



**Consultation on Methodology and Timelines of Annual Fees Payment (Industry Fee and License Fee)**

**(11 January 2012 – 9 February 2012)**

**Summary of Comments Received and ictQATAR's Response**

**22 February 2012**

**Respondents (by alphabetical order):**

1. QNBN
2. QSAT
3. QTel
4. RigNet
5. UDC
6. Vodafone

Respondent	Comment	Response of ictQATAR
QNBN	<ul style="list-style-type: none"> <li>QNBN requests that appropriate amendments be made to Annexure H of its Authorization in order to deduct the Access Charges from Wholesale Revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Under the terms of QNBN Authorization, such costs cannot be deducted from the Wholesale Revenue as defined in Section 2.1 of Annexure H of the Authorization granted to QNBN on 14 July 2011. Access Charges do not apply in this Authorization. Therefore, QNBN must adhere to the calculation of Net Revenue as described in Section 2.1 of Annexure H of its Authorization.</li> </ul> <p>The request for Authorization amendments is outside the scope of this consultation and should follow another process.</p>
QNBN	<ul style="list-style-type: none"> <li>QNBN is concerned that it may be required to pay the Industry Fee under a license upon expiry of its current Authorization (if not earlier)</li> </ul>	<ul style="list-style-type: none"> <li>This comment is outside the scope and purpose of the consultation on “Instruction on the Methodology and Timelines of Annual Fees Payment”.</li> </ul>
QNBN	<ul style="list-style-type: none"> <li>QNBN may be providing other services which are not the result of provision of its network, such as patching services and in-building wiring. We understand that the revenues from such activities would not qualify as “provision” of the Authorized Telecom Infrastructure and would therefore be excluded from the calculation of the Authorization Fee.</li> </ul>	<ul style="list-style-type: none"> <li>Annexure B of the QNBN Authorization defines Authorized Telecommunications Infrastructure as:                         <ol style="list-style-type: none"> <li>All passive telecom infrastructure; <b>and</b></li> <li>Related services and activities that are essential for and ancillary to the sale or provision of access to such passive telecom infrastructure on a wholesale basis.</li> </ol> </li> </ul> <p>It is ictQATAR’s understanding, that services such as patching services and in-building wiring services fall under b). Therefore, the revenues from such activities must be included in the calculation of the Authorization Fee.</p>
QSAT	<ul style="list-style-type: none"> <li>The delay fine amount is exaggerated</li> </ul>	<ul style="list-style-type: none"> <li>As stated in the consultation document, the Instruction does not change or affect the fees and its intention is to clarify which revenues and costs are to be taken into account when calculating the annual fees. We note here that the administrative fee for delay is in line with the terms of the licenses and the same fee is applicable to all Licensees in Qatar on a non-discriminatory basis.</li> </ul>

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QSAT	<ul style="list-style-type: none"> <li>The period 30 days between the provisional fee payment and the true-up calculation is not sufficient because as you know the auditors is very busy from 1st Feb up to end of March each year</li> </ul>	<ul style="list-style-type: none"> <li>ictQATAR believes that this is misunderstanding. The consultation document states “The Licensee must notify the Supreme Council of the difference, if any, between the Provisional Fee Payment and the amount due based on the Licensee’s audited financial statements (the “True-Up Calculation”) <u>within thirty (30) days of the formal approval of same by the duly authorized corporate body.</u></li> </ul>
QTel	<ul style="list-style-type: none"> <li>QTel suggests to have a second consultation after the first quarter of this year where ample time is given to all operators so that the outcome can be implemented for the payments in 2013.</li> </ul>	<ul style="list-style-type: none"> <li>ictQATAR will take this suggestion into consideration.</li> </ul>
QTel	<ul style="list-style-type: none"> <li>QTel suggests to revise the Instruction document so that the payment of the Provisional Fee is made by the operators no later than 1<sup>st</sup> of March instead of being received by ictQATAR by that date.</li> </ul>	<ul style="list-style-type: none"> <li>This will be reflected in the Instruction.</li> </ul>
QTel	<ul style="list-style-type: none"> <li>The administrative fees for delay should only be based on working days and not on calendar days.</li> </ul>	<ul style="list-style-type: none"> <li>The administrative fee for delay is based on “days” as the Licenses, which are calendar days and not explicitly defined as working days. The Instruction document is in line with the terms of the Licenses.</li> </ul>
QTel	<ul style="list-style-type: none"> <li>QTel’s interpretation of the RAS requirement is that the data on which the Industry and License Fees is based is to be loaded into RAS from the source and the same treatment that the appropriate QTel accounting team perform can be re-performed in RAS. This will provide a check of the calculation for ictQATAR, while providing some reconciliation of these fees. This doesn’t mean that these fees can be derived from the granular product level as this introduces a further and deeper level of granularity in the model, adding significant complexity to an already involved RAS system. As such, the associated RAS audit will also be more involved entailing more costs to QTel, which goes against the principle of a proportionate RAS for the telecom sector within Qatar, as stated in the RAS Instruction dated 8<sup>th</sup> August 2010.</li> </ul>	<ul style="list-style-type: none"> <li>ictQATAR requires Licensees having a RAS obligation that “the <u>input data</u> of the RAS has to be structured in such a way that the Industry Fee and the License Fee can be readily calculated and verified from this RAS <u>input data</u>.”</li> <li>It is not the intention of ictQATAR to complicate the RAS unnecessarily.</li> </ul>
RigNet	<ul style="list-style-type: none"> <li>Confirm that it is acceptable that RigNet calculate the annual fees from 1<sup>st</sup> January 2011 rather than from the license award date 22 December 2010.</li> </ul>	<ul style="list-style-type: none"> <li>The Instruction document applies to calendar year 2011 onwards.</li> </ul>

