

## **Kingdom of Saudi Arabia**

### **Communications and Information Technology Commission**

# **Licensing of Wireless Trunking Services (WTS)**

A Public Consultation Document

Issued by CITC in Riyadh, Date 27/2/1426H/, 6/4/2005G

## TABLE OF CONTENTS

1.	<b>INTRODUCTION.....</b>	<b>3</b>
2.	<b>FORM OF RESPONSE.....</b>	<b>4</b>
3.	<b>LICENSING AND REGULATORY FRAMEWORK.....</b>	<b>4</b>
4.	<b>NUMBER OF WTS LICENSES .....</b>	<b>4</b>
5.	<b>WTS NETWORK TECHNOLOGY .....</b>	<b>5</b>
6.	<b>SCOPE OF SERVICES TO BE LICENSED .....</b>	<b>5</b>
7.	<b>NATIONAL AND INTERNATIONAL FACILITIES AND SIGNALLING.....</b>	<b>6</b>
8.	<b>INTERCONNECTION .....</b>	<b>7</b>
9.	<b>INFRASTRUCTURE SHARING AND CO-LOCATION.....</b>	<b>7</b>
10.	<b>NETWORK ROLLOUT OBLIGATIONS.....</b>	<b>8</b>
11.	<b>NATIONAL AND INTERNATIONAL ROAMING.....</b>	<b>9</b>
12.	<b>TARIFF REGULATION .....</b>	<b>9</b>
13.	<b>QUALITY OF SERVICE OBLIGATIONS .....</b>	<b>10</b>
14.	<b>FREQUENCY SPECTRUM.....</b>	<b>10</b>
15.	<b>NUMBERING OF THE WTS .....</b>	<b>11</b>
16.	<b>TELECOMMUNICATIONS EQUIPMENT .....</b>	<b>11</b>
17.	<b>LICENSING AND OTHER FEES.....</b>	<b>11</b>
18.	<b>LICENSING PROCESS.....</b>	<b>12</b>
19.	<b>LICENSING SCHEDULE.....</b>	<b>13</b>
20.	<b>OTHER LICENSING ISSUES.....</b>	<b>13</b>
21.	<b>RESPONSES .....</b>	<b>14</b>

# Licensing of a Wireless Trunking Services (WTS) in the Kingdom of Saudi Arabia

## Public Consultation Document

---

### 1. INTRODUCTION

Pursuant to the Telecommunications Act, the Bylaw and the Ordinance, the Communications and Information Technology Commission (the "CITC") is the entity authorized to regulate the telecommunications sector in the Kingdom of Saudi Arabia ("the **Kingdom**"). The Telecommunications Act ("the **Act**"), enacted in June, 2001 and became effective in December, 2001, provides the legislative foundation for developing the sector and determines that it is regulated pursuant to a number of objectives including to promote and encourage fair competition in all fields of telecommunications, to ensure clarity and transparency of procedures and to ensure principles of equality and non-discrimination. The CITC Ordinance ("the **Ordinance**"), effective in June, 2001, created the CITC and defines its functions, governance, and financing. The Telecommunications Bylaw ("the **Bylaw**") was issued in July, 2002 and became effective immediately. The Bylaw provides the regulation of the telecommunications sector by the CITC in the Kingdom.

At present, Fixed Telephone Services in the Kingdom are only offered by the Saudi Telecommunications Company ("STC"). However, internet access provision, using STC's network, is already open to a large number of service providers. As part of the liberalization process, licenses have recently been awarded to two new data service providers, one new cellular mobile service provider, and four new VSAT service providers, in addition to a number of other licenses.

As part of its telecommunications market liberalization agenda, the CITC is preparing for opening of the Saudi Wireless Trunking Services ("WTS") market in the Kingdom.

This Public Consultation Document and the accompanying Public Notice CITC PN 1/1426, dated 27/2/1426H corresponding to 6/4/2005G, has been issued by the CITC to initiate the WTS licensing process.

