



A Public Consultation Document

On

Regulatory Framework for Licensing of Fixed and Mobile Services in the Kingdom of Saudi Arabia

Issued by the CITC in Riyadh, 19/03/1427H; 17/04/2006G



PUBLIC CONSULTATION ON THE PROPOSED LICENSING PROGRAMME FOR LICENSING OF FIXED AND MOBILE SERVICES IN THE KINGDOM OF SAUDI ARABIA

1. INTRODUCTION

- 1.1 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 Information and Communications Technology (ICT) sector in the Kingdom of Saudi Arabia ("the KSA"). The Telecommunications Act ("the Act"), enacted in June, 2001, and effective in December, 2001, provides the legislative foundation for developing and regulating the sector. 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 for the regulation of the telecommunications sector by the CITC in the KSA.
- 1.2 Pursuing its goals of further liberalizing the ICT sector in the KSA, the CITC is in the process of reviewing the current industry and regulatory environment, as well as anticipated future developments. This review will assist the CITC to revise its fixed and mobile services regulatory framework that will foster the adoption of advanced applications and services at affordable prices, supported by a state of the art network infrastructure.
- 1.3 This public consultation document seeks comments from interested parties in a manner that will help the CITC in setting a regulatory framework specifically in the licensing of fixed and mobile service providers, which aims to sustain a healthy liberalization process. The CITC considers the participation of the public an important aspect of the due process, given the CITC's mandate and the importance of further liberalization and deregulation of the ICT sector in the future.
- 1.4 The public consultation paper is divided into two major parts. The first part of the paper (section 4) provides a brief description of the CITC policy objectives for the fixed and mobile telecommunications markets, current state of telecommunications infrastructures and markets, and discusses anticipated trends and future developments. A good understanding of future developments in the ICT sector is an essential condition to establish an appropriate fixed and mobile services regulatory framework. The second part of the paper (sections 5 and 6) states the main foundations of proposed revisions to the fixed and mobile services regulatory framework from CITC's perspective. The CITC's objective is to seek comments on the options considered for the fixed and mobile services regulatory framework, and also to seek comments on any other issues considered relevant and not addressed in this public consultation document.



2. COMMENTS INVITED

- 2.1 The CITC hereby seeks comments from interested parties on the proposed fixed and mobile services regulatory framework as outlined in this Public Consultation Document. The CITC invites all interested parties to submit written comments on any issue they believe relevant regarding the proposed fixed and mobile services regulatory framework. Comments of interested parties will be taken into consideration, but the CITC is under no obligation to adopt them.
- 2.2 The CITC particularly encourages interested parties considering participating in the licensing process and intending to apply for acquiring new license(s) to allocate the necessary resources and time to provide useful and as much as possible detailed comments to all the issues raised in this Public Consultation Document, as these comments may be taken into account in shaping the proposed fixed and mobile services regulatory framework that will support the future licensing process.

3. FORM OF RESPONSE, SCHEDULE AND PROCEDURES

- 3.1 In providing their comments interested 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 address(s) and phone number(s).
- 3.2 In providing their comments interested parties are kindly requested to indicate the number of the corresponding paragraph of this public consultation document, to which the comment is referring to.
- 3.3 All comments must be received by the CITC no later than 08/04/1427H, corresponding to 06/05/2006G.
- 3.4 Replies filed in relation to the present Public Consultation may be submitted to one or more of the following addresses:
- E-mail to 2006licensing@citc.gov.sa
 - Delivery by hand or courier:
Office of the Governor
Communications and Information Technology Commission
King Fahad Road, P.O.Box 75606
Riyadh 11588
Kingdom of Saudi Arabia



