

**Consultation Document on
the review of the Regulatory
Accounting System (RAS)
Order 2013+ (ref. ICTRA
2013/03/31-B, dated March
31, 2013)**

Closing Date is June 17, 2018

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Part I. Consultation Provisions

1 Background

1. In March 2013, the CRA approved the Regulatory Accounting System (“RAS”) Orders applicable to the Financial Years (“FY”) 2010 onwards (ref. ICTRA 2013/03/31-B, dated March 31, 2013). Following the review of the RAS FY 2010-2012, the CRA felt the needs to amend the RAS Orders.
2. This led to the approval of a new version of the RAS Orders applicable to the FY 2013 onwards (ref. CRA 2014/05/26a, dated May 25, 2014, “2013 Orders”).
3. The 2013 Orders specify the requirements for Ooredoo to deliver regulatory accounts. These accounts define the costs and revenues for the Ooredoo business, broken down in a manner that enables the CRA to understand products individually and by broad product groupings, such as by Fixed Access Network, and Fixed Core Network. In turn, this understanding forms a critical input to much of CRA’s work and enables it to fulfil adequately its objectives.
4. In 2015, the CRA performed a review of the relevant markets, (ref. CRA 2015/RAC/009, dated July 9, 2015). The reviewed relevant markets were used in the designations of dominance in each market made by the CRA in 2016 (ref. Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016A and attached Economic Analysis CRARAC 09/05/2016B, dated May 9, 2016, “MDDD”).
5. The CRA considers that it is important to now ensure that the RAS Orders are consistent with the new relevant market definitions and economic regulatory framework introduced by the MDDD.
6. In addition, the CRA has noted a number of areas where the RAS reports and the methods used to define the RAS reports, are not as good as desired. Although the CRA has still been able to accept the regulatory accounts prepared by Ooredoo, it believes that amending the RAS Orders will assist it in being able to ensure that future RAS reports are prepared in a manner which resolves the CRA’s concerns.
7. The CRA therefore considers it appropriate that the RAS Orders are now revised.
8. This document:
 - Provides for the Legal Basis of the RAS Orders review and the instruction for responding to the consultation (ref. Part I);
 - Consults on the key issues and areas to be enhanced/alterd in the new RAS Orders (ref. Part II);
 - Provides a draft version of the new RAS Orders (ref. Part III).
9. Should SPs feel that other changes should be made to the RAS Orders, or should they not agree to the changes proposed, they should set out this out clearly (and with reasons) in their response to this consultation. The inputs from the Service Providers will be taken into account and used to finalize the updated RAS Orders.

2 Instruction for responding to this Consultation

2.1 Consultation Procedures

10. In keeping with open and transparent regulatory processes, the CRA herewith consults on the New RAS Orders to be followed in the telecommunications sector in Qatar.
11. Service Providers (SPs) are invited to provide their views and comments on the consultation questions and to set out any proposed amendments to the draft Orders in a marked up “track changes” format.
12. The CRA asks that, to the extent possible, submissions be supported by relevant evidence.
13. Any submissions received in response to this Consultation Document (CD) will be carefully considered by the CRA. Nothing included in this CD is final or binding. However, the CRA is under no obligation to adopt or implement any comments or proposals submitted.

14. Comments should be submitted by email to fmassone@cra.gov.qa before the date stated on the front cover. The subject reference in the email should be stated as “Consultation on New RAS Orders”.
15. It is not necessary to provide a hard copy in addition to the soft copy sent by email.
16. Deadline for SPs to submit their comment is indicated on the cover page.

2.2 Publication of comments

17. In the interests of transparency and public accountability, the CRA intends to publish the submissions to this consultation on its website at www.cra.qa.
18. All submissions will be processed and treated as non-confidential unless confidential treatment of all or parts of a response has been requested.
19. In order to claim confidentiality for information in submissions that stakeholders regard as business secrets or otherwise confidential, stakeholders must provide a non-confidential version of such documents in which the information considered confidential is blacked out. This “blackened out” portion/s should be contained in square brackets. From the non-confidential version, it has to be clear where information has been deleted. To understand where redactions have been made, stakeholders must add indications such as “business secret”, “confidential” or “confidential information”.
20. A comprehensive justification must be provided for each and every part of the submission that the SP wishes to be treated confidentially. Furthermore, confidentiality cannot be claimed for the entire or whole sections of the document as it is normally possible to protect confidential information with limited redactions.
21. While the Authority will endeavor to respect the wishes of respondents, in all instances the decision to publish responses in full, in part or not at all remains at the sole discretion of the CRA.
22. By making submissions to the Authority in this consultation, respondents will be deemed to have waived all copyright that may apply to intellectual property contained therein.
23. For more clarification concerning the consultation process, please contact Francesco Massone (fmassone@cra.gov.qa).

3 Legal Basis

Telecommunications Law of 2006 and following amendments (the “Law”)

24. Article 18 (8) of the Law cites the rights, obligations and terms of interconnection and access, which are available to each licensed service provider including the following:
(...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows:
8. any obligations or requests to a dominant service provider regarding interconnection and access as specified by the General Secretariat and which relate to its charges or calculation of costs or the requirements of accounting separation pursuant to the rules of article (24), (25) and (33) of this Law.

The RAS is an obligation imposed on Ooredoo as a Dominant Service Provider (DSP) that relates to its charges, calculation of costs and requirements of accounting separation.
25. Article 24 provides that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The RAS process enables the identification of costs that lead to ascertaining such equivalence.
26. Article 25 provides that the RAS itself is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.
27. Other provisions in the Law empower the CRA to undertake functions and duties to ensure interconnection and access agreements meet legal requirements (Article

- 19(4)), and to determine any additional obligations on DSPs regarding interconnection and access (Article 19 (6)).
28. The RAS is an essential part of identifying the cost of efficient service provision for the purpose of ensuring the tariffs of DSPs do not contain any excessive charges as required by Article 29.
 29. Article 32 enables the CRA to require a cost study such as that to be carried out as part of the RAS.
 30. Article 33 requires a DSP to adopt the RAS and any other accounting or business practices as a means to prevent anti-competitive conduct.
 31. Article 62 enables CRA to obtain from a service provider the information it needs to exercise its regulatory powers including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Telecommunications Law.

Executive By-Law of 2009 (the “By-Law”)

32. Article 49(1) of the By-Law requires DSPs to meet any requirements relating to interconnection or access charges.
33. Article 50(1) of the By-Law requires DSPs to take direction from CRA to implement specific charges or change such charges as determined by CRA. Article 50 (2) requires access charges of a DSP to be cost-based and in accordance with rules or standards determined by CRA. Article 50(3) requires a DSP to comply with any orders applicable to any pricing, costing and cost separation requirements as prescribed by CRA.
34. Article 59 of the By-Law says that if CRA requires a DSP to prepare or participate in the development of a cost study, then the DSP shall comply. Such a cost study involves CRA deciding on cost categories, form, approach, procedures and timing for the cost study and its implementation (Article 59). The DSP can then be required to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose including the separation of accounts (Article 59).

Ooredoo’s Individual Licenses

35. On October 7, 2007, Ooredoo (then Qtel) was granted and issued two telecommunications licenses to provide public mobile and fixed telecommunications networks and services (License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B).
36. Ooredoo is required under these licenses to comply with the terms and conditions of the licenses and the ARF (Clauses 4 and 14.1). It is also required under Sub-clause 14.2 to take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by CRA. The development of, and the adoption of the RAS into its processes, are part of this process.
37. Clause 11 of the Licenses places specific obligations on Licensees to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the ARF. The RAS exercise is part of enabling the Licensee to fulfill this license requirement.
38. Annexure D of the Licenses requires Ooredoo to provide its telecommunications services pursuant to retail tariffs. Clause 3 of Annexure D applies special procedures to DSPs, including prior review of new and modified tariffs.
39. Sub-clause 2.1 of Annexure F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Such costs, and prices based on costs, will become apparent during the RAS process and will enable the Licensee and any requesting licensee to enter into agreements based on efficient cost pricing and reduce the instance of disputes over this.
40. Sub-clause 1.1 of Annexure I of the Licenses clearly states that when a DSP is ordered by CRA to prepare or otherwise participate in a cost study, it will comply. Sub-clause 1.2 of Annexure I orders the compliance by a DSP with an CRA direction to retain an independent auditor. Sub-clause 1.3 of Annexure I orders and directs the same

compliance regarding the adoption and implementation of accounting procedures, and sub-clause 1.4 orders and directs the same compliance regarding accounting separation requirements.

41. These RAS Orders to Ooredoo direct Ooredoo to comply with the requirements outlined in these Instructions and in the ARF, including the directions in Clause 1 of Annexure I outlined above concerning the RAS.
42. Clause 3 of Annexure I lists specific conduct by a DSP that is prohibited. The RAS exercise is expected to produce transparent costing and accounting information that will support business activities and processes that do not involve such prohibited conduct or the risk of such conduct.

Part II. Consultation questions on wider principles

1 Alignment of the RAS to the definitions of the Relevant Markets

43. The current RAS was developed to understand the costs incurred by Ooredoo in providing certain products, with a chief focus on how sub-units of the Ooredoo business performed. The sub-units are referred to as regulatory reporting units (RRUs) and they group costs and revenues by these units. These include Access, Mobile and Core network units, and Retail and Wholesale units.
1. Since this approach was adopted, CRA has conducted a comprehensive market definition and dominance designation exercise (the MDDD), which sought to identify economic bottlenecks in the sector which may, in the absence of regulatory intervention, prevent the emergence of effective competition, and create a risk that providers with market power over those bottlenecks might engage in anti-competitive behavior. That is, the MDDD recognizes that levels of competition are likely to differ across the telecom sector's value chain. It groups both retail and wholesale products into a series of relevant economic markets, where products in any one market do not form effective substitutes to products in other markets and where a relevant market includes all those products which the consumer or producers regard as sufficiently interchangeable or substitutable, so that the extent of competition in each relevant market can then be assessed.¹
 2. The ultimate purpose of conducting the MDDD was to enable the CRA to focus its *ex ante* regulatory remedies on those markets where such economic bottlenecks exist, whilst allowing it to consider removing remedies in markets where competition is already effective. Indeed, an MDDD is a commonly accepted input to the design of *ex ante* regulatory remedies, with similar exercises forming a cornerstone of the approach to sector regulation in the EU and with other GCC telecommunications regulators also having conducted similar reviews.²
 3. The CRA considers it is important that, in future, the structure of the RAS is aligned to the regulatory regime introduced through the MDDD. This is because the RAS is one of the main tools that the CRA has to monitor the development of the sector and importantly, the developments within the relevant economic markets it has defined. Using information from the RAS, the CRA can then ensure that dominant service providers comply with the regulatory obligations they face (such as, without limitation, obligations to not engage in discriminatory behavior in terms of how they set network access and interconnection charges).
 4. Whilst the current structure of the RAS does, to some extent, enable the CRA to monitor the development of individual products within relevant markets, the CRA does not consider this to be entirely satisfactory. This is because the relevant markets defined by the CRA in the MDDD and the RRUs previously defined in the existing RAS Order are not aligned anymore. A new approach based on the MDDD markets effectively enforces wholesale markets to treat both the downstream retail markets and the wholesale market's sales to other service providers, in the same way. Transparency caused by using the MDDD structures provides clarity of transfer charges made to the retail markets and of the charges to other service providers (SPs). These help to ensure non-discrimination because any differences in charges made are clear and would need additional justification – the default assumption is that no differences in charges are allowed without CRA approval. This is because non-discrimination requires the same charges for the same products both to downstream markets and to other SPs.

¹ Where wholesale products are used as inputs in the provision of retail products and may include both passive and active access products and "notional" products not provided commercially.

² The CRA's MDDD findings can be found in CRARAC 09/05/2016 A, dated May 09, 2016, "MDDD 2016".

5. Therefore, the CRA proposes to amend the structure of the RAS so that all products are assigned to the MDDD markets (with unregulated products to be grouped into an “other market”) and proper transfer charges within the MDDD markets are implemented. This will require Ooredoo to provide profit and loss and balance sheets for each market defined by the MDDD, with these reports accompanied by product level reports for each product in each market.³
6. The CRA notes that this shift to regulatory reporting on market lines is consistent with approaches increasingly taken in other jurisdictions. In the EU, the majority of the regulators have ordered the RAS structured by relevant markets. Similarly, in the GCC, the TRA in Oman in 2015 revised its accounting separation regulation and guidelines to align it with the findings from its MDDD exercise,⁴ whilst in 2016, the TRA in Bahrain consulted on similar amendments to its regulation.⁵

Question 1 Do stakeholders agree that the RAS should be structured around the relevant markets defined within the MDDD?

2 Non-discrimination through the accounting separation of Retail and Wholesale Relevant Markets

7. As described above in section 1 the CRA proposes that the RAS should be restructured, to report by relevant markets, in line with the MDDD.
8. This means that the RAS must report, separately, the required financial information for all of the following retail and wholesale markets as defined by the MDDD, including the sub-markets captured within each. Additional reporting units have been included to allow for accuracy of the cost attribution, completeness and reconciliation with the Financial Statements of Ooredoo. The table below shows the structure of the RAS proposed by the CRA.

Retail service markets
M1 - Retail national fixed voice and broadband services. <ul style="list-style-type: none"> • M1a - Retail fixed access services • M1b - Retail national fixed call services • M1c - Retail fixed broadband services
M2 - Retail international outgoing call services <ul style="list-style-type: none"> • M2a - Retail international outgoing call services at a fixed location – Residential customers • M2b - Retail international outgoing call services at a fixed location – Business customers • M2c - Retail international outgoing call services from a mobile device – Residential customers • M2d - Retail international outgoing call services from a mobile device – Business customers
M3 – Retail national leased lines services
M4 – Retail international leased lines services
M5 – Retail national mobile voice and broadband services <ul style="list-style-type: none"> • M5a – Retail national mobile voice and broadband services – Residential customers • M5b – Retail national mobile voice and broadband services – Business customers
Wholesale service markets

³ These two reporting levels help to identify non-discrimination or adverse pricing. The non-discrimination is made transparent through the reporting of wholesale services to other licensed operators (other SPs) and the similar product’s cost transfer to the internal downstream retail markets.

⁴ <https://tra.gov.om/pdf/draft-accounting-separation-regulation.pdf>

⁵ <http://www.tra.org.bh/media/document/Regulatory%20Accounting%20Regulation%20consultation%20document.pdf>. The TRA subsequently postponed these amendments, due to other structural changes in the sector in Bahrain, as set out in the Kingdom’s Fourth National Telecoms Plan.

M6 - Wholesale call origination on public telecommunications networks at a fixed location
M7 - Wholesale termination on individual telecommunications networks at a fixed location
M8 - Wholesale physical access to network infrastructure <ul style="list-style-type: none"> • M8a - Physical access to SPs' mobile sites, masts, towers, including relevant ancillary facilities/services and colocation space • M8b - Physical access to SPs' dark fiber and copper, including relevant ancillary facilities/services and colocation space • M8c - Physical access to SPs' ducts, including relevant ancillary facilities/services and colocation space • M8d - Functional access to international gateway facilities required to gain international connectivity (including, but not limited to, physical access to the facilities, colocation space, cross-connects and other relevant ancillary facilities and/or services)
M9 - Wholesale broadband access at a fixed location
M10 - National trunk segment of (national and international) wholesale leased lines services
M11 - Terminating segment of (national and international) wholesale leased lines services
M12 - International transit segment of international wholesale leased lines services
M13 - Wholesale access and origination on public mobile networks
M14 - Wholesale termination on individual mobile networks
Others
M90 – Other Retail Products <ul style="list-style-type: none"> • TV • Data Center • Handsets • Etc.
M95 – Wholesale Mobile Broadband
M100 – Other Wholesale Products <ul style="list-style-type: none"> • Hubbing • Etc.
M200 – Other services <ul style="list-style-type: none"> • Financial Activities • Etc.

Table 1 Relevant markets to be used in the RAS

9. Non-regulated products, and associated network costs will be grouped in an additional “Other” category. Given the relevance of the product, the Wholesale Mobile Broadband is reported separately.
10. The assignment of the individual products to markets shall be submitted annually to the CRA for its approval (ref. Part III, section 4).
11. A central aspect of the new RAS structure will be the links between the defined wholesale markets and the defined downstream retail markets.
12. In this regard, the CRA notes that wholesale products can be used both by the Ooredoo as inputs to its own retail products and by other SPs as external sales, with those SPs then using the wholesale products as an input to their own retail products. Therefore, within the RAS, the links between wholesale and retail markets must be set out in a way which demonstrates that Ooredoo is not engaged in discriminatory (pricing) behavior when it provides wholesale products to its own downstream retail business and its retail competitors.
13. For this purpose, all network costs should be captured in one of the wholesale markets listed above. These network costs form network *costs of production* that deliver the wholesale products. For internal sales, the wholesale products are used by Ooredoo’s downstream retail products, and so the costs of these products should be transferred to those retail markets at cost. In some instances, one wholesale product may be used

as an input to a wholesale product in another market. In this case, the costs of the “upstream” wholesale product shall be transferred to the destination (“downstream”) wholesale market on the same basis as described above. This will form a chain of transfers to the eventual sale of the products to external SPs or Ooredoo’s own retail business.

14. Wholesale products that are sold to other SPs may incur additional sales and customer related costs. These costs are specific to the wholesale market and its products, and hence should not be transferred to other retail markets.
15. The network costs used for the retail products and for the externally sold wholesale products must be calculated on the same basis, with any differences justified by Ooredoo and approved by the CRA.
16. The costs of retail products reported in the RAS will then include costs transferred in from wholesale markets and any specific retail costs (such as sales and marketing costs) associated with the products.
17. The CRA notes that for some of the wholesale products, there is not yet a wholesale reference offer. This is the case for M10 - National trunk segment of (national and international) wholesale leased lines services, M11 - Terminating segment of (national and international) wholesale leased lines services and M12 - International transit segment of international wholesale leased lines services. The CRA might agree to simplify the structure of the RAS (e.g. to report M10 and M11 altogether) until reference offers for these products are approved.

Question 2 Do stakeholders agree with the proposed approach?

3 Transfer charges

18. The RAS must provide financial reports on individual products by Market, as described above in Section 2. This is because CRA is required to ensure equal treatment of other SPs and the downstream business within Ooredoo’s businesses.
19. This is, for example, and without limitation, required for wholesale products that are sold externally as well as internally, such as call termination, where costs must be transferred to the downstream business and to other SPs at the same cost. Therefore, whilst CRA notes that previously Ooredoo’s RAS has used regulated prices to transfer costs to downstream businesses, the proposed revisions to the Orders make it clear that transfer charges should be based on the cost of the product in all cases, rather than on regulated prices (where they exist).
20. For example, a fixed retail on-net call is seen as one wholesale fixed call origination plus one wholesale fixed call termination. This means that the cost of the wholesale fixed call origination and the cost of the wholesale fixed cost termination will be transferred to Ooredoo’s retail products in a non-discriminatory way. This implies – for example - that the same route factors must be used for fixed call termination products sold externally and the notional “on-net” fixed termination segment of a call. In effect, this means the Reporting Licensee’s own on-net fixed traffic will be created, in the RAS system, from a sum of the fixed wholesale call origination segment (Market 6) and the fixed wholesale call termination product (Market 7).
21. Another example is duct space, which is a wholesale service and also a cost that transfers internally as an input to other wholesale transmission products.
22. The full list of transfer charges is shown in the Figure below.

Summary of the Transfer Charges for the year ended 31 December 20xx																										
		Transfer to																								
		M1a	M1b	M1c	M2a	M2b	M2c	M2d	M3	M4	M5a	M5b	M6	M7	M8a	M8b	M8c	M8d	M9	M10	M11	M12	M13	M14	Mobile (Broadband)	Other
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR
Transfer from	M1a																									
	M1b																									
	M1c																									
	M2a																									
	M2b																									
	M2c																									
	M2d																									
	M3																									
	M4																									
	M5a																									
	M5b																									
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	M8d																									
	M9																									
	M10																									
	M11																									
	M12																									
	M13																									
	M14																									
	Mobile Broadband																									
	Other																									

Figure 1 Transfer Charges

23. The summary cost-transfer report illustrated above shows the source markets' cost and how these markets transfer costs to the destination markets. The CRA expects most wholesale markets to transfer costs mainly to downstream retail markets because only a few wholesale products are used purely by other SPs.
24. In those cases where one wholesale product is used as an input to other wholesale product (as described previously with reference to the use of duct), the combined total cost of a wholesale product (i.e., the cost transferred in plus other network costs) will form the total costs of the destination market. The total cost of the destination market will then be passed to the final retail products and markets and reported as a transfer in to retail from the furthest downstream wholesale market. The figure below shows the "cascade of transfers" from one wholesale market to the next and then the transfer to the Retail Markets.

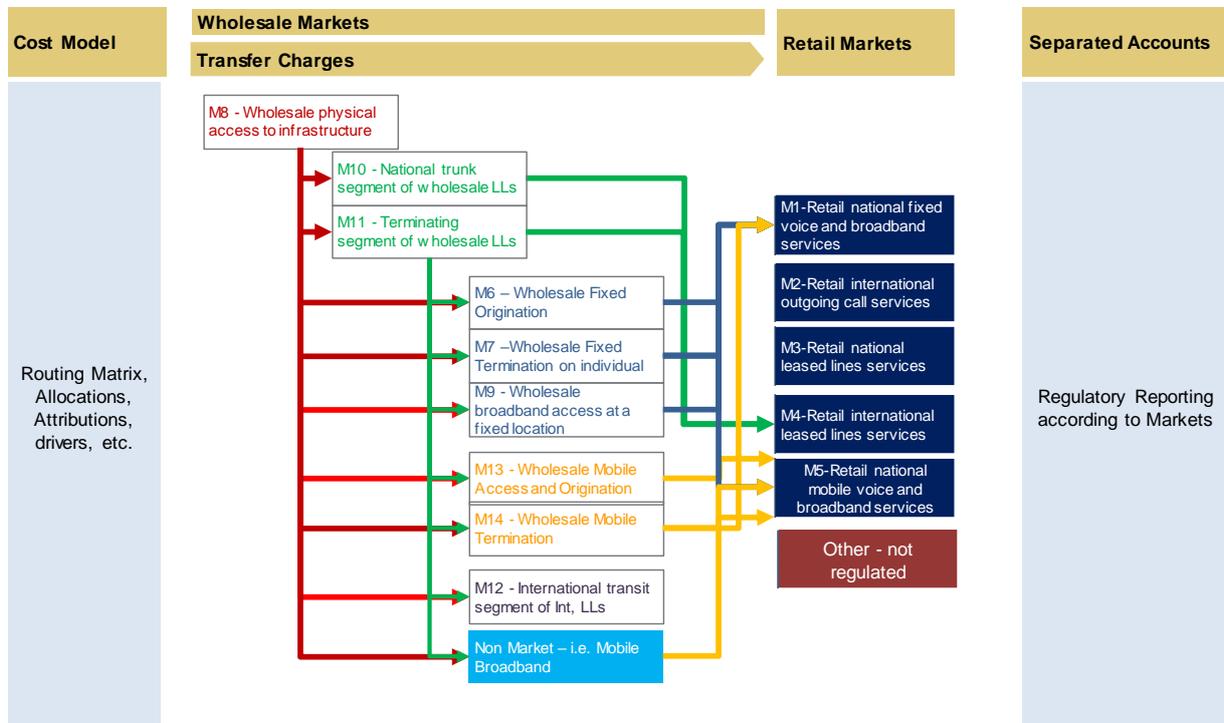


Figure 2 Detailed wholesale to wholesale transfers, and subsequent transfer to retail markets

25. As set out above, the Draft Order require that all transfers to downstream markets should be at the calculated cost of the wholesale products, including the relevant cost of capital for wholesale markets. As identified in paragraph 19, CRA considers the use

or regulated *prices* as a transfer cost is now not required. This change simplifies the RAS, and as costs are transparently reported, the CRA will still be able to analyze the reports and compare to the market outcomes if regulated prices had been used.

Question 3 *Do stakeholders agree with the approach proposed by the CRA? Are the transfer charges properly defined? Are there any additional requirements for other cost transfers to be made more transparent?*

4 Activity Based Costing and supporting costs versus primary operational costs

26. Activity Based Costing (ABC) has been used for over 40 years as a way to understand business costs in a more transparent manner than is shown in conventional accounts used for statutory reporting and for many management reports.
27. Conventional accounts are based on cost centers that group operational teams and equipment. These centers define functional areas that do similar things and so can group engineering staff or sales staff each into separate specific centers, for example. This provides management visibility of *where* the costs reside. This supplements the basic accounting views which defines the *type of cost* (salary, payment to supplier, building rental).
28. However, although conventional cost center accounting provides greater visibility than is obtained by simply looking at the entire business by the account and cost type, the centers do not often relate to any one product or customer. This is because products relate to many cost centers and many assets that exist across the business – indeed, this is a particular problem in telecoms, as products use wide ranging assets, and staff teams. Furthermore many teams relate to many diverse products. As such, whilst conventional cost center accounting can assist with business cost management, it cannot assist significantly with product cost analysis.
29. ABC was developed as a way to address this matter⁶.
30. In practice, this means identifying the resources, the activities and the cost objects. Resources are the cost centers, accounts or assets. Staff (and their salary accounts) in a cost center form an operational resource. A network switch forms an asset resource. These resources respectively carry out activities such as installing cables, selling products or switching packets of data. The cost center, and its entire costs, are allocated to the activities that the center carries out. The resource costs are driven by the amount of each activity – more installations or sales drives up the cost of the staff in each center, so using this as the allocation basis is *cost causal*. More product traffic increases the switching activities (and cost) of the network switch, just as installation activities drive a center's cost.

⁶ The concept of ABC was first defined by Robert Kaplan and William Burns. They stated, ABC is “*An approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter utilize cost drivers to attach activity costs to outputs*”. The Chartered Institute of Management Accountants (CIMA) [Activity Based Costing](#) Topic Gateway Series No. 1

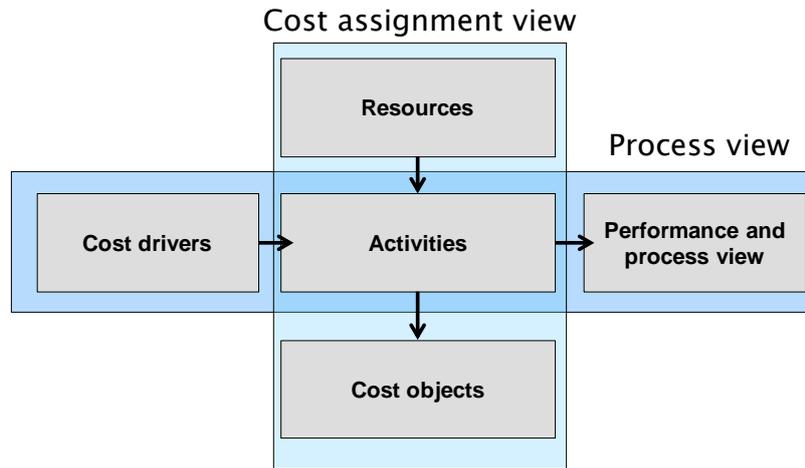


Figure 3 The three layer ABC standard approach enables cost assignment views.

31. Activity costs relate to the cost object such as the cables that are installed or the products sold. Switching activities relate to the products conveyed through the switch, for example. Activity drivers assign the activity costs to outputs (cost objects) based on the consumption or demand for activities.
32. Practical ABC has to take account of internal functions within a business, meaning that not all cost centers can be allocated directly to end products. For example, the cost object of many centers is not a product or customer but may be another cost center. Payroll teams and IT systems for example form a resource but its cost objects are staff in other centers. Only after supporting cost centers and supporting assets have been processed by ABC, are the full costs of primary cost centers or assets obtained.
33. In the annual review of the RAS, CRA has expressed its view that the ABC work carried out by Ooredoo is not robust. In particular, the CRA has expressed two main concerns:
 - Firstly, how cost centers are combined to form an aggregate resource. This is because Ooredoo's approach has often been based on an absorbed costing method where one center is added to another, but the cost-driver basis for this is not clear. As such, this approach lacks transparency and may have low cost causality;
 - And secondly, the limited transparency of the activity drivers and allocations to the final cost objects.
34. To remedy these concerns, the draft Order sets out that CRA requires fewer cost center resources. This is because having fewer cost resources will both simplify the RAS and improve transparency, without loss of cost-allocation quality, *so long as the aggregated cost resource has similar activities and cost drivers.*
35. Therefore, going forwards, the CRA intends to introduce, through the new RAS Order, requirements for Ooredoo to include a minimum set of cost centers in its RAS system, with that minimum set defined in the RAS Order (see section 3.9.2 of the draft Order);
36. Clarity on the rationale for combining smaller centers into these larger aggregate centers. The aggregate centers may be support or primary centers;
 - Clarity on the definition of the support cost centers. A support center has activities driven by other centers' needs;
 - Clarity on the definition of primary operational centers. A primary operational center has activities that relate to network components, products or customers, not to other cost centers (c.f. support centers); and
 - Clarity of the activities and drivers of all the aggregated support or primary operating cost centers. This should define how the support centers allocate costs to the primary operational cost centers, and how the primary cost centers allocate to the cost objects (network components or products).

