

Order To Ooredoo Q.S.C.

Regarding B30-01 Fibre Broadband Services
(FTTx) as per filing of June 4, 2017

CRARAC 2017/06/08

June 08, 2017

Non-confidential version

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1 Background and Introduction

1. This Order refers to Ooredoo's modifications of Fibre Broadband Services (FBB) Tariff (B30-01) for Business Customers filed on June 4, 2017 ("Tariff Filing – FTTx New Business BB Speeds", ref. Ooredoo's letter OQ/Reg-4941/2017-06, dated June 1, 2017).
2. The filing included:
 - 2.1 The General Tariff document ("B30-01 Business Fibre Broadband 002");
 - 2.2 The updated FTTx cost justification model ("4915-FTTx Model vO 118 - May 2017 Business Changes").
3. With this filing, Ooredoo proposes a new tariff portfolio that will replace the existing one. Current customers will have a choice to either continue using existing tariff portfolio or migrate to one of the new business fibre tariffs.
4. The new business fibre tariffs proposed by Ooredoo are as follows:

Speed Mbps	Monthly Charge QAR
15	699
60	1,099
120	1,799
300	2,199

Table 1: FBB new Business Fibre Tariff Portfolio

5. To CRA's understanding, Ooredoo plans to launch these tariffs in July 2017.

2 Legal Basis

6. Article (4) of the Emiri Decision 42 of 2014 gives to the Communications Regulatory Authority (CRA) the responsibility for regulating the ICT and the Post sector, as well as access to digital media, with the aim of providing advanced and reliable communication services across the State. The Authority shall have the powers necessary to undertake the above and, in particular:
 - 6.1 Setting regulatory framework for the communications, ICT, post sector, and access to digital media, in line with the General policies of the sector and to enable optimum performance (1);
 - 6.2 Securing access to services across the State and ensuring comprehensive access to basic services (5);
 - 6.3 Ensuring interconnection and access to all users by setting conditions for effective interconnection and access (6);
 - 6.4 Setting conditions and criteria for licensing and approval for communications and ICT services, access to digital media, the use of frequencies and the issuance of related licenses and approvals; and ensuring compliance with its conditions (9).
7. Further, Article (15) of the Emiri Decision states that, within CRA, the Regulatory and Competition Affairs department shall:

- 7.1 develop appropriate tariff regulations, giving priority to the telecommunications market, or telecommunications services according to the market requirements, and determine fees for retail and wholesale (2);
- 7.2 develop and identify policies and regulations for all services which will foster a competitive market and serve the interests of the consumers (7).
8. The Retail Tariff Instruction ("RTI") for Individually Licensed Service Providers in Qatar (CRA 2015/05/07) sets forth the rules and processes for the approval of retail tariffs by the CRA.
9. Section 4 of the RTI contains the Specific Provisions for Dominant Service Providers, including the prohibition of Anti-Competitive Conduct, such as e.g. pricing below cost, cross subsidizing, predatory pricing and excessive pricing.
10. Specifically, Section 4.1 "Tariff Filing and Review" of the RTI contains that:
 - 10.1 DSPs must ensure that all Tariffs that contain any service or service elements that falls within a Relevant Market in which the SP has been designated as dominant are filed and approved by the Authority in advance of their proposed effective date.
 - 10.2 The Authority shall have five working days, from the date on which a Tariff filing is received, in which it may (a) approve or (b) object to the tariff and order its suspension, modification or withdrawal, or (c) extend the period for review.
 - 10.3 If the Authority decides that an extended review of a proposed Tariff is necessary, it shall notify the DSP in writing and shall specify the procedures and timetable for the Tariff review, including any consultation or other relevant process with respect thereto, in accordance with the Applicable Regulatory Framework or as determined by the Authority.
11. In addition, Section 4.2 "Safeguards against Anti-Competitive Conduct" of the RTI contains that:
 - 11.1 Charging: In order to demonstrate that the effect of an offer has not been anticompetitive and therefore the DSP's pricing within a market is above cost the DSP is required to provide reports, which clearly demonstrate that product categories, taken individually and/or as a whole, are above the applicable cost standard¹. The DSP must also be able to demonstrate on request of the Authority that a Tariff is in compliance with the ARF. Sufficient granularity of information should be provided by the DSP to CRA to demonstrate that any product category will not be under cost over a given period.
 - 11.2 Absence of cross-subsidisation: Unless explicitly approved by the Authority cross subsidisation is explicitly forbidden by the Telecommunications Law. It is the obligation of the DSP to demonstrate that a Tariff does not contain cross-subsidies.
 - 11.3 Absence of a Price Margin Squeeze: DSPs must demonstrate the absence of a Price Margin-Squeeze (PMS) for their services. This should be based on the Wholesale Charges of existing wholesale products or, where relevant, the charge of proposed wholesale products.

