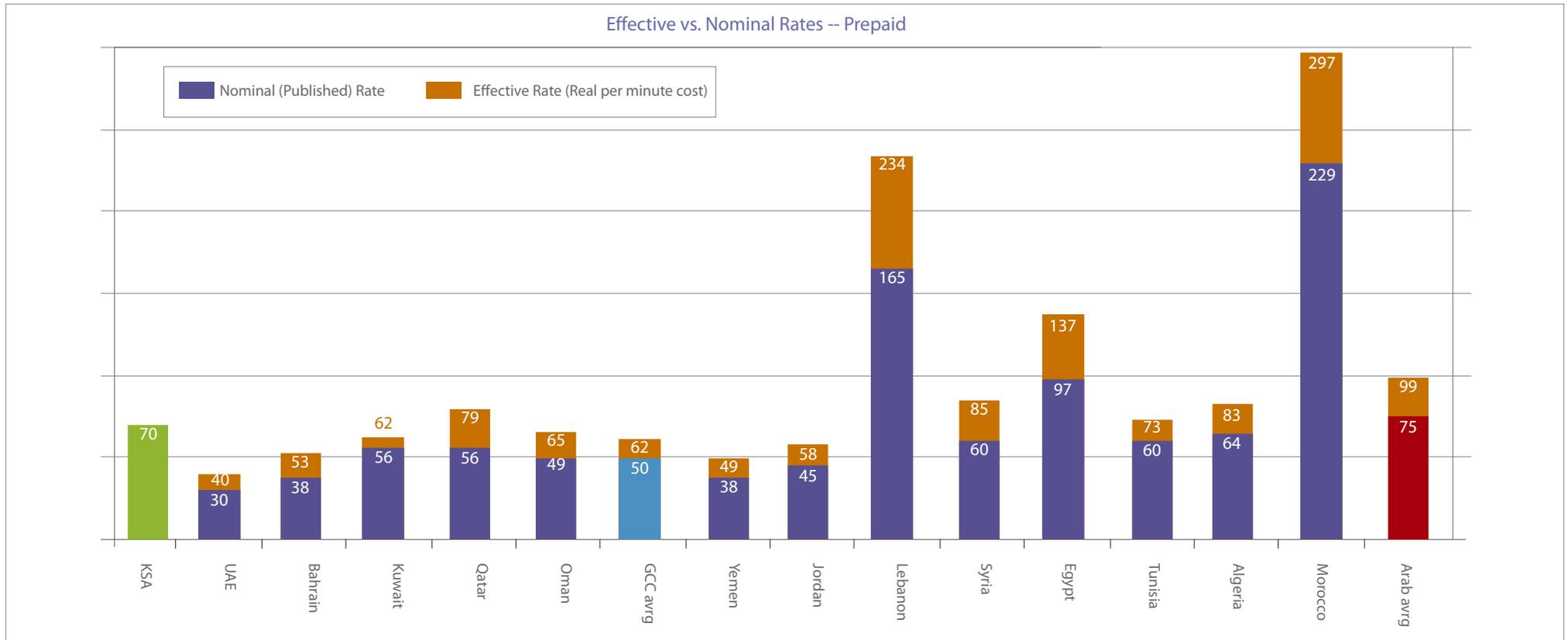
(Source: AAG and CITC Analysis)

Appendix (B): Board of Directors Decisions (2006)

The Board of Directors held four meetings during the year 2006. Below are the most significant Decisions of the Board, consisting of review and approval of:

