



## **Consultation on RAS Orders Review (16 April to 10 May 2014)**

### **Summary of Comments Received and Response by the Communications Regulatory Authority (CRA)**

**CRA 2014/05/25b**

**25 May 2014**

**Purpose of this document:**

1. Summarize the review of the responses received during the consultation on RAS Orders Review.
2. Provide CRA's response to the key comments received.

**Respondents (by alphabetical order):**

Responses to this public consultation have been received from the following parties (by alphabetical order):

1. Ooredoo (in the following, Ooredoo)
2. Vodafone Qatar (in the following, VFQ)

## Summary of key comments received and CRA's response

### 1. Ooredoo

Question	Subject	Comments	CRA response with rationale
General Comment	RAS Requirements	<ul style="list-style-type: none"> <li>The Draft RAS Orders (as in the previous RAS Orders) are far more onerous than necessary for the telecommunications market in Qatar in terms of the level of disclosure and granular level of detail required</li> <li>Ooredoo urges the CRA to use regional best practice for RAS</li> </ul>	<ul style="list-style-type: none"> <li>The granularity of the RAS has been designed by CRA to acquire the relevant information needed to fulfill its tasks</li> <li>Ooredoo omits to mention that CRA has reduced the list of products, combining some individual products. This simplification halved the number of products to be implemented in the RAS 2013</li> <li>In the countries included by Ooredoo in its regional benchmarking (KSA, Oman and Bahrain), DSPs are obliged to produce not only the RAS on a FDC/HCA basis, but also Long Run Incremental Cost Models (LRICM). The TRAs of those countries acquire the separated accounts through the RAS and the costing information through the LRICM</li> <li>In Qatar, CRA is acquiring both the separated accounts and the costing information through the RAS. This vastly reduces the amount of work by Ooredoo in contrast to other GCC countries.</li> <li>The requirements imposed to Ooredoo are lower than in other (GCC) countries and hence proportional Ooredoo</li> </ul>
General Comment	Redundant request	<p>Ad Page 4, 1.2.1 Separated Accounts, 2<sup>nd</sup> bullet: This details the introduction of additional requirements such as connections, rentals, calls &amp; other into both the Wholesale and Retail RRU P&amp;L statements.</p> <ul style="list-style-type: none"> <li>Ooredoo states that this information is already presented in the other schedules in which case it should not be replicated in the main RRU statements as it adds little value</li> </ul>	<ul style="list-style-type: none"> <li>This requirement has been introduced to counterbalance the product list simplification (where rental and connection products have been combined)</li> <li>CRA confirms this requirement</li> <li>To avoid duplication of schedules, CRA deletes the schedule "Statement of turnover" for the Network RRUs (Fixed Access Network, Fixed Core Network and Mobile Network)</li> </ul>
General Comment	SA's and Specific Analysis	<p>Ad Page 4, 1.2.1 Separated Accounts, 3<sup>rd</sup> bullet: This details the additional new requirement for each network component (NC) the total cost of the NC and the percentage of total cost received by the products. Ooredoo's recommendation: Simplify the SA's by distinguishing between specific and ad hoc detailed analysis and separate more granular analysis that should be contained in supplementary schedules.</p>	<ul style="list-style-type: none"> <li>The Network Cost Statements report crucial data, showing their attribution to the products. The Network Cost Statement. The Network Cost Statement also provides for relevant information on the routing factors.</li> <li>Hence, CRA cannot agree with Ooredoo, as those reports are the "core" of the SA's and not "a specific analysis".</li> <li>CRA confirms this requirement</li> </ul>
General Comment	Efficiency Assumption	<ul style="list-style-type: none"> <li>Ooredoo confirmed that any asset acquired free of cost would be recorded within its fixed asset register with that value and that no other value would be attributed to it</li> </ul>	<ul style="list-style-type: none"> <li>See comments to question 2 further down</li> </ul>
General Comment	Performance Bond and Dominance Designation	<ul style="list-style-type: none"> <li>Performance bonds are highly unusual, if not unprecedented, and against international best practice. It should be further stated that the CRA has</li> </ul>	<ul style="list-style-type: none"> <li>Performance Bonds are a regulatory instrument, which can be imposed as per Ooredoo's service Licenses and have been used in the past. Hence, the CRA can not seem them as a "highly unusual" instrument.</li> </ul>

