

**Public Consultation Document on
The Study of the need to issue a new MVNO license
Issued by Communications and Information Commission (CITC)
Kingdom of Saudi Arabia
Riyadh
23/9/1440H; 28/5/2019**





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1. Introduction

Pursuant to the Telecommunications Act, the Telecommunications Bylaw and the Ordinance, the Communications and Information Technology Commission (“CITC”) is authorized to regulate the Information and Communications Technology (ICT) sector in the Kingdom of Saudi Arabia ("the Kingdom").

Based on CITC’s regulations, the Commission is authorized to encourage reliance on market forces to provide telecommunications and information technology services, and to encourage investment in its services, its equipment, and to provide them at affordable prices and high quality in all regions of the Kingdom. Moreover, CITC works on creating a competitive efficient environment in the telecommunications and information technology sector.

CITC has prepared this Public Consultation Document to obtain the views of all stakeholders and interested parties on the need to open up the way for issuing license for the provision of MVNO services in the Kingdom. This came in line with CITC’s continuous efforts to promote and develop the telecommunications market in the Kingdom, and to create a competitive environment and encourage the provision of mobile virtual network operator services in the Kingdom, after making amendments on regulations and frameworks related to service provision in accordance with CITC’s decision No (1440/399) dated (16/2/1440H) and CITC’s decision No (1440/401) dated (11/5/1440H).

2. The Purpose of the Public Consultation Document

This public consultation is for the purpose of seeking the public opinion of all concerned and interested parties on the need to allow eligible entities to apply for obtaining new licenses for the provision of MVNO services in the Kingdom. The only exception would be service providers with Unified License. The process will begin after the completion of the required studies and putting it up for public tender in accordance with terms and conditions that are in line with CITC’s regulations.



To enable CITC to take the appropriate action regarding the need to open the way for public tender on the new licenses, the CITC invites the public to submit their views on the following questions:

First Question: To what extent do you think that offering a license for MVNOs would help provide advanced mobile services and more options for subscribers, resulting in increased competitiveness? What is the reasonable number of licenses to be offered for tender? Please explain.

Second Question: Which segment of the market is likely to be positively affected by the entry of a new MVNO?

Third Question: How would the entry of a new MVNO affect the following:

A- Telecommunications service providers (Unified License holders).

B- Current MVNO service providers.

Fourth Question: Are there any new innovative services (presumed to be provided by current MVNOs) that can be offered by the new MVNO?

Fifth Question: which new services would fulfill the needs of end users? mobile voice or mobile data services? Please explain.

Sixth Question: What is the added value for the entry of a new service provider to provide virtual mobile services, assuming it does not result in changes in tariffs nor affects competition?

Seventh Question: Will CITC's issuance of one or more licenses to provide virtual mobile services encourage end users to switch to the new service provider(s)? why?



3. Current status of the telecommunications market in the Kingdom

3.1 Overview of the Kingdom's telecommunications market:

- CITC has freed mobile telecommunications market and opened it in 2004 to enhance competitiveness, improve the standards of telecommunications and information technology services, as well as spreading the services all over the Kingdom.
- The second license to provide mobile telecommunications services was issued to (Mobily) in 2004.
- The third license to provide mobile telecommunications services was issued to (Zain) in 2008.
- Two licenses to provide mobile virtual network services were issued in 2014 to:
 1. Lebara Mobile
 2. Virgin Mobile SA
- Entry of a new operator depends on various market factors, such as availability of services, cost of geographical coverage and the demand for services.