The CITC, according to its entrusted authorities given by the Act, invites comments on the approach to be adopted in licensing WTS service providers, and on key issues and conditions for the WTS license(s). Comments are invited from potential candidates interested in being short-listed for the right to apply for the WTS licenses. Comments are also invited from all interested parties including licensed service providers and other organizations such as government, industry, academic, telecommunications equipment suppliers, and members of the public.

## **2. FORM OF RESPONSE**

The CITC invites comments on all issues related to the WTS licensing process that are discussed in this Public Consultation Document. The CITC particularly invites comments and responses to the specific numbered questions set out in the Document.

Parties are invited to provide detailed comments, wherever possible, and to provide relevant data, analysis or experience from other countries to support their comments.

In providing their comments, parties are requested to indicate the consultation question number in this Public Consultation Document to which their comment relates, even if they do not comment on all questions.

The CITC specifically encourages parties considering participating in the WTS licensing process to devote the necessary resources at the present stage to provide useful and detailed answers to all questions raised in this Public Consultation Document as these answers will be taken into account in the subsequent finalisation of the licensing process.

The CITC will carefully consider responses from all interested parties in developing its approach to licensing WTS in the Kingdom. However, this Public Consultation Document and any responses to it are not binding on the CITC and all responses are the property of the CITC.

In providing their comments, parties are requested to specify contact details including the name of the party (and all related parties if the respondent is part of a consortium) in addition to an address and phone number(s).

## **3. LICENSING AND REGULATORY FRAMEWORK**

The CITC will license the WTS provider(s) in a manner that complies with its functions and powers under the Act, the Ordinance and the Bylaw.

Article Eighteen of the Act authorizes the CITC to issue telecommunications licenses for Services such as WTS, in accordance with the Act and the Bylaw.

Interested parties, and particularly prospective WTS providers, should review the Bylaw for a description of the general regulatory framework that will apply.

Key statutes and documents relating to the regulation of telecommunications in the Kingdom are available on the CITC web site ([www.citc.gov.sa](http://www.citc.gov.sa)).

## **4. NUMBER OF WTS LICENSES**

The CITC's prime objective is to encourage the rapid rollout and availability of advanced and affordable WTS in the Kingdom. To meet this objective, the CITC is reviewing the experience of other countries in licensing competitive WTS providers, with a view to licensing one or more WTS providers (At present, only STC is licensed to provide WTS in the Kingdom using an iDEN system).

In licensing the new WTS provider(s), CITC intends to maintain a level playing field for all WTS provider(s). Accordingly, the CITC intends to apply the same licensing terms and conditions to all competing WTS providers including the STC.

The CITC wishes to receive comments and supporting data and analysis from interested parties on the advantages and disadvantages of licensing more than one WTS provider. Accordingly, the CITC would appreciate receiving comments that address the following questions.

### **Consultation**

- Q1. Should the CITC license one or more than one new WTS provider? If more than one, how many and why?
- Q2. If more than one new WTS provider is licensed, should these licenses be issued at the same time to commence service in the fourth quarter of 2005 or at different times? If at different times, what schedule should be adopted between the licensing of the second and subsequent WTS licenses and why? Please provide supporting data.
- Q3. If more than one new WTS providers are licensed, should the license conditions, including any rollout obligations, be the same for all operators? If different conditions are to be proposed for the existing licensed operator dealing with service obligations or other matters, please specify with supporting data for justification.

## **5. WTS NETWORK TECHNOLOGY**

In light of the predominance of the analogue and digital mobile trunking systems in the region, the CITC is considering that the new licensee(s) should operate according to a WTS standard.

### **Consultation**

- Q4. Please comment on the appropriateness of licensing any specific WTS standard as part of the present process. Please support your answer with proper documents.

## **6. SCOPE OF SERVICES TO BE LICENSED**

By the end of the second quarter of 2005, STC is expected to commercially offer WTS which will likely include some value added Services.

A two-phase approach for services and user groups is planned for the licensing of WTS.