¹ The current cost regime, employs a Fully Allocated Cost model based on Historical Cost Accounting. Please refer . to Regulatory Accounting System (RAS) Orders for the financial years 2013 onwards issued to Ooredoo Q.S.C (CRA 2014/05/26a dated 25th May 2014

3 Concerns

12. The CRA is concerned about the cost justifications used by Ooredoo to demonstrate the absence of below cost pricing.
13. More specifically, Ooredoo has justified its proposed new business portfolio tariff based on 2016 forecasted costs which are significantly lower than the 2015 Regulatory Accounting System (RAS) costs (ref. RAS 2015 version delivered by Ooredoo to CRA on April 23, 2017).
14. According to the cost justifications provided by Ooredoo, the 2016 forecasted cost (per customer) related to the core network dropped by [REDACTED] (from the RAS 2015 cost) resulting in a positive margin for FBB services (a negative margin would have resulted if RAS 2015 costs were used).
15. The CRA notes that the same 2016 forecasted costs were used by Ooredoo to respond to competitive concerns on Tariff "C05-02 Consumer FBB Services - Filings of August 10, 2016 and February 16, 2017" (ref. Ooredoo's letter OQ/Reg-4915/2017-05, dated May 9, 2017).
16. To better understand the large decline in 2016 forecasted costs the CRA requested a meeting with Ooredoo. In the meeting, held on June 1, 2017, Ooredoo explained that:
 - 16.1 the drop in 2016 forecasted costs were due to a 'new network solution' implemented by Ooredoo to deliver the FBB services to its customers. In particular, Ooredoo declared that since 2016 dedicated FTTx Links have been used to connect some of Internet Routers and Servers to the Internet platform instead of the core network;
 - 16.2 The forthcoming RAS 2016 will provide a detailed demonstration of the fall in costs related to the core network.
17. Based on information received in the meeting of June, 1 2017 and the costing spreadsheets submitted by Ooredoo as part of Tariff (B30-01) for Business Customers filed on June 4, 2017, the CRA;
 - 17.1 could not immediately verify the new technical solution at the basis of the cost justification submitted on June 4, 2017 (Tariff (B30-01) for Business Customers filed) and in light of the explanation provided by Ooredoo in the meeting of June 1, 2017;
 - 17.2 requires clarifications on other 2016 forecasted costs contained in the Tariff of June 4, 2017 (i.e. the cost of the international connectivity); and
 - 17.3 notes that delays in closing RAS 2015 have resulted in further delays in the implementation of RAS 2016.

4 Order

18. Due to the stated concerns and in order to enable a full investigation of the June 4, 2017 Tariff the CRA orders Ooredoo:
 - 18.1 Not to launch any new Tariff or promotion on products included in Tariff B30-01 (Business FBB Services) and in Tariff C05-02 (Consumer FBB Services) before the CRA has finished its verification of the 2016 forecasted costs used to justify the absence of below cost pricing or any anti-competitive concerns;
 - 18.2 to provide to the CRA detailed, legible and relevant network diagrams within five (5) working days from the date of this Order in order to allow the CRA to fully understand and assess the impact of the 'new network solution'; the network diagram shall show the new technical solution implemented to deliver the FBB

services, including the number of the nodes directly linked to the Internet Platform along with the traffic managed by each node;

18.3 To close the pending issues hampering the closing of RAS 2015 and to propose an appropriate plan for the implementation of RAS 2016 within fifteen (15) working days from the date of this Order;

18.4 To meet with the the CRA in five (5) working days from the date of this Order to:

- (a) Answer any technical or cost related questions the CRA has regarding the Tariff of June 4, 2017;
- (b) Outline in detail to the CRA information on the cost of the international connectivity;
- (c) Discuss the network diagrams provided to the CRA related to the 'new network solution' and answer any questions the CRA has on these diagrams; and
- (d) Agree on a plan to facilitate the closing of RAS 2015 and the implementation of RAS 2016.

19. Provided that the CRA receives all the required information (both prior to the proposed meeting and in the proposed meeting) including appropriate answers to the above requirements the CRA will make every effort to assess this case and make its decision at the soonest, consistent with Ooredoo plans on launching the new offer.



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President of the Communications Regulatory Authority