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		<p>taken the highly unusual step of being intimately involved in the RAS development at all stages which in itself may introduce delays that are not under the control of Ooredoo.</p> <ul style="list-style-type: none"> <li>Ooredoo is of the view that since RAS is a set of remedies resulting from a dominance designation, it cannot be considered as a secured obligation as the conditions that require its imposition may change at any time. Ooredoo would like to remind the CRA that on the removal of the dominance designation from a particular market, the associated RAS obligations for that market should also be removed, as that particular market is considered to be under normal competitive economic and commercial dynamics.</li> <li>If Ooredoo is found to be non-dominant in specific markets, it is expected that those markets and associated products be consequently removed from the final RAS Orders. This provision should be incorporated both into the Draft RAS Orders and final RAS Orders</li> </ul>	<ul style="list-style-type: none"> <li>CRA has been more involved in the RAS Implementation. This is why the requirement on the Performance Bond has been slightly lessened</li> <li>CRA underlines that the RAS are organized by RRUs and not by Markets. Hence, CRA does not see main impacts on the RAS Orders in case of changes to the dominance designation,</li> <li>Changes to the dominance designation could influence the list of products (retail and/or wholesale) to be reported. However, this list is not included in the RAS Orders but will be agreed with Ooredoo "if and when"</li> </ul>
General Comment	Timeline	<ul style="list-style-type: none"> <li>Ooredoo welcomes the CRA's acknowledgment that RAS is a significant undertaking requiring significant investment from the organization</li> <li>Ooredoo welcomes the extension of the timelines for delivery of RAS FY2013</li> <li>Ooredoo urges the CRA to discuss any new RAS FY2013 requirements with Ooredoo well ahead of time in order to determine the feasibility of meeting these requirements</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> </ul>
1	Changes to the pro forma (separated accounts)	<ul style="list-style-type: none"> <li>The Draft RAS Orders (as in the previous RAS Orders) are far more onerous than necessary for the telecommunications market in Qatar in terms of the level of disclosure and granular level of detail required. The proposed RAS by far exceeds regional and best international practice</li> </ul>	<ul style="list-style-type: none"> <li>Please refer to above</li> </ul>
Question 1	Changes to the pro forma (separated accounts)	<ul style="list-style-type: none"> <li>The SA's should be separated from supporting supplementary schedules (not removing their requirement), in line with best international practice</li> </ul>	<ul style="list-style-type: none"> <li>The distinction between Separated Accounts and supporting supplementary Ooredoo is not clear.</li> <li>The RAS provides separated accounts by RRUs, then detailed by network components and products.</li> <li>CRA would not be aware of the categorization made by Ooredoo and is not aware of a "best international practice" in this regard. We note that Ooredoo has not provided evidence or a reference to corroborate its statement.</li> </ul>