- the Universal Access and Universal Service Policy
- proposed amendments to the CITC statutes to comply with the Kingdom's WTO obligations
- the CITC Final Budget for 2006
- the CITC Audited Financial Accounts for 2006
- the CITC Annual Report for 2005
- the regulatory framework for the VSAT licenses
- the schedule for the preparation of the "National Frequency Plan"
- the spectrum evacuation program and the actions to facilitate the issuance of the 3rd mobile license
- the implementation plan for the Mobile Number Portability
- the regulatory framework for fixed and mobile licensing
- the CITC budget proposal for 2007
- the Request for Applications (RFA) documents for fixed services licenses
- the RFA documents for 3rd mobile service license
- the first phase of the CITC permanent headquarters project
- the final draft of the National Frequency Plan and its public consultation document
- the purchase of land in Jeddah for constructing the CITC building in the Makkah District
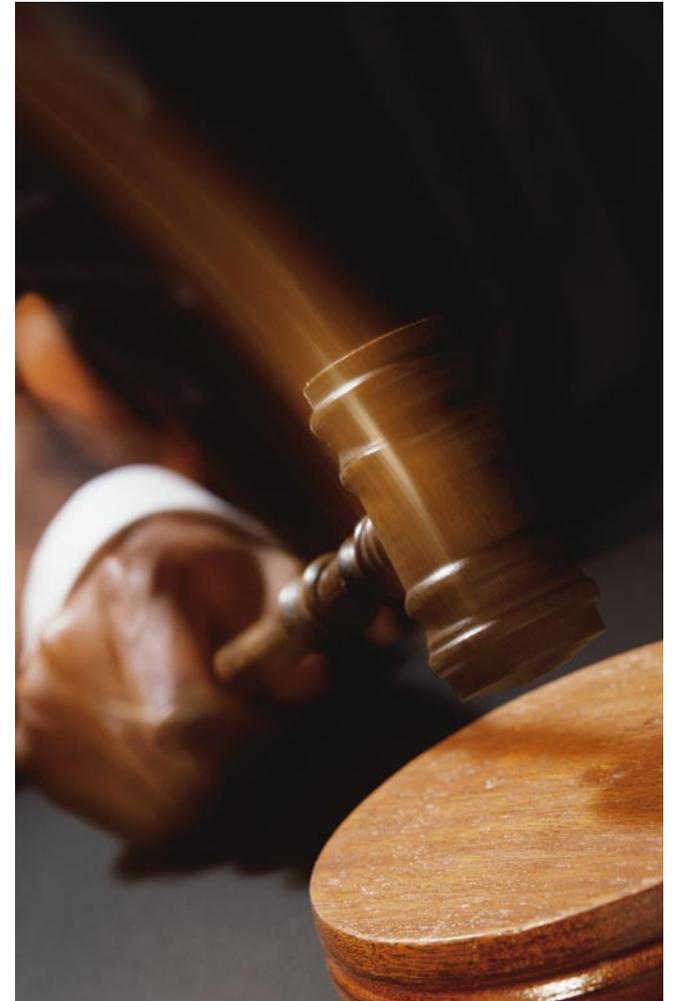
Appendix (C): CITC Decisions (2006)

Decision #	Date	Subject
103/1426	02/12/1426	Approval of a new data service, named "Urgent Installation"
104/1426	03/12/1426	Approval of new Directory services (905)
105/1426	21/12/1426	STC shall separate "Qitaf" program awards between the fixed (Al HATIF) and mobile (Al JAWAL) telephones
106/1427	20/01/1427	Approval of the proposed reduction in the tariff of the Internet International Backbone Service.
107/1427	26/01/1427	Approval of the provision of PSTN Hot Line service
108/1427	04/02/1427	Approval of cancellation of ALHATIF installation fees for disabled individuals in addition to granting them 20 free calls to the Directory Service (905) per billing period
109/1427	19/02/1427	Amending the STC Terms and Conditions of Service
110/1427	06/03/1427	Approval of new tariffs of international calls.
111/1427	12/03/1427	Approval of the provision of a new fixed (ALHATIF) service (Favorite Country Plan)
112/1427	12/03/1427	Approval of 25% reduction in international calls, public call centers and fixed line prepaid cards.
113/1427	21/03/1427	Approval of the revised RIO submitted by STC.
114/1427	27/03/1427	Setting the fees for mobile number portability (MNP)
115/1427	15/04/1427	Approving the provisioning of the Temporary Disconnection at Request Service for mobile services
116/1427	15/04/1427	Approving the provisioning of the proposed facilities within the Mobile Service for Disabled Individuals.
117/1427	18/05/1427	Approving new tariffs for mobile telephone services.
118/1427	23/05/1427	Approval to offer new Mobile business Services.
119/1427	23/05/1427	Approval of new tariffs and new names for some services within mobile (ABWAB Portal) services
121/1427	12/06/1427	Approval of new tariffs of 4 fixed telephone services
122/1427	12/06/1427	Approving the new mobile service (Tamm SMS)
123/1427	12/06/1427	Approval of the Tariffs of the mobile (MVPN) Service
124/1427	15/06/1427	Approval to add a new bundle to the (Unlimited "in-fleet" PTT) and a new service (Group Communication) within the (iDEN) Bravo Services
126/1427	22/07/1427	Approving the provision of Tadawul Al Jawal Service