Question 4 Do stakeholders agree with the changes and how do they propose to ensure the ABC methods are robust, cost based and also transparent?

5 The attribution of the business sustaining costs

37. The current RAS is based on Fully Allocated Costs (FAC), using Historic Cost Accounting methods (HCA). CRA believes this remains an appropriate method.⁷
38. A key principle of the FAC method is that all costs are included (i.e., all costs are allocated to products).
39. The FAC approach also identifies common business costs (also known as business sustaining costs). These are costs that are company-wide and which do not have a direct cost driver to any one product. For example, this would include the costs of the CEO's office, Board and annual audit costs, Administration Department, etc. In Ooredoo's current system, these costs are absorbed by other parts of the business and pass through the RAS system to the final products. This means that other cost centers include the business sustaining costs, as well as their own operational costs. Even though the costs are "absorbed" into other items, the business sustaining costs remain separately identified from other operational costs when they are included within products' costs. That is, business sustaining costs are a specific type of cost in reports. However, despite this reporting, the CRA does not believe that this approach to allocating business sustaining costs is sufficiently transparent as the cost driver (allocation basis) is not sufficiently clear in the reports or methodology.
40. Additionally, as the business sustaining costs are included through intermediate stages of the RAS, cost allocations based on total costs of an item in the RAS may be influenced by their inclusion. This is because the RAS system allocates a number of costs according to the cost-total of the cost object. This can be a reasonable basis. However, where the cost object already has common costs included, then such an allocation is influenced by an item that is not directly relevant to any cost allocation. As such, this can run counter to the general principle of allocating costs according to cost causation.
41. The CRA has therefore identified two aspects of this approach which should be altered in order to ensure that the RAS more accurately defines the economic costs of providing individual products and that the accounts are as transparent as possible:
 - Firstly, the concept of common costs should be strictly defined;
 - Secondly, the allocation of the common costs should be altered so they are added only as a "mark-up" to the final costs of the individual retail and wholesale products. That is, the cost should no longer be "absorbed" into other cost centers or cost pools at the initial stages of the RAS allocations.
42. Both of these changes will increase the transparency associated with the RAS.
43. For the avoidance of doubt, this does not mean that CRA intends to exclude common costs from regulatory decisions. Rather, this approach will support the CRA to take better-informed decisions regarding which products may take more or less of the common cost burden.
44. The items currently included within common costs are defined in the existing Orders and RAS Methodology. However, for the sake of clarity, the CRA proposes that the common costs shall include, at least:
 - Annual audit costs;
 - Business and Finance Department;
 - Strategy Department;
 - Employee costs, consultancy costs, associated costs, and all other associated ancillary costs relating to: Board; COO's office; and CEO's office. These form 'support and business sustaining departments';
 - The cost for producing the RAS;
 - License fee costs where the license covers all telecoms markets.Ooredoo is required to provide its organizational chart to the CRA for better-selection of these costs and for transparency.

⁷ Current Cost Accounting using FAC remains an option in the RAS Orders, but this is not specified to be implemented at present.

These items all relate to the entire business and do not have a clear cost driver that relates to other parts of the business such as network systems or services. As such, the CRA considers all of these items can appropriately be classified as common costs (business sustaining).

45. The common cost mark-up shall be applied in proportion to the actual costs of each individual product (retail or wholesale). This rule shall be applied without differentiation by market – all markets shall add the common costs on in exact proportion to the actual costs. In this regard, the “actual costs” of each product are defined in the draft Orders as the total of support and primary operational costs including depreciation, but excluding the cost of capital. This is done to avoid common costs unduly being attributed to capital-intensive products over those that have mostly operational costs.
46. Finally, to aide transparency, common cost shall be reported by a single cost type even though it may contain operational costs, depreciation, capital employed, operational costs and the cost of capital.

Other common costs items

47. There may also be instances of common costs that are not business-wide sustaining items, but which relate to several markets, rather than the entire business, and which do not have a clear cost driver. Retail costs might promote broadband or mobile products and be common to a range of markets and products, for example, despite not being company-wide costs. These costs are not included in the business sustaining category. Such costs should instead be allocated between the markets concerned using the same mark-up approach as that outlined above, unless a stronger cost driver is identified. Wherever possible, the CRA prefers the use of cost-based allocations, but accepts that many retail costs do not have strong cost drivers to particular products.
48. All such items must be defined clearly in the methodology and the method chosen to allocate these costs will need CRA approval.
49. In addition, and as set out in the draft Orders, the retail market accounts must now have specific provisions to show the driver used to allocate the general retail accounts or cost centers to the products and markets.
50. Finally, the CRA notes that Ooredoo Qatar may have group-wide functions located in Qatar, such as strategy, business planning, investment planning etc. These items are deemed to be group-wide costs that might be included in the Ooredoo Qatar accounts. CRA is not concerned, as regards the RAS, with overseas business units and their costs should be clearly separate to the Qatari business. This means that central costs that are common to the group should be excluded from the RAS reports. In certain cases CRA may consider a small portion of such costs as business sustaining costs relevant for the Qatari business, the split of which between overseas and Ooredoo Qatar should be made based on the relative costs of the Qatar and overseas segments. However, such group costs will only be considered relevant for Qatari products after CRA’s review and confirmation that the group-wide cost relates also to the Qatari business.

Question 5 Do stakeholders agree with the altered allocation approach described above? Other costs should be added to the list of the business sustaining cost proposed by the Authority?

6 Audit procedures

51. Having considered the previous experience with the Audit of the RAS, the CRA considers changing the current Audit procedures. The CRA believes that three broad directions could be followed:
 - Increased detail and more thorough specifications of the audit procedures. This is followed by an audit to Fairly Presents in Accordance with (“FPIA”) standards.. This is viewed as the highest standard, and includes views that the results fairly represent the company's financial condition, position, and operations;

- An audit accepted to Properly Presents in Accordance with (“**PPIA**”) standards may be used, with a number of specific audit investigations to be listed and checked. Under this approach, the CRA will review and modify the list as required. This is a slightly lower standard of audit that ensures the accounts are correctly defined, but does not include the additional view whether the accounts are fair;
 - Acceptance of an audit that shows the RAS has met the requirements of agreed upon procedures. This is what was delivered in RAS 2015 – it complied “*in accordance with the procedures defined in the Cost Accounting System Methodology for RAS Requirements, the requirements of the RAS Orders and agreed action points from the RAS Implementation Review Master jointly prepared by Ooredoo and the CRA.*”
52. The TRA proposes to follow the second approach (i.e. the PPIA). The Auditor will have the role to ensure that Ooredoo has implemented the RAS consistently with the methodology approved by the CRA, that inputs are traceable and justified by Ooredoo, that calculations are free from material mistakes, etc.
53. Specific procedures might be requested by the CRA under PPIA, including amongst other:
- Ensuring the cost items and cost centers comply with required definitions for business sustaining costs;
 - Ensuring the cost items and cost centers comply with required definitions for supporting operational cost center costs;
 - Ensuring the cost items and cost centers comply with required definitions for primary operational cost centers costs;
 - Audit of specific cost models used in the RAS production.
54. The audit procedures, as accepted by CRA, should also be published (see also section 7 below).

Question 6 Do stakeholders agree with the PPIA audit standard and what specific procedures are recommended to be included? If only the procedures are considered the most critical aspect, then option 3 might be used – are there good reasons to accept this lower level audit?

7 The Publication of the RAS

55. As set out in Section 6 of the Draft Order, the CRA requires that the following aspects of the RAS should be published, thus increasing transparency within the market whilst recognizing the reasonable confidentiality of some aspects of the RAS:
- 55.1 Summary profit and loss report by market;
 - 55.2 The audit report;
 - 55.3 Lists of CRA-defined procedures for the auditor;
 - 55.4 The management statement of compliance;
 - 55.5 The CRA RAS Order of acceptance of the Ooredoo RAS, including any comments and qualifications.

Question 7 Do stakeholders agree with the CRA’s proposed approach to publication? If not, please specify, with reasons, your proposed alternative approach.

Part III. New RAS Order – DRAFT for consultation

1 Introduction

1. Ooredoo Q.S.C. has been designated as a Dominant Service Provider (“DSP”) in various retail markets and wholesale markets in the telecommunications sector in Qatar (ref. Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016, “MDDD 2016”).
2. Amongst others, the MDDD 2016 has imposed on Ooredoo obligations on Accounting Separation and Cost Accounting, that are essential to monitor the compliance of Ooredoo with other obligations such as the cost orientation of the tariffs, the absence of cross-subsidization, the absence of discrimination, etc.
3. This Order sets the requirement for the Regulatory Accounting System (“RAS”) Ooredoo has to implement to fulfill its obligations with regards to Accounting Separation and Cost Accounting. More specifically, this Order set out:
 - 3.1 Legal Basis for the Order;
 - 3.2 Requirements for the RAS;
 - 3.3 Deliverables, including Audit requirements;
 - 3.4 Requirements for Performance Bonds;
 - 3.5 Publication requirements;
 - 3.6 Timeline and Process for implementing the RAS;
 - 3.7 Compliance, Monitoring and Enforcement Procedures.
4. This Order:
 - 4.1 Replaces the Orders “Regulatory Accounting System (RAS) Orders for the financial years 2013+ to Qatar Telecom (Qtel) Q.S.C.” (ref. CRA 2014/05/25);
 - 4.2 Is applicable starting from the RAS referred to the Financial Year 201~~x~~ and shall be ongoing unless and until repealed or replaced with another obligation and subject to adjustments in the details and required timeframes, as specified from time to time by CRA.
5. If deemed necessary, the CRA may extend these requirements to other DSPs.
6. In addition to the requirements in this RAS Order, the CRA may, from time to time, issue additional clarifications or minor amendments to this RAS Order. These RAS Orders shall be taken as key principles to be met and should be complied with, along with the amendments.
7. Compliance with this RAS Order is a material obligation upon the Legal Basis of this Order.

2 Legal Basis

Requirements under the Telecommunications Law as amended The Telecommunications Law issued by Decree No. 34, 2006 (“Telecommunications Law”) as amended by Law No. 17 of 2017.

8. Article 18 (8) of the Telecommunications Law cites the rights, obligations and terms of interconnection and access, which are available to each licensed service provider including the following:

(...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows (...):

 8. any obligations or requests to a dominant service provider regarding interconnection and access as specified by the General Secretariat and which relate to its charges or calculation of costs or the requirements of accounting separation pursuant to the rules of article (24), (25) and (33) of this Law.
9. Article 24 states that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The

- RAS process enables the identification of costs that lead to ascertaining such equivalence.
10. Article 25 provides that the RAS itself is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.
 11. Article 29 requires that the tariff for telecommunications services provided by DSPs must be based on the cost of efficient service provision and the tariff must not contain any excessive charges which result from the dominant position that the service provider enjoys.
 12. Article 32 enables the CRA to require a cost study such as that to be carried out as part of the RAS.
 13. Article 33 states:
If the CRA finds that some of the accounting practices or accounting separation between different categories of activities and services are effective and necessary means for preventing anticompetitive conduct, or for regulating tariffs and prices, it may require from any dominant service provider to adopt such practices or any other accounting practices to determine the cost of its services, including the preparation of cost studies on each category of its activities or services or carrying out accounting separation between the different categories.
 14. Article 62 enables the CRA to obtain from a service provider the information it needs to exercise its regulatory powers including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Telecommunications Law.

[Provisions of the Executive By-Law of 2009 for the Telecommunications Law \(“By-Law”\) that support the RAS requirements](#)

15. Article 49(1) requires DSPs to meet any requirements relating to interconnection or access charges.
16. Article 50(1) requires DSPs to take direction from the CRA to implement specific charges or change such charges as determined by the CRA.
17. Article 50 (2) requires access charges of a DSP to be cost-based and in accordance with rules or standards determined by the CRA.
18. Article 50(3) requires a DSP to comply with any orders applicable to any pricing, costing and cost separation requirements as prescribed by the CRA.
19. Article 59 says that if the CRA requires a DSP to prepare or participate in the development of a cost study, the DSP shall comply. Such a cost study involves the CRA deciding on cost categories, form, approach, procedures and timing for the cost study and its implementation. The DSP can then be required to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose including the separation of accounts.

[Provisions in Ooredoo’s Individual Licenses \(ref. License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B\).](#)

20. Under clauses 4 and 14.1, Ooredoo is required to comply with the terms and conditions of the licenses and the ARF.
21. Clause 14.2 requires Ooredoo to take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by the CRA. The development of, and the adoption of the RAS into its processes, are part of this process.
22. Clause 11 places specific obligations on Ooredoo to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the ARF. The RAS exercise is part of enabling the Licensee to fulfill this license requirement.

23. Annexure D of the Licenses requires Ooredoo to provide its telecommunications services pursuant to retail tariffs. Clause 3 of Annexure D applies special procedures to DSPs, including prior review of new and modified tariffs.
24. Clause 2.1 of Annexure F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Such costs, and prices based on costs, will become apparent during the RAS process and will enable the Licensee and any requesting licensee to enter into agreements based on efficient cost pricing and reduce the instance of disputes over this.
25. Clause 1.1 of Annexure I of the Licenses clearly states that when a DSP is ordered by the CRA to prepare or otherwise participate in a cost study, it will comply.
26. Clause 1.3 and 1.4 of Annexure I orders and directs Ooredoo to adopt and implement accounting procedures and accounting separation requirements as set by the CRA.
27. Clause 29 of the Licenses states that Ooredoo may be required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation. In addition, Clause 29.2 explains that to guarantee the performance of a Secured Obligation, Ooredoo shall provide to CRA a Performance Bond in accordance with Annexure K of the licenses.⁸ The Clause specifies that Performance Bonds shall be issued or endorsed by a bank operating in the State of Qatar and shall be in the amount specified by the CRA.
28. Annexure A of the Licenses defines “Performance Bond” as a bank guarantee or other form of surety approved by CRA in accordance with the requirements of Annexure K of the license. The Annexure defines “Secured Obligation” as any obligation that is expressly designated by the license or the ARF as requiring the lodging of Performance Bond or other surety approved by CRA to guarantee performance of the obligation.
29. Annexure K of the licenses addresses the procedures governing the requirement, provision, and enforcement of Performance Bonds. Sub-clause 1.1 states that where CRA determines that a surety is necessary to guarantee the performance of a material obligation by the Licensee, CRA may issue a written order to provide a Performance Bond. The sub-clause also states that the value of the bond shall be specified by CRA. Sub-clauses 1.3 and 1.4 of Annexure K recognize that CRA has the authority to determine that a Performance Bond must be paid, that a Performance Bond should be released, or that the term of a Performance Bond should be extended.

Provisions from the Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016 (“MDDD 2016”).

30. Section 6.1 and 6.2 of the MDDD 2016 made Ooredoo subject to the obligation on Accounting Separation and cost accounting.

⁸ CRA notes that while there are slight variations in sub-clause 29.2 wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. Because the combined effect of the other provisions of Clause 29, Annexure A, and Annexure K make clear that CRA has authority to create additional Secured Obligations which will be governed by the provisions of Annexure K, these differences in wording are immaterial to any Secured Obligations created for these RAS Instructions in any concurrent Orders.

3 Accounting Separation Requirements

3.1 Objectives of the Regulatory Accounting System

- 31. The main objectives of accounting separation are to:
 - 31.1 Verify adherence of a dominant licensee to the obligations of transparency, non-discrimination, and cost-based pricing;
 - 31.2 Facilitate the understanding of a dominant licensee’s costs and revenues at the required level of detail;
 - 31.3 Identify and prevent potential abuses of dominance or other anti-competitive practices including anti-competitive cross subsidies, margin squeeze, and predatory pricing by a dominant licensee; and
 - 31.4 Ensure implementation of any associated objectives of the ARF.
- 32. Therefore, the RAS is not an end in itself. The RAS is, rather, a vital instrument to support CRA’s regulatory activities.
- 33. As the RAS provides inputs to a wide range of diverse evaluations and decisions, it must be flexible and it must provide enough detail to support a wide range of regulatory analysis. The RAS must also balance the benefits of collecting as much information as possible with the practical reality of what can be achieved with cost accounting tools.

3.2 Critical features of the RAS

The key features of the RAS are defined here and expanded upon in later sections

- 34. To support the objectives listed above, the RAS must calculate, trace and analyze costs, revenues, assets and liabilities of Ooredoo.
- 35. The main instruments of the RAS, are, therefore: (i) the rules and specification of the RAS including the required inputs, defined in the Methodology (ii) the Cost Model that forms the central part of the RAS (iii) the Regulatory Separated Accounts (SA); and, (iv) the Audit and Statement of Compliance that form part of the supporting submissions.

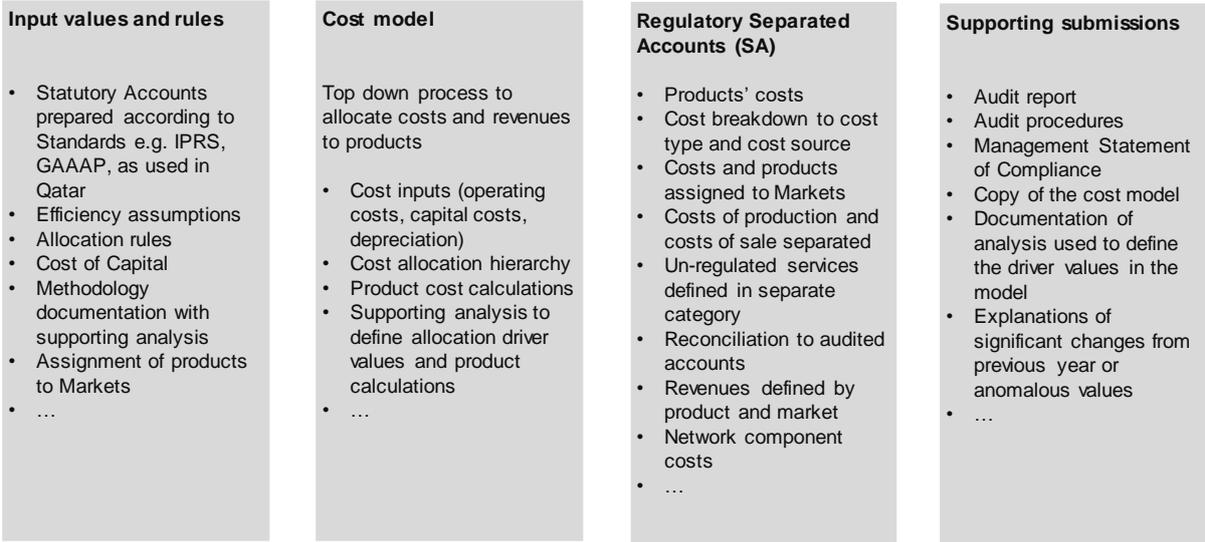


Figure 4 Simplified elements of the RAS (Input values, specifications and rules, Cost Model, Separated Accounts, Audit and Statement of Compliance).

- 36. The Cost Model forms the central instrument of the RAS; processing and allocates costs and revenues in a causal manner to the products. The allocation of costs to product categories shall adhere closely to the principles included in this Order. It is also subject to other directions given by the CRA during the review process (ref. section 7).

37. The Regulatory Separated Accounts (SA), form a second main instrument of the RAS. They show costs and revenues of products and markets.
38. The SA shall include accounting statements ("reports") that identify not only the profit and loss of individual markets (with balance sheet), but also more detailed analysis of the individual products supplied. This must include sufficient detail to enable CRA to have an understanding of the nature of the cost components that are used to deliver the products. This is required to support CRA in its obligations relating to reviewing price approval requests and ensuring the best outcomes for the Qatari market.
39. The RAS shall be prepared on a Historic Cost Accounting (HCA) basis. This shall be based on the Ooredoo's statutory accounts and the audited annual financial statements.
40. Current Cost Accounting (CCA) may also be required. In such accounts asset costs shall be adjusted to current values – altering the net value and the depreciation charges.
41. Requirements pertaining to the Cost of Efficient Service Provision (CESP), as prescribed in the Telecommunications law may also be required and added to the RAS. These will be defined if the CRA deems that such costs are relevant for regulatory decisions.
42. The RAS will cover the full extent of Ooredoo's domestic operations. International (overseas) subsidiaries or group structures of the SP shall be reported only if they materially impact domestic operations. In any event, international operations shall be included to enable clear reconciliation of the SA with the company Statutory Accounts.
43. All RAS submissions must be conveyed to the CRA in a standard electronic format, which can be processed by the CRA⁹. Where information is provided in spreadsheet format, links and all formulae need to be visible and workable.
44. Transparency also requires that the CRA has an electronic copy of the system used by Ooredoo, with all documentation and user guides. CRA may agree to alternatives, subject to meeting the requirement that all key information and calculation stages can be verified and investigated by CRA.
45. All information conveyed to CRA shall be in English to enable the involvement of a wide range of staff and international experts.

3.3 Accounting principles

The principles should be adhered to in all aspects of the design, implementation and delivery of the final accounts and system. These are not materially different from previous Orders.

46. According to the ARF, and to international best practice, regulatory financial information must comply with the following principles:
 - (a) Reliability: The RAS should be free from errors or omissions.
 - (b) Objectivity: The RAS shall present a fair view of the business, based on objective evidence as far as possible and not contain any systematic biases.
 - (c) Causality: Costs (and revenues, assets and liabilities) should be attributed to Individual Products, Product Groups and Relevant Markets in accordance with the activities which cause the costs to be incurred, the revenues to be earned, assets to be acquired or liabilities to be incurred. Derogations are allowed for business sustaining costs (ref. 3.8). Other derogations shall be explicitly approved by the CRA.
 - (d) Transparency: The approach and processes used to prepare the Separated Accounts should be clear. That is, a user of the RAS should be able to follow the steps taken to prepare the Separated Accounts.
 - (e) Materiality: A more rigorous approach to allocate costs, assets and revenues shall be used for those products or cost centers that are more material.

⁹ e.g. figures must be conveyed in .xls (including formulas and links) and not in .pdf.

- (f) Consistency: RAS reports, both as a whole and from one period to another, shall use, as far as possible, consistent assumptions and data such that the Regulatory Accounts are comparable across time periods.
- (g) Compliance with statutory accounting standards: except for those areas where CRA specifies otherwise, the Regulatory Accounts shall be consistent with the accounting standards used in Ooredoo's Statutory Financial Accounts.

3.4 Elements of the RAS

The RAS is more than a system or the separate account reports. The methodology is critical as that provides the basis for CRA and the auditor to evaluate the results and to ensure the SA meet the CRA's requirements. The model itself, the SA results and the audit reports are the other three key deliverables.

47. The RAS shall include, inter alia, the following elements:

47.1 The Methodology

This shall describe the approach used to prepare the Separated Accounts, allowing the CRA to approve the Methodology and enabling the independent auditor of the RAS to audit the Separated Accounts.

The Methodology shall include, inter alia:

- (a) The applicable standards like cost base and cost standard, along with the Accounting Policies (ref. section 3.6 and 3.7);
 - (b) The list of Products, with their definition, attribution to the Markets and number of the Tariff(s) as per filing to the CRA (where relevant);
 - (c) Diagrams and supplementary information to show the products' structures and how they use the network (and therefore drive costs). This must provide clear explanations of the products and how they differ from other similar products.
 - (d) The definition of the cost types used in the RAS (ref. section 3.8);
 - (e) A comprehensive description of all the cost centers used in the RAS, carrying revenues, costs and capital employed (ref. section 3.9.2);
 - (f) The cost allocation principles (ref. section 3.9.1);
 - (g) The description of the allocation process, including the processing stages as implemented in the RAS electronic cost model (ref. section 3.9 - 3.14);
 - (h) For each of the input and cost center included in the RAS, the description of all the drivers used for all the allocation performed in the RAS (ref. section 3.9.3); this includes also the route matrix table which shall also be described fully in the methodology. Upon request, Ooredoo shall submit to the CRA all the information and input used to define and calculate the drivers;
 - (i) The approach developed for the internal Transfer Charges (ref. section 3.10).
 - (j) An overview of any material changes compared to the previous year and the justification for the changing the approach. Amongst others, Ooredoo shall disclose changes to the list of products, changes to cost centers and changes to drivers.
- Information on products, cost centers and drivers shall also be available in Excel format.

47.2 The Electronic Cost Model

This is the (electronic) system used to process and allocate the costs and revenues. This shall include operating and user guides – these are the technical guides to the IT system and should be separate to the Methodology that describes the RAS and how it is structured, without reference to the underlying IT system. The cost model shall include all supplementary calculations and models that are used to derive the driver and other data that are used within the electronic cost model, but may be calculated or defined externally to the model.

47.3 Separated Accounts (SA)

The detailed accounting statements and reports that Ooredoo must provide are defined fully in section 4.4 and Annex VII. The key reports are, in summary, as follows:

- Statements for products that together form regulatory markets as set out in the CRA's MDDD;
- Statements for Ooredoo's markets;
- Statements for the individual products within these markets;
- Statements shall show the cost types within the products;
- Statements shall show the cost sources such as network components and costs specific to the market for each product;
- Reconciliations with Ooredoo's annual report;
- Statements on the network components' costs and volumes of component usage, with analysis of how these relate to products. This includes route factor information showing how each product uses each component, with related volume information;
- Statements on the cost center groupings that clarify the allocations of these centers and how they make best use of Activity Based Costing methods;
- Statements of the cost transfers (notional charges) between each market.

47.4 Audit and Statement of Compliance

This must be executed by an independent auditor to testify compliance with the rules of the ARF and the RAS. As part of this process, the Reporting Licensee's Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter.

48. The detailed deliverables in relation to each of the above elements of the RAS are set out in section 4.

3.5 The extent of the RAS

This section has critical changes compared to past RAS requirements. The move to a market-based reporting requires an altered allocation system and new reports. The existing RAS already has mapping of products to markets. However, this is not sufficient to develop the transfer charges required by the new market-based approach.

In line with the MDDD, all products shall be assigned to a retail or wholesale market as listed in the MDDD. Where a given product is not covered by those markets, such as mobile broadband, for example, it shall be allocated to another specific market. Finally, any non-relevant items shall be mapped to an "other" category. This assignment of the individual products to the markets shall be approved by CRA as part of the methodology approval stage.

Separation of network and cost of sale are also not fundamentally new, as they exist in the current RAS, but the definitions and reporting details are altered.

49. Ooredoo is required to prepare the RAS based on the Relevant Markets.
50. Relevant Markets are those markets defined by the CRA with the Notice and Orders on the MDDD (ref. section 1 paragraph 1 onward) and any future modifications.
51. The RAS shall produce separate accounts:
- 51.1 for each Relevant Market;
 - 51.2 for each Relevant sub-market;
 - 51.3 for the individual products belonging to the relevant markets.
52. Additional separate accounts shall include the products not belonging to the relevant markets.
53. The following table provides for the level of separation required at Market and submarket level.

Retail service markets
M1 - Retail national fixed voice and broadband services. <ul style="list-style-type: none"> • M1a - Retail fixed access services • M1b - Retail national fixed call services • M1c - Retail fixed broadband services
M2 - Retail international outgoing call services <ul style="list-style-type: none"> • M2a - Retail international outgoing call services at a fixed location – Residential customers • M2b - Retail international outgoing call services at a fixed location – Business customers • M2c - Retail international outgoing call services from a mobile device – Residential customers • M2d - Retail international outgoing call services from a mobile device – Business customers
M3 – Retail national leased lines services
M4 – Retail international leased lines services
M5 – Retail national mobile voice and broadband services <ul style="list-style-type: none"> • M5a – Retail national mobile voice and broadband services – Residential customers • M5b – Retail national mobile voice and broadband services – Business customers
Wholesale service markets
M6 - Wholesale call origination on public telecommunications networks at a fixed location
M7 - Wholesale termination on individual telecommunications networks at a fixed location
M8 - Wholesale physical access to network infrastructure <ul style="list-style-type: none"> • M8a - Physical access to SPs’ mobile sites, masts, towers, including relevant ancillary facilities/services and colocation space • M8b - Physical access to SPs’ dark fiber and copper, including relevant ancillary facilities/services and colocation space • M8c - Physical access to SPs’ ducts, including relevant ancillary facilities/services and colocation space • M8d - Functional access to international gateway facilities required to gain international connectivity (including, but not limited to, physical access to the facilities, colocation space, cross-connects and other relevant ancillary facilities and/or services)
M9 - Wholesale broadband access at a fixed location
M10 - National trunk segment of (national and international) wholesale leased lines services
M11 - Terminating segment of (national and international) wholesale leased lines services
M12 - International transit segment of international wholesale leased lines services
M13 - Wholesale access and origination on public mobile networks
M14 - Wholesale termination on individual mobile networks
Others
M90 – Other Retail Products <ul style="list-style-type: none"> • TV • Data Center • Handsets • Etc.
M95 – Wholesale Mobile Broadband
M100 – Other Wholesale Products <ul style="list-style-type: none"> • Hubbing • Etc.
M200 – Other services <ul style="list-style-type: none"> • Financial Activities • Etc.