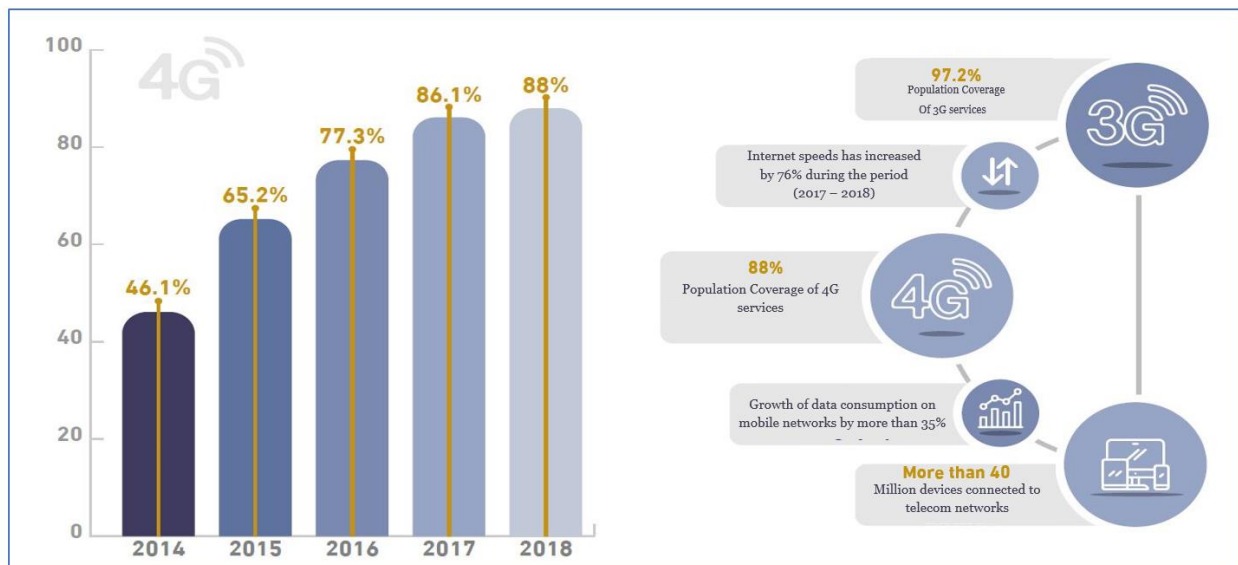


Figure (1): The performance of the mobile telecommunications market in the Kingdom



3.2 Total subscriptions:

- Shares of virtual operators have increased in the last 5 years to reach 11% in 2018.

| Services | Operators | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------------|-------------------|-------|-------|-------|-------|-------|
| Mobile Telecommunications Services | MNOs | 52.33 | 45.69 | 40.54 | 37.05 | 36.9 |
| | MVNOs | 0.40 | 1.42 | 3.11 | 3.16 | 4.41 |
| | Total | 52.73 | 47.11 | 43.65 | 40.21 | 41.31 |
| | MVNO Market Share | 1% | 3% | 7% | 8% | 11% |
| Mobile Broadband Services | MNOs | 29.01 | 31.08 | 22.3 | 27.65 | 26.26 |
| | MVNOs | 0.07 | 0.43 | 1.58 | 2.06 | 2.88 |
| | Total | 29.08 | 31.51 | 23.88 | 29.71 | 29.14 |
| | MVNO Market Share | 0.2% | 1% | 7% | 7% | 10% |

Table (1): The total number of subscriptions over the previous 5 years (Million)

3.3 Revenues of mobile telecommunications services:

- Shares of MVNO have slightly increased in the previous 5 years, reaching 2.6% in 2018.

| Services | Operator | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------------|-------------------|--------|--------|--------|--------|--------|
| Mobile Telecommunications Services | MNOs | 44,956 | 47,787 | 44,747 | 43,086 | 41,845 |
| | MVNOs | 11 | 258 | 619 | 923 | 1,109 |
| | Total | 44,967 | 48,045 | 45,366 | 44,009 | 42,954 |
| | MVNO Market Share | 0.0% | 0.5% | 1.4% | 2.1% | 2.6% |

Table (2): Revenues of mobile telecommunications services (Million)



3.4 Profitability indicators:

- Losses of MVNOs have decreased during the first three years of entering the market. They were able to make a profit of about 23 million Saudi riyals in 2018.

| Indicator | Operator | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|----------|--------|-------|-------|-------|--------|
| (EBITDA Margin) Earnings before interest, tax, depreciation and amortization | MNOs | 34% | 33% | 33% | 35% | 37% |
| | MVNOs | -1286% | -56% | -12% | 0% | 5% |
| Net Income | MNOs | 8,114 | 7,193 | 7,934 | 9,571 | 11,301 |
| | MVNOs | -151 | -159 | -93 | -37 | 23 |
| | Total | 7,963 | 7,035 | 7,841 | 9,534 | 11,324 |

Table (3): Profit indicators (Million)

3.5 The number of subscriptions is expected to rise, as well as market revenue in the upcoming 5 years due to population growth and new technologies entering the market e.g. IoT and e-SIM.

3.6 For further studies, indicators and reports on the status of the telecommunications market in the Kingdom, visit CITC website (www.citc.gov.sa).



4. Submission of views

4.1 CITC invites respondents to submit their views on the questions set out in section (2) above. CITC encourages respondents to support their answers with explanations, analyses, and data based on the current situation or their relevant experience, whether locally or internationally. Respondents are kindly requested to indicate the number of the question they are responding to. CITC shall not be obliged to adopt the comments and views it receives from respondents nor treat them as confidential.

4.2 The views on this document may be submitted to:

a) E-mail address: MVNO_2019@citc.gov.sa

b) Delivery (hard and soft copies) by hand or by courier to:

Office of His Excellency, the Governor, Communications and Information
Technology Commission (CITC)

Corner of Prince Turki Bin Abdulaziz Road and Imam Saud Bin Abdulaziz Bin
Mohammed Road

Alnakheel Quarter

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Riyadh 11588

Kingdom of Saudi Arabia.

4.3 This Public Consultation Document is available on the CITC's website at (<http://www.citc.gov.sa>). Interested parties who wish to participate are invited to submit their comments in writing to CITC. All comments must be received by CITC no later than 24/11/1440H, corresponding to 27/06/2019.