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Question 1	Changes to the pro forma (separated accounts)	<ul style="list-style-type: none"> <li>The reporting requirements may change from one year to another.</li> <li>The cost of performing the audit on the proposed extended SA's is greatly increased as the auditors will be required to audit such complex statements and attest to their veracity</li> <li>The costs of the RAS obligation will be borne by Ooredoo's customers</li> </ul>	<ul style="list-style-type: none"> <li>CRA underlines that the HCA/FDC reporting requirements will be maintained during the years</li> <li>The audit requirements have not been changed. The provision that all the reports must be audited was already included in the RAS Orders. The Draft RAS Orders confirms that requirement.</li> <li>For the RAS 2010/11/12, Ooredoo misinterpreted the RAS Orders audit requirements. This is the reason why CRA has made the Audit obligation in the Draft RAS Orders more explicit.</li> <li>CRA is convinced that the availability of information on Ooredoo's costs will provide the customers with higher benefits than the costs Ooredoo incurs to produce the RAS. We note here that Ooredoo has not put forward the cost or a cost estimate of the RAS obligation.</li> </ul>
Question 2	Efficiency assumptions introduced by CRA	<ul style="list-style-type: none"> <li>Disagrees with the efficiency assumptions as proposed in the Draft RAS Orders as they have no place in a HCA FAC methodology.</li> <li>Efficiency adjustments related to the use of the RAS outputs and not RAS itself mandated by the CRA should be performed outside of the SA's.</li> </ul>	<ul style="list-style-type: none"> <li>According to the Telecommunications Law and By-Law, CRA has specific objectives and powers to ensure the prices and charges of service providers are efficiently cost-based and appropriately applied to products and services offered at wholesale or retail level. The cost basis currently used for costing the products is the HCA, the same cost basis required for the RAS. Hence, the inclusion of efficiency assumptions in the RAS is aimed to derive from it HCA inputs to determine efficiently cost based prices and charges</li> <li>CRA is of the view that including the most relevant efficiency adjustments in the RAS is beneficial to the accuracy of the results. Performing the same exercise outside the RAS can lead to mistakes or errors, because it is very difficult to replicate outside the RAS complex algorithms to attribute the costs to the network components or to the products. Also computation outside the RAS will not be audited, which decreases the reliability of such computations.</li> <li>However, CRA agrees that in very specific cases, e.g. the attribution of the Retail or the Wholesale Mark Up to the products, may be done outside the RAS. We note that this is clearly a second best approach and should be avoided.</li> </ul>
Question 2	Efficiency assumptions introduced by CRA	<ul style="list-style-type: none"> <li>CRA is reminded that any asset under its ownership that has been acquired "free" of cost or "gifted" will be recorded with zero value within its fixed asset register</li> <li>The CRA makes reference to attestations by the auditors of assets that have been acquired free of cost, Ooredoo wishes this statement to be made clear as to precisely what is required of the auditors, this appears to be the remit of Ooredoo statutory auditors</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> <li>CRA asks Ooredoo to explain why the "lands acquired for free" are not recorded with zero value within the fixed asset register. This seems to CRA inconsistent with the answer provided by Ooredoo</li> <li>This will be subject to the attestation of the Auditor. The Auditor has to verify also if the assets acquired for free have been then re-evaluated.</li> </ul>
Question 2	Efficiency assumptions introduced by CRA	<ul style="list-style-type: none"> <li>The CRA propose arbitrarily removing up to 20% of an asset cost if certain attestations cannot be provided by the auditors</li> <li>Ooredoo cautions the CRA that such arbitrary manipulation of the RAS SA's would place the integrity of RAS into question</li> </ul>	<ul style="list-style-type: none"> <li>20% was chosen to reflect the RAS Orders large value of duct and land in question.</li> </ul>

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		<ul style="list-style-type: none"> <li>Further, Ooredoo seeks clarification of how a figure of 20% was arrived at and evidence how this is applied in international best practice?</li> </ul>	
Question 2	Efficiency assumptions introduced by CRA	<ul style="list-style-type: none"> <li>Ooredoo also notes that the CRA has applied an artificial cap of 8.33% of operational cost to its working capital</li> <li>It is not known what the basis is for this cap is and how the 8.33% has been derived, which should be clarified by the CRA</li> </ul>	<ul style="list-style-type: none"> <li>The cap to the Working Capital was determined assuming that one month of working capital is an efficient level compared to the operational costs.</li> <li>This has been used in RAS 2010-2012</li> </ul>
Question 3	New timelines	<ul style="list-style-type: none"> <li>Ooredoo welcomes the extension of the timelines</li> <li>Ooredoo urges the CRA to discuss any new RAS FY2013 requirements with Ooredoo well ahead of time in order to determine the feasibility of meeting these requirements within the timelines and indeed whether the information and/or data pertaining to these requirements actually exists and/or is readily available</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comments.</li> </ul>
Question 4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 7, and bullet 4. HCA FAC costs cannot be used to set retail prices</li> </ul>	<ul style="list-style-type: none"> <li>CRA is fully aware that for some products (for instance, the fibre broadband services), the RAS 2010/11/12 are not providing useful information to set prices or charges</li> <li>However, this is due to the cycle of life of the products but not to the fact that HCA costs are inadequate to set retail pricing or wholesale charges. For instance, CRA expects that the RAS 2013 will provide more realistic unit costs for the fibre broadband products</li> <li>CRA clarifies that the RAS will be the basis, but not the sole source, to set retail and wholesale prices/charges. Especially for innovative (e.g. FBB) or declining products other information will be taken into account.</li> </ul>
Question 4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 8, and paragraph 2: The CRA is urged to consult Ooredoo on the proposed changes before the final RAS Orders are issued and to refrain from implementing any changes thereafter</li> <li>It is suggested that any further changes be discussed and implemented for prospective future RAS submission</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> </ul>
Question 4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 8, paragraph 5: Ooredoo urges the CRA to refrain from arbitrary and inconsistent changes and or modifications to the RAS and the associated SA's in order to achieve a desired outcome</li> <li>Such interventions will undermine the integrity of RAS and call into question its outputs</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes Ooredoo's claims regarding fairness and transparency. CRA wishes to state unequivocally that such claims can only be entertained if they are fact based and corroborated by evidence, which has not been supplied by Ooredoo.</li> <li>Ooredoo is aware that all the changes implemented in the RAS 2010/11/12 have been motivated, explained and justified by CRA. As a matter of facts, Ooredoo agreed to almost all the changes proposed by CRA.</li> </ul>
Question 4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 9, paragraph 1: the Draft RAS Orders' state that the SA's can indicate the existence or absence of</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> </ul>

