

The telecoms sector in Arab countries

The role of competition policy

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Frontier Economics – who we are



1

Extensive experience advising authorities and operators on competition enforcement, market reviews and remedy design

2

Leading communications regulatory advisor in the GCC

3

Strong commitment to training, knowledge transfer and project management

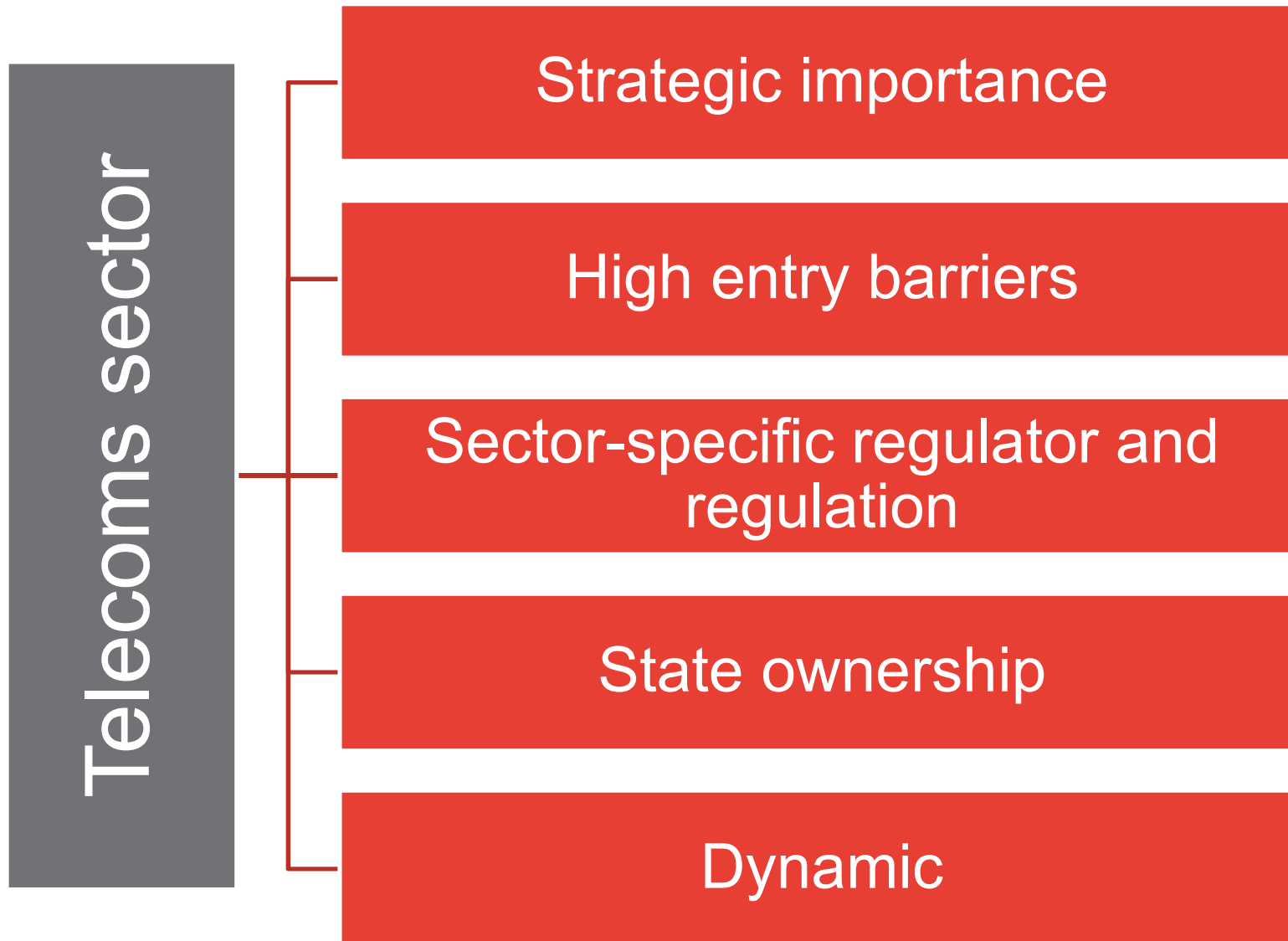
Economic experts working across a range sectors and areas including telecoms, energy, transportation, water, environment, competition and public policy.

Dedicated communications practice of 20+ economic practitioners has industry leading economic, regulatory and strategic expertise and is at the heart of our company.

Clients in the region include:



Telecoms is an interesting sector to focus on



Overview

1.	The benefits of competition in the telecoms sector	5
2.	Reasons for the limited number of competition cases in Arab countries to date	9
3.	Conclusions	20

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Competition can improve outcomes in the telecoms sectors...