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RigNet	<ul style="list-style-type: none"> <li>Confirm that RigNet is allowed to deduct under Access Charges the cost of Leased Lines, satellite link, and MPLS in the calculation of the net revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Under the terms of the VSAT License, such costs cannot be deducted from the revenue for the purpose of calculating the Net Revenue and License Fee. Access Charges do not apply to the VSAT Licensees. VSAT Licensees must adhere to the definition of Net Revenue in Section 2.1 of Annexure D of the VSAT License.</li> </ul>
UDC	<ul style="list-style-type: none"> <li>For the avoidance of doubt, Net Revenue for the purpose of the calculation of the License Fee in the case of UDC is strictly limited to revenues from the provision of Authorized Services and no others.</li> </ul>	<ul style="list-style-type: none"> <li>This is correct.</li> </ul>
UDC	<ul style="list-style-type: none"> <li>Both revenues and expenses should, however, be accounted for on a uniform basis. They should be accounted for on a cash basis, as noted below.</li> <li>In the case of UDC, the timing of the payments of the Provisional Fee and True-Up calculation should follow the actual payments by the operators for UDC’s provision of Wholesale Services. It would not be appropriate to require UDC to make these payments to ictQATAR before such payments are received based solely on the basis of “paper profits”.</li> </ul>	<ul style="list-style-type: none"> <li>As stipulated in Instruction document, “Licensees must follow the accrual basis of accounting and revenue recognition principles prescribed by Generally Accepted Accounting Principles (e.g. International Financial Reporting Standards - IFRS).”, and “All calculations must be based on the accrual basis of accounting, rather than “actually paid” in net cash terms.” This applies for revenues and cost and on a non-discriminatory basis for all Licensees.</li> </ul>
UDC	<ul style="list-style-type: none"> <li>UDC considers the following to be allowable expenses in the calculation of the Net Profit:                             <ul style="list-style-type: none"> <li>Loss on sale of real estate or other equity investment to the extent it is directly or indirectly attributable to the provision of Authorized Telecom Services in Qatar</li> <li>Losses directly or indirectly attributable to the provision of Authorized Telecom Services in Qatar including on the sale or impairment of assets.</li> <li>Losses booked from revaluation or sale or impairment of subsidiaries directly or indirectly related to the provision of Authorized Telecom Services in Qatar</li> <li>Depreciation and amortization of UDC’s network infrastructure in connection with the provision of Authorized Telecom Services in Qatar. Such depreciation and amortization should not be limited to the passive elements of the system.</li> </ul> </li> </ul>	<p>As a governing principle, only those expenses that are directly or indirectly attributable to the provision of “Authorized Facilities, Networks, Services and Activities” in the State of Qatar as specified inter alia in Annexure B of each of the Licensee’s telecommunication License are deemed as Allowable Expenses.</p> <p>Accordingly, ictQATAR understands that only “<i>Depreciation and amortization of UDC’s network infrastructure in connection with the provision of Authorized Telecom Services in Qatar</i>” can be included in the Allowable Expenses. This is limited to the passive elements only.</p>

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	<ul style="list-style-type: none"> <li>UDC should be permitted to carry forward losses and apply them for the purpose of calculating the License Fee and Industry Fee.</li> </ul>	
UDC	<ul style="list-style-type: none"> <li>UDC believes that RAS requirements do not apply in its case.</li> </ul>	<ul style="list-style-type: none"> <li>The RAS requirements apply only to those Licensees who have been explicitly requested by ictQATAR to comply with RAS provisions.</li> </ul>
Vodafone	<ul style="list-style-type: none"> <li>The final Instruction should clarify that net profits are measured cumulatively in line with GAAP rules. Vodafone does not expect to pay any industry fees until it is cumulatively profitable.</li> </ul>	<ul style="list-style-type: none"> <li>The Instruction, according to the Licenses, applies per calendar year. This excludes a cumulative (over several years) “carry forward losses” approach.</li> </ul>
Vodafone	<ul style="list-style-type: none"> <li>Vodafone’s preference is that fee payments be aligned with the financial year of the Licensee. This removes the necessity for a true up calculation and minimizes cost and effort for both ictQATAR and the Licensees. Vodafone’s financial year ends 31 March.</li> </ul>	<ul style="list-style-type: none"> <li>The Provisional Fee Payment and True-Up Calculation and their timelines are defined in the Licenses. Such a change is out of scope of this Instruction.</li> </ul>
Vodafone	<ul style="list-style-type: none"> <li>Although not directly relevant to the calculation itself Vodafone notes that the use to which ictQATAR intends to apply the Industry Fee remains unclear. Given that the fee is a significant portion of profits Vodafone considers that its shareholders should have visibility of how ictQATAR intends to spend this fee. Furthermore Vodafone considers that ictQATAR consult with operators on the use of the Industry Fee.</li> </ul>	<ul style="list-style-type: none"> <li>This comment is outside the scope and purpose of the consultation on “Instruction on the Methodology and Timelines of Annual Fees Payment”.</li> </ul>