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		<p>anticompetitive behavior on the part of Ooredoo. While this statement is not true taken in isolation, it can be the case when used on conjunction with other data and /or evidence</p> <ul style="list-style-type: none"> <li>Ooredoo urges the CRA not to use RAS in isolation for decision making, the RAS outputs are themselves one of many other inputs that should be considered</li> </ul>	
Question 4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 9, paragraph 5: The CRA has made repeated reference to Cost of Efficient Service Provision (CESP) as a construct in order to introduce cost efficiencies based on the RAS SA's</li> <li>Ooredoo seeks detailed clarifications of this construct, in particular against which framework will it be invoked, how and under which conditions it will be applied.</li> <li>It should be stated that RAS follows an evolutionary process from HCA FAC to CCA FAC to LRIC costing methodologies (of which several versions exist), where efficiencies are introduced and enhanced through the adoption of this sequence of costing methodologies</li> <li>This evolution of RAS exists in many jurisdictions and is well documented in terms of economic rationale and theory</li> </ul>	<ul style="list-style-type: none"> <li>CRA already clarified the rationale behind the introduction of the efficiency assumptions. Regarding the evolution to a different cost standard and cost basis, CRA underlines that: <ul style="list-style-type: none"> <li>The choice of the cost basis / standard is influenced by the status of the competition</li> <li>CRA believes that HCA (with efficiency adjustments) is appropriate for the Qatari circumstance the status of competition.</li> <li>CCA values assets at their current replacement cost rather than at the price originally paid for them. Adjustments for efficiency are included for both assets and operating costs. The outcomes of the CCA are very influenced by two parameters: the percentage of amortization of the assets and the price trend of the assets. Those parameters determine the additional depreciation and the holding Loss / Gains. Both of them vary according to the changes in the prices during the years. It has been experienced that CCA outcomes are a) not very far from the HCA outcomes b) fluctuate during years. For instance, according to BT SAs, in the 2013 CCA costs were 1% lower than HCA costs while in the 2012 CCA costs were 4% higher than HCA costs</li> <li>LRIC is often considered to be the most appropriated cost basis to provide the industry with a correct signal of make or buy on the wholesale level. However, in Qatar: <ul style="list-style-type: none"> <li>a) Fixed access markets are characterized by two SPs that are deploying the fiber access network. The fiber networks are "brand new" so CRA can assume that: <ul style="list-style-type: none"> <li>the HCA value of the fiber networks coincide with the LRIC value</li> <li>the networks have been efficiently deployed</li> </ul> </li> <li>b) Mobile markets are characterized by two SPs. Termination charges are reciprocal. Moving to an LRIC cost model could reduce the termination charges. But according to international benchmarking Ooredoo's current MTRs are very much in line with pure LRIC.</li> </ul> </li> </ul> </li> <li>The CRA notes, that Ooredoo has so far not brought forward a reasoned suggestion to switch to a different cost base/cost standard</li> <li>Hence, the CRA considers HCA/CCA – with efficiency adjustments – as the most appropriated cost basis for the Qatari market.</li> </ul>