Figure 5 The extent of the RAS

54. The list of the individual products to be reported and their attribution to the Markets will be defined yearly by the CRA upon the proposal provided by Ooredoo.
55. The markets will have the costs and revenues relevant to that market only. If services are used internally by other markets, then the cost of these shall transfer to the destination market at the level of the cost incurred.
56. The RAS is focused on Ooredoo's (the Qatari) operations. Some operations of Ooredoo group include items that do not pertain to operations in Qatar. These business activities will normally be included in the "Other" market category
57. The RAS shall then be reconciled with the Statutory Accounts (ref. Reconciliation Statement, paragraphs 42, 47, 114, 136). The Reconciliation Statement becomes additionally important to identify the adjustments needed to asset and operational costs under CESP reporting as these adjustments mean that the sum of the total final product's costs will not be the same as the accounting costs fed in from the statutory accounts.

3.6 Cost base and cost standard

The RAS must be based on FAC with historic accounts, in line with past RAS reports. Current cost accounting is not seen as useful at present and efficient cost or incremental cost reports do not provide additional insights that CRA currently requires.

3.6.1 Historic Cost Accounting (HCA)

58. CRA requires the preparation of the RAS according to the cost base: Historic Cost Accounting ("**HCA**").
59. At a later date, Current Cost Accounting ("**CCA**") or a further development of Cost of Efficient Provision ("**CESP**") may be required (see also paragraph 64 below). This will be part of a separate process.
60. The statutory accounts and the disaggregated figures of the audited financial statement of Ooredoo, as prepared in accordance with international financial reporting standards and signed by an independent auditor, are the basis for HCA. Therefore, reconciliation with the audited annual Statutory Accounts is both possible and necessary.
61. The starting part for the separated accounts prepared on a HCA basis will be Ooredoo's actual performance as presented in its Statutory Accounts. This performance is then separated between the different markets.
62. The main assumptions underpinning HCA in the context of RAS are:
 - 62.1 Gross Book Values (GBV) are presented on the basis of the historic cost of the purchased assets.
 - 62.2 Net Book Values (NBV) are presented as the difference between GBV and accumulated depreciation for all the assets currently in place.
 - 62.3 Annual depreciation is on a straight-line basis.

3.6.2 Efficiency Adjustments and assets acquired without payment

63. The Telecommunications Law prescribes, that the tariffs for telecommunications services provided by a DSP must be based on the **CESP**.¹⁰
64. Efficiency adjustments can also be applied to HCA cost basis. the CRA requires accounts without efficiency assumptions based on CESP.
65. The CRA requires that the capital costs (depreciation and cost of capital) related to the assets acquired "for free" shall be attributed to the Other Markets. Hence, these costs will be excluded from the cost of both Retail and Wholesale products. This needs to be verified by the auditors explicitly and separately. If this will not be attested by the auditors, the CRA will take up to 20% of the relevant asset category into account.

¹⁰ Telecommunications Law, Article 29

66. This requirement aims to avoid unduly burden on customers and other service providers and to aid fair competition on a non-discriminatory basis. It is considered as absolutely unfair that a Service Provider can indeed charge a fee for assets which were incurred for free.

3.6.3 Fully Allocated Costs (FAC)

- 67. The FAC¹¹ approach shall be used. It allocates all relevant costs and revenues incurred by Ooredoo to its products. FAC is used for the costs bases HCA, CCA and CESP (if CCA or CESP are to be required by CRA)
- 68. FAC requires that all efficient costs from the accounting systems are allocated based on cost causality, and non-relevant items or items with unclear cost causality are still included.

3.7 Other Cost Base and Standards

3.7.1 Current Cost Accounting (CCA)

- 69. The same allocation techniques and accounting principles described above can also be used with current cost accounting (CCA). CCA alters the values of assets to reflect the values of the asset today. The operational costs can optionally be also altered to reflect the asset that would be used today (rather than the asset actually bought). This re-valuation and operational cost adjustment is carried out at the initial stage of the RAS – as the costs and asset accounts are brought in.
- 70. The allocations use the same principles described above for FAC, using the HCA values.
- 71. CCA is described further in the Annex V.
- 72. CRA does not intend to implement CCA – it remains an option that will be introduced if regulatory needs arise. If introduced, then both FAC HCA and FAC CCA reports will be required to show the differences.

3.7.2 Incremental Costing (IC)

73. Annex VI briefly describes this standard cost. It is included for future discussion and advice only. Incremental Costing (IC) is not currently a requirement unless directed by CRA.

3.8 Cost types

The cost breakdowns are not altered significantly from the existing RAS. The requirements in the below and other sections are more fully defined than in the previous Orders.

74. The following table defines the cost types which must be reported, where required, in the Separated Accounts.

Cost Type	Characteristic
Primary operating costs	This cost type captures costs that relate directly to operating the network or delivering the services
Support operating costs	This cost type defines costs that assist the main teams to carry out their functions or assist with the operations of supporting assets that in turn help the primary assets deliver the network services. An example of support operating costs might be the IT Department which assist the Teams carrying primary operating tasks.
Depreciation	This cost type includes the annual depreciation of the assets used in the production of network services.

¹¹ Also referred as fully distributed costs (**FDC**)

Cost Type	Characteristic
Other expenses (net of other income)	This cost type covers a few items that can be directly identified to supporting assets or supporting activities.
Capital Employed and Cost of Capital	The capital employed refers to the mean capital employed in the year. This is in two parts: non-current assets and net working capital (i.e. current assets minus current liabilities). The cost of capital is the Capital Employed times the regulatory Cost of Capital, specified by CRA (also commonly termed WACC – weighted average cost of capital).
Outpayments	Outpayments relate to wholesale products, which the Reporting Licensee purchases from other service providers. This is normally zero for most services. Outpayments shall be attributed to the Retail products where appropriate.
Business Sustaining Costs	The Business Sustaining costs include cost supporting the whole business but not specifically a product or service. These costs shall be attributed to the Wholesale and Retail products but not to other cost centers or assets based on cost previously attributed to the products. These are defined as: <ul style="list-style-type: none"> • Annual audit costs • Business and Finance Department • Strategy Department • Cost for producing the RAS • Employee costs, consultancy costs, associated costs, and all other associated ancillary costs relating to: Board; COO's office; and CEO's office. These form 'support and business sustaining departments' • License fee costs where the license covers all telecoms markets.

3.9 Cost and revenue allocation

3.9.1 Allocation principles

75. Under the FAC standard, all costs and revenues are allocated to specific products. The guiding principles of cost allocation according to international best practice and required by CRA are:

(a) Causality

Costs or revenues are allocated to the products that "cause" them to arise. This requires the implementation of appropriate cost and revenue allocation methodologies¹². The Activity Based Costing (ABC) shall be used where possible – alternatives may be used for some cost pool categories that contain the cost types defined above in section 3.8 above – see section 3.9.4.

ABC is shown to be a well understood method that is used in many industries (see Consultation Document above). CRA emphasizes that ABC should be properly implemented, and the driver data, method and logic should be transparent. ABC should be part of the audit.

The costs in the RAS must be allocated using the industry standard principles of ABC where ever possible – alternatives may be used for some cost types. Under ABC, cost-causal allocations are applied to cost pools that have homogeneous costs that all have the same cost drivers. This cost pool is defined as the resource. The drivers are defined by the activities carried out. The costs are allocated by the driver activities to the cost object.

For example, a homogeneous operational cost pool may have staff costs, the costs of tools and equipment and supporting costs such as office space. The cost driver for this operational cost pool resource may be activities such as installing customer local loops, repairing them and configuring the network systems to deliver a service. These are the cost drivers – more

¹² Documented Network Models and Activity Based Costing (ABC) data, to ensure robust cost-causal allocations, have to be delivered to the CRA

such activities increase the costs of staff (more staff are required) and would need more tools and office space. The cost objects of these activities might be: access copper and access fiber (for installing customer local loops); ducts, plus access copper and access fiber (for repair activities); and broadband and PSTN services for the configuration activities.

This ABC must also be documented and provided to CRA in the Methodology documents that defines the cost sources, drivers and destinations. The final delivered RAS model and supplementary reports must provide the allocation driver values as well as the nature of the driver.

The practical implementation of the ABC principles may simplify the process described above, but it must not reduce the transparency or the cost-causality of the allocations. Simplification may involve combining the resource to activity allocations with the activity to cost object allocation to allocate from resource direct to cost object in one allocation stage - not defining the intermediate cost of each activity. This is permitted to simplify the RAS, so long as the ABC principles are adhered to, and no loss of accuracy or transparency results – this requires full definitions of the activities and drivers in the Methodology and ABC supplementary reports.

(b) Objectivity

This supports the causality principle, requiring allocations to reflect causality using an objective (e.g. determined in an unbiased manner) driver¹³. This also ensures that an audit is possible.

(c) One time allocation

There should be no double counting or undocumented exclusion of cost or revenue items. This is demonstrated by reconciling the separated accounts to the statutory accounts.

(d) Transparency

The descriptions of the allocation methods should provide sufficient information such that a suitably informed reader can easily gain a clear understanding of the structure, the methodologies and drivers applied. The RAS has to include all the relevant material, so that the results can be fully analyzed by CRA.

(e) Consistency of treatment

The structures, methodologies and drivers should be consistent from one period to the next. Deviations from a chosen structure or methodology need to be documented and justified.

3.9.2 Cost Centers required

The existing RAS combines cost centers, but this processing not carried out in a robust and transparent manner. The method used and the processing of the cost centers from the accounting centers to homogenous centers suitable for ABC allocations is required to be defined and be reported on.

76. Along with the network components, the CRA expects the following cost centers be included in the RAS, detailed by relevant products where applicable:

- (a) Marketing;
- (b) Sales;
- (c) Advertising;
- (d) Customer Cares;
- (e) Repair and maintenance;
- (f) Finance and billing;
- (g) Installation/provisioning;

¹³ Drivers based on auditable data recorded in the company systems are preferred

- (h) General support (I.e. accommodations/buildings, energy, etc.);
 - (i) General management (ref. to section 3.8 and 3.9.4 i.e. these are the business sustaining costs);
 - (j) Information Technology;
 - (k) Transport.
77. The CRA requires Ooredoo to include in the RAS the above cost centers and to attribute them consistently with the ABC principles, the exception being for the business sustaining cost (ref. section 3.8 above).
78. **The list might be adapted according to Ooredoo's own organizational chart.**
79. Cost allocation drivers must be disclosed as indicated in paragraph 47.1 above.

3.9.3 Cost allocation hierarchy

CRA notes that the specific implementation will need to reflect both these Orders and the structures that can be practically implemented in the RAS IT systems. The principles and general allocation stages defined here and in these Orders are expected to be followed and implemented. The final system will be reviewed and approved by the CRA once the methodology is defined.

80. The RAS shall be based on a hierarchy of cost (and revenue allocations).
81. In summary, the initial stage must link in the accounting data from the financial system – this includes all relevant items. Every item is to be assigned to a cost center. Cost centers are allocated through the hierarchy of allocation stages to other cost centers and then to the individual products.
82. Cost centers shall include homogeneous cost elements. This is because the combined cost elements within a cost center are normally all treated “as one” and are allocated using the key principles for each type of cost center. The nature of cost in the cost center or any other collection of costs (defined as a “cost pool”) identifies the cost allocation method to be used.
83. Intermediate stages of cost processing and allocation may be used as required to obtain cost centers that have homogenous cost categories that can be all allocated using the same principle. This is achieved by grouping costs that all have the same cost driver. A homogeneous operational cost center may have staff costs, the costs of tools and equipment and supporting costs such as office space. The cost driver for this may be activities such as installing customer local loops, repairing them and configuring the network systems to deliver a service. These are the cost drivers – more such activities increase the costs of staff and would need more tools and office space. All the costs in the cost center are therefore allocated together. This is the underlying principle of Activity Based Costing (ref. section 3.9.1).
84. An illustrative set of cost allocation stages are shown the figure below.

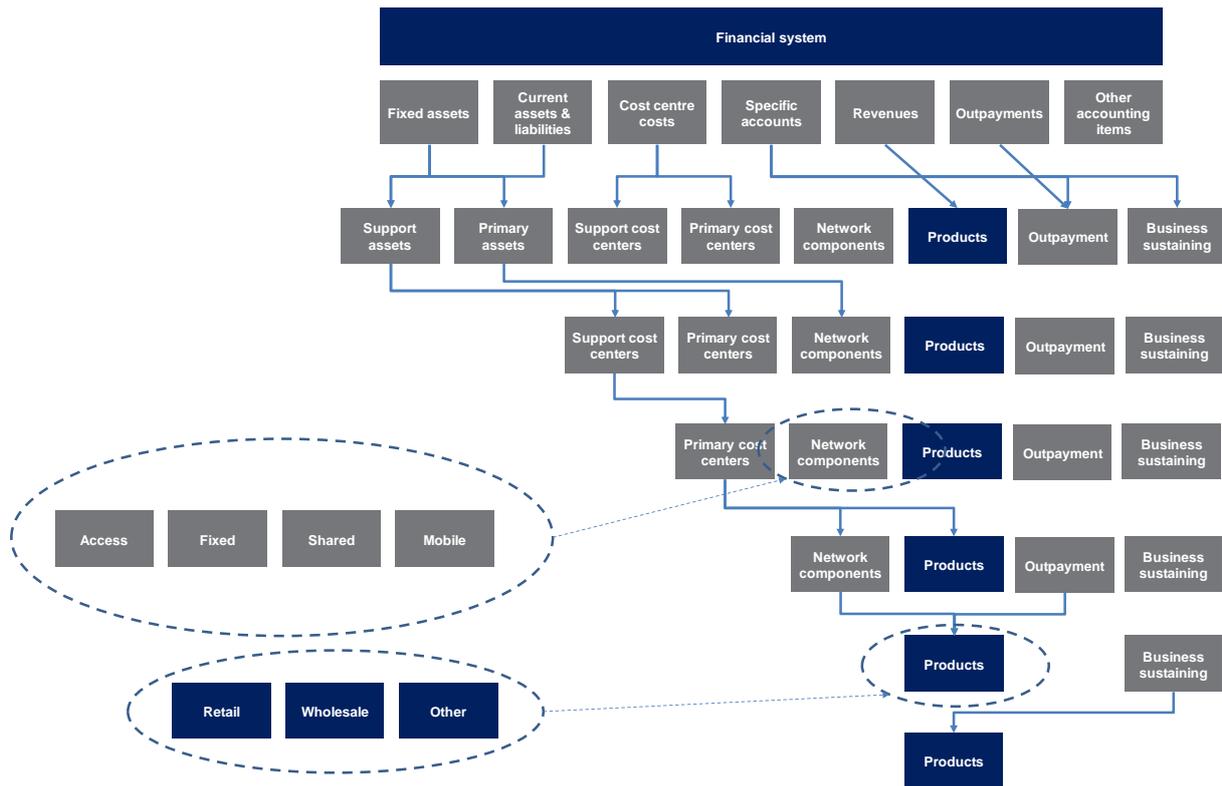


Figure 6 Cost allocation hierarchy – minimum requirements (illustrative)

85. The above hierarchy is consistent with an Activity Based Costing (ABC¹⁴) system which follows a multi-layer approach to cost allocation. Under such an approach, costs are allocated progressively to network elements (components) and other cost centers to the final products through a number of allocation layers. The costs of network components are used through switching and transmission activities by the products and so provide the cost of production of the products sold. Wholesale and retail activities are directly allocated to the Wholesale and Retail products.
86. The hierarchy shown above only reflects the minimum expected cost allocation stages required to ensure robust, transparent allocations that reflect cost causality. Only the primary flows in each stage are shown. The final structure shall be defined and included in the methodology. The following notes clarify key features of the cost allocations that are to be considered and defined in the methodology and implemented in the RAS system:
- 86.1 Support assets such as buildings, tools or IT are typically allocated to cost centers that use these items;
 - 86.2 Support cost centers are typically allocated to the main (primary) cost centers for example to give office support, or IT support;
 - 86.3 Primary assets mostly relate to the network components;

¹⁴ ABC is a management accounting approach that allows **causal** relations to be established between costs and products. ABC views the products as the result of a series of activities, each of which consumes resources and therefore generates costs. This methodology, based on cost drivers allocates costs through the activities performed and establishes a clear cause-and-effect relationship between activities, their associated costs and the resulting output.

ABC may introduce an intermediate stage of activities, enabling some costs - that would otherwise be allocated in a less direct way - to be attributed to the activities that cause them to occur and then to other resources that cause the activities. This cascade of allocation technique may therefore strengthen the causal link for certain types of indirect cost where alternative approaches may prove less robust.

- 86.4 Primary cost centers carry out the primary activities such as maintaining the network components or selling the products (i.e. are part of CSM);
- 86.5 The network components deliver the products;
- 86.6 Outpayments are required to complete some of the products; and
- 86.7 Business sustaining costs are common costs for all products and these are added on in the final stage. These are described further in 3.9.4 below.

3.9.4 Cost centers' categories

87. Cost centers (as described in the preceding section) can cover a number of different categories. The cost centers, and other cost inputs to the RAS, may be grouped under cost pool categories. The following table defines these categories and describes how costs in each cost category should be allocated within the RAS.

Cost pool category	Characteristic	Allocation
Direct Cost	This cost can be directly attributed to products. E.g. a SMSC is allocated to SMS services	Direct
Joint Cost	These occur where an input produces two or more separable outputs in fixed proportions irrespective of volume.	Routing Factors
Common Cost	Certain types of indirectly attributable costs are "common" to a number of activities. The cost of these inputs are necessary to produce one or more services, which cannot be directly assigned to specific services	Cost causal allocations such as ABC or suitable proxies, where possible. All such costs must be identified in the RAS methodology. CRA will make specific directions where required on how these are to be treated ¹⁵
Supporting operational costs	This cost relates to supporting services and items that are indirectly related to the network and services. The cost is similar to a joint cost as it supports several outputs, but there are clear cost drivers and the output is usually a direct operational cost center. Example: IT support supplies activities that support the network teams and other operational staff – a robust cost driver therefore exists	Cost causal basis, such as Activity Based Costing or proxy allocations that have a close to cost-causal basis, to direct-cost elements
Primary operational costs	This cost relates directly to the production of services or the operation of network components. Example: network operational staff or sales staff. This is a type of direct cost, but does not have the one to one link to products as the SMSC example. Network operational costs could allocate to several network components and the retail costs (sales staff) might allocate to several products	Cost causal basis such as Activity Based Costing
Capital costs (asset average value in the year) and depreciation	These costs are used to deliver services (in which case they may be direct costs) or indirect costs, such as a salary payment IT system in which it would be combined with entities that have support operational costs (such as the payroll department). Asset costs that are used to deliver services are usually joint costs to several services. These assets are then allocated by technical Activity Based	Cost causal basis such as Activity Based Costing

¹⁵ For example, access fibre or copper are common costs for several access services. CRA has specified that the costs should be split 50:50 if there are two services or 33:33:33 if there are three services using the elements

Cost pool category	Characteristic	Allocation
	Costing (such as X Mbit/s is driven by service A and Y Mbit/s is driven by service B). Other assets that relate to many products are often defined as a joint cost and so allocated based on route factors rather than a technical ABC method	
Business sustaining costs	These are costs that are common to the entire Qatari business and do not have a strong cost driver. For example, annual audit fees or Board costs have limited information in which to define a strong cost causal allocation. These are defined in section 3.8	Mark-up – the cost are allocated in proportion to the costs (operational plus depreciation, excluding cost of capital and outpayments) allocated using more-solid cost allocation methods.

Figure 7 The types of cost pool/entity categories and their allocation

3.9.5 Revenue allocation

Tariff bundles have not been a major concern to the RAS or the CRA, but these are increasingly more common, and this creates special issues when the tariff bundle has products that are in diverse markets. To prepare for such tariffs, CRA defines below the solution for when the approach is required.

88. Where possible, revenues shall be directly attributed to the relevant individual products. If this is not possible, and where the bundle's revenues are common to more than one individual product, Ooredoo shall fully disclose the method and the driver used to allocate the revenues to the individual products.

89. Revenue allocation drivers must be disclosed as indicated in section 3.9.1 above

3.10 Transfer Charges

Some cascade transfers are expected where one wholesale market supplies another before most costs transfer to retail markets

90. A system of Transfer Charges needs to be clearly identified in sufficient detail to allow the CRA to assess whether there are any potential issues in relation to Ooredoo's non-discrimination obligations, e.g. between its own retail unit and other SPs. The internal transfer charging system will ensure that the total transfer charges between the markets will be clearly identified and reconciled between wholesale, and retail markets. This system will make explicit the total charges between the different markets such as, for example, from the wholesale broadband market to the retail market.

91. The figure below shows the Transfer Charges expected by the CRA.

92. Ensuring non-discrimination and equivalence also means that the regulated products and markets' cost must be defined in a market-based transfer report. A template for this is shown in the figure below.

Summary of the Transfer Charges for the year ended 31 December 20xx		Transfer to	M1a	M1b	M1c	M2a	M2b	M2c	M2d	M3	M4	M5a	M5b	M6	M7	M8a	M8b	M8c	M8d	M9	M10	M11	M12	M13	M14	Mobile Broadband	Other	
Transfer from		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	
M1a																												
M1b																												
M1c																												
M2a																												
M2b																												
M2c																												
M2d																												
M3																												
M4																												
M5a																												
M5b																												
M6																												
M6a																												
M7																												
M8a																												
M8b																												
M8c																												
M8d																												
M9																												
M10																												
M11																												
M12																												
M13																												
M14																												
Mobile Broadband																												
Other																												

Figure 8 Cost transfer reporting for transparency of non-discrimination

93. Any derogations or difference from the above Transfer Charges shall be justified by Ooredoo, and shall be subject to CRA approval as part of the methodology approval process.
94. Transfer charges must be calculated to ensure transparency between network and retail activities and external operators.
95. These transfer charges shall be based on the costs of the products consumed (transferred) by the other Market. The transferred amount is the cost of the product as determined in the RAS. The cost transfer is defined as the sum of costs: relevant operation costs including depreciation charges plus a cost of capital charge. The capital charge considers the average capital employed in the product, and the defined cost of capital percentage (as defined by CRA).
96. The RAS provides the clarity on Transfer Charges. This will help *inter alia* to identify cases of non-discrimination.
97. A transfer charge report is required to show the cost transfers from each market to other markets (ref. 4.4 and Annex VII).
98. CRA does not expect retail to retail market transfers or retail to wholesale transfers.

3.11 Cost of Capital

No changes to the current Order

99. Apart from including depreciation in the RAS, there is also a need to include a return on capital employed, referred as Cost of Capital. This allows the CRA to assess the profitability of individual products and of the Markets taking into account the need to earn a return on capital employed. In line with international best practice, a Cost of Capital (CoC) value is specified by CRA to be included in the RAS. The CoC shall be included in the SA and all product or network costs reports, as a discrete item that can be separated from the operational costs (see Annex VII, pro forma SA).
100. The calculation of the CoC, typically expressed as the Weighted Average Cost of Capital (WACC), is subject to a specific separate definition process.

3.12 Working Capital

No changes to the current Order

101. Working Capital (**WC**) includes cash as a current asset and other short term assets and liabilities. The WC is low or even negative in some operators. In the absence of CESP, the WC must still be limited, as experience shows that cash levels can vary substantially and this distorts an assessment of the costs.
102. The CRA specifies that the working capital levels should be maintained in the FAC HCA and CCA reports to a reasonable level. The actual *net* working capital value

should be used subject to an upper limit of one month of the total average operating costs¹⁶. This is deemed a reasonable level.

103. WC levels above this should be allocated to the Other. High positive levels reflect large cash levels or current assets that can be used for other purposes – so are not relevant to Qatari product monitoring.

3.13 Costs specific to Retail Markets (CSRM)

CRA appreciates that sales and marketing costs often do not have robust cost drivers to any individual product. However the allocations that are used must be transparent and fully documented, as a result specific new reports are required to cover this.

This does not remove the need to consider the CSM costs sometimes at the aggregate market level and not at the product level. But, this is not a concern that alters the RAS requirements specified in these Orders – it only affects how the CRA will use the RAS.

104. These are the costs specific to Retail Markets, incurred to sell the products, advertise the products, billing, etc. The cost to provide the products are included in the Transfer Charges.
105. The allocation of the CSRM shall also follow the ABC principles. Cost causality shall also be applied.
106. Retail cost allocations should also comply with cost causality wherever possible
107. For the avoidance of doubt, causal cost drivers should be used in preference to proxy drivers and these are preferred over the mark-up option.
108. Given this, it is important that the approach used should be clear and documented in the Methodology. The CRA may revise the allocation basis, on an as needed basis.

3.14 Costs Specific to Wholesale Markets (CSWM)

109. These are the costs specific to Wholesale Markets, incurred to sell the products, have relations with other service providers, to bill, etc. The cost to provide the products are included in the Transfer Charges.
110. These shall be treated in the same general way as the retail CSM. However, the CRA notes that such wholesale costs are typically small (as there are few customers, and no marketing and no sales effort is required).
111. Indeed, most of these costs should clearly relate to particular products and services, so there should be few costs that cannot be allocated to individual products based on solid cost allocation (ABC) principles.
112. For the avoidance of doubts, all the cost incurred to provide the products to the other SPs are considered as network costs. This includes, amongst other, the cost for managing the provisioning requests, the cost of the supervision of the SPs, etc.

4 Deliverables required on an annual basis

4.1 Summary of the Deliverables

113. The CRA requires the RAS to be delivered annually, with updates to reflect business changes. If necessary the CRA may issue specific clarifications and further adjustments, in order to enhance the general demands specified in these Orders. CRA does not expect that such details would alter the RAS Orders significantly requiring additional consultations or re-issue of the Instructions. This might include new products, product groupings or altered cost-types to be reported on.
114. Ooredoo must provide, annually, the following deliverables:

¹⁶ Or 8.3%, where operating costs covers salaries and other operating expenses, excluding depreciation and outpayments to other operators

- (a) Description of the RAS - i.e. the Methodology and supporting documents (ref. section 3.4);
- (b) The Electronic Cost Model;
- (c) Pro forma of the auditor's statement (audit report scope and what the auditor will be signing off to, defined in advance);
- (d) Separated Accounts (SA):
 - Profit and Loss of each market and submarket – grouped by Retail and Wholesale plus Other;
 - The revenues, costs, capital employed and net profit of each individual product in the market;
 - Statement of Mean Capital Employed;
 - Detailed statement of total cost of production, reporting the Network element (component) costs broken down by cost type and showing the total and per-unit cost¹⁷;
 - Network cost statement, detailing the network component total and per-unit cost attributed to the products;
 - Detailed Statement of product cost, showing the cost (total and per-unit). This should show the “costs of production” outpayments and CSM. Reports must also show the discrete cost types;
 - For the Markets there should be:
 - Statement of turnover;
 - Statement of costs by category;
 - Analysis of the network component and CSM; and
 - Assignment of each product to the relevant market.
 - Reconciliation Statements;
 - A consolidated route factor table for all network components and products in all markets as defined in Annex VII;
 - A transfer charge statements as defined in Section 3.10.
 - Audit opinion and Statement of Compliance.