Decision #	Date	Subject
127/1427	28/07/1427	Approving the Tariffs of some new services within Interactive Media SMS Service
128/1427	02/08/1427	Approving tariff amendment of some existing services and addition to the new "Missed Call Alert" Service within (iDEN) Bravo Services
129/1427	09/08/1427	Approving Tariffs of the "Aljawal Blackberry" Service
130/1427	09/08/1427	Approving the tariffs of the Call Completion Service for Mobile subscribers from the Directory Services (905)
131/1427	10/08/1427	Approving the Tariffs of the international Bulk SMS.
132/1427	20/08/1427	Approving the Tariffs of the receiving part pays (collect calls) for Al Hatif fixed services.
135/1427	17/09/1427	The Regulatory Framework on License Classification and Scope of the Fixed and Mobile Services
136/1427	17/09/1427	The Regulatory Framework on Fixed and Mobile Services Licensing
137/1427	17/09/1427	The Regulatory Framework on local loop unbundling.
138/1427	17/09/1427	The Regulatory Framework on Local Number Portability
139/1427	17/09/1427	The Regulatory Framework on Interconnection for IP Networks, International Cable Landing Points and Leasing of Dark Fiber
140/1427	17/09/1427	The Regulatory Framework on Carrier Selection
141/1427	17/09/1427	The Regulatory Framework Quality of Services
142/1427	17/09/1427	The Regulatory Framework on National Roaming for Mobile Facility Based Providers
143/1427	08/10/1427	Licensing Iridium Satellite LLC to operate the GMPCS Services in the Kingdom
144/1427	02/10/1427	Approving tariffs of new services: "Filtered Internet International Access" and" Filtered Direct International Internet Service", and amendment the of Tariffs of "Internet National Backbone "
145/1427	22/10/1427	Approving tariff reduction of the "STM4-622Mbps"
146/1427	22/10/1427	Approval of the Tariffs of the "Business Jawal"
147/1427	29/10/1427	Issuing new Guidelines on "Promotional Media Campaigns" for ICT service providers.
148/1427	8/11/1427	Requiring service providers (fixed, mobile and data) to submit to CITC their Terms and Conditions of Service

Appendix (D): Public Consultations (2006)

Public Notice No.	Date	Subject
5/1426	30/01/2006	Radio spectrum issues related to the development of the National Frequency Plan (NFP)
6/1427	21/02/2006	Revised STC's Reference Interconnection Offer
7/1427	17/04/2006	Regulatory Framework for Licensing of Fixed and Mobile Services
8/1427	13/05/2006	Regulatory Policies for Licensing of Fixed and Mobile Services
9/1427	17/06/2006	Draft RFA (Request For Applications) for Licensing of Public Fixed Services in the Kingdom of Saudi Arabia
10/1427	17/06/2006	Draft RFA for Licensing of Public Mobile Services in the Kingdom of Saudi Arabia
11/1427	24/06/2006	Carrier Service Provider
12/1427	02/08/2006	Licensing for Construction and Operation of Submarine Cable Landing Stations
13/1427	12/08/2006	STC draft Reference Offer for Data Access (RODA)
14/1427	11/09/2006	Final Proposal of the "National Frequency Plan"
15/1427	20/12/2006	Regulatory Framework on SMS short codes for value-added services.

Appendix (E): Tariff Reductions on Some Services

E-1: Fixed Telephone Service

	2004 (SR)	2006 (SR)	Reduction
Package A			
Monthly Subscription	30	30	-
Local Calls	0.05 SR/min + 200 minutes every 2 months	0.05 SR/min + 200 minutes every 2 months	-
Domestic (long-distance) Calls	0.35 SR/min	0.20 SR/min	34%
Package B			
Monthly Subscription	45	45	-
Local Calls	0.10 SR/min + 200 minutes every 2 months	0.05 SR/min + 200 minutes every 2 months	50%
Domestic (long-distance) Calls	0.10 SR/min	0.10 SR/min	-

E-2: Basic Mobile Services[1]

Service	Al Jawal[2] (2004)	Al Jawal[2] (2006)	Reduction (%)	Mobily[3] (2006)
Connection Fee – postpaid (SR)	100	50	50%	
Average Monthly Fee – postpaid (SR/month)	40	35	12.5%	30
Average tariff – post paid (Halalah/min)	42	38	10%	37
Average tariff – prepaid (Halalah/min)	85	65	24%	75

E-3: Mobile Data Services

Mobile Tel. Service	2005	2006	Reduction %
Jawal Net 2 (SR/month)	N/A	10	-
Jawal Net 10 (SR/month)	50	30	40%
Jawal Net 25 (SR/month)	70	50	29%
Mawgoud (SR/month)	4	Free	100%
Mawgoud Extra (SR/Monthly)	12	8	33%
Fax (SR/Monthly)	15	4	73%

E-4: International Calls

	2004	2006	Reduction %
Average International Call Rate (SR/min.)	3.7	2.00	46%

Notes: (1) Excluding special discounts and temporary promotional offers
                (2) On-net call only for Al Jawal
                (3) All calls (on-net and off-net) for Mobily

Appendix (E): Tariff Reductions on Some Services

E-5: Internet Service (DSL)

| | Subscription (SR/month) | | Reduction (%) |
	2004	2006	
128 K bit/second	N/A	90	25%
256 K bit/second	220	100	54%
512 K bit/second	N/A	120	N/A
1024 K bit/second	N/A	150	N/A
2048 K bit/second	N/A	180	N/A

E-6: Internet International Connection (for ISP's)

| | (SR/ 1 Mbps) | | Reduction (%) |
	2004	2006	
Filtered Internet International Access Service	27500	5630	80%