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Question 4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 14, paragraph 7, 2nd bullet: The CRA states that RAS can be used in the “verification of License and Industry Fees”</li> <li>As RAS is a financial and economic construct while the Industry and License Fee is based purely on accounting standards no such linkage can be made.</li> </ul>	<ul style="list-style-type: none"> <li>The CRA is open to reasoned suggestions in this regard.</li> <li>CRA believes that the use of RAS data is justified for the following reasons: <ul style="list-style-type: none"> <li>Both the RAS and the approved statutory financial statements use the same cost basis (historical cost accounting) and the same cost standard (fully allocated costs). CRA is aware that the RAS includes the cost of capital, which does not appear in statutory accounts, however, this can be properly treated (i.e. excluded)</li> <li>Regarding revenues, the accounting principles used for the RAS are exactly the same as those used for statutory accounting. With respect to attributing revenues to products, the drivers used in the RAS are shared and discussed with Ooredoo. CRA is confident that these drivers are robust and are also relevant for True-up purposes.</li> <li>CRA has the obligation to make use of the best information available</li> </ul> </li> <li>This has been reflected in clause 2.2 of the Instruction on the Methodology and Timelines of Annual Fees Payment, dated 22 February 2012. Here it was made clear that RAS data shall be used in Industry and License Fee calculation.</li> <li>Hence, CRA will use also the RAS to verify the true-up calculation submitted by Ooredoo.</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, paragraph 1, 1st bullet: RAS cannot serve all purposes</li> </ul>	<ul style="list-style-type: none"> <li>CRA is aware that RAS cannot serve all purposes</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, paragraph 2, The Draft RAS Orders state that RAS provides input to a “wide range of diverse evaluation and decision”</li> <li>Following best international practice RAS has a limited use and should be applied in Qatar within the same context</li> <li>The CRA is under the mistaken impression that RAS outputs can be used to determine any regulatory issue, which is simply not the case. The primary outputs of RAS are the SA’s. Hence, the requirement that RAS “must be flexible and provide enough detail to support a wide range of evaluations and decision” is mistaken and only serve to add complexity to an already complex requirement and by applying RAS in this way makes it open to interpretation and challenge. Ooredoo proposes that the CRA adopt international best practice and develop appropriate analysis to address each issue accordingly, with inputs from many sources including RAS outputs.</li> </ul>	<ul style="list-style-type: none"> <li>CRA is aware that the RAS is one (the most relevant one) of the input to be used to determine regulatory issue</li> <li>CRA would like to clarify that: <ul style="list-style-type: none"> <li>According to the RAS Orders and the Draft RAS Orders, the SA’s are not only the Profit &amp; Loss and the Capital Employed Reports.</li> <li>The SA’s include the reports showing the cost of production of the Wholesale and Retail Products. Those reports are crucial because they provide inputs useful for setting the wholesale charges and for the tariff approvals</li> </ul> </li> <li>As previously stated, CRA is currently using HCA costs with efficiency assumptions as cost basis for the retail tariffs’ approval and for fixing the wholesale charges. RAS inputs will be used in conjunction with other information (i.e., benchmark data, cost trends, etc.)</li> </ul>