Competition can lead to:

Incentives to minimise costs



Pressure to drive prices down to cost



Push to innovate



This should benefit consumers through lower prices, higher take-up and more advanced services

...and also lead to improvements in the wider economy

Nearly all industries rely on telecoms services



▶ Diffusion of knowledge



▶ Reduced time spent travelling



▶ E-services



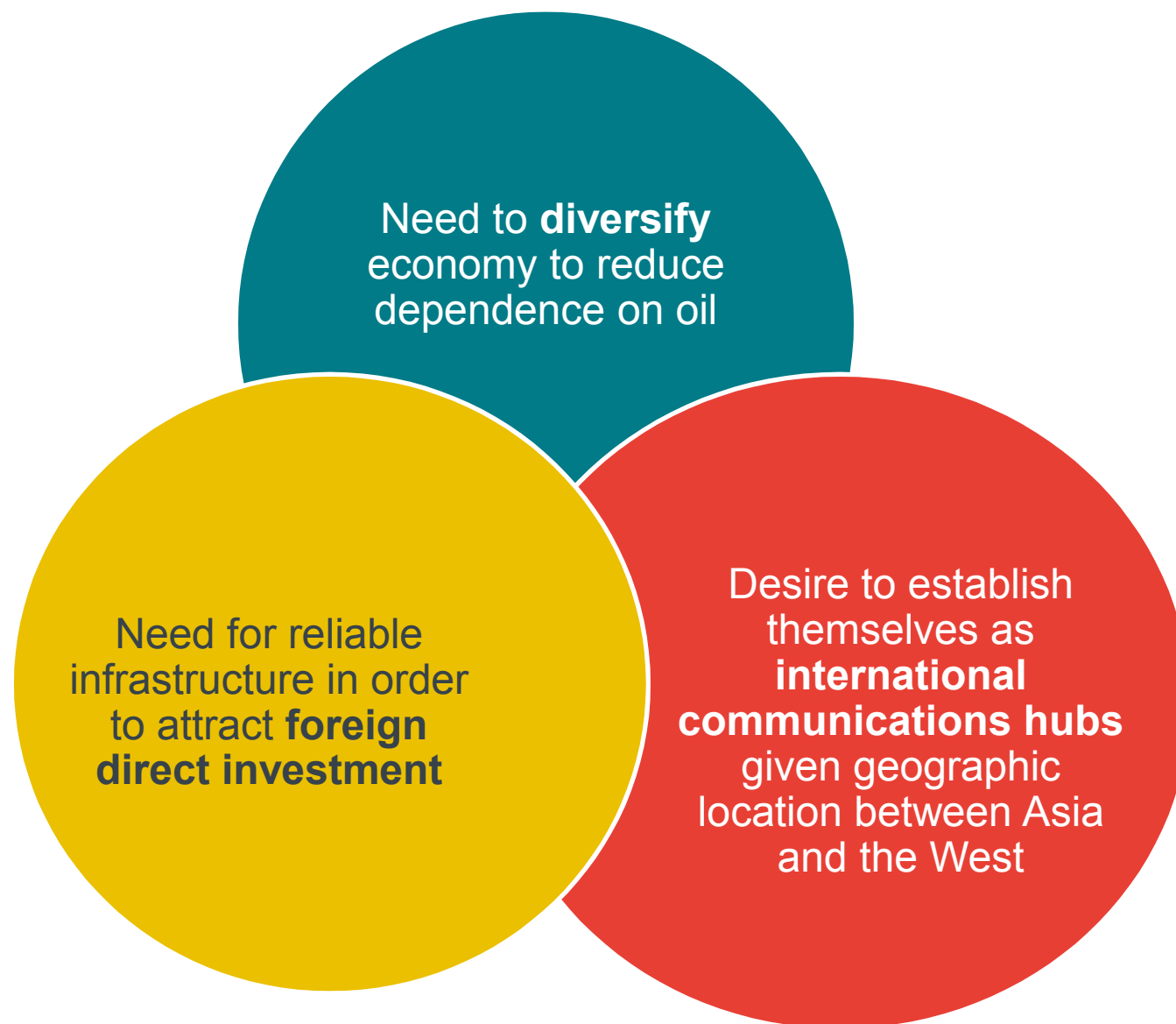
▶ Improve management of firms due to better communication



Increased productivity

The GSMA estimates that in 2014 the direct and indirect contribution of the mobile sector alone was **4% of GDP** in Arab Countries

A strong telecoms sector may be particularly important in Arab countries



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Despite the competition guidelines, there have been limited high profile ex post telecoms competition cases in Arab countries...



\$13.89 million

Batelco fine for refusing to allow other operators access to international internet cables located in one of its buildings.