4.2 Description of the RAS

115. The Ooredoo will provide on an annual basis a detailed document describing the RAS Methodology. The Methodology shall contain, inter alia, but not limited to:
- (a) Accounting principles and policies including asset lives;
 - (b) Cost base;
 - (c) Cost standard;
 - (d) Attribution Methods;
 - (e) Allocation Methods detailing the drivers used;
 - (f) Cost-allocation hierarchy including a description for each allocation step in the cost allocation hierarchy;
 - (g) Description of all cost centers used, including the processing of cost centers to aggregated cost pools for allocation in the RAS system;
 - (h) A list and description of all input cost elements derived from the accounts. This shall be grouped by asset categories, specific accounts, and special account/cost center/accounting code combinations. These shall be described and the principles for their allocation processing shall be defined;
 - (i) List of Products and descriptions. Unless obvious these should link to retail and wholesale products definitions on the Ooredoo's web site, in particular to regulatory reporting obligations and definitions defined on the Ooredoo's web site;

¹⁷ Each final network element (after allocations) is used by products. The element has to have only one cost driver (subscribers, minutes, messages etc.). The per-unit cost provides inputs to inform with element-based charging and to assess the RAS results.

- (j) Network Structures and diagrams to link components to the products that use them;
 - (k) Efficiency adjustments (if reporting on a CESP basis or if some CESP techniques are included within the HCA or CCA cost base).
116. This document shall describe the full structure of the RAS, the reporting fields, the nature of allocations and processes, driver types, cost centers' description, etc., and final SA reporting structures with the full lists of products and cost breakdowns. This should be submitted to CRA for approval. CRA has the right to request adjustments or changes to be implemented by Ooredoo. This provides the formal definition of the RAS and so it is also the basis for the audit – the RAS should function in accordance with this document, these Orders and the adjustments/requirements that CRA may submit during the implementation process.
117. Regarding the valuation methodologies, the documentation must describe the methods used to derive cost re-valuations (CCA), if specified by CRA.
118. The documentation must describe in detail the accounting cost model: the methods of attributing costs, revenues, assets and liabilities.
119. The documentation must describe how costs are treated from their initial appearance in the Ooredoo's accounting records to their final attribution to services. The attribution methodology must provide the linkage between the inputs from Ooredoo's financial records and the RAS.
120. When reporting under a HCA basis, the starting point for the regulatory accounts will be Ooredoo's actual performance in relation to its existing infrastructure (i.e. with no efficiency adjustments). Therefore, as part of its annual reporting, Ooredoo is required to present its network facilities (i.e. the physical network systems) that were in place during the year, shown in an aggregated manner to enable the main service delivering components to be identified and related to the RAS costs. The RAS description therefore should include annexes that have network schematics to show the main network components and how they are used by the primary wholesale and retail services.

4.3 Electronic Cost model

4.3.1 The tool

121. Ooredoo will provide the cost model in electronic form to CRA on an annual basis. It must include:
- (a) A comprehensive description of the IT system, its capabilities and limitations;
 - (b) A comprehensive description of the modules with the relevant assumptions;
 - (c) A user guide on how the system is used, operates and can be analyzed.
122. The information provided by Ooredoo must provide an equivalent outcome to CRA having a complete electronic copy of the RAS.
123. Ooredoo must also ensure training is provided to enable CRA to use the electronic costing system. If the electronic costing system requires licenses or infrastructure to enable CRA to use the RAS, then Ooredoo is obliged to supply such systems free of charge to CRA.

4.3.2 Model inputs and parameters

124. Ooredoo shall submit the model documentation setting out the key inputs and parameters that are used in the model, as well as a general description of the model. Ooredoo will also provide comprehensive details and descriptions of its networks (e.g. fixed, mobile and data), supported by up to date network diagrams, including network nodes and their locations.
125. The documentation must include a comprehensive list of products and their definitions within each market, and how these services map to the detailed breakdown of revenue that is required as part of the financial reporting by product and market.

126. Documentation shall include organizational structure diagrams, with information on the cost centers that can be related by the CRA to the aggregated cost centers used within the cost system.
127. With respect to input values, the documentation must be comprehensive, including the source, method and date (covering the period which the data relates to). When the data was collected and other information on the collection should also be archived for the potential for investigations. There is a need for trace-ability of data. Such traceability is assumed to be covered by audit demands to ensure verification is possible. Date information indicates whether the input is up to date.
128. The model inputs must be transparent and unequivocal. Inputs to the model should be directly sourced from Ooredoo's operating and financial systems, or other solid sources that can be verified and audited to ensure cost causality (for example the use of ABC interviews and technical-calculation data).
129. Costs can be categorized into a more manageable set of inputs for the cost model allocation stages. There should be no pre-allocation of costs outside of the costing system, e.g. if the fixed asset register only records duct in a single code, the accounting entries in relation to duct should not be split between core duct, access duct and shared duct prior to entering the cost model input layer.
130. With respect to model parameters, the documentation should include justifications for any assumptions that are used. If expert judgments are used, the expert's name, his/her position and a justification for the assumption is to be included. If sampling and statistical methods are used, the documentation should include details of:
 - The sample per se;
 - Detailed statement of the statistical sampling techniques used or which generally accepted statistical techniques the sample was based on;
 - Justification why the sample is statistically significant and objective.

4.4 Separated Accounts

131. The full results and product reports cannot be specified in advance for all products. The Annex VII describes the expectations and level of detail that should be produced.
132. The reports and system are expected to be flexible to enable a variety of reports to satisfy likely future investigations. The CRA will define the final format during the development of RAS in coordination with Ooredoo, and this will be reviewed and updated annually.

4.5 Audit and Statement of Compliance

Pending the outcomes of the consultation, these are the suggested requirements.

133. The SAs should be audited to the level of Properly Prepared in Accordance with (PPIA), audit standard. This PPIA review is in line with international practice.
134. The RAS shall include an audit process comprising the examination and verification of Ooredoo's RAS and supporting documents. An audit process will provide clarity, transparency and confidence with Ooredoo's figures.
135. The auditor should be chosen based upon his resources and experience in such a way as to ensure a high level quality for the audit of the separated financial statements.
136. The main elements to be covered by the audit are, inter alia, but not limited to, the following:
 - (a) The scope of costs included in the model and the allocation to individual services and service categories;
 - (b) Methodologies used regarding valuation and depreciation of assets;
 - (c) Compliance with the Methodology;
 - (d) Compliance with these Orders;
 - (e) Compliance with CRA directions that may be issued on the RAS;
 - (f) Acceptable results from following procedures defined by CRA;

- (g) Assurances that SAs are derived from underlying general ledgers, properly prepared, including operational data as volumes and technological parameters; and
 - (h) The reconciliation between the cost model, the SAs and the statutory accounts.
137. The statement of compliance will be prepared and signed by the independent auditor and includes, inter alia but not limited to, the following:
- a. The work done by the auditor;
 - b. Whether the auditor has obtained all information and explanations that he or she has required;
 - c. Whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the Ooredoo so as to enable the complete and accurate compilation of required information;
 - d. Whether, in the auditor's opinion, the SA are prepared, in all material respects, in accordance with these Orders and further specifications issued by CRA during the process described in section 7;
 - e. A statement of whether the separated financial statements have been properly prepared;
 - f. A statement of accounting policies used in the preparation of the SAs;
 - g. The full description of the verification methodology followed;
 - h. A statement about the methodologies used regarding capitalization, valuation, amortization and allocation;
 - i. A statement that the SAs have been prepared in accordance with the accounting requirements of governing legislation in Qatar, in compliance with standard accounting practices with the Direction and Instruction and these Orders from CRA.
 - j. All identified irregularities and any matters of emphasis;
 - k. Any other comments and remarks; and
 - l. The conclusions of the auditor.
138. As part of this process, Ooredoo's Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter, attesting to the auditors that the accounts have been prepared in accordance with the principles defined by CRA for the Regulatory Accounting System.

5 Performance Bonds

139. The CRA reserves the right to impose performance bonds to ensure satisfactory delivery of the RAS to the required quality standard and to the required timeframe. This may be enforced depending on the circumstances and the responsiveness of Ooredoo to comply with these Orders.
140. The details and justifications of the Performance Bonds are defined in Section Annex IV.

6 RAS publication

141. The CRA requires that the following aspects of the RAS should be published, thus increasing transparency within the market whilst recognizing the reasonable confidentiality of some aspects of the RAS:
- The audit report;
 - Lists of CRA-defined procedures for the auditor;
 - The management statement of compliance;
 - The RAS Order issued by the CRA including any comments and qualifications.

7 Timeframe for implementing the RAS

These times are not significantly different from the existing RAS requirements.

142. The RAS final deliverable must be submitted for each financial year within 9 months of the end of the financial year. For the avoidance of doubt, this includes all deliverables

and the audit (cf. section 4). This should include the RAS cost model itself together with all the SAs as set out in 4 above.

143. The Description of the RAS (Methodology) with accounting manual shall be delivered at least 6 months in advance of the RAS completion date (i.e. no later than 3 months after the financial year-end). At this time, the pro forma auditor's report should also be supplied to the CRA, together with the pro forma SA reports, for the CRA's review and approval
144. The detailed timelines for the implementation of the RAS will be agreed with Ooredoo at the beginning of each financial year. The following shows the relevant steps that must be performed.

Timeline	Content
One month before the end of each financial year	Start-up meeting with CRA (inter alia, to define the detailed timeline for implementing the RAS and to discuss the improvement to be done according to the closure letter of the previous financial year).
Within three (3) months after the financial year end: first submission	Ooredoo to provide pro forma of Representation Letter and pro-forma of audit report (audit report wording) (both as per 4.5) Ooredoo to provide draft RAS Methodology, including amongst others: <ul style="list-style-type: none"> • Description of the RAS (cf. 4.2) this includes amongst others product lists, network components with units, SA pro forma reports. • Routing Table (logical structure). • Reports to be implemented (also internal reports). • A document describing all changes from the previous version (i.e. new products, new cost centers, new network components, changes in drivers, etc.)
Within 2 months after the first submission	CRA to provide review comments (if any)
Within six (6) months after the financial year end: second submission	Ooredoo to provide for CRA review the preliminary results, model and documentation, to include: <ul style="list-style-type: none"> • Preliminary results (the SA) • The electronic cost model • All RAS Documentation
Within one (1) month after the second submission	CRA to provide review of and feedback on the preliminary SA statements and other items
Within nine (9) months after the financial year end: final submission	Ooredoo to provide all the final deliverables. This date defines the "Completion Deadline" for Performance Bond. Deliver all results, final description of RAS, final electronic cost model, Audit Statement and all other documents ¹⁸ .
Within two (2) months after the final submission	CRA to issue the Order for closing the review process

Figure 9 Timetable of RAS implementation

¹⁸ For the avoidance of any doubt, this will include all elements of this RAS Instruction and specifically deliverables listed in section 4 which include inter alia, but not limited to:

Description of the RAS (cf. section 4.2)

Cost Model (cf. section 4.2, 4.3)

SA (cf. 4.4, Annex VII)

Audit and Statement of opinion (cf. section 4.5)

8 Monitoring, Compliance and Enforcement

145. Under Article 11 of the Telecommunications Law, the CRA is required to monitor the compliance of licensees in accordance with their licenses and the accompanying Law and By-Law.
146. Article 4 (14) of the Emiri Decision (42) of 2014, specifically mandates the CRA to monitor compliance of the Licensees with the regulatory frameworks and to take the necessary measures to ensure their compliance.
147. CRA will monitor the compliance of Ooredoo, inter alia, but not limited to against the following criteria:
 - 147.1 That Ooredoo has implemented the RAS consistently with this Order and CRA's audit requirements;
 - 147.2 That Ooredoo has submitted all the information required by this Order and CRA's additional requests;
 - 147.3 That Ooredoo has complied with the RAS Timeline included in this Order or with that defined by the CRA.
148. This monitoring will be carried out upon filing and checking of the quality of the deliverables submitted by Ooredoo.
149. In the event of non-compliance, it shall result in one or a combination of the following enforcement provisions as stipulated under the Telecommunication Law:
 - 149.1 Invoking the provisions of chapter sixteen (16) of the Law, whereby the Licensee shall be subject to criminal prosecution as a form of punishment for non-compliance with the relevant provisions of the Law and its license; and
 - 149.2 Such non-compliance shall under Article 70 be punishable as an offence by a term of imprisonment not exceeding two (2) years and or a fine not exceeding one hundred thousand Riyals; or
 - 149.3 Such non-compliance shall under Article 67 be punishable as an offence by imposing a term of imprisonment not exceeding one year and a fine not exceeding one million Qatari Riyals; and
 - 149.4 Under Article 71, the person responsible for the actual management of the corporate entity, shall be punished with the same penalties assigned to the acts that are committed in violation of the rules of this law, if it is proved that such person was aware of such acts or the breach of his or her duties rendered upon him or her by such management, had contributed to the offense.

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Annex II Definitions and Acronyms

ABC Activity Based Costing

Accounting methodology is the cost standard including the detailed specification of the approach to be followed

Annual financial statement is an integrated part of the annual report and comprises typically: balance sheet, profit and loss account, cash flow explanatory notes, auditor's statement

Accounting Policies define the accounting standards and principles to be followed

ARF Applicable Regulatory Framework

BSS Business Support Systems

CAPEX Capital Expenditure

CC Current Costs or Cost Center

CCA Current Cost Accounting

CESP Cost of Efficient Service Provision

CoP Cost of production – network related costs needed to produce basic wholesale products

CoS Cost of sale (see also CSM)

CSM Costs Specific to the Market - Retail/Wholesale Products' costs relating to customers of the market, and not to the network CoP. It is akin to cost of sale, and is defined for the market and is also allocated to the products within the market

Cost base primarily the "HCA family" and the "CCA family" are used. CESP is typically in the "CCA family", but includes efficiency adjustments have been made.

Cost components is an umbrella term for direct costs, joint costs and common costs

Cost Model The (electronic) framework for allocating costs and revenues

Cost pools where do costs accrue (e.g. copper plant, tandem switching centre, etc.) and this can be treated as a homogenous item, even though many cost items may be in the pool

Cost centre a type of cost pool that relates to a functional area within the operator – the cost centre has all of the relevant costs of the team

Cost standards (= accounting methodology) like FAC; FDC, LRIC, FL-LRIC, FL-LRAIC, SAC and EDC. A combination of the aforementioned standards is possible.

Cost types which costs accrue (e.g. personnel cost, rental cost, depreciation of switches, etc.)

CoC Cost of Capital

CPE Customer Premises Equipment

CVR cost-volume relationship

DSP Dominant Service Provider

EDC Embedded Direct Cost

EPMU equivalent proportional mark-up

FAC Fully Allocated Costs

FDC Fully Distributed Costs (usually considered to be the same as FAC)

FY Financial Year

FL-LRAIC Forward Looking - Long Run Average Incremental Costing

FL-LRIC Forward Looking - LRIC

FCM Financial Capital Maintenance

GBV Gross Book Value

HC Historic Costs

HCA Historic Cost Accounting

IC Incremental Cost

IP Internet Protocol

ISDN Integrated Services Digital Network

LRAIC Long Run Average Incremental Costs

LRIC Long Run Incremental Cost

MEA Modern Equivalent Asset

MTR Mobile Termination Rate, regulated termination price

NBV Net Book Value

NGA Next Generation Access

NGN Next Generation Network

OCM Operational Capital Maintenance

One-off tariffs as installation or set-up rates for the initial implementation (cf. recurring tariffs)

OPEX Operational Expenses
 OSS Operational Support Systems
 PDH Plesiochronous Digital Hierarchy
 PPIA Properly Prepared in Accordance with audit standard
 POTS Plain Old Telephony Services
 PSTN Public Switched Telephone Network
 Price control method Cost orientation, Benchmarking, Price Cap, Retail Minus, etc.
 Products: Products or services offered by the Service provider. For the RAS the terms "product" and "service" have the same meaning
 RAS elements Costing Methodology; Cost Model per se; Cost Model documentation; Separated financial statements; Report of an independent auditor
 RAS Regulatory Accounting System = Regulatory Cost Accounting System
 Recurring tariffs as periodic lease or rental rates for the use of facilities, equipment and other identified resources (cf. one-off tariffs)
 RRU Regulatory Reporting Unit
 SA Separated Accounts
 SAC Stand Alone Costs
 SDH Synchronous Digital Hierarchy
 Separated Accounts are formed for the regulatory reporting units of the DSP
 SFS/SA Separated Financial Statements = Separated Accounts
 Service category product group, resp. product
 Service see product
 Tariffs= price = charges; excludes License Fee and Industry Fee as defined in Annexure H of the Licenses
 Transfer tariffs = transfer charges =transfer prices
 TT Transfer Tariffs
 WACC Weighted Average Cost of Capital
 WC Working Capital

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Annex IV Performance bonds

1. In this section, pursuant to the relevant provisions of the ARF and Ooredoo's Licenses, CRA determines that a surety may be necessary to guarantee Ooredoo's compliance with the material obligations created by these RAS Orders, it describes the terms and conditions that would apply to the required Performance Bonds.
2. If CRA determines bonds are necessary, the CRA would issue specific Orders implementing these determinations and requiring Ooredoo to execute and provide to CRA Performance Bonds to guarantee fulfillment of its RAS obligations. Failure to comply with the Performance Bond obligations, as required under Ooredoo's licenses, would constitute material breach of a license condition, and could result in criminal, economic, or regulatory sanctions.¹⁹

Requirement of a surety to guarantee implementation of the RAS

3. The CRA hereby designates the fulfillment of Ooredoo's obligations under these RAS Orders a Secured Obligation, for which a Performance Bond may be required as a surety. Pursuant to the terms of Ooredoo's Licenses, to which Ooredoo fully consented by accepting the Licenses, Ooredoo is required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation.²⁰ Although some specific Secured Obligations were set forth in Ooredoo's Mobile License, the provisions of that License and the Fixed License are not limited to those specified Secured Obligations and give CRA flexibility to create new Secured Obligations. According to Annexure A of the Licenses, a Secured Obligation is any obligation expressly designated by the Licenses or the ARF as requiring the lodging of a Performance Bond or other surety approved by CRA to guarantee performance of the obligation.²¹ As these RAS Orders, upon issuance, become a part of the ARF, Ooredoo has consented in its licenses to CRA's ability to designate Secured Obligations herein.
4. Where CRA determines that a surety is necessary to guarantee the performance of a material obligation by Ooredoo, CRA may require Ooredoo to execute and provide a Performance Bond to CRA pursuant to the provisions set forth in Annexure K of Ooredoo's licenses.²² Implementation of the RAS is a material obligation of Ooredoo.
5. As explained in detail in Section 3.1 of these RAS Orders, the RAS is a key component of CRA's monitoring and regulation of Ooredoo's activities as a DSP, and the protection of consumers from distorted competition, for example by anti-competitive cross-subsidies. Annexure I of Ooredoo's licenses requires it to comply with instructions from CRA regarding cost studies, independent auditing, adoption of accounting procedures, and accounting separations requirements. The information provided by the RAS will allow CRA to monitor Ooredoo's compliance with the provisions of Annexure F of its license governing the terms of interconnection or access agreements. Additionally, the RAS will facilitate CRA's review of Ooredoo's tariff filings pursuant to Annexure D of its licenses and help it evaluate the cost bases for Ooredoo's retail charges.
6. One of the key objectives of the RAS is to calculate, trace and analyze costs in order to demonstrate compliance with a cost orientation and non-discrimination obligation for regulated services. Therefore the RAS is vital for establishing regulatory tools based on sound economic evidence. This will help to foster the development of a pro-competitive market place and hence benefit the Qatari people. The importance of the RAS justifies the designation of the RAS as a Secured Obligation.

¹⁹ See, e.g., Telecommunications Law of 2006, Articles (67), (70); Ooredoo I Fixed and Mobile Licenses, Sub-clause 17.2.

²⁰ Ooredoo Fixed and Mobile Licenses, Clause 29.1.

²¹ Ooredoo Fixed and Mobile Licenses, Annexure A.

²² Ooredoo I Fixed and Mobile Licenses, Annexure K, Clause 1.1.

7. These RAS Orders require from Ooredoo certain RAS deliverables on an ongoing annual basis. The full deliverables are included in this RAS Order and specifically in Section 4.
8. The components of the RAS, including amongst others, but not limited to the Description of the RAS, the Cost Model itself, the Separated Accounts (SA) and the Audit and Statement of Compliance as further detailed in Section 4 are essential components of the RAS. Because complete and satisfactory implementation of these obligations is required in order for the RAS to serve its many important purposes, CRA could determine that a surety is necessary to guarantee the performance of these material obligations.
9. Hence, CRA could designate the implementation of these RAS Orders, including the provision on an annual basis of all deliverables in this RAS Order and specifically in Section 4 in a complete form that is satisfactory to CRA, to be a Secured Obligation of Ooredoo. As detailed below, Ooredoo would be required to execute a separate surety in the form of a Performance Bond for each fiscal year covered by these RAS Instructions on an ongoing annual basis.

Form and Content of the Performance Bonds

10. The form and content of Performance Bonds are governed by Annexure K of Ooredoo's licenses.²³ CRA has significant flexibility to set the conditions of and enforce Performance Bonds. CRA has discretion to specify the value of any required Performance Bond.²⁴ CRA must approve in advance the issuing financial institution selected by Ooredoo.²⁵ CRA has discretion to release the bond or demand payment of the bond based upon its determination of whether Ooredoo has complied with the requirements of the Secured Obligation,²⁶ and it has authority to extend the term of the bond or if there is a dispute about Ooredoo's compliance.²⁷ Disputes over fulfillment of Ooredoo's obligation under a performance bond will be settled pursuant to Clause 2 of Annexure K of Ooredoo's licenses.
11. The Performance Bonds executed by Ooredoo to guarantee fulfillment of its Secured Obligations under these RAS Orders should be payable to CRA in the amount of 10,000,000 QAR (ten million Qatari Rial) for each fiscal year covered by these RAS Orders on an ongoing annual basis.
12. The RAS establishes an approved, fundamental understanding of Ooredoo's costs and revenues. This helps CRA to establish a fair regulatory regime on the wholesale and the retail level. The RAS is a vital instrument to support CRA's regulatory activities. Amongst these purposes is to monitor and identify potentially anti-competitive practices, such as pricing below cost and cross subsidies. The ARF provides that the prices of DSPs have to be above cost. These cost inputs are derived from the RAS. DSPs are also obliged to engage in non-discriminatory behavior. For example, a DSP must ensure that prices for services rendered to other Service Providers are in line with those used in its own pricing. Using the RAS therefore helps to ensure that CRA is fulfilling its mandate to ensure just and fair competition to the benefit of the Qatari people.

²³ CRA notes that while there are slight variations in Annexure K wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. These differences do not affect the provisions of Annexure K relevant to other Secured Obligations, and therefore these differences in wording are immaterial to the Secured Obligations created by these RAS Instructions and the concurrent Orders.

²⁴ See Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.1.

²⁵ Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.2.

²⁶ Ooredoo Fixed and Mobile Licenses, Annexure K, Clauses 1.3, 1.4, 1.7.

²⁷ Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.3.

13. The value of the annual Performance Bond is a small fraction of the bonds contained in Ooredoo's Mobile License (QAR 670,000,000 - six hundred seventy million Qatari Rial), as illustrated by the table below, adapted from Table A of Ooredoo's Mobile License.

ITEM	SECURED OBLIGATION MILESTONE			COVERA GE	AMOUNT OF CORRESPONDING PERFORMANCE BOND COMPONENT (QARI MILLION)		LICENSE CROSS-REFERENCE	INITIAL TERM OF VALIDITY OF PERFORMANCE BOND COMPONENT
	1800 MHz Release Block (Milestone A)	900 MHz Release Block I (Milestone B)	900 MHz Release Block II (Milestone C)		NON-CUMULATIVE	CUMULATIVE		
1.					20	-	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
2.	II				40	60	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
3.	III				60	120	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
4.	IV				80	200	Annexure C Section 2.4 Table 1	31 October 2007 + 9 months
-	Total				=	200	-	-
5.		I			20	-	Annexure C Section 3.4 Table 2	31 October 2007 + 9 months
6.		II			40	60	Annexure C Section 3.4 Table 2	30 November 2007 + 9 months
7.		III			60	120	Annexure C Section 3.4 Table 2	31 December 2007 + 9 months
8.		IV			80	200	Annexure C Section 3.4 Table 2	31 January 2008 + 9 months
-	Total					200	-	-
9.			I		200	-	Annexure C Section 3.4 Table 3	31 July 2009 + 9 months
-	Total				-	200	-	-
10.				I	60	-	Annexure G Section 1	First Anniversary Date + 9 months

ITEM	SECURED OBLIGATION MILESTONE				AMOUNT OF CORRESPONDING PERFORMANCE BOND COMPONENT (QARI MILLION)		LICENSE CROSS-REFERENCE	INITIAL TERM OF VALIDITY OF PERFORMANCE BOND COMPONENT
11.				II	10	70	Annexure G Section 1	Fifth Anniversary Date + 9 months
				Total	=	70		
12.	Grand Total					670		

Figure 10 Detail of performance bonds in Ooredoo's mobile License

Submission of the Performance Bonds

14. CRA reserves the right to request Ooredoo to submit to CRA for approval the name of the financial institution selected to issue the Performance Bond to guarantee Ooredoo's RAS obligations for that financial year. Within two (2) weeks of receiving CRA's approval of the financial institution, Ooredoo will provide a Performance Bond payable to CRA in the amount of 10,000,000 QAR (ten million Qatari Rial) for the purpose of guaranteeing Ooredoo's fulfillment of its Secured Obligation under these RAS Orders for that financial year.

General provisions

15. While the RAS is being determined on a FAC basis, the "Completion Deadline" of the Performance Bond requirement, as that term is used in Annexure K of Ooredoo's Licenses, shall be the same as the date set by CRA for delivery of the RAS deliverables for each year.
16. The Completion Deadline for the Performance Bond when the RAS is completed on a CESP basis will be determined at the time when CESP is implemented. CRA anticipates that the Completion Deadline will remain the same as the RAS deliverables deadline.
17. Release or payment of the bond shall be governed by the procedures set forth in Annexure K of Ooredoo's licenses.
18. Any non-compliance with any aspect of the RAS Orders or the non-enforcement of any aspects of the Orders, including these Performance Bond obligations shall not be considered a waiver to the obligations to comply with the rest of the Orders.

Annex V Current Cost Accounting (CCA) as cost base

1. A key adjustment to be considered for implementation, *after* HCA FAC costs are developed, is to ensure that the asset values are reflecting those of an efficient (modern) business. The valuation of asset inputs follows the modern equivalent asset (**MEA**) concept. Assets are valued using the cost of replacement with the MEA. The MEA is the lowest cost asset, which serves the same function as the asset being valued. It will generally incorporate the latest available and proven technology, and is the asset which a new entrant might be expected to employ. In a world in which technology is changing rapidly it is quite likely that, for some assets, the MEA will differ from the asset that an incumbent currently has in place. (Examples include wired versus wireless technologies for local access; PDH transmission technology versus SDH technology; IP versus circuit switched technologies for voice traffic; ...). This methodology is termed current cost accounting (**CCA**).
2. This re-valuation can be considered in typically two stages:
 - Revaluation adjustments of the assets using the MEA. This can replace the assets with equivalent equipment as would be bought today. This is the central aspect of CCA.
 - Adjustment of the number of assets and/or the configuration of these assets to reflect an efficient business structure (efficiency adjustments). This is considered with CESP and is not required in a *purely* CCA based FAC report. It is noted that some such adjustments may be included in the CCA, even if a full CESP cost base is not required.
3. The effect of the CCA changes ensures the capital employed reflects the prices paid today for the equipment. HCA values may over or under-estimate the real values, as seen today. It is these prices paid today that an efficient (new) operator would incur. CCA also ensures the depreciation values reflect the future costs that must be met to replace the asset. This mirrors the costs that a new efficient business would in theory incur if it built the same network today.
4. There are two primary forms of CCA – Operational Capital Maintenance (**OCM**) and Financial Capital Maintenance (**FCM**). These are described in standard accounting literature. CRA would require FCM to be used, unless there are clear reasons given why this is not possible and does not cause any negative effects on competition.
5. CCA should be implemented in accordance with accounting standards and conventions. International practices in telecoms shows several methods can be employed. Re-valuations are not required for asset categories that have short lifetimes or are not material. Asset lifetimes may be altered, if the economic lifetime is significantly different to the values used in HCA and the statutory accounts. Such changes should be agreed with CRA and should be passed by the auditor. Price indexation of assets so that each individual asset in a category is re-valued, based on the year of purchase, is an acceptable basis. This is particularly relevant for major asset categories such as cables, buildings, land and civil works that do not have major technological changes. Many electronics systems can also be re-valued using this method. Other methods may be considered in addition.
6. CCA may be implemented using the same FAC HCA structure used in the primary cost base to be delivered, to deliver CCA FAC results, without the additional *business efficiency* changes defined in CESP.
7. CCA methods will be subject to specific instructions that CRA will issue. These will need to consider specific details of the Ooredoo asset base and the relevant Qatari issues. Some of the re-valuation issues introduce efficiency considerations – should the asset be re-valued against the most efficient alternative network technology configuration or simply against the current price of similar equipment. Some assets may have been acquired at prices that were not based on commercial rates and/or could be seen as gifts. The re-valuation approaches for these may need specific approaches to be reviewed by CRA. Other assets may be subject to technical obsolescence in periods much less than the technical (accounting lifetimes): copper might be replaced by fiber in the near future. In this case the copper lifetime in CCA

may be reduced but the copper assets would probably *not* be valued on the basis of fiber being the MEA.