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4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, 4.2 Guiding principles - Materiality: The CRA has omitted one of the most important guiding principles of RAS, namely materiality.</li> </ul>	<ul style="list-style-type: none"> <li>CRA believes that the materiality is a concept not to be regarded exclusively from an accounting point of view. Regulatory reasons or needs have also to be taken into account. Accordingly, CRA has not set a materiality limit but is available to discuss the materiality issues on a case by case basis.</li> <li>Ooredoo omits to mention that the materiality issue has been addressed in defining the list of products to be implemented in the RAS 2013.</li> <li>We also note that according to the ITU paper, Regulatory Accounting Guide, Materiality is neither a key parameter to define a cost accounting model nor an accounting principle to be defined by the NRAs as guidelines for the correct allocation of costs (paragraph 4). Further, the ITU paper does not include the materiality among best practice principles in accounting principles (paragraph 4.1.1)</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, 4.2 Guiding principles - Services not sold by Ooredoo or are due to be phased out: These should not be included in RAS as the associated volumes and costs will not be representative nor the outcomes relevant and will only serve to add complexity to already highly detailed accounts that are not required. In some instances, the associated service volumes are zero which would result in no cost allocations.</li> </ul>	<ul style="list-style-type: none"> <li>Services actually not sold by Ooredoo in the relevant RAS year have not to be included in the RAS.</li> <li>Products to be phased out have to be included in the RAS, as otherwise their cost would be attributed to other products. However, this issue can be addressed when defining the list of products to be implemented in the RAS</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, 4.2 Guiding principles - Reliable: The Draft RAS Orders' state "is free from deliberate or systemic bias", the guiding principles are the RAS principles and against which the audit will be performed</li> <li>This point should also extend to the CRA in its review and manipulations, amendments or changes to RAS, particularly so if the auditors themselves have confirmed compliance with the RAS Orders</li> <li>The CRA's review of RAS and required changes, without evidenced justification, does suggest some degree of bias and manipulation that should be avoided. As previously stated, the implications of such actions are far reaching as the associated outputs would be called into question</li> </ul>	<ul style="list-style-type: none"> <li>Again, Ooredoo is not corroborating its position with e.g. specific examples.</li> <li>Ooredoo is aware that all the changes made to the RAS 2010/11/12 have been motivated, explained and justified by CRA. Further Ooredoo agreed to almost all the changes proposed by CRA.</li> <li>CRA urges Ooredoo to refrain from insinuations regarding the fairness, professionalism and transparency of the RAS proceedings.</li> <li>CRA clarifies that: <ul style="list-style-type: none"> <li>the Audit does not impede CRA to perform its own review</li> <li>in case of doubts in interpreting the RAS Orders' requirements, the Auditor has to interact with CRA to receive clarifications</li> <li>the Auditor cannot invoke "best practices" to override requirements coming from the RAS Orders</li> </ul> </li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, 4.2 Guiding principles - Verifiable: "that a complete "audit trail" must exist", this is the responsibility of the auditors who will use the final RAS Order against which to conduct their audit</li> </ul>	<ul style="list-style-type: none"> <li>CRA clarifies that the Auditor has to verify the RAS not only against the final RAS Orders but also against the comments sent by CRA to Ooredoo after the review of the preliminary results</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, 4.2 Guiding principles - "the auditor has full access to any data", this should be rephrased as in the process of conducting Ooredoo's statutory audit the auditors must have access to all and necessary information that will allow them to place a material reliance on the SA's.</li> </ul>	<ul style="list-style-type: none"> <li>Noted, sentence to be rephrased.</li> </ul>

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4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 15, 4.2 Guiding principles - Transparent and Comprehensive: "Information needs to be understandable for the recipient", this statement should be expanded to make reference to a suitably qualified reader. RAS is a highly complex exercise that results in complex statements and reports, which only suitably knowledgeable and qualified readers are able to interpret. Further, it is only qualified readers who are able to review RAS and expertly interpret the RAS outputs.</li> </ul>	<ul style="list-style-type: none"> <li>Noted, sentence to be rephrased.</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 16, paragraph 1; "the CRA will perform its own analysis of the data contained in RAS", While not suggesting the CRA not perform its own review of RAS, Ooredoo reminds the CRA that a highly detail audit is performed on RAS and a much higher reliance should be placed on the auditors findings.</li> <li>The current practice, as evidenced with RAS FY2010-12, is that the CRA placed limited reliance on the auditor's findings and performed their own detailed review with great assistance from Ooredoo. This only serves to duplicate effort and is wasteful of resources</li> </ul>	<ul style="list-style-type: none"> <li>Regarding the RAS 2010/11/12 Audited Preliminary Results submitted by Ooredoo, CRA reminds Ooredoo that, amongst others, but not limited to: <ul style="list-style-type: none"> <li>Only 40% of the reports were audited</li> <li>Neither the Supplementary Reports nor the Network Cost Statements were correctly implemented, without any remarks on this in the Audit Opinion</li> <li>Inconsistencies within audited reports were found</li> <li>CRA found several drivers not correctly implemented; some of them were related to relevant products (traffic and data)</li> </ul> </li> <li>CRA is not interested in duplicating the activity of the Auditor. However during the implementation of the RAS 2010/11/12 this was inevitable.</li> <li>The low quality of the Preliminary Results received forced CRA to perform a more detailed review.</li> <li>Ooredoo was cooperative during that review and rerun the System implementing almost all the changes proposed by CRA. After that CRA was in the position to acquire RAS 2010/11/12 of satisfactory quality</li> <li>Starting with the RAS 2013, CRA hopes to place more reliance on the Auditor Opinion.</li> <li>However, CRA clarifies that it will still perform a review of the RAS. Changes could be requested to Ooredoo, regardless the Auditor's Opinion because the responsibility to approve the RAS belongs to CRA</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 16, section 4.3, Description of RAS; this states a description of the RAS "framework", which Ooredoo considers is the RAS Methodology and how these are applied with RAS.</li> </ul>	<ul style="list-style-type: none"> <li>CRA agrees with Ooredoo</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 16, section 4.3, The Electronic Cost Model; the CRA has included a requirement of a user guide for this model. The CRA had extensive training on the software used to develop the model and reference will be made to the associated training</li> </ul>	<ul style="list-style-type: none"> <li>CRA staff (one person) had three days training</li> <li>The user guide is not a new requirement</li> </ul>