E-7: Internet International Connection (for ISP's)

| Circuit | 2004 | | 2006 | | Reduction (%) | |
	Installation	Monthly Fee	Installation	Monthly Fee	Installation	Monthly Fee
Local (64KB/s)	5000	900	2700	800	46%	11%
National (64KB/s)	5000	3600	2700	3250	46%	10%
Local (128KB/s)	5000	1340	2700	1200	46%	10%
National (128KB/s)	5000	5580	2700	5000	46%	10%
Local (256KB/s)	7500	2100	3950	1850	47%	12%
National (256KB/s)	7500	8190	3950	7125	47%	13%
Local (2MB/s)	7500	5850	3950	3400	47%	42%
National (2MB/s)	7500	21000	3950	12250	47%	42%

Appendix (F): Licenses Issued

F-1: Number of Licenses Issued:

Service	2002	2003	2004	2005	2006
Fixed Line Telephony Service	1	1	1	1	1
2G Mobile Service	1	1	2	2	2
3G Mobile Service	---	---	1	2	2
VSAT	1	5	5	5	7
GMPCS Service	1	2	2	2	3
Internet Service	18	18	23	27	47
Data Communications	1	1	3	3	3
Internet Aeronautical Service	---	---	1	1	1
Internet Aeronautical Service	---	---	---	---	1
Automated Vehicle Locator (AVL)	---	---	6	19	24
Bulk SMS Service	---	---	6	38	92
Audio Text (700) Service	---	---	---	21	26
Call Center Service	---	---	---	4	7
Electronic Wallet Service	---	---	---	2	2
Mobile Service Recharging Card Service	---	---	--	1	4
Network Control and Management	---	---	---	2	3
TOTAL	21	26	50	130	225

Appendix (F): Licenses Issued

F-2: List of Licensees:

License Type: Fixed Line Telephony Services
1	Saudi Telecom Company

License Type: Mobile Telephony (GSM) Services
1	Saudi Telecom Co.
2	Ettihad Etisalat "Mobily"

License Type: 3rd Generation Mobile (3G) Services
1	Saudi Telecom Co.
2	Ettihad Etisalat "Mobily"

License Type: Data Communication Services
1	Saudi Telecom Co.
2	Integrated Telecom Co. 'ITC'
3	Bayanat Al-Oula Co.

License Type: GMPCS Services
1	Thuraya Satellite Communication Co.
2	Farhan Communication Co.
3	Iridium Satellite LL

License Type: VSAT Services
1	High Capabilities Technologies Company Ltd.
2	Saudi Telecom Company (STC)
3	Electronia Company
4	Skyband Corporation Limited
5	Detecon Al Saudia Co. Ltd. (DETASAD)
6	Nasser S Al Harbi Trading Establishment (Al Harbi Telecom)
7	Saudi Internetworking Company Ltd.

License Type: Aeronautical Internet Services
1	BOEING Satellite Systems International

License Type: Aeronautical Mobile Services
1	Data Star Co.

License Type: AVL Services
1	Al Qahtani Fisk Electrical and Telecommunications Company
2	Information and Systems Technology Company
3	Interkey Company for Communication and Computer
4	Technology Gates Computer Establishment
5	Abdullatif Alarfaj & Brothers Holding Company
6	Mohammed Ali Al-Esayi Group for Trade
7	Information Technology Company Limited
8	Nour Communications Company (NourNet)
9	Anbit Arabia Company Limited
10	M.A.S. Bugshan Telecom Est.
11	Sara Business Solutions
12	Datastar International Ltd.
13	ExpTec Establishment for Technology and Programming Solutions
14	Omnitec International Group
15	Steps Int'l Business Group
16	Saudi Internetworking Company Ltd.
17	Best IT Solutions Establishment
18	Advanced Electronics Company Ltd.(AECL)
19	Third Dimension Technology Limited
20	Almisehal Group for Trade Ltd.
21	AtlasAlbilad Advanced Technology for Communications
22	Saudi Early Warning Company
23	Farhan Commercial Company Ltd.
24	Daleelteq IT Company Ltd.

License Type: SMS Services
1	Advanced Electronics Company Ltd.(AECL)
2	Al-Safhah Al-Thahabiah Trading Establishment
3	Safour Catering Company
4	Information Technology Company Limited
5	E - Learning & Training Co.
6	Msmooa Mrai Mghrooa Esablishment
7	ARA Promotion and Advertising Media Ltd.
8	Albasma Alraqamiya Company for Trade
9	Voice & Data Telecommunication Company
10	Four Systems Company for Trade
11	Bait Alelam Media Production Establishment
12	Rawabi United Telecommunication Ltd.
13	Alwataniya Advertising Company
14	Saudi Arabian Internet Services Powerhouse (Awalnet)
15	International Itsalat Company (i2 Mobile)
16	Arabian Internet and Communications Services
17	Information and Systems Technology Company
18	Arabian Advanced Systems Company
19	First Gulf Contracting Company Ltd.
20	Peacock Advertising and Promotion Company
21	Gulfnet KSA (Zajil)
22	Arabs Call Company Limited
23	Smart Call Company
24	Farhan Commercial Company Ltd. (Thuraya Services)
25	Advertising Services Company
26	Baraheen International Company
27	SAB Communications
28	Mediacall Company Ltd.
29	Saudi Bells Telecommunications Company
30	Dar Al-Ikhtera Aldaulia Est. for Trading
31	Zafa Trading Company Limited