In the first phase, the WTS services will be exclusively offered to closed user groups such as public transportation services (e.g. taxis), fleet management services (courier, franchise operations), utilities etc. The CITC deems that this phase should include services such as push to talk, voice, video phones, SMS, video, geographic location services.

In the second phase, the restriction to closed-user group will be taken out to allow wider user groups of public and business communities. In addition to the services licensed in the first phase, the second phase will include e-application and other data services.

### **Consultation**

- Q5. For the WTS technologies, please comment on the type, scope and geographical coverage of Services that the new WTS provider(s) should be entitled or required to provide. Describe any specific Services that the new WTS provider(s) should or should not be authorized to provide, with supporting reasons.
- Q6. Please provide your views on the appropriateness of the new WTS licensee(s) offering services to areas and sectors not otherwise served, and on the quality of service, pricing and timing of such service introduction.
- Q7. Please provide your views on the appropriateness of the new WTS licensee(s) offering the mentioned services in two phases, and the optimum time lag between the first phase and the second phase.

## **7. NATIONAL AND INTERNATIONAL FACILITIES AND SIGNALLING**

The new WTS provider(s) will be permitted, but not required in the early phases of market entry, to build national transmission facilities to link their switching, transmission and cell-site networks throughout the Kingdom. Such facilities may include fibre optic or other cable lines as well as microwave or other radio links. (If required and where feasible, the CITC will issue Radio Communications licenses to permit construction and operation of such national network facilities).

The new WTS provider(s) may choose to acquire or otherwise lease some or all of the national transmission capacity from other licensed service providers. The CITC will require all licensed service providers, to make available interconnection services and infrastructure access services in accordance with the established guidelines to the new WTS provider(s).

The new WTS provider(s) will be permitted to operate signalling facilities for national traffic. The new WTS provider(s) will have the option to lease signalling facilities from any licensed service providers.

At the current state of liberalization, the CITC does not intend to authorize the new WTS provider(s) to construct international gateway facilities. However, it is the intention of the CITC that WTS users should be able to make international calls by their WTS user terminals. Therefore, WTS service providers would be required to offer international services by interconnecting with existing service providers

### **Consultation**

- Q8. Please comment on the desired extent and timeframe (when and how much) required by the new WTS provider(s) to build their national network facilities.

- Q9. Please comment on any rights, obligations or conditions, of the provisioning of national telecommunications facilities, that are considered necessary for the development of efficient WTS provider(s) networks in the Kingdom.
- Q10. Please provide your views with respect to network roll-out strategy in the first 3 years, specifically the percentage or the amount of built and owned kilometres of infrastructure of national telecommunications facilities.

## 8. INTERCONNECTION

The CITC considers that Interconnection between the networks of the WTS provider(s) and existing telecommunications networks is necessary for the efficient operation of WTS. All telecommunications licensees will be expected to interconnect their networks and services in accordance with the CITC statutes, especially Chapter 5 of the Bylaw and with the Interconnection Guidelines issued by the CITC. STC has also published a proposed Reference Interconnection Offer which is now being reviewed for approval by the CITC.

Article 37 of the Bylaw requires all service providers, including the new WTS provider(s), to enter into a good faith negotiations to provide interconnection upon receipt of a request for interconnection from another service provider. The CITC will respond promptly to resolve any disputes relating to interconnection and infrastructure sharing, in accordance with the procedures set out in the Bylaw.

### Consultation

- Q11. Please indicate the necessary technical and commercial terms and conditions, including tariffs on which any licensed service provider should be required to provide national connectivity for the new licensed WTS provider(s). Please provide data and international precedents to support your recommendations.
- Q12. What is the effect on the quality of service of a WTS network if WTS to PSTN and WTS to cellular mobile interconnections are allowed?
- Q13. Please give your views on whether there is a need to impose some restrictions on interconnection traffic, and if there is such a need, please provide the rationale behind, and suggest the methods in achieving the restrictions.

