



**Public consultation
on
Regulation of Wholesale Local Voice Call Termination
Rates on Mobile Networks (MTR) and Fixed Networks
(FTR)**

Issued by Communications & Information Technology Commission

Riyadh
on 05/12/1435H corresponding to 29/09/2014 G

Contents

1)	Introduction	3
2)	Importance of Regulation of wholesale Prices of Call Termination Services on Fixed and Mobile Networks	3
3)	Purpose of Request for Public Comments	4
4)	Submission of Comments	4
5)	Method of Submission of Comments	4
6)	Wholesale Voice Call Termination Rates for Mobile Networks and Fixed Networks	5
7)	Options for Application	5

1) Introduction

Call termination is defined as a delivery, by a service provider, of an incoming call to a subscriber connected to its network, with the call being originated from another service provider who is responsible for payment of an agreed amount of fee to the service provider terminating the call. This service is considered as an interconnection service between the licensed service providers in completing the process of communication between their subscribers in Saudi Arabia.

Based on the provisions of the Communication Act (the Act), its Bylaw (the Bylaw), the Ordinance, as well as the interconnection guidelines, the Communication and Information Technology Commission (CITC) has the right to regulate the prices of interconnection services and to work on "creating a suitable environment for fair and active competition and encourage the same in all areas of information and communication technology (ICT).

Accordingly, and stemming from CITC's concern in promoting competition, protecting interests of the end-users, encouraging the provisions of reliable communication and information technology services at affordable prices, CITC has prepared this Request for Public Consultation soliciting opinions of the stakeholders and Public on the Wholesale Local Voice Call Termination Rates on Mobile Networks and Fixed Networks, in accordance with the CITC Statutes.

2) Importance of Regulation of wholesale Prices of Local Voice Call Termination Services on Fixed and Mobile Networks

- 2.1 CITC is responsible to regulate the interconnection prices, as set out in the CITC statutes and the interconnection guidelines.
- 2.2 There is a close correlation between the wholesale prices of call termination services and the retail prices for services offered to the end user.
- 2.3 Any reduction in wholesale prices for call termination services may provide opportunities to reduce the retail prices for services offered to the end user. This will lead to encourage competition and greater use of ICT services.
- 2.4 International practices suggest that, under certain circumstances, some service providers have increased certain call termination rates in order to compensate for the loss of revenues resulting from significant drop in some of the prices of other services such as the international calls (i.e. cross subsidy). This must be avoided in view of its adverse effect on the competition.
- 2.5 The principle of the calling party pays (CPP) is applied by most service providers for both the fixed and mobile services in the world including Saudi Arabia. This charge includes the cost paid by the call originating service provider's end user to the other service provider to terminate the call on its network.
- 2.6 In Saudi Arabia, the wholesale call termination services are designated as ICT markets for which there are no alternative or competing services. Each licensed mobile services and fixed services provider owns 100% share of the call termination

services on its network, is designated as a dominant service provider in such a market, and is therefore subject to *ex-ante* regulation by CITC.

3) Purpose of Public Consultation

3.1 The aim of this Public Consultation process is to provide an opportunity to any interested or concerned parties to send their comments to CITC on the Wholesale Local Voice Call Termination Rates on Mobile Networks and Fixed Networks, in order for CITC to take appropriate actions. CITC hereby invites the public and all licensed service providers, particularly the fixed and mobile facility based providers services, in addition to all concerned parties, whether individuals, governmental bodies, and commercial sectors (hereinafter collectively referred to as the "Participants") to participate in this public consultation.

4) Providing Comments

4.1 This Public Consultation is available on the CITC website (<http://www.citc.gov.sa>). The Participants intending to present their comments on this Public Consultation shall submit their comments in writing and shall deliver the same to the Commission no later than 19/01/1436 H corresponding to 12/11/2014G;

4.2 Comments filed in relation to this Public Consultation must be submitted to one or more of the following addresses:

- a) By email to (ctermination@citc.gov.sa);
- b) By hand delivery (a softcopy and a hardcopy) or by post to the following address:
Office of the Governor
Communications & Information Technology Commission (CITC);
Al-Nakheel Quarter, Prince Turki Bin Abdul Aziz I and Imam Saud Bin Abdul Aziz Intersection
P.O. Box 75606
Riyadh 11588
Kingdom of Saudi Arabia.

5) Method of Submission of Comments

5.1 CITC hereby invites all Participants to submit their detailed comments and answers to the numbered "questions" specified in this document, as well as to submit data, analyses, relevant evidence, justifications and relevant international comparison studies supporting their comments. Please clearly indicate the question number while responding with a comment or an answer to a question in this public consultation document. Please also note that the submissions from participants are not be deemed binding on CITC.

5.2 CITC may publish comments submitted by the Participants concerning this document on its website, and generally, CITC does not treat the statement of opinion on responses to this document as confidential.

6) Wholesale Prices of Voice Call Termination on Mobile and Fixed Networks

CITC has recently examined the international practices and carried out benchmark comparisons with several countries at the regional and international levels for the Wholesale Local Voice Call Terminations Rates on Mobile Networks and Fixed Networks. Based on this benchmark study, CITC has concluded that:

- While the current wholesale price of local voice call termination on the mobile networks in Saudi Arabia is (25) Saudi Halalas, the wholesale price of local voice call termination on mobile networks in other benchmarked countries ranges between (2.2 – 12.5 Saudi Halalas), with an average wholesale price of about (8) Saudi Halalas.
- While the current wholesale price of local voice call termination on the fixed networks in Saudi Arabia is (10) Saudi Halalas, the wholesale price of local voice call termination on fixed networks in other benchmarked countries ranges between (0.1 – 6.8 Saudi Halalas), with an average wholesale price of about (3.1) Saudi Halalas.

7) Options for Application

Regulatory bodies usually apply a reduction on call termination prices using either of the following two approaches:

- Glide Path approach;
- Direct Application approach.

Accordingly, CITC hereby presents the following two approaches for public to provide their comments:

7.1 Glide Path approach:

Glide Path approach is the application of tariff reduction according to a time schedule e.g. over two to three years.

7.2 Direct Application approach:

Direct Application approach involves direct application of one time tariff reduction as of the date of issue of a CITC decision.

Prices of wholesale local voice call termination on mobile and fixed communication networks shall be symmetrically applied among the licensed service providers in order to stimulate all service providers to reach high economic and operational efficiency for their networks, and ensure equality among them.

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| <p>1) Do you support the suitability of the glide path approach as indicated above, with a proposed reduction of the wholesale call termination prices over a maximum period of two or three years? Please submit comments supported with evidence and justifications that take into account the balance between</p> |
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the interests of the end user, the interests of the service providers and ICT sector in general.

- 2) Do you support the suitability of direct application approach as indicated above, with a proposed one time reduction of the wholesale call termination price to a targeted value? Please submit comments supported with evidence and justifications that take into account the balance between the interests of the end user, the interests of the service providers and ICT sector in general.