Appendix (F): Licenses Issued

F-2: List of Licensees:

32	Ghrra Telecom Company
33	Electronic Concepts Company Ltd.
34	NESMA National Co. for Advanced Technology Ltd.
35	eCallPlus Company Ltd.
36	Nour Communications Company (NourNet)
37	Advanced Telecommunications Company (ATC)
38	Ataas Trading Company
39	Masian Establishment for Marketing
40	Mawarid Electronics Company Ltd.
41	Unique Business Group Arabia (UBG)
42	Integrators MEA
43	Al-Mozoon Telecom Company (AMT)
44	Asaig United for Communications
45	Saudi Sara-GoodNews4Me Ltd.
46	Selat Alamal Trading Services Office
47	Council of Saudi Chambers of Commerce & Industry (CSCCI)
48	Al-Elm Information Security
49	Dwalej Technology Company
50	Electronic Horizons Establishment for Telecommunications
51	Assir Establishment for Journalism and Publishing
52	Technology Touches Establishment for Trade
53	Digital Zadcom for Computer Services (Zad Group)
54	iTelgent Company
55	Communications House Ltd. (ZajilNet)
56	Saudi Business Machines Ltd. (SBM)
57	Almajd Touches Communication & Information Technology
58	Saudi Research and Publishing Company (SRPC)
59	Communications Cadres Trading Establishment
60	Nasser Gassem Al-Gasabi Trading Establishment
61	Transworld Publicity Co. Ltd.
62	Forat National Company for Trade

63	Ummr Information Technology
64	Lead Marketing and Communication LLC
65	Saudi Axiom Telecom Company
66	National Advanced Systems Co. Ltd. (NASCOM)
67	Al-Bilad Arabia Company Limited (ABA)
68	Arabic Computer Systems Limited
69	Saudicall Communications Technology Company
70	Hussein Omar Balubaid Trading Establishment
71	Mashail Alkhaleej Electronics Establishment
72	Alarabi Establishment for Communication Devices
73	International Specialized Services Company Ltd. (BAB)
74	Jibal Advertising for Information Technology
75	Business Sequence Company
76	Mobile Innovative Solutions Company
77	Harf Information Technology Company (HARF)
78	Elaph Publishing House Limited (ELAF)
79	Tawasul Communications Limited
80	Perfect Presentation Company
81	Sky Telecommunications Ltd.
82	Mubasher International Company (affiliate of NTG)
83	Tjari Trading Company Ltd.
84	Enjazz Development Services Company
85	Etesal Communication Co.
86	Technology Development Est.
87	Electronic Group Co.
88	Rekas Company for Trade
89	Media Station Promotion Agency
90	Eshamel Digital Technology Company
91	Tajseed Technologies Company Limited
92	Okaz Establishment for Journalism and Publishing

License Type: Audio Text Services (700)	
1	Unique Business Group Arabia (UBG)
2	Advanced Telecommunications Company (ATC)
3	SAB Communications
4	Baraheen International Company
5	Advertising Services Company
6	Mawarid Electronics Company Ltd.
7	Smart Call Company
8	Saudi Trading & Resources Co. Ltd.
9	Systems of Strategic Business Solutions (SSBS) (Al-Othman Group)
10	International Barq Ltd.
11	Mediacall Company Ltd.
12	Assir Establishment for Journalism and Publishing
13	Electronic Services Company
14	Electronic Concepts Company Ltd.
15	eCallPlus Company Ltd.
16	Sky Telecommunications Ltd.
17	Saudicall Communications Technology Company
18	Mubasher International Company (affiliate of NTG)
19	Safour Catering Company
20	Alwataniya Advertising Company
21	Shaza Elchark Trading Establishment
22	Interkey Company for Communication and Computer
23	Voice & Data Telecommunication Company
24	Transworld Publicity Co. Ltd.
25	Nour Communications Company (NourNet)
26	Arabs Call Company Limited

Appendix (F): Licenses Issued

F-2: List of Licensees:

License Type: Call Center Service

1	First Internet Company
2	Al-Khaleej for Training and Education Limited
3	Interkey Company for Communication and Computer
4	Arabs Call Company Limited
5	Zajoul for Advanced Communication Technology
6	Sara Business Solutions
7	Marker Services Co. Ltd.