4. OBJECTIVES OF FIXED AND MOBILE SERVICES REGULATORY FRAMEWORK

- 4.1 Recognizing the importance and impact of the ICT sector on the KSA's economy and society, the Government of the KSA and the CITC in particular have taken initial steps for introducing competition with the licensing of a second mobile services provider, two 3G services providers and two data network service providers, as well as allowing several ISPs and other services such as satellite, Automated Vehicle Locator (AVL), VSAT, Bulk SMS, Audio Text, Call Center Services to operate in the ICT market.
- 4.2 Press releases issued previously have indicated CITC's intention to further liberalize the ICT sector, and thus set the conditions for the end of the remaining monopoly segment, namely fixed voice services; as well as issuing additional license(s) for mobile services, during 2006.
- 4.3 The CITC's policy objectives include but are not limited to: increase national coverage of communications services, promote the affordability and availability of a wider range of high quality communication services in the KSA, increase competition in the ICT market and enable universal availability of advanced ICT services, develop an effective and consistent regulatory framework to support the regulatory changes that are needed to establish a level playing field for existing and new licensees that will maximize the impact on the CITC's policy objectives and establish effective competition to ensure long term demand-side benefits by attracting investment in a very capital intensive ICT sector.
- 4.4 The CITC believes that a long-term sustainable and competitive ICT industry structure, characterized by universal access and availability of innovative products and services, is best achieved when there is competition among access networks, which in turn is directly related to the level of investment in such networks by multiple parties.
- 4.5 The proposed regulatory framework that the CITC needs to adopt must ideally promote investment in building networks infrastructure that provides increasing levels of bandwidth, specifically in the access network.
- 4.6 In parallel with the examination of alternative licensing frameworks, the CITC has analyzed the current stage of development of the ICT market and infrastructure in the KSA. The mobile market has experienced tremendous growth especially over the last 5 years in both the revenues and minutes of voice services. The mobile revenues far exceed the revenues from fixed services even though currently attracting a minority of total annual voice minutes. With continued and expected higher growth in mobile traffic, it is highly probable that fixed-mobile substitution will remain a strong trend, to which the regulatory framework must adapt in anticipation of its potential consequences for investment in, and growth of the ICT sector as a whole.

- 4.7 The ICT sector in the KSA also exhibits characteristics of under-investment in the fixed telecommunications infrastructure, resulting in lower broadband penetration. The CITC is therefore of the opinion that the chosen regulatory framework must promote a structure which ensures market attractiveness of (and hence new investment in) the fixed telecommunications market despite voice traffic migration to mobile networks. The importance of this goal is further emphasized by the observation that the differing capabilities, limits, and concerns associated with wireline and wireless technologies mean that mobile and fixed telecommunications infrastructures are as much complementary as competitive for the purpose of ensuring the availability of a comprehensive range of ICT services.

5. OPTIONS FOR A FIXED AND MOBILE SERVICES REGULATORY FRAMEWORK

- 5.1 The CITC has examined several alternative licensing frameworks that are presently used in competitive ICT markets. In some countries separate licenses are issued for specific services, allowing only the use of specified technologies (technology-specific, service-specific). An alternative consists of allowing the use of any technology but specifying the services each licensee can provide (technology-neutral, service-specific). Further, a new framework is now being put in place in several countries that is both technology- and service-neutral i.e. licensed service providers are allowed to offer any service via any technology. This is also at times referred to as Unified Licensing Framework.
- 5.2 The CITC has the view that the current state of the fixed and mobile services regulatory framework, which is mostly technology- and service- specific, must be revised. In determining the licensing approach the CITC needs to follow, the CITC believes that it can either promote a technology-neutral, service-specific framework for the issuance of new fixed and mobile licenses or promote a fully converged licensing framework, as logical next steps from the current state.
- 5.3 In both options the CITC plans to impose no limit on the number of licenses to be issued, although the numbers would be subject to constraints of scarce resources e.g., spectrum availability, numbering, Rights of Way, etc.
- 5.4 Offering of any content services would be subject to the relevant regulations as may be mandated by the relevant authorities in the KSA (e.g., Ministry of Culture and Information) from time to time
- 5.5 Option: Technology-Neutral and Service-Specific
- 5.5.1 The first option, technology-neutral and service-specific, allows future fixed and mobile services licensees to deploy any access technology in their network, subject to requirements of security, interconnect and standards. However, individual licenses would be issued for fixed and mobile services. Fixed services would include voice, data and video services. Mobile services license would continue with the currently approved scope of services for mobile services licensees (please also see section 7.4).