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Question	Subject	Comments	CRA response with rationale
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 17, section 4.4.1 schematic: This schematic shows a number of cost transfers between network RRU's which is not the case in RAS FY2010-12. Ooredoo considers that RAS FY2010-2012 implementation to be in line with the Draft RAS Orders requirements. Ooredoo considers that this schematic is simply a case for illustration purposes as per figure 2 caption which states "Generic structure"</li> </ul>	<ul style="list-style-type: none"> <li>CRA confirms that this schematic is for illustration purposes</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 18, paragraph 6: The Draft RAS Orders state that "all wholesale products" being sold to the service providers be included in the RAS. This point raises issues of materiality, which has been omitted by the CRA, and relevance, which have been addressed previously in response to the subject of materiality</li> </ul>	<ul style="list-style-type: none"> <li>CRA clarifies that all the wholesale products have to be included, as individual or combined products. The criteria for combining the products include the materiality principle</li> <li>The list of products to be implemented in the RAS will be agreed with Ooredoo year by year as stated in the Draft RAS Orders</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 19, paragraph 5: The draft RAS Orders detail how certain services and their associated costs are to be treated in RAS</li> <li>It is recognized by the CRA that in comparing wholesale call termination services to those provided internally that difference exist</li> <li>Therefore, by not taking into account these considerations the CRA may in advertently be discriminating one party against another. Ooredoo cautions the CRA in the conclusions drawn from this RAS implementation and to recognize the fact that the two call types are not in fact the same</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 20, 4.4.2 Fixed Access Network RRU: This states that certain equipment is to be considered part of the access network RRU including DSLAM's or similar equipment. Ooredoo notes that as per the CRA's requisites, DSLAM's and other broadband Access components which were originally attributed to the Fixed Access Network RRU but were moved into the Fixed Core Network RRU for RAS FY2010-12. Ooredoo considers this to be a simple oversight and seeks clarification from the CRA that the final implementation as per RAS FY2010-12 is the requirement for RAS FY2013</li> </ul>	<ul style="list-style-type: none"> <li>CRA confirms that this was an oversight, to be changed</li> <li>DSLAM's and other broadband equipment have to be attributed to the Fixed Core Network</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 21, 4.4.6 Wholesale RRU: This states services such as Ooredoo's cable landing station be included as a service in RAS, as was the case in RAS FY2010-12. Ooredoo considers this a simply oversight which was a requirement for RAS FY2010-2012 as Ooredoo can confirm that no services were provided in respect</li> </ul>	<ul style="list-style-type: none"> <li>Noted, to be rephrased</li> </ul>