License Type: Electronic Wallet Services

1	Zaffa for commerce ltd.
2	International key for communications and computer

License Type: Mobile Service Prepaid Card Recharging

1	Interkey Company for Communication and Computer
2	Alrehab Foodstuff Establishment
3	Saudi WeSal for Electronic Services Ltd. (WeSal)
4	Intelligent Marketing Company

License Type: Network Control and Management Service

1	International Electronic Telecommunications Company
2	Integrated Networks LLC
3	First Internet Company

License Type: ISP Service

|	
1	Saudi Research and Publishing Company (SRPC)
2	Arabian Electronic Network
3	Saudi Telecom Company (Saudi Net)
4	Gulfnet KSA (Zajil)
5	NESMA National Co. for Advanced Technology Ltd.
6	Voice & Data Telecommunication Company
7	Sahara Network
8	Mohammed Ali Al-Esayi Group for Trade
9	Tahseeb Est. Maintenance & Cont. Industrial Services & Supply
10	Dar Al-Mustawrad Establishment for Trade (IT)
11	Arabian Internet and Communications Services
12	Nour Communications Company (NourNet)
13	AL-Rajhi Saudi Group
14	Seven Eyes Co.
15	Shaheer Technics Inc.
16	Saudi Internet Company
17	International Computer Company (ICC)
18	Middle East Internet Co. Ltd. (Cyberia)
19	Juraisy Internet Services Limited
20	National Company for Information Systems
21	Rawabi Network Technology (RNtech)
22	Saudi Arabian Internet Services Powerhouse (Awalnet)
23	Saudi Business Machines Ltd. (SBM)
24	Nasser S Al Harbi Trading Establishment (Al Harbi Telecom)
25	Eker Communications and IT Ltd.
26	First Internet Company
27	International Gulf Gaihab Establishment
28	Zajoul for Advanced Communication Technology
29	Arab Circle Company for Internet Services
30	LINKdotNET Saudi Arabia Ltd.
31	MeduNet
32	Applied Technologies Company
33	E - Learning & Training Co.
34	Integrated Networks LLC
35	Bayanat Al-Oula for Network Services (Bayant Consortium)
36	Zafa Trading Company Limited
37	Integrated Telecommunications Company (ITC) Ltd.
38	Green Network Company Ltd.
39	Interkey Company for Communication and Computer
40	Rabita Electronics and Trading Establishment
41	National Advanced Systems Co. Ltd. (NASCOM)
42	Channels Center for Electronic Devices
43	Ettihad Etisalat Company (Mobily)
44	Bait Alshargiaat
45	Digital Solutions Provider
46	City Net Establishment
47	Mohamed Alesayi Group & Ali Alsawadi Group and Co. (DreamNet)

Appendix (G): Spectrum Activities

- Assigned 1500 frequencies and registered some of them at the ITU for protection from interference from other countries as per the International Radio Regulations

- Cancelled 1257 frequency assignments, vacated by users.

- Handled 25-frequency requests from visiting foreign officials and foreign ships to Saudi ports

- Located 256 sources of unauthorized frequency usage, and Studied 100 reports on interference cases in the Kingdom and GCC countries for CITC action

- Calibrated 316 and repaired 90 frequency measuring instruments

- Technically tested 220 imported devices to insure their compatibility with the standards

- Studied 47 equipment licensing requests and submitted them to the governmental "Radio Equipment Committee" for necessary actions

- Issued and renewed 1300 licenses for radio devices in the ships and hunting boats

- Conducted field survey of radio devices installed at 1300 ships and hunting boats to ensure their compatibility with the specifications

- Issued 217 radio amateur licenses, 212 radio amateur licenses; and issued/renewed 185 radio aeronautical licenses

- Developed software to automate the data entry of the frequency assignment-licensing requests and to transfer user data to the main frequency data base. STC and Mobily have implemented these automated procedures
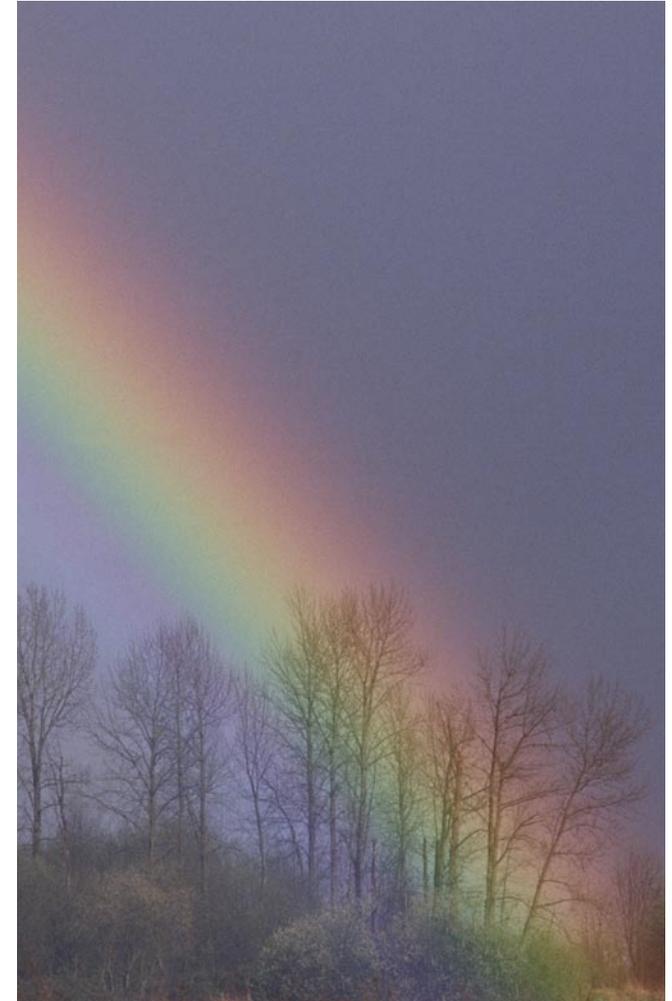
Appendix (H): Local, Regional and International Meetings