8. These CCA changes to the asset cost base may be introduced at a later date, after further clarification of these and other issues by CRA.

Annex VI Cost Standard: Incremental Costing

- Often an Incremental Costing (IC) standard is employed. The IC cost standard distinguishes between larger cost output changes, the so-called Increments²⁸ with changes of the volumes of services. These IC cost models identify the cost change (i.e. the variable costs) due to the volume increases: in a service; in a range of services; or caused by another input factor such as the provision of service coverage to an area. The latter defines the increment caused by providing a basic coverage of services that is clearly separate from the increment due to an additional change (or increment) in traffic.
- Using this cost basis, both the Stand Alone Cost (SAC) and the Incremental Cost (IC) of the various Increments can be calculated. The following Figure 11 Incremental Cost (“IC”) versus Stand Alone Cost (“SAC”) gives an example of the IC and the SAC of a given increment A.

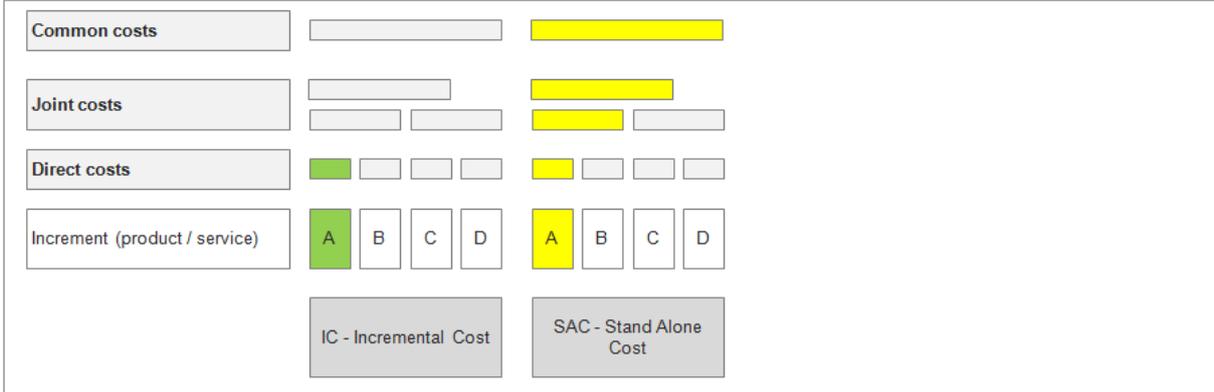


Figure 11 Incremental Cost (“IC”) versus Stand Alone Cost (“SAC”)

- For a given increment, the SAC can be used to define a price ceiling, whereas the IC gives a price floor. If priced below the IC, the costs for producing service A are not recovered and other services would need to bear the cost, if the total business is to remain profitable. If priced above the SAC, all costs that are even partly related to the product are exceeded and this may indicate excessive prices.
- Article 43(6) of the Telecommunications Law states that it is an abuse of dominance to supply competitive telecommunications services at prices below long run incremental costs or *any other cost standard* specified by the CRA.²⁹
- IC cost information can be important, but the implementation of an incremental cost standard is complex. For the initial stages of the RAS, CRA deems the cost standard FAC HCA, as sufficient and does not require the application of an incremental cost standard at this stage. FAC can allocate costs according to the cost bases (i) HCA, or (ii) CCA, or (iii) CESP.
- If the cost standard FAC proves to be insufficient to achieve regulatory objectives including compliance with the ARF, CRA may oblige Ooredoo to implement an IC or another suitable cost standard.

Annex VII Separated Account Reports

These reports define the key Accounting and other reports that are required to be delivered. The statements are based on CRA's requirements and experience of the past RAS developed by Ooredoo. The key changes are introduction of reports by Markets. For the scope of the consultation, sample reports are provided in Excel. The final Order will include all the required reports.

General requirements

7. The individual products must be identifiable and also reported on at a grouped level, including grouped by markets and as total retail and wholesale categories. Network costs of production must be reported on by product and by the network component categories of Access, Core, Shared and Mobile. Costs must be identifiable at the network element (component) level as these provide the basis for cost transfers to the retail and wholesale units.
8. Network component costs should be capable of being broken down by the cost types (capital, operational etc.) to give transparency of the cost sources.
9. The representation of any sensible alternative combination of cost pools or cost types has to be enabled (e.g. via specific reports, or Excel Pivots tables on source data). These reports have to be:
 - Implemented in the electronic cost model; and
 - Made available in the form of flexible reports that can be easily transferrable to Excel.

Required reports

The specified reports below should be considered alongside Excel proforma accounts produced by CRA. Some further refinement of these reports and possibly additional reports are possible, after industry review of these draft Orders.

10. Specific reports are required for each market. The details of the reports are shown in the proforma SA reports.

*** End of Document ***



By email

13 June 2018

Mohammed Al Mannai
President
Communications Regulatory Authority
P.O. Box 23404
Doha, Qatar

Cc: Francesco Massone

Dear Mohammed,

Re: Submission on the consultation document "Review of the Regulatory Accounting System (RAS) Order 2013+ (ref. ICTRA 2013/03/31-B, dated March 31 2013)"

Vodafone Qatar P.Q.S.C. ("**Vodafone Qatar**") refers to the Communications Regulatory Authority's ("**CRA**") letter dated 30 April 2018 and the consultation document regarding the Regulatory Accounting System.

Please find attached herewith Vodafone Qatar's submission.

We remain available to discuss the content of our submission with the CRA.

Yours sincerely,

Alexandre Serot
Head of Regulatory
Vodafone Qatar QSC

Vodafone Qatar P.Q.S.C

QSTP, Tech 2, Level 2, PO Box 27727, Doha, Qatar

A Qatari Shareholding Company, by virtue of Ministerial Resolution number (160) of 2008 and in accordance with the laws of the State of Qatar, having Commercial Registration number 39656. Registered Office: PO Box 64057, Doha, Qatar



[NON CONFIDENTIAL VERSION]

**Ooredoo Response to Consultation on “Review of
the Regulatory Accounting System (RAS Order
2013+ (ref. ICTRA 2013/03/31-B dated March 31,
2013)**

Communications Regulatory Authority Reference [CRARAC
2018/04/30]

Comments by Ooredoo reference: [OQ-5824/2018]
[28 JUNE 2018]

1. Introduction

- 1.1. The Communication Regulatory Authority (CRA) proposes to revise its Regulatory Accounting System (RAS) Orders with the aim of:
 - Aligning the RAS to the Market Definition and Dominance Designations (MDDD) of 2016
 - Improving the transparency of the RAS
 - Ensuring that the RAS is calculated and reported in a clear and unambiguous manner based on a clearly defined method
 - Adding simplifications to the RAS, where possible.
- 1.2 Ooredoo has expended significant time, resources and efforts in assisting the CRA with the development of the current RAS Order obligations and has fulfilled its commitment under such orders since 2010.
- 1.3 The CRA's proposals to amend the current RAS discussed as part of this consultation document will potentially have a significant impact on its regulatory regime, the competitive landscape and the telecommunications sector in general. Therefore, it is imperative that the CRA ensure that such amendments to the RAS are fit for purpose, proportional to the overall size of our Qatari telecommunications market and designed to derive measurable benefits for the sector.
- 1.4 Ooredoo appreciates the opportunity to provide comments on these proposals in order to guide the CRA towards the implementation of new RAS Orders that are appropriate for our market and do not create unnecessary financial and staffing burdens. We also note that ultimately the costs of amending the RAS will be borne by Ooredoo's retail and wholesale customers.

2. Summary - proposals for restructuring the RAS

- 2.1 The CRA proposals seek to structurally transform the RAS by changing the transfer pricing and reports from Regulatory Reporting Units (RRUs) to the markets defined in the MDDD 2016. The CRA indicates that it is guided by EU regulations in this area. Although Ooredoo agrees that there is merit to financial reporting by markets, we believe that some of the requirements that the CRA proposes herein are excessive given the size of our market and the corresponding potential benefits and proposes remedies as discussed below.
- 2.2 Ooredoo brings to light that any RAS obligations should be applied to all licensed service providers in Qatar in order to ensure a level playing field as well as to uphold the CRA's obligation to ensure that its application of regulatory requirements is non-discriminatory as stipulated by Qatar's telecommunications legislation. For example, if Ooredoo is required to prepare reports for markets where we are designated as dominant as well as markets where we are not dominant, Vodafone and QNBN should also be required to do so according to the same regulatory accounting systems and procedures. We look forward to the CRA's uniform application of the RAS Orders in this regard.

- 2.3 Ooredoo also cautions the CRA against the use of the RAS for purposes that are additional to identifying the cost of service provision. For example, the RAS cannot be used as the sole determinant to set charges for services provided by DSPs nor can it be used alone to set prices for dynamically evolving telecommunication services in competitive markets, which are more and more frequently set by service providers in response to market conditions. Therefore, Ooredoo would not agree to the CRA's use of the RAS to establish regulated prices or price controls in absence of other pricing practices such as benchmarking and practices to determine prices in accordance with competition.
- 2.4 To summarize, Ooredoo is supportive of CRA efforts that will improve the transparency and accuracy of the RAS where they do not impose additional, unnecessary burdens. For this reason, we ask the CRA to further review the proposals discussed in this consultation to ensure that they are proportionate to the market, designed to achieve outcomes that benefit the sector, and applied to all service providers on a non-discriminatory basis. We also ask the CRA to reconsider some of its proposals for new obligations for the RAS that will necessitate an increase in costs to be borne by Ooredoo as it is unclear how these cost increases will enhance the CRA's ability to promote efficient and sustainable competition and maximize consumer benefits in Qatar.

3 Part II—Consultation question on wider principles

Q1. Alignment of the RAS to the definitions of the relevant markets

Do stakeholders agree that the RAS should be structured around the relevant markets defined within the MDDD?

- 3.1 Ooredoo agrees in principle that the RAS should be structured according to defined markets but argues against CRA regulatory obligations that are designed to replicate those of the much larger telecommunications markets of the EU. The CRA claims in this consultation for example that the majority of EU regulators have ordered RAS structured by relevant markets. In contradiction with the EU framework and general economic principles, however, we note that the CRA continues to include competitive markets as part of its list of relevant markets. For example, it has included retail mobile telecommunication markets as part of its RAS Orders, which were identified as competitive in the CRA MDDD 2016 Orders. This practice is contrary to international best practices, including the very EU practices¹ that the CRA is attempting to emulate as part of the new RAS. Therefore, Ooredoo requires an explanation as to the rationale behind a CRA requirement to keep competitive markets as part of the list of 'relevant' markets.
- 3.2 The CRA's proposal requires a complete structural change to the existing RAS through a reporting requirement aligned with its MDDD. This proposal also creates a number of additional required reports and schedules which add significant complexity to this already complex exercise without any explanation of the benefits. For example, the current RAS requirement results in 12 statements - 6 for Profit & Loss (P&L) and 6 for Balance Sheet (BS) RRUs. The CRA's new proposal would potentially increase the number of such statements to 14 P&L's and 14 BSs. Considering the other market reports that would be required, Ooredoo estimates that an excess

¹ For further details refer to "COMMISSION RECOMMENDATION of 9.10.2014 on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services" available at: <http://docplayer.net/amp/13757194-Commission-recommendation-of-9-10-2014-text-with-eea-relevance.html>

of 30 statements will be required. This is in addition to the numerous reporting schedules for each of the 14 Markets. Creating these additional schedules will undoubtedly increase Ooredoo's manpower costs and other external costs however, the value for the CRA seems insignificant.

3.3 Table 1 below contrasts current RAS reporting requirements with the CRA's new proposal, which illustrates the significant increase in the number of required reports.

Table 1. Number of Reports: Current and Proposed RAS

3 Current RAS Orders	Proposed RAS
6x P&L's	14x P&L's
6x BS's	14x BS's
5x Costs / Network Component	14x Costs / Network Component
5x Network Cost / unit by Product	14x Network Cost / unit by Product
5x Specific Costs used by the Products	14x Specific Costs used by the Products
5x Transfer Charges	14x Transfer Charges
5x Total Revenues, Costs and Returns by Product	14x Total Revenues, Costs and Returns by Product
Total: 37	Total: 98

3.4 The CRA suggests that it may also request "*supplementary reports*" which would be additional to the ones shown above. Ooredoo seeks clarification regarding the value of such supplemental reports, who the target audience is and what useful decisions, if any, can be derived from the reports in terms of impact on the telecoms market in Qatar.

3.5 Ooredoo considers the CRA's proposal excessive as it constitutes a near tripling of the statements/reports required as part of new RAS--a significant overhaul of the existing reporting requirements in terms of the level of disclosure and granular level of detail required. We also understand that it is inconsistent with regional and other international regulatory practices for markets of a similar size. Thus, we require a justification from the CRA. For example, why does it believe that such a complex model is necessary in Qatar with a population of circa 2.6 million when other regulators in the region faced with similar sectorial challenges have not implemented the same? In fact, the proposed level of detail is more likely to detract attention away from the most important aspects of the Separated Accounts and obscure their original objectives through the presentation of too much granular information which is of little use. Furthermore, if the CRA applied the RAS Orders on a non-discriminatory basis to other service providers as is its legal obligation, do they think that these service providers would agree to such scrutiny?

3.6 The CRA's proposal that increases the RAS requirements correspondingly increases Ooredoo's costs in order to meet such requirements. To offset some of the increased costs that the CRA's proposal will necessitate for Ooredoo, we ask that the CRA produce its own detailed reports through the set-up of a "Drill-Down" report field, which can be created from the RAS software tool's reporting features. The CRA can use this mechanism to create pivotal tables that allow it to dynamically select the Network Component, Product, Market etc. Therefore, Ooredoo only needs to commit to producing reports for relevant markets (P&L and BS), i.e. markets where we are dominant, and any other reports such as mobile market reports can be generated by the CRA as needed from the RAS software tool.

- 3.7 The CRA's proposal also significantly increases Ooredoo's cost of performing audits as auditors will be required to evaluate more complex statements and attest to their veracity. Correspondingly, auditing timelines will necessarily increase.
- 3.8 We note that the CRA has not provided any justification for how the increase in costs and time associated with the new proposals for the RAS will enhance its ability to promote efficient and sustainable competition and maximize consumer benefits in Qatar.

Q2. Non-discrimination through the accounting separation of retail and wholesale relevant markets

Do stakeholders agree with the proposed approach?

- 3.9 Ooredoo agrees with the CRA that there should be accounting separation between relevant retail and wholesale markets but is concerned at the level of reporting required. For example, if we consider the Network Cost per unit by Products Report by market, which includes 150+ products currently reported in RAS, this report would be unrealistically large.
- 3.10 Ooredoo agrees to include TV, data center, handsets, etc. as part of the M90 market—Other Retail Markets--and will report on this market in aggregate. We will not provide detailed breakdowns for each retail product subset however. We will also apply this same approach for the M100 market—Other Wholesale Markets.
- 3.11 Ooredoo recommends that the M90 and M100 markets be split into fixed and mobile reports in order to reconcile with the published accounts.

Q3. Transfer charges

Do stakeholders agree with the approach proposed by the CRA? Are the transfer charges properly defined? Are there any additional requirements for other cost transfers to be made more transparent?

- 3.12 Ooredoo finds that the information provided in this section is ambiguously defined for network components and products as well as incorrect in some areas. We provide corrections as described below. Figure 2: *Detailed Wholesale to Wholesale Transfers and Subsequent Transfer to Retail Market* of the consultation document, for example, does not capture all the combinations of cost. We propose for clarity to change the Market Codes to Wholesale Markets (WM) and Final Markets (FM).
- 3.13 Furthermore, our view is that it is important that all costs are allocated somewhere within the RAS. Accordingly, we have created separate "Dummy" markets for the part of the Wholesale Services sold to OLOs. These are needed for the transfer pricing to work and to demonstrate non-discrimination. However, our understanding is that there are no reporting requirements for these costs, as it is simply a one to one allocation. In a similar way, we believe a more consistent practice is to include all network services according to the defined MDDD markets, including:

- Fixed Line (M1a)
- International Voice, international Leg (M2)
- Internet Service Provider (ISP), servers and connectivity, M1c (FBB), M3 (Internet LL), M5cd (MBB).

3.14 Figures 1a and 1b below provide further clarity to the CRA’s Figure 1 (Transfer Charges on page 12 of the consultation document) and Figure 2 (referenced above). Figure 1a, for example shows the relationship between the main Wholesale and Retail Markets and where the transfer pricing occurs. We provide this an illustration only, which is not final, and as such Ooredoo will need to refine and agree with the CRA during the development phase of the new RAS.

Figure 1a: Wholesale and Retail Transfer Pricing

		Wholesale to Retail, Price Transfers																
		Retail Markets							Final Markets - Wholesale OLO Services									
		FM1a	FM1b	FM1c	FM2	FM3	FM4	FM5ab	FM6	FM7	FM8	FM9	FM10	FM11	FM12	FM13	FM14	Total
WM6	Fixed CO		1		1				1									3
WM7	Fixed CT		1					1		1								3
WM8	Physical Assets							1			1							2
WM9	Fixed BB			1								1						2
WM10	LL Tail-End					1	1						1					3
WM11	LL Trunk					1	1							1				3
WM12	LL International						1								1			2
WM13	Mobile CO				1			1								1		3
WM14	Mobile CT		1					1									1	3
WM15	Mobile BB							1										1
Dummy Markets																		
WM20a	Fixed Line	1																1
WM20b	International Voice Leg				1													1
WM20c	ISP			1		1												2
Total		0	3	1	2	2	3	5	1	1	1	1	1	1	1	1	1	24

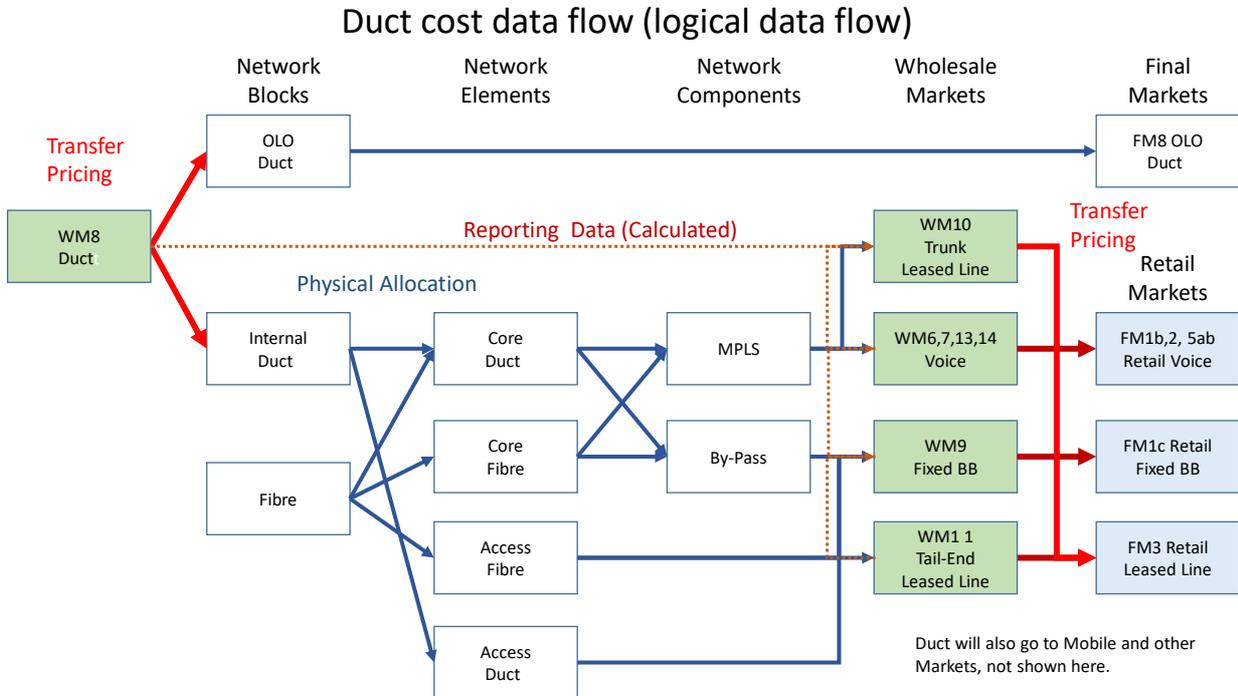
3.15 Figure 1b shows the relationship between the Duct M8 and the other Wholesale Markets. Duct costs cannot be directly transferred to the other Wholesale Markets, as this would require several levels of allocation, however this calculated cost will be included as part of the Market reports.

Figure 1b: Duct and other Wholesale Markets

		Duct, Price Transfers																
		Driver			Dummy Markets				Wholesale Markets							OLO		
		Network Blocks	Network Components	Network Elements	Fixed Line	Fixed BB	Int'l Voice	LL-Int'l	Fixed CO	Fixed CT	Physical Assets	Wholesale	LL Trunk	LL Tail-Ends	Mobile CO	Mobile CT	Duct OLO	Total
		Step1	Step2	Step3	WM1a	WM1c	WM2	?	WM6	WM7	WM8	WM9	WM10	WM11	WM13	WM14	FM8	
WM8	Ducts	OLO															1	1
		Internal	Access		1									1				2
		Core	SDH										1					1
			MPLS			1	1		1	1		1	1		1	1		8
			By pass (FBB)			1												1
			Total		1	2	1	0	1	1	0	1	2	1	1	1	0	13

3.16 Figure 2 below, provides further clarifications to the CRA’s Figure 2 on page 12 of the consultation document. This figures shows allocations for a duct cost data flow. Note: the diagram is an example only and does not attempt to show all allocations.

Figure 2: Duct Cost Data Flow



3.17 In summary, Ooredoo finds inconsistencies in the CRA proposed approach as it omits essential details, allocations and the stages of such allocations. We therefore propose that the exact flow of data should be defined and agreed during the development phase of the project.

Q4. Activity based costing and supporting costs versus primary operational costs

Do stakeholders agree with the changes and how do they propose to ensure the ABC methods are robust, cost based and also transparent?

3.18 The CRA highlights in this section that the Activity Based Costing (ABC) work carried out by Ooredoo for the current RAS is not robust and suggests how this can be remedied. Ooredoo does not agree with the CRA’s conclusions in this area. This is because the current RAS solution does use ABC, however this is done outside of the RAS software tool, in Excel, and the results are imported. These ABC results have also been included as part of the RAS Audits. The Figures 3a and 3b below illustrate how ABC is currently included as part of the RAS.

Figure 3a: Showing no single view of the Activities, or the Costs

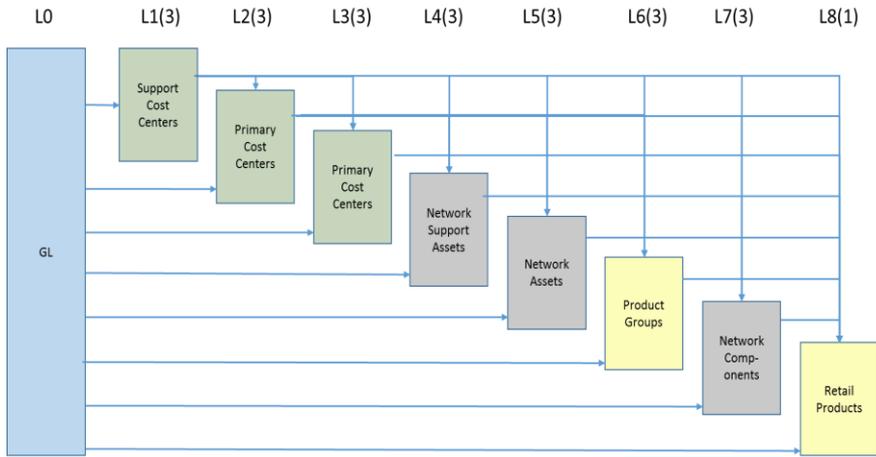
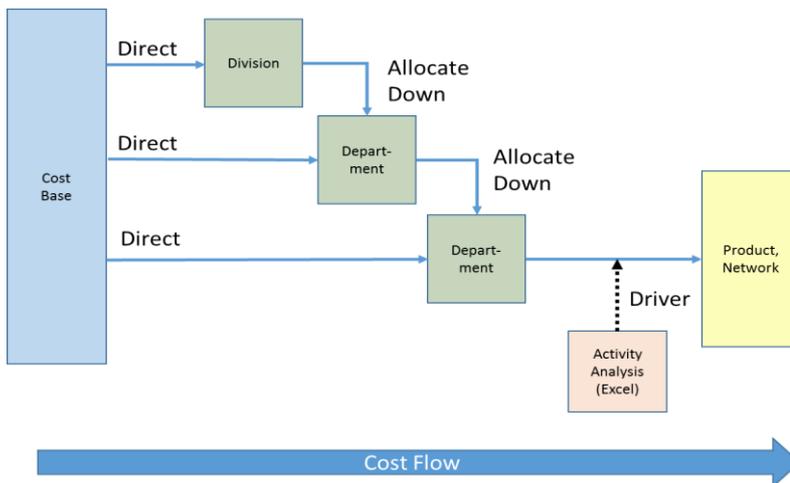
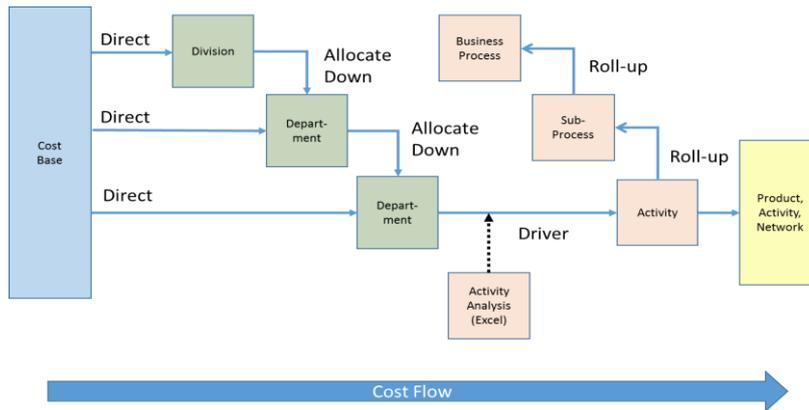


Figure 3b: Showing Activity analysis applied outside the RAS software tool with results imported as drivers.



3.19 To ensure that the Costs of these Activities are transparent to the CRA, we propose the changes to the RAS structure as shown in the Figure 3c below.

Figure 3c: Activity analysis applied inside the RAS software tool and aggregated to Business Processes.

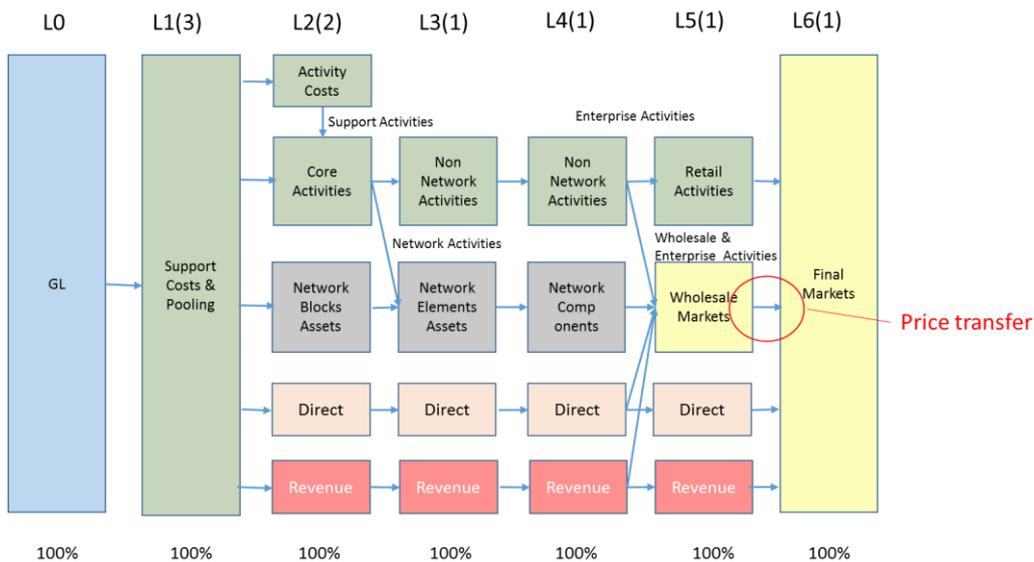


The proposal show in the Figure 3c above ensures that a single view of the Activities will exist, together with an aggregated view of the Business Processes. For example the proposed process may include:

- Building the Network, which may be made up of Activities relating to different technologies, such as:
 - FTTx
 - Mobile
 - MPLS
 - SDH
 - Etc.
- Market, Products and Services, which may have Activities relating to different services, such as:
 - Mobile
 - Fixed, Voice
 - Fixed, Broadband
 - International, etc.