## 9. INFRASTRUCTURE SHARING AND CO-LOCATION

The CITC considers that the sharing of network infrastructure and facilities between WTS provider(s) and other service providers can provide an efficient and cost-effective approach to the provisioning of WTS networks. Sharing of infrastructure such as towers, poles, central office space and other facilities where economically and technically feasible can benefit both the owner and shared user of such facilities. Assuming appropriate tariffs are established, service providers sharing such passive network infrastructure and facilities can all benefit from the sharing arrangements.

Article 28 of the Bylaw mandates co-location of telecommunications transmission systems to be provided where economically feasible and no major additional construction work is required. Service providers shall agree on the amount to compensate the service provider required to provide co-location.

The CITC will respond promptly to resolve any disputes relating to infrastructure sharing or co-location in accordance with the procedures set out in the Bylaw.

### **Consultation**

Q14. Please comment on the facilities-sharing and co-location arrangements that are considered appropriate between the new WTS provider(s) and the other licensed service providers. Please include comments about the tariffs or tariff approaches that you consider appropriate for such arrangements.

## **10. NETWORK ROLLOUT OBLIGATIONS**

The CITC intends to establish network rollout obligations requiring the new WTS provider(s) to specific levels of coverage in the Kingdom via a phased network rollout. Coverage targets will be based on one or all of:

- Specific key locations: cities, highways, others, etc.
- % Geographical coverage.
- % Population coverage.

The CITC is considering the establishment of specific coverage targets during the early phase of operation, but it is also contemplated that the licensee(s) will have flexibility to design and schedule network rollout based on the network optimization and prevailing market conditions.

The CITC invites suggestions for the specific coverage targets and rollout schedule that should apply to the new WTS provider(s) to achieve its objective of rapid rollout and availability of advanced and affordable WTS in the Kingdom.

### **Consultation**

Q15. What form should the coverage target take - geographical, population or specific location, or a mixture? Please comment on the criteria the CITC should use in setting the coverage targets.

Q16. Suggest an appropriate schedule for the rollout of the new WTS provider's network? Please comment on the merits and any constraints of a rapid rollout rate.

Q17. Considering the options presented in question 4, how should the roll-out obligations differ (i.e. different WTS)?



Q18. Please comment on the maximum time period that should be allowed for the new WTS licensee(s) to complete their roll-out.

## 11. NATIONAL AND INTERNATIONAL ROAMING

It is anticipated that all WTS provider(s) using compatible standards in the Kingdom will enter into international roaming agreements in the second phase. Such agreements will permit their customers in the Kingdom to use their mobile terminals internationally, and will permit foreign travellers to use their terminals in the Kingdom.

A number of European countries have permitted national roaming (between national service providers) in order to promote rapid rollout of new WTS services

Subject to continuing to comply with national network rollout obligations, the new WTS provider(s) may enter into mutually acceptable roaming agreements, taking into consideration their commitments in the license.

### Consultation

Q19. Please comment on the technical and commercial conditions for national roaming.

Q20. Please comment on the technical and commercial conditions for international roaming.

## 12. TARIFF REGULATION

Chapter 7 of the Bylaw establishes mandatory price regulation for some types of telecommunications service providers, and not for others. Chapter 7 generally requires 'universal service providers' and 'dominant service providers' to file with and obtain approval of the CITC for their rates or tariffs to users and other service providers. The terms 'universal service provider' and 'dominant service provider' are defined in the Bylaw.

The Bylaw does not require regulation of the tariffs of non-dominant service providers, or of service providers that are not designated as universal service providers, unless the CITC issues a decision to the contrary.

The CITC intends to monitor the evolution of competition in WTS and other markets carefully, to determine what type of tariff regulation is required, if any, to protect the interests of users. In appropriate circumstances the CITC may exercise its power to regulate the tariffs of competitive WTS provider(s).

### Consultation

Q21. Please comment on the approach of tariff regulation of WTS outlined above. If any changes are proposed to this approach, please provide detailed supporting reasons and international examples.