- 5.5.2 Future and current fixed services licensees would be allowed to offer a wide array of services as may be authorized in the KSA - voice (local, national, international), data, other VAS (voice mail, forwarding, conferencing, etc) and video services, on any protocol (VoIP, packet, etc) and media (fiber, coaxial, copper, etc.), subject to security considerations.
- 5.5.3 Fixed services licensees in particular would be allowed to utilize wireless in the access network in their license area as a means of speedy rollout, but the same would not be considered while evaluating the facility based fixed service licensees' performance on meeting their rollout obligations.
- 5.6 Option: Technology-Neutral and Service-Neutral
The second option, technology- and service-neutral, allows future services licensees to offer any desired services using any technology. An individual license would be necessary and sufficient to provide fixed and mobile services.
- 5.7 Discussion of the Two Options
- 5.7.1 The advantage of implementing a technology-neutral, service-specific regulatory framework is that it allows the CITC to encourage the market in areas which promotes its desired policy objectives of increasing teledensity and broadband penetration.
- 5.7.2 A technology- and service- neutral framework will immediately offer full flexibility to market participants in targeting their desired customer segments on any media, and may perhaps draw a significant market interest, at least in the short to medium term, only in commercially viable segments.
- 5.7.3 Given that the CITC intends to move from the status quo (technology- and service-specific) the best practice would indicate a structured and a well planned approach, with implementing first the technology-neutral, service-specific option. Over a period of time, and reviewing the experience gained, the CITC would then be in a better position to move towards the eventual goal of the technology- and service-neutral option (i.e. that of Converged or Unified Licensing Framework), once its current policy objectives are achieved.
- 5.7.4 The CITC particularly requests the views from interested parties on which of the above two fixed and mobile services regulatory framework options should be favored, and why.



6. NETWORK COVERAGE

- 6.1 The CITC is also considering different options in terms of the geographical scope of the new facilities based fixed services licenses. The options being considered are: a) to issue only national licenses, b) to issue only regional licenses, or c) to issue national and regional licenses simultaneously, with future licensed services providers having the right to choose which service area(s) to rollout in.
- 6.2 The regional licensing approach would be in consonance with the existing 13 districts definition. However the definition of a region for the purpose of the future fixed services regulatory framework could be a combination of contiguous districts.
- 6.3 If a regional regulatory framework would be implemented for the fixed services licenses, any party could apply for any number of regional licenses. The obligations and requirements of each license, however, would be considered on a stand-alone basis. Each licensee would have the right to interconnect with the incumbent and/or other licensed service providers at the level of a Local Calling Area, as also to interconnect with other networks within and across the licensed areas. Further, each fixed and/or mobile services licensee would also have the right to access the international gateways (voice, data), while being subject to the relevant guidelines/laws on Internet filtering and Lawful intercept as may be applicable.
- 6.4 Each facilities based license will carry a rollout obligation in its license area. The potential licensees, however, will be free to propose their own roll-out plans which meet or exceed the minimum required by the CITC. Hence the major considerations for award of a license would include, but would not be limited to, financial and technical capabilities of the applicants to meet their rollout obligations.
- 6.5 A national only service area would encourage the entry of significant players in the market, and also ensure a nationwide rollout (given the mandatory rollout requirement). However, the potential market response might be constrained to only a limited number of players, given the financial and technical requirements of ensuring a nationwide rollout.
- 6.6 Allowing players on a regional basis would significantly enhance the potential of more players entering the market, given comparatively lesser financial and technical entry requirements, on account of smaller service area. It also offers greater market flexibility in allowing potential fixed services licensees to apply for only areas of their interest.
- 6.7 It is the CITC's objective to attract maximum investments in order to increase teledensity. This in turn would suggest licensing as many service providers as is practically possible i.e. both National and Regional licenses; and encouraging multiple large and small/medium sized licensed service providers to enter the market.
- 6.8 The CITC specifically requests the views of interested parties regarding the geographical scope of the proposed fixed services licensing framework i.e. national, regional, or both national and regional.



7. OTHER CONSIDERATIONS

- 7.1 Individual licenses will be required whenever the use of scarce resources is needed. For the purpose of the proposed fixed and mobile services regulatory framework, resources considered scarce include Rights of Way, Numbering and Spectrum.
- 7.2 It should be noted that while possessing a license is a necessary requirement for a potential fixed services provider to apply for such scarce resources, it does not confer the right to the same.
- 7.3 The CITC will facilitate future services licensees to obtain all the necessary permits they need from the appropriate authorities or agencies in order to deploy their networks, e.g. access to Rights of Way and sites for towers, etc. on reasonable commercial terms.
- 7.4 The CITC intends to issue more Public Notices for public consultation on areas like Carrier Selection, Resale, Quality of Service, Scope of Services of Licenses, ENUM, Unbundling, Number Portability and VoIP over the next two months. The general approach for each of these subjects will be in consonance with the concluding Fixed and Mobile Services Regulatory Framework based on the public consultation document outlined herein and which the CITC will decide in light of public views, as it deems necessary.