3.20 Ooredoo concurs with the CRA that the structure of the RAS should be changed so that instead of being structured around Cost Centers, it is actually structured around Business Processes. Figure 4 below shows the proposed structure of a model structured around Business Processes..

Figure 4: High Level Data Flow Diagram



3.21 We note that the level of detail in the Cost Centers will not change as this reflects the Ooredoo organizational structure and the costs from its financial accounts. These Cost Centers will be allocated to Activities, using Activity Surveys and will be aggregated to key Business Processes, such as:

- Sales and Marketing
- Network
- Information Technology
- Facilities Management
- Human Resources
- Finance
- Business/Enterprise Management
- Etc.

Ooredoo will refine and agree a High Level Data flow, Business Processes and Activities with the CRA during the design/development phase of the project.

Q5. Attribution of the business sustaining costs

Do stakeholders agree with the altered allocation approach described above? Other costs should be added to the list of the business sustaining cost proposed by the Authority?

3.22 Ooredoo concurs that the support and business sustaining costs, should be clearly identified, and allocated appropriately. The inclusion of the High Level Activities in the RAS model will aid in this process. Common Activities can be separated into two types of common/shared costs for example:

- Support costs: costs that support staff doing their jobs, for example HR, Internal IT,
- Enterprise costs: (business sustaining) that cover the cost of running the business, for example BoD, Audit, some Finance Activities.

Ooredoo will define these High Level Activities during the development phase of the new project.

3.23 The CRA explains in the consultation document that overseas business unit costs should be separated in the RAS from Ooredoo Qatar's business activities. Ooredoo confirms that it already separates non-Qatari business costs that are common to our overseas business units from our Ooredoo Qatar services.

Q6. Audit procedures

Do stakeholders agree with the PPIA audit standard and what specific procedures are recommended to be included? If only the procedures are considered the most critical aspect, then option 3 might be used—are there good reasons to accept this lower level audit?

3.24 The CRA is considering changing the current audit procedures for the RAS, i.e. the auditing procedures that show that the RAS has met the requirements of agreed upon procedures. The CRA discusses two standards as new potential options--Fairly Presents in Accordance (FPIA) and Properly Prepared in Accordance (PPIA) as well as staying with the current audit procedures, i.e. Option 3.

3.25 Ooredoo confirms that it will stay with the current audit procedures as delivered and accepted for the RAS 2015, which are already prepared according to PPIA. We also note that in the interest of manpower and financial resources, the CRA's request for changes should be required only where they are essential to achieving its desired objectives rather than based on the principle of 'nice to have,' 'non-essential' or 'auxiliary' requirements. In short, Ooredoo believes that the current level of audit opinion provides a sufficient level of assurance given the highly granular nature of the RAS.

3.26 Ooredoo does not support a CRA requirement to publish the actual audit procedures and is unaware of similar requirements in other jurisdictions in or outside the GCC region. We also do not believe that any auditor that we would engage for this purpose would agree to do so.

Q7. Publication of the RAS

Do stakeholders agree with the CRA's proposed approach to publication? If not, please specify, with reasons, your proposed alternative approach.

3.27 Ooredoo agrees that only the following information resulting from a RAS audit should be published:

- The audit report.
- The management statement of compliance.
- The CRA RAS Order of acceptance of the Ooredoo RAS, including any comments and qualifications.

3.28 We note that while paragraph 55 (on the page 17) of the consultation requires Ooredoo to publish the summary profit and loss report by market, this requirement is not included as part of Part III—the New RAS Order draft. We seek clarification from the CRA as to what it is proposing in this respect. Furthermore, Ooredoo does not agree to publish a summary profit and loss report by market. Such an asymmetric obligation if imposed only on Ooredoo would expose Ooredoo's cost information to competitors. These competitors could in turn use this information to the disadvantage of Ooredoo for example through 'cherry picking' of certain markets.

3.29 The CRA should identify the specific benefits for industry related to the publication of these reports and weigh these against the cost of the potential abuse of this commercially sensitive information. Furthermore, Ooredoo's research indicates that there are a very limited number of regulators in Europe (e.g. UK and Ireland) that impose this kind of publication requirement on Service Providers (SPs) with Significant Market Power (SMP). We also note that this obligation is imposed where much greater retail and wholesale pricing freedom is afforded in comparison to the regulatory environment in Qatar. In Qatar, the CRA strictly controls all DSP retail and wholesale prices to prevent any price related abuse of a dominant position and so Ooredoo does not believe that there is any additional benefit to be derived from publication of these statements. In fact, we believe that imposing such an unnecessary obligation is an overreach of the regulatory umbrella that cannot be justified.

3.30 We also bring the CRA's attention to a discrepancy in the reporting requirements of audit procedures. While paragraph 54 (on page 17) requires Ooredoo to publish "*The audit procedures, as accepted by CRA,*" paragraph 55.3 (on the same page) requires the publication of "*Lists of CRA-defined procedures for the auditor.*" We seek clarification from the CRA as to what exactly is required from Ooredoo in this respect. Note that Ooredoo does not agree with the publication of the auditor's procedures as these represent proprietary knowledge and an auditor would not agree to publish this information either.

4 Other comments related to Part III – consultation draft

4.1 In para 4 of Part III's introductory section, the CRA infers that it may extend the RAS Orders to other DSPs. Ooredoo's view is this is necessary now as regulatory requirements should not be applied on a discriminatory basis. We seek the CRA's confirmation that the RAS requirements will be extended to Vodafone with immediate effect.

4.2 The draft consultation contains a legal basis section that mostly addresses legal provisions under the Applicable Regulatory Framework (ARF) that are not specific to accounting

separation. Ooredoo does not understand the purpose of replicating such provisions from the telecoms law, its bylaws and its Individual licenses as they are not needed to provide a legal basis in this context nor is this practice consistent with any other regulator in the region or elsewhere. As such, these references serve more as a distraction rather than as a legal support for the proposals discussed in the consultation document. To be clear, Ooredoo does not support a final RAS Order that includes superfluous references to the legal framework which are either not specific to the **legal basis for the RAS** or to extrapolations of legal text in place of the actual language including the:

- 4.2.1 Second sentence included with the reference to Article 24 as this wording/interpretation is not included in the law itself
 - 4.2.2 Reference to Article 25 which is the CRA's extrapolation of the meaning of this article
 - 4.2.3 Article 29 which is not specific to the RAS
 - 4.2.4 Article 32 which is the CRA's extrapolation of its meaning
 - 4.2.5 Reference to Article 62 which is another CRA extrapolation and should be removed or replaced with the actual wording from the law
 - 4.2.6 Article 49 (1) of the bylaw that addresses interconnection and access charges
 - 4.2.7 Many references to the clauses of the Individual licenses. It is already clear that Ooredoo must comply with its license obligations and that we be can held accountable where we are not. There is no need to reiterate these obligations as part of a legal basis for RAS Orders.
- 4.3 The CRA explains in its section that where a given product is not covered by a wholesale or retail market, such as mobile broadband, it will be allocated to another specific market. Ooredoo believes a better approach is to create "dummy" markets for these Network Services.
- 4.4 In para 102, the CRA proposes a use of an upper limit for the net working capital value. The CRA appears to be setting this limit somehow arbitrarily (without any due justification) to be equal to one month of the total average operating costs excluding out payments to other operators. We require that the CRA provide a justification of this position and reference to international practice where such limits have been used to artificially reduce the cost of running a business. Where a robust justification cannot be articulated, Ooredoo will not agree as setting such a limit will have far reaching implications, including changes to its business strategy that will negatively affect commitments designed to meet the FIFA soccer world cup targets and the goals of the nation's 2030 vision.
- 4.5 In para 112 the CRA states: *"For avoidance of doubt, all the cost incurred to provide the products to the other SPs are considered as network costs."* We seek clarification from the CRA on how this approach will affect current separate wholesale charges e.g. for AAR, RAR, duct supervision etc. For example in previous RAS models the CRA has set the cost of providing the Wholesale Services to 10% regardless of the actual cost involved.
- 4.6 Consistent with our response above, Ooredoo does not see a need to increase the level of audit as indicated in para 133 at this time. The CRA has also not given any rationale for why an increased audit level is needed. This point is covered as part of our response to Question 6.
- 4.7 Ooredoo has complied with all previous CRA RAS Orders since 2010 and is working together with the CRA in a cooperative manner now to amend these orders. Therefore, we do not support a CRA obligation to impose a performance bond as referenced in para 39 or other threats for

punitive measures. We are also unaware of such practices elsewhere. We remind the CRA that Ooredoo has not previously provided any performance bond in respect of the RAS.

- 4.8 Ooredoo does not agree with the CRA's proposed timetable illustrated as part of Figure 9 on page 40 of the consultation document. For example, Ooredoo understands that the first reference point should be from the date that the statutory accounts are published and not the financial year end. The second line states that Ooredoo is to provide a draft RAS Methodology including among other things the SA pro forma reports. Ooredoo understands that formats only and no draft figures of any kind pertaining to that RAS financial year will be provided. Much of these proposed timelines is dependent upon the CRA's ongoing intervention in developing the RAS accounts and their own requirements or changes that are to be implemented. We emphasize that the proposed timeline starting point should begin when the prior year RAS has been completed and closed by the CRA.
- 4.9 Page 18, para 2 relating to the MDDD and the RAS. These obligations are unconnected, therefore the CRA cannot link one with the other.
- 4.10 Page 21, para 31.1 regarding '....cost based pricing.' This statement applies only to wholesale pricing as retail price is not necessarily cost-based and as such should be amended.
- 4.11 Page 2, 1 para 33. A statement to the effect of "the RAS should be proportionate to the market..." should be included here to prevent the CRA from imposing disproportionate requirements in the context of the RAS. Previously, the CRA has sought to seek information from Ooredoo via the RAS obligation, which was for purposes outside of the RAS.
- 4.12 Page 21 table. The reference to IPRS is unfamiliar. This should be International Financial Reporting Standard (IFRS). Furthermore, efficiency assumptions are not employed in a fully allocated historical cost methodology.
- 4.13 Page 22, para 41. CESP is an unfamiliar term that is internationally unknown. CRA to clarify.
- 4.14 Page 22, para 44. The statement regarding "...that all key information and calculation stages can be verified and investigated by the CRA" is misplaced considering that this is the role of the auditors. CRA to amend as text implies that the CRA will perform the auditor function.
- 4.15 Page 22, para 46 (c). The CRA's statement that "...Other derogations shall be explicitly approved by the CRA" implies that CRA will, at its discretion, override the agreed RAS principles. CRA to amend language.
- 4.16 Page 22 para 46 (c). The CRA's statement that "...a user of RAS should be able...." Should be replaced by '...an informed user' This amendment is critical considering the highly specialized nature of the RAS that requires expert knowledge.
- 4.17 Page 23 47.1 (h). The CRA's statement "...Upon request, Ooredoo shall submit to the CRA all the information and input used to define and calculate the drivers" implies that the CRA can ask for anything at will without proper justification. Such requests must be justified with a clear reasoning, purpose and use to avoid any misuse of such requests.
- 4.18 Page 37, para 123. Ooredoo DOES NOT agree to provide training to the CRA on how to use the RAS system. We also note that there is no legal obligation for us to bear the costs of software licenses for the CRA and expect these costs to be borne by the CRA where needed.
- 4.19 Page 37, para 124. Detailed network diagrams are not required for the RAS. Therefore, Ooredoo will commit to providing diagrams that enable a suitably qualified reader to understand

how the RAS is put together. We will not provide, as a point of principle, information that is not used to develop the RAS e.g. '...information regarding network nodes and their locations.'

4.20 Page 38, para 126. Ooredoo will not provide its organizational charts. Such charts are commercially sensitive and this relationship to the RAS will be reviewed by the auditors.

4.21 Page 38, para 130. The word 'representative' should be used to describe any statistical analyses. Thus, the word significant should be replaced with representative.

4.22 Page 38, Section 4.4. Ooredoo does not agree with the number of statements required, as previously commented. Furthermore, the CRA will also be capable of generating its own reports as needed.

4.23 Page 38, Section 4.5. As stated above, the CRA has not provided any justification for changing the current level of audit for the RAS. Furthermore, some of requirements of this section appear to be outside of standard RAS audits, while others are covered by statutory auditing and should not be replicated in the RAS audit.

4.24 Page 39, Section 5. Performance Bond. Ooredoo provided comments above in this regard. For avoidance of doubt, Ooredoo will not provide a performance bond as a means to guarantee our fulfillment of the RAS. We have met all CRA RAS requirements to date and as such this proposed requirement is misplaced.

4.25 Page 39, Section 6. RAS Publication. Previously commented on above.

4.26 Page 39, Section 7. Timelines. Previously commented on above.



**Vodafone Qatar P.Q.S.C. submission to the
Communications Regulatory Authority's consultation
document**

**"Review of the Regulatory Accounting System (RAS) Order
2013+ (ref. ICTRA 2013/03/31-B, dated March 31 2013)"
issued 30 April 2018**

13 June 2018



Introduction and executive summary

1. Vodafone Qatar P.Q.S.C. ("**Vodafone Qatar**") welcomes the opportunity to respond to the Communications Regulatory Authority ("**CRA**") consultation document titled "Review of the Regulatory Accounting System (RAS) Order 2013+ (ref. ICTRA 2013/03/31-B, dated March 31 2013)" issued on 30 April 2018 ("**CD**").
2. Vodafone Qatar fully supports the CRA's vision of having an open and transparent regulatory process and ensuring customers are protected from anti-competitive practices.
3. We agree with the CRA that regulatory accounts are an important element of the regulatory tool box and command the CRA for this extensive CD. Regulatory accounts are essential to monitor compliance with the non-discrimination obligation, in ensuring that regulated tariffs are set at the appropriate level. They are also instrumental in anti-competitive investigations and in assessing profitability.
4. Our concerns with the current regime are:
 - Insufficient transparency with no publication of any material preventing other parties to comment and contribute to improving cost allocation basis for example;
 - Serious concerns regarding the reliability of the operational data (and hence the regulatory accounts) that feed into the system and impossibility of the RAS to be used as a basis for the pricing of the retail and wholesale services such as transmission links or leased lines for example;
 - Insufficient clarity on the process and the role of the CRA; and
 - Time taken for the regulatory accounts to be prepared, adversely affecting the usability and usefulness of the data.
5. In light of the above our key comments to the proposals of the CRA are:
 - Amendments to the RAS should be fully justified and proportionate with the issues identified, given the burden of the obligation on the Dominant Services Providers ("**DSP**")
 - We disagree with the proposal of the CRA to move from a wholesale price to a cost based transfer charging system. This runs counter the principle of non-discrimination which is a core requirement of the RAS.
 - We support at least the PPIA audit standard in light of the on-going issues.
 - Emphasis should be on operational data (duct, leased lines, etc) that feed into the model and not only on the structure.
 - We support the position of the CRA on publication, including regarding publication of summary P&Ls by product market and consider that the Methodology Document should also be made available to stakeholders.
 - We also have specific proposals to improve the process, deliverables and timelines.



Timeline and objectives of the review

6. Vodafone Qatar is supportive of the review of the RAS 2013 Order to reflect the 2016 MDDD findings and bring the necessary improvements to the RAS. We however regret that the CRA has not been able to proceed with the review in accordance with the timeline initially set. In April 2017, the CRA had indeed communicated to the industry that the RAS review will be completed by May 2018.

We agree with the CRA that regulatory accounts are an important tools of the regulatory tool box. Regulatory accounts are essential to monitor compliance with the non-discrimination obligation, in ensuring that regulated tariffs are set at the appropriate level. They are also instrumental in anti-competitive investigations and in assessing profitability.

7. The obligation to prepare regulatory accounts places a significant burden on the regulated firm. Hence it is important that the detailed requirements are proportionate and targeted to the issues identified. In that regards, Vodafone Qatar would welcome further clarify from the CRA regarding the specific concerns that the CRA is seeking to address. As an outsider some of our concerns with the current regime are:
 - Lack of transparency with no publication of any material preventing other parties to comment and contribute to improving cost allocation basis for examples;
 - Serious concerns regarding the reliability of the operational data (and hence the regulatory accounts) that feed into the system and impossibility of the RAS to be used as a basis for the pricing of the retail and wholesale services such as transmission links or leased lines for example;
 - Lack of clarity on the process and the role of the CRA; and
 - Time taken for the regulatory accounts to be prepared, adversely affecting the usability and usefulness of the data.

PART II Consultation questions on wider principles

Question 1: Do stakeholders agree that the RAS should be structured around the relevant markets defined within the MDDD?

8. We support the CRA's proposal to align the structure of the Regulatory Accounts with the MDDD. With the level of granularity of the relevant markets and structure of product offerings (e.g. package including voice, SMS, data and international minute) greater attention is required regarding the method and allocation basis of revenues (and cost). There are inherent limitations to allocation exercises which need to be acknowledged as they affect profitability at the product level.

Question 2 - Do stakeholders agree with the proposed approach?

9. The approach appears reasonable. Caution is required regarding the cost associated with the provision of wholesale products by Ooredoo as the level of those cost may be inefficient and/or reflect inefficient processes.
10. We fully agree with paragraph 14. The purpose or use of the accounting separation is to ensure that Ooredoo is not engaged in discriminatory pricing behaviour. The CRA should make use of the RAS to identify, control, and prevent anti-competitive behaviour especially in markets



where Ooredoo has been declared dominant. In this regard, the ITU in its Regulatory Accounting Guide¹ states that “*the results of cost accounting might be used by NRAs to identify anticompetitive behaviour such as:*

Price squeeze: *Since cost accounting models give information on the costs attributable to different services, NRAs know which network costs are associated to the different services. For instance, if the SMP operator charges so much for interconnection that alternative operators are unable to compete when its own OPEX are calculated, then there is a price squeeze problem that must be ex ante regulated.*

Predatory prices: *In the same way, if the SMP operator sets a wholesale price which is below its own costs then, the alternative operator will not be able to compete with the offers launched by the SMP operator.*

Anticompetitive bundling: *Bundling can become an anticompetitive behaviour when the alternative operators are not able to compete with the bundle launched by the SMP operator. In this regard, NRAs should define a methodology to analyse each of the offers launched by the SMP operator to make sure that all of them are replicable by any alternative operator. This methodology will be based on the information provided by the cost accounting model.*

Cross-subsidies: *Another possible anticompetitive behaviour implemented by the SMP operator concerns cross-subsidies, which consist in offsetting the losses in one specific product/service with the extra benefits achieved from a profitable product/service.”*

11. We believe that an important aspect of using accounting separation is to ensure that the principle of Equivalence of Inputs is strictly applied in the RAS in line with Article 24 of the Telecommunications Law as amended by the Law No 17 of 2017.
12. We strongly object to paragraph 17 which in effect would reward Ooredoo for not complying with the order of the CRA. The provision of leased lines is mandatory since 2016 and so far Ooredoo has failed to comply with this obligation and the CRA continue to struggle with the costing and pricing of this product.

Question 3 - Do stakeholders agree with the approach proposed by the CRA? Are the transfer charges properly defined? Are there any additional requirements for other cost transfers to be made more transparent?

13. Vodafone Qatar disagrees with the proposal of the CRA to move from a wholesale price to a cost based transfer charging system. This runs counter the principle of non-discrimination which is a core requirement of the RAS. Vodafone Qatar wishes to emphasise that transfer charges must be based on wholesale prices to satisfy the obligation of non-discrimination. If transfer charges based on cost are used, then regulatory accounts are not able to reveal price discrimination. The CRA has not explained how its proposal contributes to satisfying the principle of non-discrimination that the CRA has put forward as a key objective of the regulatory accounts.
14. Furthermore, the CRA plans to structure the new RAS Order based on relevant MDDD markets instead of the current structure based on RRUs. Hence, based on the new regulatory account

¹ Regulatory Accounting Guide, 2009, https://www.itu.int/ITU-D/finance/Studies/Regulatory_accounting_guide-final1.1.pdf

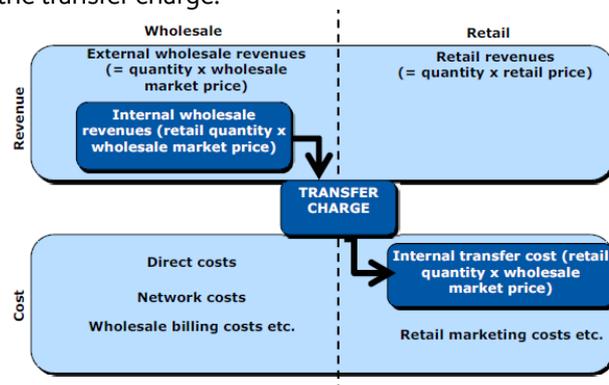


structure and its separation level, transfer charges should be set according to relevant regulated wholesale charges available to other licensees in a relevant market.

15. TRA Bahrain also proposes² to determine transfer charge based on wholesale charges and not cost-based:

*“Under the Current Regulation, Transfer Charges are calculated using a cost-based method, between business units. Given the change to levels of separation as discussed in in paragraph 38, Transfer Charges will now be calculated between Individual Products, and aggregated up to Relevant Markets. **Transfer Charges will now also be charge-based, meaning they will be, where possible, based upon charges that are available to other Licensees** (such as those charges published as part of an Affected Licensee’s Reference Offers). This change is designed to ensure that the principle of ‘equivalence of inputs’ is applied in the Regulatory Accounts”*

16. In Malaysia, the regulator also uses the same approach³ in which “in instances where a wholesale service is also being provided to an external party, there is a market price [...], this should be used as the transfer charge.



17. Using regulated wholesale prices as transfer charge will ensure adherence with the principle of non-discrimination.
18. In order to implement this, Ooredoo must be obliged to develop and submit a report which include a mapping of calculation and breakdown of transfer charges for its retail products according to the relevant regulated wholesale products per market.

Question 4 - Do stakeholders agree with the changes and how do they propose to ensure the ABC methods are robust, cost based and also transparent?

19. Vodafone Qatar supports proportionate improvements to the ABC and believes that the approach of using ABC should be robust and transparent particularly in relation to:
- ABC should make complete allocation and apportionment of costs, assets, liabilities and revenues from general ledger to individual products and services in MDDD and other “residual” services in non-MDDD markets;

² Regulatory Accounting Regulation, <http://www.tra.org.bh/media/document/Regulatory%20Accounting%20Regulation%20consultation%20document.pdf>

³ Guidelines on Implementation of Accounting Separation in Malaysia, https://www.skmm.gov.my/skmmgovmy/media/General/pdf/Guidelines_Implementation_Acct_Separation.pdf



- The RAS methodology accompanying the regulatory account should explain and define how costs are attributed, whether they are direct costs, indirect costs, un-attributable costs or other costs that might not be allowed by the CRA to be recovered;
- Clear definition and structure of the cost accounting model in terms of the cost attribution level and allocation hierarchy; and
- Clear definition of cost categories, and drivers with same level of granularity that should be approved by the CRA.

Question 5 - Do stakeholders agree with the altered allocation approach described above? Other costs should be added to the list of the business sustaining cost proposed by the Authority?

20. The proposals of the CRA seems reasonable. However, Vodafone Qatar suggests to stick with the “common cost” labelling which is a more usual wording than the one proposed by the CRA. We recommend that the percentage of common cost be monitored to avoid strategic cost allocation.
21. We understand that there are costs which are not attributable or fit into neither directly attributable costs nor indirectly attributable costs. There should be a percentage limit that this type of costs should represent out of the overall costs whether at individual market or product level. In Bahrain, the TRA in its public consultation⁴, expects that the un-attributable costs should represent *“less than 10% of the overall costs of a Relevant Market, Product Group or Individual Product, unless a Licensee specifies clearly why this is not appropriate.”*
22. We agree with the CRA that all cost not related to Ooredoo’s operations in Qatar should be excluded. The CRA should also specifies that it may disallow certain cost where justified.

Question 6 - Do stakeholders agree with the PPIA audit standard and what specific procedures are recommended to be included? If only the procedures are considered the most critical aspect, then option 3 might be used – are there good reasons to accept this lower level audit?

23. Vodafone Qatar considers that the audit standard applicable should be PPIA at the minimum to give the CRA and other stakeholders the necessary confidence in the regulatory accounts especially in light of the limitations and deficiencies identified by the CRA. While the expertise of the CRA in the domain is well established, there is a clear role to be played by the auditor. Should issues pertaining to operational data persist and Ooredoo fail to cooperate with the CRA, then the audit standard should be raised to FPIA.
24. Vodafone Qatar recommends that the CRA should approve the auditor of the regulatory accounts and that one of the criteria for approval by the CRA should be experience in the preparation of regulatory accounts in the telecommunications industry.

⁴ Regulatory Accounting Regulation,
<http://www.tra.org.bh/media/document/Regulatory%20Accounting%20Regulation%20consultation%20document.pdf>



Question 7 - Do stakeholders agree with the CRA's proposed approach to publication? If not, please specify, with reasons, your proposed alternative approach.

25. Finding the right balance between protecting confidential information and provided transparency is not easy. However, the status quo of complete lack of transparency is not sustainable and we welcome the CRA's proposals. They are well balanced and include the provision of summary P&L at the market level (which in our view should include mean capital employed) to reveal potential excess profitability. To enable stakeholders to contribute to improving the regulatory accounts over time, we believe that it is necessary to also release the RAS Methodology to understand some cost allocations and contribute to enhancing the RAS methodology over time. This is the case in the UK and Ireland and the increased transparency has been beneficial to the market.

PART III New RAS Order – DRAFT for consultation

Applicability of the New RAS Order

26. The RAS Order is designed to address specific problems arising out of Ooredoo dominance. This is an Ooredoo specific Order, hence Vodafone Qatar submits that paragraph 5 "*if deemed necessary, the CRA may extend these requirements to other DSPs*" should be removed. In the event that the CRA were to deemed necessary to impose an obligation to prepare regulatory accounts on Vodafone Qatar following a market review, it will be necessary, as per the ARF, for the CRA to consult on the details applicable to Vodafone Qatar.

Cost base and cost standard

27. We note with concern the points made by the CRA at paragraph 65 concerning capital costs (depreciation and cost of capital) related to assets acquired for free and kindly request the CRA to provide clarification regarding the current position.
28. As we have explained at length in our submission on the 2017 Wholesale Charges Proceeding, assets, such as duct, should not be valued on a CCA basis as they are non-replicable.

Section 3.9.5 Revenue Allocation

29. Please refer to our response above at paragraph 8 above.

Section 3.10 Transfer charges

30. We disagree with the proposal of the CRA which runs counter the principle of non-discrimination. See our response above at paragraph 13 above.

Section 3.12 Working Capital

31. We agree that working capital level should be kept within a reasonable level and that it is important that there is no double return realised, i.e. via the WACC and on interest bearing accounts.



Section 3.13 Costs specific to Retail Markets

32. We agree that the CRA should be empowered to amend allocation bases. More generally, the CRA should be empowered to make modifications to the Methodology Document.

Section 3.14 Costs Specific to Wholesale Markets

33. Please see our comments above at paragraph 9.

Section 4 Deliverables required on an annual basis

34. The description of the CRA appears reasonable and we agree with the statement made at paragraph 116 according to which the CRA is entitled to require Ooredoo to implement changes to its Methodology. We urge the CRA to pay specific attention to the accuracy and reliability of operational data such as volume, size and number of ducts, fibre etc in so far as it drives the reliability of the regulatory accounts.
35. We also recommend to minimise, if not eliminate, the unnecessary overlap of documentation required under "Section 4.2 Description of the RAS" and "Section 4.3 Electronic Cost Model".
36. This being said, in our view the current process and steps lack clarity notably in terms of the role of the CRA, our recommendation would be to adopt the following approach:
1. Preparation of the Methodology Document by Ooredoo – with track change version compared to the previous year to facilitate review;
 2. Review and approval of the Methodology Document, subject to amendment by the CRA;
 3. Preparation of the regulatory accounts and update of the Model in accordance with the previous step;
 4. Audit;
 5. Submission of the audited Regulatory Accounts and Model to the CRA; and
 6. Closure by the CRA which may direct further changes to be implemented the next year.
37. We would also like more clarify regarding allocation bases and conversion factors that may be decided as part of the RAS process but which then set a precedent for the industry.