### 13. QUALITY OF SERVICE OBLIGATIONS

Chapter 8 of the Bylaw requires universal service providers to meet specific quality of service standards developed by the CITC after consultation. Such service providers are required to measure and report their quality of service to the CITC to demonstrate compliance with the quality of service standards. The CITC may also apply a quality of service regulation regime to dominant service providers.

The CITC intends to require reporting of certain quality of service indicators by all WTS operators, although consistent with the approach of the Bylaw, the CITC does not, at this time, plan to establish specific performance standards or quality of service standards for the new WTS provider(s).

When and if a new WTS provider becomes dominant in a WTS market, or is designated as a universal service provider under future universal service policies, the CITC may require compliance with quality of service regulation in accordance with Article 67 of the Bylaw.

#### Consultation

- Q22. Please comment on the approach to service obligations of WTS outlined above. If any changes are proposed to this approach, please provide detailed supporting reasons and international examples.
- Q23. Please suggest a list of service indicators to be reported by WTS operators, and give reasons why these indicators are necessary for the monitoring of the quality of their services.

### 14. FREQUENCY SPECTRUM

The CITC intends to grant radio licenses, as required, to the WTS provider(s) pursuant to Chapter 10 of the Bylaw and seeks input on the specific requirements for such licenses.

The frequency spectrum is a scarce resource in the Kingdom. However, the CITC will make every effort to make the required and justified frequencies, available for the services to be licensed under the two phases.

#### Consultation

- Q24. What is the minimum amount of radio frequency spectrum required for the WTS provider(s) to ensure that they can provide technically, commercially and financially competitive WTS? Please provide supporting data.
- Q25. Please provide specific recommendations for the radio frequency bands that are considered necessary for the provision of the WTS in the Kingdom. Please provide details and international precedents to support the recommendations. Please indicate approaches that should be used to optimize spectrum efficiency.

## 15. NUMBERING OF THE WTS

The CITC intends to assign telecommunications numbers, for an applicable fee, to the new WTS provider(s) pursuant to Chapter 11 of the Bylaw. The CITC anticipates that there will be no problems in ensuring an adequate supply of numbers for the use of all service providers in the WTS market. The Kingdom National Numbering Plan is posted on the CITC website.

### Consultation

Q26. Please suggest and comment on any aspect of the number regulation regime in view of the existing Numbering Plan that the CITC should consider to ensure the new WTS provider(s) are able to provide technically, commercially and financially competitive Services.

## 16. TELECOMMUNICATIONS EQUIPMENT

Article 92 of the Bylaw authorizes the CITC to issue a decision authorizing domestic or foreign organizations and testing facilities for type approval of telecommunications equipment and facilities. The CITC is currently developing the processes for type approval of telecommunications equipment.

A separate public consultation process has been undertaken to address the Equipment Type Approval. While your detailed comments should be provided in that separate proceeding, your comments will be accepted here for any specific type of equipment required for the WTS provisioning.

## 17. LICENSING AND OTHER FEES

The CITC statutes states that the CITC may establish fees for, among other things, the commercial provision of telecommunications Services, issuance and renewal of telecommunications licenses, and issuance and renewal of radio licenses for use of frequency spectrum, license fee in accordance with its statutes. All telecom licensed service providers are required to pay a commercial provisioning fee based on its net annual revenues (these payments may vary from service provider to another and depending on the type of issued license). In addition, service providers pay 1% of their annual net revenues for the license, also service providers pay the frequency spectrum fee as has been indicated by the Council of Ministers decision number 200 dated 7/7/1425H corresponding to 23/8/2004G.

While the CITC intends to select the successful Applicant(s) in part on the basis of their financial bids, the CITC also intends to uphold the principle of competitive equality and ensure that the incumbent and the new licensee(s) are subject to the same financial commitments in terms of fees payable to the Government.

### Consultation

Q27 Please provide your views on the fee structure that should be applicable for all WTS licensees.