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Question	Subject	Comments	CRA response with rationale
		<p>of the cable landing stations to other service providers in 2013 and, therefore, should not be included in RAS FY2013</p>	
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Ooredoo seeks clarification on the last sentence in paragraph 7 of this section, "The service list should be comprehensive and not only limited to those with specific price regulation or other regulations"</li> </ul>	<ul style="list-style-type: none"> <li>Noted, to be rephrased</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 27, Transparency: The draft RAS Orders state the importance of maintaining transparency with RAS in order to provide a high degree of reliance on the associated outputs. However, the existing process as defined by the CRA allows for changes, adjustments and manipulation of RAS by the CRA in order to achieve a desired outcome. While this does not impact the CRA's authority to request certain changes to RAS, it could be viewed by the wider industry as such and it is excessive undue influence over the RAS process and associated output. This will inevitably raise serious doubts and any reliance on the outcome. In the nature of true transparency, Ooredoo request that any changes mandated by the CRA to the original draft RAS submission should be highlighted and made available to concerned parties when the results are published. This introduces a high level of transparency and provide confidence that RAS has been developed free of manipulations and predicted adjustments</li> </ul>	<ul style="list-style-type: none"> <li>CRA has never asked for arbitrary or inconsistent changes to the RAS</li> <li>Ooredoo is aware that all the changes made to the RAS 2010/11/12 have been motivated, explained and justified by CRA. Further Ooredoo agreed to almost all the changes proposed by CRA</li> <li>CRA urges Ooredoo to refrain from insinuations regarding the fairness, professionalism and transparency of the RAS proceedings</li> <li>CRA will address separately the issue of the publication of the RAS. CRA anticipates that it agrees to publish all the changes required to Ooredoo</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 29, Working Capital (WC): This should not be limited, as the WC is part of current operations and any manipulation will distort the actual resulting outputs and associated costs. In RAS FY2010-12, a cap of 8.33% was been applied to WC which should be removed and the actual WC be employed</li> </ul>	<ul style="list-style-type: none"> <li>CRA already stated that this requirement is an efficiency adjustment</li> <li>The methodology will be maintained stable during the years</li> <li>CRA modifies the Draft RAS Orders accordingly</li> </ul>
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 34, paragraph 1: The draft RAS Orders state that Ooredoo is required to maintain the product Codes (also the cost center codes (CC's)) consistent over the RAS years. This is simply not practical as the CC codes change as the organization evolves and maintaining a mapping from old to new would create an enormous additional complexity as costs would need to be mapped back from the new code to the old potentially across several years. This was initially considered in RAS FY2010-12, as over the three years the organization underwent several organization</li> </ul>	<ul style="list-style-type: none"> <li>CRA confirms this requirement</li> <li>Regarding the Cost Centers, Ooredoo has been repeatedly invited to change the structure of its cost accounting introducing stable cost centers, not related to the organization</li> </ul>

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Question	Subject	Comments	CRA response with rationale
		changes, and the mapping between CC's became unrealistically complex and almost impossible to audit change as services may be combined. This requirement needs to be removed.	
4	Comments on the other changes	<ul style="list-style-type: none"> <li>Page 43, 6.1. RAS submission – general provisions: The CRA closure should be provided within two weeks of the final deliverable not two months</li> </ul>	<ul style="list-style-type: none"> <li>CRA confirms its position. This may be reviewed in the future.</li> </ul>

## 2. Vodafone Qatar

Question	Subject	Comments	CRA response with rationale
Question 1	Changes to the pro forma (separated accounts)	<ul style="list-style-type: none"> <li>Vodafone does not have sight of the results of the RAS to date. It is not possible to comment in detail therefore on minor improvements to the RAS</li> <li>To the extent that the CRA's proposed changes improve the utility of the RAS Vodafone is supportive of the changes</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> </ul>
Question 2	Efficiency assumptions	<ul style="list-style-type: none"> <li>Vodafone supports the proposed objective of attempting to reflect that where costs for civil infrastructure was not incurred by Ooredoo that those costs do not flow through to wholesale and retail costs and therefore prices</li> <li>The National Broadband Plan has an objective to strive to minimize infrastructure duplication. If the costs of duct or dark fibre access were over recovered this would incentivize inefficient duplication by sending the wrong buy/build signals.</li> </ul>	<ul style="list-style-type: none"> <li>CRA notes the comment</li> </ul>