Section 5 Performance Bonds

38. Performance bonds may be fully justified to address material non-compliance, including unreasonable delays.

Section 6 - RAS Publication

39. There seems to be some inconsistency between the content of this section and Section 7 on Part II. Our view is that a summary P&L by market should be published. See our response paragraph 25.



Section 7 Timeframe for implementing the RAS

40. We understand that at present it takes about 18 months from the publication of financial statements to the closing of the annual RAS, i.e. it takes Ooredoo and the CRA double the allocated time to complete the annual RAS. As a consequence of the considerable delays, the CRA has to rely on outdated data in its proceedings. This is unsatisfactory and our recommendation is for the CRA to proposed pragmatic and implementable changes to the RAS so that an accelerated timeline is achievable with 9 months being an absolute maximum.
41. We also refer the CRA to our comments above at paragraphs 36 on the process and deliverables.

- END -

Regulatory Accounting System (RAS) Order 2019+

CRARAC 2018/10/xxx

xxx, 2018

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1 Introduction

1. Ooredoo Q.P.S.C. has been designated as a Dominant Service Provider (“**DSP**”) in various retail and wholesale markets in the telecommunications sector in Qatar (ref. Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016, “**MDDD 2016**”).
2. Amongst others, the MDDD 2016 has imposed on Ooredoo obligations on Accounting Separation (“**AS**”) and Cost Accounting (“**CA**”) on all Relevant Markets. These obligations are essential to monitor Ooredoo’s compliance with other obligations such as the cost orientation of tariffs, not engaging in cross-subsidization, or discrimination, etc.
3. This Regulatory Accounting System (“**RAS**”) Order (“**RAS Order**”) sets the requirement for the RAS that Ooredoo must implement to fulfill its obligations with regards to AS and CA.
4. This RAS Order:
 - 4.1 Replaces the Order “Regulatory Accounting System (RAS) Orders for the financial years 2013+ to Qatar Telecom (Qtel) Q.S.C.” (ref. CRA 2014/05/25);
 - 4.2 Is applicable starting from the RAS for the Financial Year 2019.
5. If deemed necessary, the CRA may extend these requirements to other DSPs.
6. The CRA may, from time to time, issue clarifications or amendments to this RAS Order.

2 Legal Basis

The Telecommunications Law issued by Decree No. 34 of 2006 (“Telecommunications Law”).

7. Article 18 (8) of the Telecommunications Law states the rights, obligations and terms of interconnection and access which are available to each licensed service provider including the following:

(...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows (...):

 8. *any obligations or requests to a dominant service provider regarding interconnection and access as specified by the General Secretariat and which relate to its charges or calculation of costs or the requirements of accounting separation pursuant to the rules of article (24), (25) and (33) of this Law.*
8. Article 24 states that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The RAS process enables the identification of costs that allows CRA to ascertain that a DSP is adhering to such requirements.
9. Article 25 provides that the RAS itself is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.
10. Article 29 requires that the tariffs for telecommunications services provided by DSPs must be based on the cost of efficient service provision and the tariffs must not contain

any excessive charges which result from the dominant position that the service provider enjoys.

11. Article 32 enables the CRA to require a cost study to be carried out as part of the RAS.
12. Article 33 states:

If the CRA finds that some of the accounting practices or accounting separation between different categories of activities and services are effective and necessary means for preventing anticompetitive conduct, or for regulating tariffs and prices, it may require from any dominant service provider to adopt such practices or any other accounting practices to determine the cost of its services, including the preparation of cost studies on each category of its activities or services or carrying out accounting separation between the different categories.

13. Article 62 enables the CRA to obtain from a service provider the information it needs to exercise its regulatory powers, including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Telecommunications Law.

Provisions of the Executive By-Law of 2009 for the Telecommunications Law (“By-Law”) that support the RAS requirements

14. Article 49(1) requires DSPs to meet any requirements relating to interconnection or access charges.
15. Article 50(1) requires DSPs to take directions from the CRA to implement specific charges or change such charges as determined by the CRA.
16. Article 50(2) requires a DSP’s access charges to be cost-based and in accordance with rules or standards determined by the CRA.
17. Article 50(3) requires a DSP to comply with any orders applicable to any pricing, costing and cost separation requirements as prescribed by the CRA.
18. Article 59 says that if the CRA requires a DSP to prepare or participate in the development of a cost study, the DSP shall comply. Such a cost study involves the CRA deciding on cost categories, form, approach, procedures and timing for the cost study and its implementation. The DSP can then be required to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose, including the separation of accounts.

Provisions in Ooredoo’s Individual Licenses (ref. License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B).

19. Under clauses 4 and 14(1), Ooredoo is required to comply with the terms and conditions of the licenses and the ARF.
20. Clause 14(2) requires Ooredoo to take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by the CRA. The development of, and the adoption of the RAS into its processes, are part of this process.

21. Clause 11 places specific obligations on Ooredoo to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the ARF. The RAS exercise is part of enabling the Licensee to fulfill this license requirement.
22. Clause 2(1) of Annexure F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Such costs, and prices based on costs, will become apparent during the RAS process and will enable the Licensee and any requesting licensee to enter into agreements based on efficient cost-based pricing and reduce the instance of disputes over this.
23. Clause 1(1) of Annexure I of the Licenses clearly states that when a DSP is ordered by the CRA to prepare or otherwise participate in a cost study, it will comply.
24. Clause 1(3) and 1(4) of Annexure I orders and directs Ooredoo to adopt and implement accounting procedures and accounting separation requirements as set by the CRA.
25. Clause 29 of the Licenses states that Ooredoo may be required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation. In addition, Clause 29(2) explains that to guarantee the performance of a Secured Obligation, Ooredoo shall provide to CRA a Performance Bond in accordance with Annexure K of the licenses.¹ The Clause specifies that Performance Bonds shall be issued or endorsed by a bank operating in the State of Qatar and shall be in the amount specified by the CRA.
26. Annexure A of the Licenses defines “Performance Bond” as a bank guarantee or other form of surety approved by CRA in accordance with the requirements of Annexure K of the license. The Annexure defines “Secured Obligation” as any obligation that is expressly designated by the license or the ARF as requiring the lodging of Performance Bond or other surety approved by CRA to guarantee performance of the obligation.
27. Annexure K of the licenses addresses the procedures governing the requirement, provision, and enforcement of Performance Bonds. Sub-clause 1.1 states that where CRA determines that a surety is necessary to guarantee the performance of a material obligation by the Licensee, CRA may issue a written order to provide a Performance Bond. The sub-clause also states that the value of the bond shall be specified by CRA. Clauses 1(3) and 1(4) of Annexure K recognize that CRA has the authority to determine that a Performance Bond must be paid, that a Performance Bond should be released, or that the term of a Performance Bond should be extended.

Provisions from the Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016 (“MDDD 2016”).

28. Section 6.1 and 6.2 of the MDDD 2016 made Ooredoo subject to the obligations on Accounting Separation and Cost Accounting.

¹ CRA notes that while there are slight variations in sub-clause 29.2 wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. Because the combined effect of the other provisions of Clause 29, Annexure A, and Annexure K make clear that CRA has authority to create additional Secured Obligations which will be governed by the provisions of Annexure K, these differences in wording are immaterial to any Secured Obligations created for these RAS Instructions in any concurrent Orders.

3 The Regulatory Accounting System

3.1 Objectives of the Regulatory Accounting System

29. The main objectives of the RAS are to:
 - 29.1 Verify adherence to the obligations of transparency, non-discrimination, and cost-based pricing;
 - 29.2 Facilitate the understanding of costs and revenues at the required level of detail;
 - 29.3 Identify and prevent potential abuses of dominance or other anti-competitive practices including anti-competitive cross subsidies, margin squeeze, and predatory pricing by a licensee.
30. The RAS is thus not an end in itself. The RAS is rather an instrument to support CRA's regulatory activities.
31. As the RAS provides inputs to a wide range of diverse evaluations and decisions, it must be flexible and it must provide enough detail to support a wide range of regulatory analysis.

3.2 Accounting Principles

32. According to the ARF, and to international best practice, regulatory financial information must comply with the following principles:
 - 32.1 **Reliability**

The RAS must be free from errors or omissions;
 - 32.2 **Objectivity**

The RAS must present a fair view of the business, based on objective evidence as far as possible, and not contain any systematic biases.
 - 32.3 **Causality**

Costs (and revenues, assets and liabilities) must be attributed to Individual Products, Product groups and Relevant Markets (or sub-markets) in accordance with the activities which cause the costs to be incurred, the revenues to be earned, assets to be acquired or liabilities to be incurred. Derogations are allowed for business sustaining costs (ref. section 3.7). Other derogations shall be explicitly approved by the CRA;
 - 32.4 **Transparency**

The approach and processes used to prepare the RAS must be clear. That is, an informed user of the RAS should be able to follow the steps taken to prepare the RAS;
 - 32.5 **Materiality**

A more rigorous approach to allocate costs, assets and revenues must be used for those Products or Cost Centers that are more material;
 - 32.6 **Consistency**

The RAS, both as a whole and from one period to another, must use, as far as possible, consistent assumptions and data such that the outcomes of the RAS are comparable across time periods; and
 - 32.7 **Compliance with statutory accounting standards**

Except for those areas where the CRA specifies otherwise, the RAS must be

consistent with the accounting standards used in Ooredoo's Statutory Financial Accounts.

3.3 Elements of the RAS

33. The RAS shall include, inter alia, the following elements:

33.1 The RAS Methodology

The RAS Methodology shall describe the approach used to prepare the Separated Accounts. This document must be sufficiently clear and detailed to allow (i) the CRA to approve the RAS Methodology (ii) to enable the independent auditor of the RAS to audit the Separated Accounts (ref. 33.3). The RAS Methodology must be developed prior to the Electronic Cost Model (ref. 33.2, "ECM") and Separated Accounts ("SA") are fully implemented. The CRA requires that the RAS Methodology document and related details are supplied to the CRA for discussion, review and approval before the RAS is fully implemented (ref. section 7).

33.2 The Electronic Cost Model

The Electronic Cost Model is the (electronic) system used to process, attribute and allocate the costs and revenues. This shall include operating and user guides – these are the technical guides to the IT system. The electronic cost model also includes all supplementary calculations and models that are used to derive the driver and other data that are used within the ECM but may be calculated or defined externally to the model.

33.3 Separated Accounts

The Separated Accounts are the detailed accounting statements (also called reports) that Ooredoo must prepare, audit and deliver to the CRA. These are defined fully in Annex IV. The key reports are, inter alia, as follows:

- (a) Profit and Loss statements;
- (b) Statement of mean capital employed;
- (c) Statement of network costs;
- (d) Statement of Costs Specific to the Market;
- (e) Statements of the Transfer Charges;
- (f) Reconciliations with the Statutory Financial Accounts.

33.4 Audit Report

This must be prepared by an independent auditor to testify that the RAS is compliant with the applicable Orders and regulations (ref. section 4.5). As part of this process, Ooredoo's Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter (ref. section 4.5).

34. The detailed minimum requirements in relation to each of the above elements of the RAS are set out in section 4.

3.4 Extent of the RAS

35. The RAS will cover the full extent of Ooredoo's domestic operations. International (overseas) subsidiaries or Ooredoo group structures shall be included only if they

materially impact domestic operations. International operations shall be included only to enable clear reconciliation with the company Statutory Financial Accounts.

36. The RAS is based on the Relevant Markets. Relevant Markets are currently those markets defined by the CRA within the MDDD 2016.
37. For the avoidance of doubt, the Wholesale Relevant Markets include both services for (i) Ooredoo's internal consumption (i.e. by Ooredoo's retail arms) and (ii) services for OLOs.
38. The following table shows the minimum level of separation at Relevant Market and submarket level as currently required:

Relevant Market – Retail
M1 - Retail national fixed voice and broadband services. <ul style="list-style-type: none"> • M1a - Retail fixed access services • M1b - Retail national fixed call services • M1c - Retail fixed broadband services
M2 - Retail international outgoing call services <ul style="list-style-type: none"> • M2a - Retail international outgoing call services at a fixed location – Residential customers • M2b - Retail international outgoing call services at a fixed location – Business customers • M2c - Retail international outgoing call services from a mobile device – Residential customers • M2d - Retail international outgoing call services from a mobile device – Business customers
M3 – Retail national leased lines services
M4 – Retail international leased lines services
M5 – Retail national mobile voice and broadband services <ul style="list-style-type: none"> • M5a – Retail national mobile voice and broadband services – Residential customers • M5b – Retail national mobile voice and broadband services – Business customers
Relevant Market – Wholesale
M6 - Wholesale call origination on public telecommunications networks at a fixed location
M7 - Wholesale termination on individual telecommunications networks at a fixed location
M8 - Wholesale physical access to network infrastructure <ul style="list-style-type: none"> • M8a - Physical access to SPs' mobile sites, masts, towers, including relevant ancillary facilities/services and colocation space • M8b - Physical access to SPs' dark fiber and copper, including relevant ancillary facilities/services and colocation space • M8c - Physical access to SPs' ducts, including relevant ancillary facilities/services and colocation space • M8d - Functional access to international gateway facilities required to gain international connectivity (including, but not limited to, physical access to the facilities, colocation space, cross-connects and other relevant ancillary facilities and/or services)
M9 - Wholesale broadband access at a fixed location
M10 - National trunk segment of (national and international) wholesale leased lines services
M11 - Terminating segment of (national and international) wholesale leased lines services
M12 - International transit segment of international wholesale leased lines services
M13 - Wholesale access and origination on public mobile networks
M14 - Wholesale termination on individual mobile networks
RAS Specific Markets
M90 – Other Retail Products <ul style="list-style-type: none"> • TV • Data Center • Handsets • Etc.
M95 – Wholesale Mobile Broadband
M100 – Other Wholesale Products <ul style="list-style-type: none"> • Hubbing • Etc.
M200 – Other services <ul style="list-style-type: none"> • Financial Activities • Etc.
Mxxx – Other RAS-specific special markets as per the methodology approved by the CRA

Figure 1 The extent of the RAS

- 39. Additional “RAS Specific Markets” may be introduced to accommodate certain Product costs that do not map to the existing Relevant Markets definitions.
- 40. The list of the individual Products to be reported and their attribution to the Relevant or Specific Markets will be defined yearly by the CRA upon the proposal provided by Ooredoo.

3.5 Cost Base

- 41. The CRA requires the preparation of the RAS according to the Cost Base Historic Cost Accounting (“HCA”) with an initial cost efficiency assumption of Cost of Efficient Provision (“CESP”).
- 42. At a later date, another cost base such as Current Cost Accounting (“CCA”), or a further development of CESP, may be required if the regulatory needs arises.
- 43. The Statutory Financial Accounts of Ooredoo, as prepared in accordance with international financial reporting standards and audited by an independent auditor, are the basis for the HCA to be used for the RAS. Therefore, it is both possible and necessary for Ooredoo to reconcile its RAS with its audited annual Statutory Financial Accounts.
- 44. The CRA requires that the capital costs (depreciation and cost of capital) related to assets acquired “for free” shall be attributed to the Other Services (ref. Figure 1). That Ooredoo has followed this approach needs to be verified by the auditor explicitly and separately (ref. section 4.5 Audit Report). If this is not be attested by the auditor, the CRA will either exclude these capital costs from the cost of both Retail and Wholesale Products or only allow up to 20% to be attributed to them (with the residual part attributed to the Other Services).

3.6 Cost Standard

- 45. The CRA requires the preparation of the RAS according to the cost standard Fully Allocated Costs (“FAC”). FAC allocates all relevant costs and revenues incurred by Ooredoo to its Products.
- 46. At a later date, another cost standard as e.g. incremental cost may be required if the regulatory needs arise.

3.7 Cost Types

- 47. The following table defines the cost types which must be reported, where required, in the Separated Accounts.

Cost Type	Characteristic
Primary operating costs	This cost type captures costs that relate directly to operating the network or delivering the services
Support operating costs	This cost type defines costs that assist the main teams to carry out their functions or assist with the operations of supporting assets that in turn help the primary assets deliver the network services. An example of support operating costs might be the IT Department which assists the Teams carrying primary operating tasks.
Depreciation	This cost type includes the annual depreciation of the assets related to the Primary and Support operating costs
Other expenses (net of other income)	This cost type covers a few items that can be directly identified to supporting assets or supporting activities.

Cost Type	Characteristic
Capital Employed and Cost of Capital	The capital employed refers to the mean capital employed in the year. This is in two parts: non-current assets and net working capital (i.e. current assets minus current liabilities). The cost of capital is the Capital Employed times the regulatory Cost of Capital, specified by CRA (also commonly termed WACC – weighted average cost of capital).
Outpayments	Outpayments relate to wholesale Products, which the Reporting Licensee purchases from other service providers. This is normally zero for most services. Outpayments shall be attributed to the Retail Products where appropriate.
Business Sustaining Costs	The Business Sustaining costs include cost supporting the whole business but not specifically a Product or service. These costs shall be attributed to the Wholesale and Retail Products but not to other Cost Centers or assets based on cost previously attributed to the Products. These include among others ² : <ul style="list-style-type: none"> • Annual audit costs • Business and Finance Department costs • Strategy Department costs • Cost for producing the RAS • Employee costs, consultancy costs, associated costs, and all other associated ancillary costs relating to: Board; COO's office; and CEO's office. These form 'support and business sustaining departments' • License fee costs where the license covers all telecoms markets.

3.8 Cost and Revenue Allocation

3.8.1 Allocation Principles

48. Under the FAC standard, all costs and revenues are allocated to the Products. The guiding principles of cost allocation according to international best practice and required by the CRA are:

48.1 Causality

Costs, capital employed or revenues are allocated to the Products that "cause" them to arise. This requires the implementation of appropriate allocation methodologies³. The Activity Based Costing ("ABC") method shall be used where possible.

48.2 Objectivity

This supports the causality principle, requiring allocations to reflect causality using an objective (e.g. determined in an unbiased manner) driver⁴.

48.3 One time allocation

There must be no double counting or undocumented exclusion of cost, capital employed or revenue items. This is demonstrated by reconciling the Separated Accounts to the Statutory Financial Accounts.

48.4 Transparency

The descriptions of the allocation methods must provide sufficient information such that a suitably informed reader can easily gain a clear understanding of

² The complete list will be included in the RAS Methodology and approved by the CRA

³ Documented Network Models and Activity Based Costing (ABC) data, to ensure robust cost-causal allocations, have to be delivered to the CRA

⁴ Drivers based on auditable data recorded in the company systems are preferred

the structure of the RAS, the methodologies used in the derivation of the RAS and the drivers applied. The RAS has to include all the relevant material, so that the results can be fully analyzed by the CRA and the auditor.

48.5 **Consistency of treatment**

The structures, methodologies and drivers must be consistent from one period to the next. Deviations from a chosen structure, methodology or driver need to be documented and justified.

3.8.2 **Cost Centers Required**

49. At least the following Cost Centers must be included in the RAS:

- 49.1 Marketing;
- 49.2 Sales;
- 49.3 Advertising;
- 49.4 Customer Care;
- 49.5 Repair and maintenance;
- 49.6 Finance and billing;
- 49.7 Installation/provisioning;
- 49.8 General support (e.g. accommodations/buildings, energy, etc.);
- 49.9 General management (ref. to section 3.7 and 3.8.4 i.e. these are the Cost Centers including the business sustaining costs);
- 49.10 Information Technology;
- 49.11 Transport.

Others Costs Centers may be added according to Ooredoo's own organizational charts and as per regulatory needs. The final list of Costs Centers will be included in the RAS Methodology.

50. Cost must be attributed consistent with robust ABC principles, the exception being for the business sustaining cost (ref. section 3.7 above).

3.8.3 **Cost Allocation Hierarchy**

51. The RAS shall be based on a hierarchy of cost and revenue allocations. An illustrative cost allocation hierarchy is shown in the figure below.

⁵ The complete list will be included in the RAS Methodology and approved by the CRA

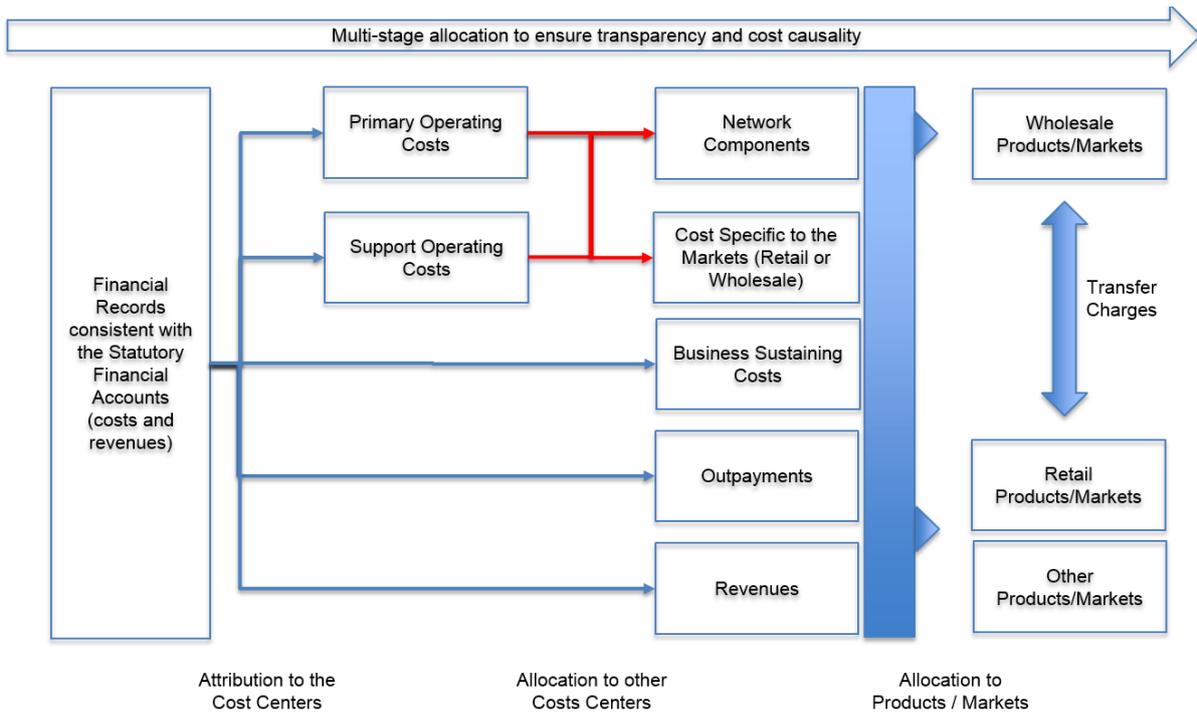


Figure 2 Cost Allocation Hierarchy – minimum requirements (illustrative)

52. This hierarchy reflects the primary flows of the minimum expected cost allocation stages. The final structure shall be defined and included in the RAS Methodology.
53. At the initial stage, the financial records must be attributed to Cost Centers (or Cost Pools), homogenous in terms of the relevant cost driver. That is, multiple Cost Types in the center shall still have the same driver. Those Cost Centers are then allocated to other Costs Centers, split by Network Components or Costs Specific to the Markets, through the hierarchy of allocation stages. At the latest stage, (i) the Cost Centers are finally attributed to the Products / Markets and (ii) Transfer Charges are implemented.
54. There should be no pre-allocation of costs outside of RAS. For example, if the fixed asset register only records duct in a single code, the accounting entries in relation to duct should not be split between core duct, access duct and shared duct prior to entering the cost model input layer.

3.8.4 Cost Center Categories

55. Cost Centers can cover a number of different categories and can be grouped in Cost Pools.
56. The following table defines these Cost Center Categories and describes how costs in each Cost Center Category should be allocated within the RAS:

Cost Category	Center	Characteristic	Allocation Method
Direct Cost		This cost can be directly attributed to Products. E.g. a SMSC is allocated to SMS services	Direct
Joint Cost		These costs occur where an input produces two or more separable outputs in fixed proportions irrespective of volume and cost causality exists.	Routing Factors

Cost Center Category	Characteristic	Allocation Method
Common Cost	Certain types of indirectly attributable costs are "common" to a number of activities. The cost of these inputs are necessary to produce one or more services, which cannot be directly assigned to specific services.	Cost causal allocations such as ABC or suitable proxies, where ABC is not possible. All such costs must be identified in the RAS methodology. CRA will make specific directions where required on how these are to be treated ⁶
Supporting operating costs	This cost relates to supporting services and items that are indirectly related to the network and services. The cost is similar to a joint cost as it supports several outputs, but there are clear cost drivers and the output is usually a direct operational Cost Center. Example: IT support supplies activities that support the network teams and other operational staff – a robust cost driver therefore exists	Cost causal basis, such as Activity Based Costing or proxy allocations that have a close to cost-causal basis, to direct-cost elements
Primary Operating costs	This cost relates directly to the Production of services or the operation of network components. Example: network operational staff or sales staff. This is a type of direct cost, but does not have the one to one link to Products as the SMSC example. Network operational costs could allocate to several network components and the retail costs (sales staff) might allocate to several Products	Cost causal basis such as Activity Based Costing
Business sustaining costs	These are costs that are common to the entire Qatari business and do not have a strong cost driver. For example, annual audit fees or Board costs have limited information in which to define a strong cost causal allocation. These are defined in section 3.7. Business sustaining costs are a special type of common cost where the cost is relevant to the entire business.	Mark-up – the cost are allocated in proportion to the costs (operational plus depreciation, excluding cost of capital and outpayments) that are already allocated using other cost allocation methods.

Figure 3 Cost Center Categories and Allocation Method

3.8.5 Revenue Allocation

57. Where possible, revenues shall be directly attributed to the relevant individual Products.

If this is not possible, and where a bundle's revenues are common to more than one individual Product, Ooredoo shall fully disclose the method and the driver used to allocate the revenues to the individual Products.

3.9 Transfer Charges

58. Transfer Charges, based on cost⁷, must be clearly identified in sufficient detail to allow the CRA to assess the absence of discrimination (e.g. between Ooredoo's own retail units and other SPs).

⁶ For example, access fibre or copper are common costs for several access services. CRA has specified that the costs should be split 50:50 if there are two services or 33:33:33 if there are three services using the elements

⁷ For the avoidance of doubt, this includes full cost - operating cost including depreciation plus cost of capital

- 59. The Transfer Charging System will ensure that the transfer charges can be clearly identified and reconciled between Wholesale / Other Specific Markets and Retail Markets. For the avoidance of doubt, the CRA does not expect Retail to Retail Market transfers or Retail to Wholesale transfers.
- 60. The figure below shows the reporting principle (ref. 4.4 and Annex IV). The final reporting will be included in the RAS Methodology.

Summary of the Transfer Charges																										
for the year ended 31 December 20xx																										
Transfer to	M1a	M1b	M1c	M2a	M2b	M2c	M2d	M3	M4	M5a	M5b	M6	M7	M8a	M8b	M8c	M8d	M9	M10	M11	M12	M13	M14	Mobi le BB	Other	
Transfer from	QAR	QAR																								
M1a	■																									
M1b		■																								
M1c			■																							
M2a				■																						
M2b					■																					
M2c						■																				
M2d							■																			
M3								■																		
M4									■																	
M5a										■																
M5b											■															
M6			X		X	X																				
M7			X																							
M8a																								X	X	X
M8b	X	X	X																X	X	X	X	X	X	X	X
M8c	X	X	X																X	X	X	X	X	X	X	X
M8d				X	X	X	X		X																	
M9			X																							
M10								X	X			X	X						X			X	X	X	X	X
M11								X	X														X	X	X	X
M12																										
M13					X	X				X	X															
M14		X									X	X														
Mobile Broadband											X	X														
Other																										

Figure 4 Transfer Charge reporting (illustrative)

3.10 Cost of Capital

- 61. In line with international best practice, a Cost of Capital (“CC”) value, subject to a specific separate proceeding, is specified by CRA to be included in the RAS.
- 62. The CC shall be included in the Separated Accounts as a discrete item that can be separated from the operational costs (ref Annex IV).

3.11 Working Capital

- 63. The Working Capital (“WC”) includes cash and other short term assets and liabilities.
- 64. The WC capital must be kept at a reasonable level. The actual net WC value is subject to an upper limit of one month or 8.3% of the total average operating costs.
- 65. Operating costs include salaries and other operating expenses, but exclude depreciation and outpayments to other operators.
- 66. WC levels above this should be allocated to Other services (ref. Figure 1 The extent of the RAS).