Q28. Please provide your views on the amounts that should be collected for the proposed fee structure.

## 18. LICENSING PROCESS

The CITC is considering adopting a two phased approach for the licensing of the new WTS provider(s). The two phases (A and B) are:

A. An 'Application' Phase where each candidate ("**Applicant**") will have the opportunity to purchase a Request for Application ("**RFA**") package from the CITC. Each Applicant has to submit its financial bid for the license as well as its business plan (to include its commercial, technical, operational and financial proposals) (financial in a separate sealed envelope) for the rollout of WTS in the Kingdom. Applicants will also be required to provide the CITC with proof of adequate financial resources to fund their proposed plan. Applicants will be evaluated based on their business plan and their technical proposal. It is expected that in order to select, candidates/consortia must demonstrate that they have appropriate:

- (i) technical expertise for deploying and operating a WTS;
- (ii) commercial expertise for running a WTS company;
- (iii) access to adequate financial resources; and
- (iv) commitment to comply with all applicable laws and regulations in that regards.

The CITC will require the Applicants to provide detailed information as to their legal and constitutional structure in addition to the contractual arrangements and undertakings entered into between parties of the consortium in question. The CITC intends to select candidates based on the compliance of the proposed consortium structure with all CITC statutes, other applicable laws and other criteria which may include a consortium's:

- (i) access to a minimum level of capital;
- (ii) means of supplying the technical, operational and commercial expertise for the new entrant;
- (iii) experience in managing a network with a minimum number of subscribers or entities;
- (iv) experience in operating WTS networks for a minimum number of years; and
- (v) prior participation in a start-up of WTS operations.

The RFA will include specific details of the information and content requirements for applications, the process to be adopted for the Application Phase and a draft WTS license. Qualifying Applicants will proceed to the Selection Phase

- B. The ‘Selection’ Phase, to evaluate qualified Applicants’ financial bids. The qualified applicant(s) with the highest bid will be awarded the WTS license(s) in accordance with CITC statutes.

### **Consultation**

- Q29. Please comment on the proposed procedure for the attribution of new WTS license(s) in the Kingdom. Please provide details of any criteria that should be adopted to evaluate candidates in the applicants in the Application and Selection phases.
- Q30. Please comment on the Selection Phase with regard to the bidding process to be used for determining WTS license fees. Please provide supporting data and international precedents.

## **19. LICENSING SCHEDULE**

The CITC is considering the following schedule for the licensing of the new WTS provider(s):

### **19.1 Public Consultation**

- Comments are due on the Public Consultation Document on or before 4/5/1426H corresponding to 11/6/2005G.

### **19.2 Application Phase**

- The RFA phase will last for 15 weeks from the date on which the RFA is issued. Responses will be submitted by the end of the 15<sup>th</sup> week period.
- Questions from candidates concerning the RFA must be sent no later than the end of the fourth weeks after the RFA is issued and the CITC will provide answers to such questions during the following four weeks.

### **Consultation**

- Q31. Please comment on the feasibility of the proposed schedule for the licensing of the WTS provider(s).

## **20. OTHER LICENSING ISSUES**

The CITC intends to carefully consider all comments and suggestions submitted in response to this Public Consultation Document, in order to develop a fair, transparent and effective licensing process for the WTS. The CITC also intends to apply the knowledge and experience it gains in this WTS licensing process to its other licensing actions, as it moves to open the Saudi Arabian telecommunications markets to competition.

### **Consultation**

Q32. The CITC would welcome any other constructive comments on the approach it should take to the WTS licensing process and welcome any comments on changing the service name.

## **21. RESPONSES**

Responses to this Public Consultation Document must be submitted to the CITC on or before **2:30pm** local time 4/5/1426H corresponding to 11/6/2005G to either one of the addresses outlined below:

1. E-mail to:

**wts\_response@citic.gov.sa**

2. Delivery by hand or by courier:

The Office of the Governor  
Communications and Information Technology Commission  
King Fahad Road  
Riyadh 11588, KSA