The CITC has participated in many Local, Regional and International meetings and conferences as follows:

Local Events

- The 1st National IT Symposium – Digital Divide : Challenges and Solutions; King Saud University, Riyadh, 7 Feb. 2006 (CITC keynote speaker)

- The 21st Jenadriah Heritage and Folk Cultural Festival, 2006

- Back to the Future (Planning & Economic Boom) Symposium, King Saud University, Riyadh, 14–15 March 2006. (CITC was the main speaker, marketing the new licenses)

- Training and Development Forum 2006, Riyadh, 1-3 May 2006

- The Institution of Engineers Pakistan - Saudi Arabian Center (IEP-SAC) - Annual Seminar Riyadh, May 11, 2006 (CITC is Keynote speaker, marketing the new licenses)

- The 1st Workshop for the National Center of Emergency Response CERT, Riyadh 4 June 2006 (CITC is the organizer)

- The Joint Saudi German Commission Meeting, Riyadh, 14-15 Nov. 2006

- Global Competitiveness Forum, Riyadh, 8 November 2006 (CITC is main speaker)

- Electronic Document Management Forum, Riyadh 10-11 Dec. 2006, (CITC is main speaker)

- Smart Cities Forum; Riyadh; 16 Dec. 2006. (CITC is main speaker)g

- Hajj Committee on radio Communications Interference, 1427 A.H. (2006)

Regional Events

- Gulf Cooperation Council IT (e-Commerce, Executive Committee on Post and ICT, Technical Telecom Office)

- Meetings of the Permanent Arab Working Group on Radio Spectrum (including the coordination and preparation for the Arab and Regional radio conferences)

- Coordination Meetings with neighboring countries (Jordan, Egypt, Yemen and Bahrain) on radio interference issues and cross-border radio coverage.

- The meetings of the permanent Arab frequency spectrum team

- Middle East Wireless Conferences, Dubai, 28 Jan. – 1 Feb, 2006

- 3rd Annual Meeting of the Arab ICT Regulators Network, 18-21 March, 2006, Abu Dhabi - UAE (CITC gave main presentation on VoIP)

- The 5th Middle East Information Security Conference, Dubai, 18-22 March 2006

- The Arab WSIS Team meeting; Cairo, 2-3 April 2006

- The 9th ARABCOM Annual Conference, Dubai, 11-12 April 2006

- The Arab Regional Workshop on "Developing the Legislative Aspects for Combating Electronic Crimes", Muscat, Oman, 2-4 April 2006

- The Arab Regional Workshop on "VoIP/SIP applications", Muscat, Oman; 6-10 May 2006

- "IP Strategies and IDN Issues" Arab Workshop, Damascus 16-18 May 2006

- The meetings of the Arab ICT Strategy Team, Cairo, 22-25 May, and 11-13 September 2006

- The 8th Arab Telecom and Internet Forum, Muscat, 24-26 May 2006, (marketing the new licenses)

- The Arab Regional Workshop on "Convergence: Policies and Regulations" Cairo, 28-30 May 2006

- The Media and Telecommunications Convergence Conference 2006, Arab Advisor Group, Amman; 5-6 June 2006. (CITC is main speaker, marketing the new licenses)

- The Arab Regional Workshop on "IP and Cyber Security", Amman 11-15 June 2006

- Meeting of the Arab Team on roaming tariff accounting between Arab countries, Abu Dhabi, 11-15 June 2006.

- Gulf CERT Workshop, Doha, 12-13 June 2006

- ITU/BDT Regional Seminar on mobile and fixed wireless access for broadband applications for Arab Region, Algiers, 19-22 June 2006

- Regional workshop on "Spectrum Management Systems" , Khartoum, 24-29 June 2006

- Council of Arab ICT Ministers (and its Executive committee), Cairo, 28-29 June 2006

Appendix (H): Local, Regional and International Meetings

- The Arab Team for Preparation to The ITU Plenipotentiary Conference 2006; Cairo 15-19 July 2006

- The Arab Team on Accounting & Settlement Rates, Cairo, 24-26 July 2006.