September 2009

This was reduced to around \$2 million in 2012 following an arbitration process



Up to \$340,000

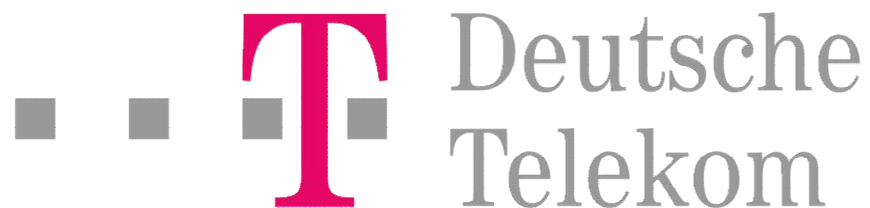
Egypt competition authority fine for Telecom Egypt for abuse of dominance (cutting off access to its cable internet infrastructure to its rivals). August 2016



\$2.7 million

STC fine for abuse of dominance (withholding services for clients of competitors, blocking international calls and not activating number portability). December 2015

...which stands in contrast to Europe which has had a number of high profile telecoms cases



Telefonica

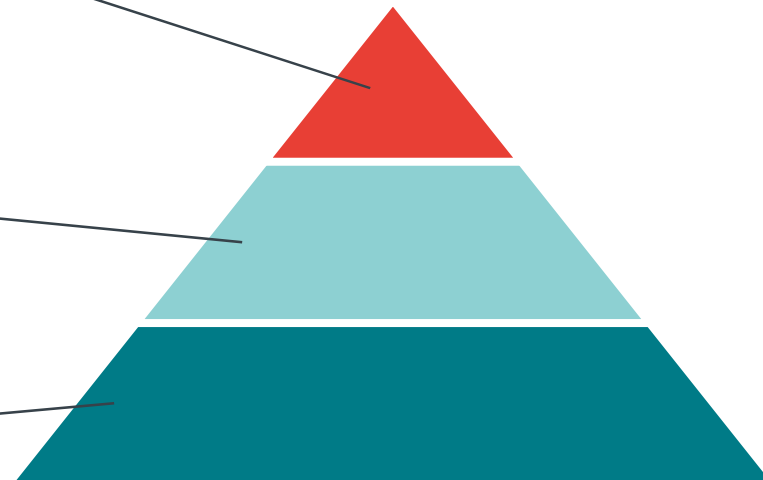


There could be a number of possible reasons why there have been limited telecoms competition cases in Arab countries

Enforcement of competition law is ineffective

Competition law is not well developed

Regulation is functioning well



Regulators attempt to strike the right balance between ex-ante regulation and ex-post competition policy

The choice between ex-ante regulation and competition policy is likely to depend on a number of factors

Degree of generalization of anti-competitive behaviour

Difficulty in addressing anti-competitive behaviour with competition policy

Whether anti-competitive behaviour brings about irreparable damage

Whether there is need for intervention to facilitate entry

In others, competition may not be effective but regulation mitigates that

Independent sector regulator

- For example, in Qatar, the independent sector regulator (ictQATAR) has been in place for over ten years.



Range of regulation in place

- ictQATAR has focussed on wholesale regulation since 2014 requiring both operators to publish reference offers for interconnection, transmission links and duct access.
- Both Ooredoo and Vodafone have used access to QNBN to achieve national fibre broadband coverage.

Not all Arab countries have a general competition law...

Competition law

Countries with:

- Egypt
- Kuwait
- KSA
- UAE
- Iraq
- Morocco
- Syria
- Yemen
- Jordan
- Qatar
- Tunisia

Without:

- Bahrain*
- Sudan
- Oman
- Somalia

Drafting legislation:

- Lebanon
- Libya
- Palestine

*has Law on Unfair Business Practices

... and there may be gaps in the laws

Exemptions

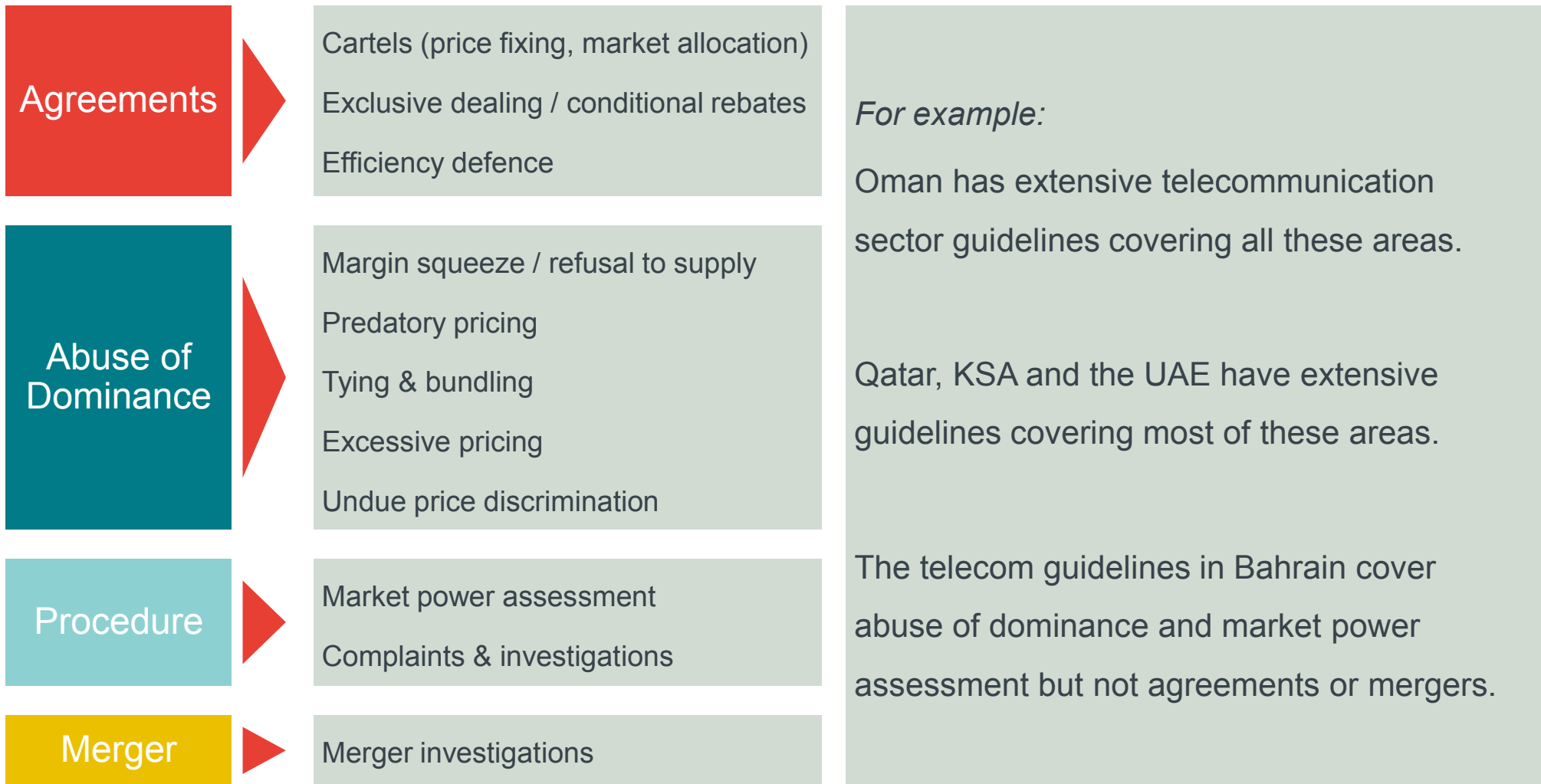
⑩ Limited jurisdiction particularly given that there may be **exemptions** where there is either **state or foreign ownership** (e.g. in Yemen, Algeria, Egypt and Kuwait).

Powers to investigate

⑩ **Powers to invest** or to sanction firms/individuals that infringe antitrust laws (e.g. in Yemen)

MIND THE GAP

There may not be a clear line of responsibility between the competition authority and telecoms regulator



Potential uncertainty about whether competition authority or telecoms regulator has jurisdiction e.g. Egypt horizontal agreement case

The competition authority and/or telecoms regulator may lack independence

Competition authority

With explicit independence:

- Syria
- Morocco
- Egypt

With explicit dependence:

- Kuwait
- UAE
- Yemen
- Qatar

Not stated:

- Tunisia
- KSA
- Jordan
- Oman

Currently forming:

- Iraq

Other enforcement problems could also be present

There may be a lack of:

Complaints

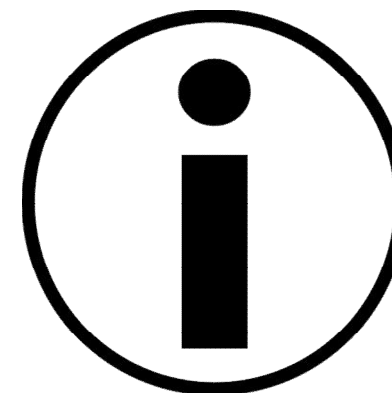


Who can complain?
Can they seek
damages?

Precedent



Information and capacity



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Competition policy will be key in Arab countries going forwards

There are a **number of possible explanations** for why there has been limited abuse of dominance cases in Arab countries

Effective competition policy is needed to ensure that the full benefits from **fibre broadband** materialise

May need to consider **wider supply chain** e.g. the role of operating systems and apps, big data

For competition policy to be effective the following conditions are required

- Clear competition laws
- The scope for a range of parties to bring forward complaints
- Sufficient information e.g. regulated accounts
- Damages framework
- Relevant experience and capacity within the telecoms regulator / competition authority
- Independence of telecoms regulator / competition authority and clear lines of responsibility



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