- The broadband Wireless Revolution, Cairo, 31 Oct. - 1 Nov. 2006

- GITEX Exhibition, Dubai, 18-22 Nov. 2006

- The Arab Centre of Excellence Steering Committee Meeting, 16-20 Dec. 2006

International Events

- Presenting the investment opportunities in the Kingdom (Road show), UK, 23-27 Jan. 2006 (Presentation and Marketing new licenses)

- The 13th Interconnection Forum, Vienna, 30 Jan. – 2 Feb. 2006

- The 3GSM World Congress, Barcelona, 13-16 Feb. 2006

- WiMAX Forum, Paris, 21-24 Feb. 2006 (Marketing new licenses)

- The World Telecommunication Development Conference (WTDC'06), Doha 5-17 March 2006

- Fixed and Mobile Convergence, San Jose, California, USA, 8-10 March 2006

- CeBIT Exhibition, Hanover, Germany, 9-15 March 2006. (Marketing new licenses)

- Fixed-Mobile Convergence Conference, Amsterdam, Holland, 20-24 March 2006. (Marketing new licenses)

- The Asian Pacific CERT (APCERT 2006), Beijing, China, 28-29 March 2006

- ITU Council, Geneva, 19-28 April 2006

- The World Telecommunications Congress, Geneva, 25-27 April 2006 (Marketing new licenses)

- The Broadband World Forum Asia, Honk-Kong 15-18 May 2006 (Marketing new licenses)

- The Regional Radiocommunication Conference (RRC-05), Geneva, 15 May - 16 June 2006

- WiMAx World Europe, Vienna, 22-24 May 2006. (Marketing new licenses)

- Telecom World Australasia, Sidney, 31 May – 2 June 2006 (Marketing new licenses)

- GlobalComm 2006, Chicago, USA, 4-8 June (Marketing new licenses)

- ITU Study Groups activities (including study group meetings for the preparation to the ITU WRC 2007)

- Quality of Service and Consumer protection; Geneva, 31 Aug. – 1 Sept. 2006

- The 5th Conference of the Holland CERT, 14-15 September 2006

- The 70th meeting of the International Electrotechnical Commission, Berlin, 18-30 Sep. 2006

- Internet Governance Forum (IGF) Athena, 30 Oct. – 2 Nov. 2006 (and the consultative meetings and the team for preparation to the Forum)

- The Radiocommunication Advisory Group (RAG), Geneva; 31 Oct. – 4 Nov, 2004

- The ITU Plenipotentiary Conference (PP-2006), Antalya Turkey, 6-24 Nov. 2006

- Wireless Cities Europe, Cannes, France, 29 Nov. 1 Dec. 2006

- ITU Telecom World 2006, Hong Kong, 4-8 Dec. 2006 (Marketing new licenses)
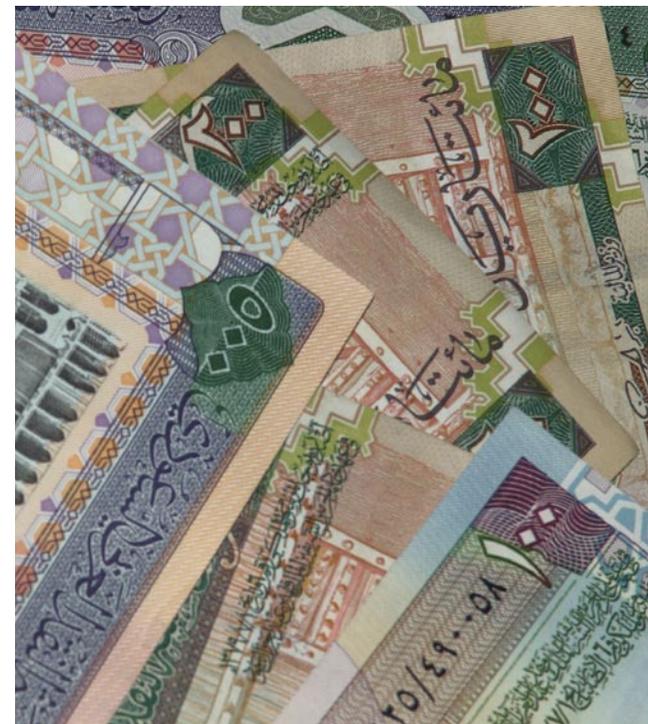
Appendix (I): CITC Financial Accounts

	30 Dec 2005 (Audited) SR (000)	30 Dec 2006 (Unaudited) SR (000)
Revenues		
Spectrum usage fee	211,793	202,364
Commercial service provisioning fee	4,492,610	4,231,633
License issuance fee	754,965	640
License usage fee	300,563	334,370
Other revenues	21,416	14,485
Total Revenues	5,781,347	4,783,492
Expenditures		
Employees' Costs	72,892	85,282
Administrative and general expenditures	22,301	31,134
Consultancies	31,529	49,656
ITsystems and software	22,306	21,048
Capital Expenditures	35,337	112,833
Total Expenditures	184,365	299,953
NET REVENUES	5,596,982	4,483,539