3.12 Costs Specific to Retail Markets

67. Costs Specific to Retail Markets (“**CSRM**”) are costs incurred to sell and advertise retail Products, associated billing, etc.⁸
68. For the avoidance of doubt, causal cost drivers should be used rather than proxy drivers and mark-ups.

3.13 Costs Specific to Wholesale Markets

69. Costs Specific to Wholesale Markets (“**CSWM**”) are costs incurred to sell the wholesale Products, associated billing, etc.⁹
70. The CRA notes that such wholesale costs are typically small (as there are few customers, and no marketing and no sales effort is required).
71. Most of these costs should be directly allocated to Products and services based on solid cost allocation (ABC) principles.
For the avoidance of doubt, costs incurred to produce services for other SPs (e.g. cost for the provisioning requests, cost of the supervision of the SPs, etc.) are network costs but not CSWM.

4 Deliverables Required on an Annual Basis

4.1 Summary of the Deliverables

72. The CRA requires the RAS to be delivered annually.
If necessary the CRA may issue specific clarifications and further adjustments in order to enhance these Orders. CRA does not expect that such details would alter the RAS Orders significantly and so should not require additional consultations or the CRA to issue this Order. Rather, this might include new Products, Product groupings or altered cost-types that Ooredoo must report on.
73. Ooredoo must provide, annually, the following deliverables:
 - 73.1 The RAS Methodology (and supporting documents);
 - 73.2 The Electronic Cost Model;
 - 73.3 The Separated Accounts;
 - 73.4 The Audit Report, with the Representation Letter.

4.2 RAS Methodology

74. The RAS Methodology shall include, inter alia:
 - 74.1 Accounting Policies (ref. Annex I Definitions and Acronyms), including asset lives;
 - 74.2 Cost Base and Cost Standard (ref. section 3.5 and 3.6);
 - 74.3 List of Products with their definitions and attribution to the Markets, along with - when applicable - the Number of the Tariff, and as used in the SP’s Tariff

⁸ The cost to produce the Products (network costs) are included in the Transfer Charges.

⁹ The cost to produce the Products (network costs) are included in the Transfer Charges.

- reporting to the CRA. Unless obvious these should link to Retail and Wholesale Products definitions on Ooredoo's web site;
- 74.4 The definition of the Cost Types used in the RAS (ref. section 3.7);
 - 74.5 Description of all Cost Centers used in the RAS, including the processing of Cost Centers to aggregated Cost Pools for allocation in the RAS system;
 - 74.6 A list and description of all input cost elements derived from the Statutory Financial Accounts. This shall be grouped by asset categories, specific accounts, and special account/Cost Center/accounting code combinations;
 - 74.7 The Organizational Chart of Ooredoo, linked to the Cost Centers of the RAS when applicable;
 - 74.8 Cost allocation hierarchy including a description for each allocation step in the cost allocation hierarchy;
 - 74.9 Attribution and Allocation Methods detailing the drivers used; this includes also the route matrix table which shall also be described fully in the RAS Methodology;
 - 74.10 Network Structures and diagrams to link components to the Products that use them - comprehensive details and descriptions of its networks (e.g. fixed, mobile and data), supported by up to date network diagrams, including - when required - network nodes and their locations, to enable an informed user to understand how each Product uses the network and hence drives the network costs;
 - 74.11 Efficiency adjustments (if reporting on a CESP basis or if some CESP techniques are included within the Cost Base);
 - 74.12 The approach developed for the internal Transfer Charges (ref. section 3.9);
 - 74.13 An overview of any material changes compared to the previous year and justification for changing the approach. Amongst others, Ooredoo shall disclose changes to the list of Products, changes to Cost Centers and changes to drivers;
 - 74.14 The list of the SAs.
75. Information on Products, Cost Centers, drivers, route matrix table, etc. shall also be available in Excel format.

4.3 Electronic Cost Model

4.3.1 The Electronic Cost Model itself

- 76. Ooredoo will provide to the CRA on an annual basis:
 - 76.1 The ECM itself in electronic form;
 - 76.2 A comprehensive description of the ECM, its capabilities and limitations;
 - 76.3 A user guide on how the ECM is used, operates and how it can be analyzed.
- 77. Ooredoo must also provide training to enable CRA to use the electronic costing system.
- 78. If the ECM requires licenses or specific (e.g. IT) infrastructure to enable the CRA to use it, then Ooredoo is obliged to supply such licenses or infrastructure free of charge to the CRA.

4.3.2 Model inputs and parameters

- 79. Ooredoo will provide to the CRA on an annual basis the key input values and parameters that are used in the ECM.

80. When required by the CRA, Ooredoo shall also deliver all of the input and calculations performed to build the drivers, including the source of the input and date (covering the period which the data relates to).
81. If sampling and statistical methods are used, Ooredoo should include details of:
 - 81.1 The sample per se;
 - 81.2 Detailed statement of the statistical sampling techniques used or which generally accepted statistical techniques the sample was based on;
 - 81.3 Justification why the sample is statistically significant and objective.

4.4 Separated Accounts

82. Annex IV describes the expectations and level of detail that should be produced.
83. The CRA will define the final format during the development of RAS in coordination with Ooredoo, and this will be reviewed and updated annually.

4.5 Audit Report

84. The SAs should be audited to the level of Properly Prepared in Accordance with (“**PPIA**”) audit standard.
85. The auditor must be an international tier one company with relevant experience and reputation.
86. The auditor should be chosen and paid for by Ooredoo based upon his independence, resource availability and experience in such a way as to ensure the audit is completed to a high-level of quality.
87. The auditor must prepare and sign an Audit Report including, inter alia but not limited to, the following:
 - 87.1 The work done by the auditor;
 - 87.2 Whether the auditor has obtained all information and explanations that he or she has required;
 - 87.3 Whether, in the auditor’s opinion, as far as appears from an examination of them, proper accounting records have been kept by the Ooredoo so as to enable the complete and accurate compilation of required information;
 - 87.4 Whether, in the auditor’s opinion, the SA are prepared, in all material respects, in accordance with:
 - (a) This RAS Orders;
 - (b) The RAS Methodology;
 - (c) The CRA Orders issued during the implementation of the RAS;
 - (d) Any other Orders issued by the CRA containing requirements for the RAS.
 - 87.5 A statement of Accounting Policies used in the preparation of the SAs;
 - 87.6 The full description of the verification methodology followed; in addition to this the auditor will also separately deliver to the CRA a document including the audit procedures;
 - 87.7 A statement about the methodologies used regarding capitalization, valuation, amortization and allocation;

- 87.8 A statement attesting that capital cost (depreciation and cost of capital) related to the assets acquired “for free” have not been attributed to the Relevant Wholesale or Retail Markets;
- 87.9 All identified irregularities and any matters of emphasis;
- 87.10 Any other comments and remarks; and
- 87.11 The conclusions of the auditor.
- 88. As part of this process, Ooredoo’s Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter, attesting to the auditors that the accounts have been prepared in accordance with the principles defined by CRA for the RAS.
- 89. The auditor must make available to the CRA a version of statement of compliance for publication on CRA’s website (ref. section 6).

5 Performance Bonds

- 90. The CRA reserves the right to impose a requirement for Ooredoo to supply it with performance bonds to ensure satisfactory delivery of the RAS to the required quality standard and to the required timeframe. This may be enforced depending on the circumstances and the responsiveness of Ooredoo to complying with these Orders.
- 91. The details and justifications of the Performance Bonds are defined in Annex III.

6 Publication of the Regulatory Accounting System

- 92. The CRA requires that the following aspects of the RAS should be published, thus increasing transparency within the market whilst recognizing the reasonable confidentiality of some aspects of the RAS:
 - 92.1 The audit opinion with the statement of compliance (ref. section **Error! Reference source not found.**);
 - 92.2 The RAS acceptance (or refusal) statement issued by the CRA (i.e. the CRA Order closing the implementation of the RAS for the year in question) including any comments and qualifications.

7 Timeframe for Implementing the RAS

- 93. The RAS Final Deliverables must be submitted for each financial year within 6 months of the end of the financial year. For the avoidance of doubt, this includes all deliverables listed in section 4 above.
- 94.
- 95. The detailed timelines for the implementation of the RAS will be agreed with Ooredoo at the beginning of each financial year. The following shows the relevant steps that must be performed.

Timeline	Content
One month before the end of each financial year	Start-up meeting with CRA (inter alia, to define the detailed timeline for implementing the RAS and to discuss the amendments to be made according to the comments and qualifications eventually included in the Order closing the RAS of the previous financial year).

Timeline	Content
Within two (2) months after the financial year end: First Submission	The First Submission must include: <ul style="list-style-type: none"> • The pro-forma of the Audit Report, along with the audit procedures (ref. Section Error! Reference source not found.); • The pro-forma of Representation Letter and audit report wording (ref. Section Error! Reference source not found.); • The draft RAS Methodology (ref. Section 4.2), including amongst others: <ul style="list-style-type: none"> • Product lists, network components with units, SA pro forma reports; • Detailed description of the ABC methods and structures to be employed to include interim descriptions of the new ABC and activity collection program while it is being undertaken during the development of the RAS; • Route matrix table (logical structure); • Reports to be implemented (also internal reports); • Organization diagrams to support the ABC; • A document describing all changes from the previous version (i.e. new Products, new Cost Centers, new network components, changes in drivers, etc.).
Within 1 month of the first submission	The CRA to provide review comments (if any)
Within four (4) months of the financial year end: second submission	Ooredoo to provide for CRA review the preliminary results, model and documentation, to include: <ul style="list-style-type: none"> • Preliminary results (i.e. the SAs) (ref. section 4.4); • The electronic cost model (ref. section 4.3); • The RAS Methodology (ref. section 4.2).
Within one (1) month of the second submission	CRA to review and provide feedback on the preliminary SAs statements and other items
Within six (6) months of the financial year end: final submission	Ooredoo to provide all the final deliverables listed in Section 4: <ul style="list-style-type: none"> • Final results (i.e. the SAs) (ref. section 4.4); • The electronic cost model (ref. section 4.3); • The RAS Methodology (ref. section 4.2). This date defines the "Completion Deadline" for Performance Bond.
Within two (2) months of the final submission	The CRA to issue the Order for closing the review process and proceed with the publication

Figure 5 Timetable of annual RAS implementation

8 Monitoring, Compliance and Enforcement

96. Under Article 11 of the Telecommunications Law, the CRA is required to monitor the compliance of licensees in accordance with their licenses and the accompanying Law and By-Law.
97. Article 4 (14) of the Emiri Decision (42) of 2014, specifically mandates the CRA to monitor compliance of the Licensees with the regulatory frameworks and to take the necessary measures to ensure their compliance.
98. CRA will monitor the compliance of Ooredoo, inter alia, but not limited to against the following criteria:

- 98.1 That Ooredoo has implemented the RAS consistently with this Order and CRA's audit requirements;
 - 98.2 That Ooredoo has submitted all the information required by this Order and CRA's additional requests;
 - 98.3 That Ooredoo has complied with the RAS Timeline included in this Order or with that defined by the CRA.
99. This monitoring will be carried out after submissions and will include checking of the quality of the deliverables submitted by Ooredoo.
100. Any judged non-compliance shall result in one or a combination of the following enforcement provisions, as stipulated under the Telecommunication Law¹⁰:
- 100.1 Invoking the provisions of chapter sixteen 16 of the Law, whereby the Licensee shall be subject to criminal prosecution as a form of punishment for non-compliance with the relevant provisions of the Law and its license; and
 - 100.2 Such non-compliance shall under Article 70¹¹ be punishable as an offence by a term of imprisonment not exceeding two (2) years and or a fine not exceeding one hundred thousand Riyals; or
 - 100.3 Under Article 71, the person responsible for the actual management of the corporate entity, shall be punished with the same penalties assigned to the acts that are committed in violation of the rules of this law, if it is proved that such person was aware of such acts or the breach of his or her duties rendered upon him or her by such management, had contributed to the offense.
 - 100.4 Under Article 72, In case of repeated offences, the penalty shall be doubled. A person shall be considered a repeat offender if he/she committed any of the offences specified in this Law within three years from the date of the fulfillment of the previous penalty.

Signed on October _____ 2018

Mohammed Ali Al-Mannai
President of the Communications Regulatory Authority

¹⁰ This is Without prejudice to any greater penalty provided for in any other law (ref. Art. 64 of the Law).

¹¹ Art. 70 states "Any person who violates any rules of Articles (18/ paragraphs 4,5,6,7,8), (22), (24), (28), (31), (34/ last paragraph), (38), (41), (43), (44), (45), (49/ last paragraph), (51), (52), (55), (59) and (62) of this Law, shall be punished with imprisonment for a period not exceeding two years and/or with a fine not exceeding one hundred thousand Riyals".

Annex I Definitions and Acronyms

ABC	Activity Based Costing
Accounting Policies	The specific principles and procedures implemented by a company to prepare its Statutory Financial Accounts. These include any methods, measurement systems and procedures for presenting disclosures
Accounting Separation	This is the separation of revenue and cost of the service providers into Relevant regulatory Markets, submarkets and Products as directed by the CRA
ARF	Applicable Regulatory Framework
Audit Report	The report prepared by an independent auditor on the compliance of the RAS with the applicable regulation
CCA	Current Cost Accounting
CESP	Cost of Efficient Service Provision
CSM	Costs Specific to the (Retail or Wholesale) Market - Retail/Wholesale Products' costs relating to customers of the market, and not to the network cost. It is akin to cost of sale, and is defined for the market and is also allocated to the Products within the market
Cost Accounting	Cost accounting is the process of recording, classifying, analyzing, summarizing, and allocating to Products revenues and costs associated with a process
Cost Base	The cost used to prepare the RAS. The CRA required the cost base to be based on Historic Cost Accounting (HCA) as defined below. An alternative Cost Base is the Current Cost Accounting (CCA), is defined below
Electronic Cost Model	The (electronic) system used to process and allocate the costs and revenues to the Products
Cost Pool	Aggregation of cost centers or accounts containing homogenous items
Cost Center	An element of the cost model related to a functional area within the operator used to group costs pertaining certain revenues, assets, cost, etc.
Cost Standard	Cost accounting methodology options which can be used to allocate costs to services (see also FAC below)
Cost Type	Which costs accrue (e.g. primary operating cost, depreciation, etc.)
CC	Cost of Capital
DSP	Dominant Service Provider
FAC	Fully Allocated Costs. According to this Cost Standard, all the costs are allocated and apportioned to the various Products or services provided
FDC	Fully Distributed Costs (usually the same as FAC)
HCA	Historic Cost Accounting. According to HCA, the values of assets are reported with the same value as per the statutory accounts and Fixed Assets Register record
MDDD 2016	Market Definition and Dominance Designation = Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016
PPIA	Properly Prepared in Accordance with the requirements of this Order and other requirements set by the CRA
Products	Products or services offered by the Service provider. For the RAS the terms "Product" and "service" have the same meaning
RAS	Regulatory Accounting System = Regulatory Cost Accounting System
Relevant Markets	Relevant telecommunications market or markets in terms of products and geographic scope as defined by the MDDD 2016. These can be Retail or Wholesale Markets
SA	Separated Accounts
Separated Accounts	The reports as defined in this Order
Service	See Product
Statutory Financial Accounts	They are a set of financial reports prepared at the end of each financial year, audited by an independent auditor
Tariffs	= price = charges; excludes License Fee and Industry Fee as defined in Annexure H of the Licenses
Transfer Charge	Transfer charges refer to the imputation of costs (and associated revenues) among Relevant Markets and Individual Services owing to self-provision of services. Transfer charges occur whenever the licensee self provides a service belonging to one offering (upstream) market in order to make possible the provision of another service(s) in a different receiving (downstream) market
WACC	Weighted Average Cost of Capital
WC	Working Capital

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Annex III Performance bonds

1. Pursuant to the relevant provisions of the ARF and Ooredoo's Licenses, and in the event that CRA determines that a surety may be necessary to guarantee Ooredoo's compliance with the material obligations created by these RAS Orders, this section describes the terms and conditions that would apply to the required Performance Bonds.
2. If CRA determines bonds are necessary, the CRA would issue specific Orders implementing these determinations and requiring Ooredoo to execute and provide to CRA Performance Bonds to guarantee fulfillment of its RAS obligations. Failure to comply with the Performance Bond obligations, as required under Ooredoo's licenses, would constitute material breach of a license condition, and could result in criminal, economic, or regulatory sanctions.¹²

Requirement of a surety to guarantee implementation of the RAS

3. The CRA hereby designates the fulfillment of Ooredoo's obligations under these RAS Orders a Secured Obligation, for which a Performance Bond may be required as a surety. Pursuant to the terms of Ooredoo's Licenses, to which Ooredoo fully consented by accepting the Licenses, Ooredoo is required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation.¹³ Although some specific Secured Obligations were set forth in Ooredoo's Mobile License, the provisions of that License and the Fixed License are not limited to those specified Secured Obligations and give CRA flexibility to create new Secured Obligations. According to Annexure A of the Licenses, a Secured Obligation is any obligation expressly designated by the Licenses or the ARF as requiring the lodging of a Performance Bond or other surety approved by CRA to guarantee performance of the obligation.¹⁴ As these RAS Orders, upon issuance, become a part of the ARF, Ooredoo has consented in its licenses to CRA's ability to designate Secured Obligations herein.
4. Where CRA determines that a surety is necessary to guarantee the performance of a material obligation by Ooredoo, CRA may require Ooredoo to execute and provide a Performance Bond to CRA pursuant to the provisions set forth in Annexure K of Ooredoo's licenses.¹⁵ Implementation of the RAS is a material obligation of Ooredoo.
5. As explained in detail in Section 3.1 of these RAS Orders, the RAS is a key component of CRA's monitoring and regulation of Ooredoo's activities as a DSP, and the protection of consumers from distorted competition, for example by anti-competitive cross-subsidies. Annexure I of Ooredoo's licenses requires it to comply with instructions from CRA regarding cost studies, independent auditing, adoption of accounting procedures, and accounting separations requirements. The information provided by the RAS will allow CRA to monitor Ooredoo's compliance with the provisions of Annexure F of its license governing the terms of interconnection or access agreements. Additionally, the

¹² See, e.g., Telecommunications Law of 2006, Articles (67), (70); Ooredoo I Fixed and Mobile Licenses, Sub-clause 17.2.

¹³ Ooredoo Fixed and Mobile Licenses, Clause 29.1.

¹⁴ Ooredoo Fixed and Mobile Licenses, Annexure A.

¹⁵ Ooredoo I Fixed and Mobile Licenses, Annexure K, Clause 1.1.

RAS will facilitate CRA's review of Ooredoo's tariff filings pursuant to Annexure D of its licenses and help it evaluate the cost bases for Ooredoo's retail charges.

6. One of the key objectives of the RAS is to calculate, trace and analyze costs in order to demonstrate compliance with a cost orientation and non-discrimination obligation for regulated services. Therefore the RAS is vital for establishing regulatory tools based on sound economic evidence. This will help to foster the development of a pro-competitive market place and hence benefit the Qatari people. The importance of the RAS justifies the designation of the RAS as a Secured Obligation.
7. These RAS Orders require from Ooredoo certain RAS deliverables on an ongoing annual basis. The full deliverables are included in this RAS Order and specifically in Section 4.
8. The components of the RAS, including amongst others, but not limited to the Description of the RAS, the Cost Model itself, the Separated Accounts (SA) and the Audit and Statement of Compliance as further detailed in Section 4 are essential components of the RAS. Because complete and satisfactory implementation of these obligations is required in order for the RAS to serve its many important purposes, CRA could determine that a surety is necessary to guarantee the performance of these material obligations.
9. Hence, CRA could designate the implementation of these RAS Orders, including the provision on an annual basis of all deliverables in this RAS Order and specifically in Section 4 in a complete form that is satisfactory to CRA, to be a Secured Obligation of Ooredoo. As detailed below, Ooredoo would be required to execute a separate surety in the form of a Performance Bond for each fiscal year covered by these RAS Instructions on an ongoing annual basis.

Form and Content of the Performance Bonds

10. The form and content of Performance Bonds are governed by Annexure K of Ooredoo's licenses.¹⁶ CRA has significant flexibility to set the conditions of and enforce Performance Bonds. CRA has discretion to specify the value of any required Performance Bond.¹⁷ CRA must approve in advance the issuing financial institution selected by Ooredoo.¹⁸ CRA has discretion to release the bond or demand payment of the bond based upon its determination of whether Ooredoo has complied with the requirements of the Secured Obligation,¹⁹ and it has authority to extend the term of the bond or if there is a dispute about Ooredoo's compliance.²⁰ Disputes over fulfillment of Ooredoo's obligation under a performance bond will be settled pursuant to Clause 2 of Annexure K of Ooredoo's licenses.
11. The Performance Bonds executed by Ooredoo to guarantee fulfillment of its Secured Obligations under these RAS Orders should be payable to CRA in the amount of

¹⁶ CRA notes that while there are slight variations in Annexure K wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. These differences do not affect the provisions of Annexure K relevant to other Secured Obligations, and therefore these differences in wording are immaterial to the Secured Obligations created by these RAS Instructions and the concurrent Orders.

¹⁷ See Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.1.

¹⁸ Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.2.

¹⁹ Ooredoo Fixed and Mobile Licenses, Annexure K, Clauses 1.3, 1.4, 1.7.

²⁰ Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.3.

10,000,000 QAR (ten million Qatari Rial) for each fiscal year covered by these RAS Orders on an ongoing annual basis.

12. The RAS establishes an approved, fundamental understanding of Ooredoo's costs and revenues. This helps CRA to establish a fair regulatory regime on the wholesale and the retail level. The RAS is a vital instrument to support CRA's regulatory activities. Amongst these purposes is to monitor and identify potentially anti-competitive practices, such as pricing below cost and cross subsidies. The ARF provides that the prices of DSPs have to be above cost. These cost inputs are derived from the RAS. DSPs are also obliged to engage in non-discriminatory behavior. For example, a DSP must ensure that prices for services rendered to other Service Providers are in line with those used in its own pricing. Using the RAS therefore helps to ensure that CRA is fulfilling its mandate to ensure just and fair competition to the benefit of the Qatari people.
13. The value of the annual Performance Bond is a small fraction of the bonds contained in Ooredoo's Mobile License (QAR 670,000,000 - six hundred and seventy million Qatari Rial), as illustrated by the table below, adapted from Table A of Ooredoo's Mobile License.

ITEM	SECURED OBLIGATION MILESTONE			COVERAGE	AMOUNT OF CORRESPONDING PERFORMANCE BOND COMPONENT (QARI MILLION)		LICENSE CROSS-REFERENCE	INITIAL TERM OF VALIDITY OF PERFORMANCE BOND COMPONENT
	1800 MHz Release Block (Milestone A)	900 MHz Release Block I (Milestone B)	900 MHz Release Block II (Milestone C)		NON CUMULATIVE	CUMULATIVE		
1.					20	-	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
2.	II				40	60	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
3.	III				60	120	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
4.	IV				80	200	Annexure C Section 2.4 Table 1	31 October 2007 + 9 months
-	Total				=	200	-	-
5.		I			20	-	Annexure C Section 3.4 Table 2	31 October 2007 + 9 months
6.		II			40	60	Annexure C Section 3.4 Table 2	30 November 2007 + 9 months
7.		III			60	120	Annexure C Section 3.4 Table 2	31 December 2007 + 9 months
8.		IV			80	200	Annexure C Section 3.4 Table 2	31 January 2008 + 9 months
-	Total					200	-	-
9.			I		200	-	Annexure C Section 3.4 Table 3	31 July 2009 + 9 months
-	Total				-	200	-	-
10.				I	60	-	Annexure G Section 1	First Anniversary Date + 9 months
11.				II	10	70	Annexure G Section 1	Fifth Anniversary Date + 9 months
				Total	=	70		
12.	Grand Total					670		

Figure 6 Detail of performance bonds in Ooredoo's mobile License

Submission of the Performance Bonds

14. CRA reserves the right to request Ooredoo to submit to CRA for approval the name of the financial institution selected to issue the Performance Bond to guarantee Ooredoo's RAS obligations for that financial year. Within two (2) weeks of receiving CRA's approval of the financial institution, Ooredoo will provide a Performance Bond payable to CRA in the amount of 10,000,000 QAR (ten million Qatari Rial) for the purpose of guaranteeing Ooredoo's fulfillment of its Secured Obligation under these RAS Orders for that financial year.

General provisions

15. While the RAS is being determined on a FAC basis, the "Completion Deadline" of the Performance Bond requirement, as that term is used in Annexure K of Ooredoo's Licenses, shall be the same as the date set by CRA for delivery of the RAS deliverables for each year.
16. The Completion Deadline for the Performance Bond when the RAS is completed on a CESP basis will be determined at the time when CESP is implemented. CRA anticipates that the Completion Deadline will remain the same as the RAS deliverables deadline.
17. Release or payment of the bond shall be governed by the procedures set forth in Annexure K of Ooredoo's licenses.
18. Any non-compliance with any aspect of the RAS Orders or the non-enforcement of any aspects of the Orders, including these Performance Bond obligations shall not be considered a waiver to the obligations to comply with the rest of the Orders.

Annex IV Separated Account Reports

General requirements

1. The details of the reports are shown in the pro-forma SA reports (ref. excel file attached to this Order).
2. The CRA would like the SAs to be implemented in the ECM to grant transparency and automation.
3. Regardless of the solution implemented to produce the SAs, Ooredoo shall make available the SAs also in Excel.
4. The pro-forma listed in this Annex shall be complied with but may be subject to refinement and adjustments when the Final Deliverables are issued, if needed, to accommodate revisions to the methodology and updated lists of markets or Products etc. All significant variations to the SAs must be agreed by the CRA as part of the Methodology approval process.

*** End of the Order ***

Annex 1 to
Regulatory Accounting System (RAS)
Order 2019+

CRARAC-2018/10/xxx
xxx, 2018

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1 Introduction

1. Ooredoo Q.P.S.C. (“**Ooredoo**”) has been designated as a Dominant Service Provider (“**DSP**”) in various retail and wholesale markets in the telecommunications sector in Qatar (ref. Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016, “**MDDD 2016**”).
 2. Amongst others, the MDDD 2016 has imposed on Ooredoo obligations on Accounting Separation (“**AS**”) and Cost Accounting (“**CA**”) on all Relevant Markets. These obligations are essential to monitor Ooredoo’s compliance with other obligations such as the cost orientation of tariffs, not engaging in cross-subsidization, or discrimination, etc.
 3. This Regulatory Accounting System (“**RAS**”) Order (“**RAS Order**”) sets the requirement for the RAS that Ooredoo must implement to fulfill its obligations with regards to AS and CA.
 4. This RAS Order:
 - 4.1 Replaces the Order “Regulatory Accounting System (RAS) Orders for the financial years 2013+ to Qatar Telecom (Qtel) Q.S.C.” (ref. CRA 2014/05/25);
 - 4.2 Is applicable starting from the RAS for the Financial Year 2019.
- ~~5. If deemed necessary, the CRA may extend these requirements to other DSPs.~~
- 6-5. The CRA may, from time to time, issue clarifications or amendments to this RAS Order.

2 Legal Basis

The Telecommunications Law issued by Decree No. 34 of 2006 (“Telecommunications Law”).

- 7-6. Article 18 (8) of the Telecommunications Law states the rights, obligations and terms of interconnection and access which are available to each licensed service provider including the following:

(...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows (...):

8. any obligations or requests to a dominant service provider regarding interconnection and access as specified by the General Secretariat and which relate to its charges or calculation of costs or the requirements of accounting separation pursuant to the rules of article (24), (25) and (33) of this Law.

- 8-7. Article 24 states that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The RAS process enables the identification of costs that allows CRA to ascertain that a DSP is adhering to such requirements.

8. Article 25 provides that

... The Executive By-Law and the regulations, rules and instructions issued in this regard shall determine the rights and obligations of dominant service providers which include, among others, the following: ... any requirements relating to obtaining

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the prior approval of the General Secretariat, regarding the interconnection and access charges, or relating to calculation of costs or accounting separation.

~~9. This Order e-RAS includes the main regulation for the accounting separation and for the calculation of costs which are used for the determination of interconnection and access charges. It is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.~~

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~~40-9.~~ Article 29 requires that the tariffs for telecommunications services provided by DSPs must be based on the cost of efficient service provision and the tariffs must not contain any excessive charges which result from the dominant position that the service provider enjoys.

~~44-10.~~ Article 32 enables the CRA to require a cost study of its telecommunications services.
~~To be carried out as part of the RAS.~~

~~42-11.~~ Article 33 states:

If the CRA finds that some of the accounting practices or accounting separation between different categories of ~~activities~~ Activities and services are effective and necessary means for preventing anticompetitive conduct, or for regulating tariffs and prices, it may require from any dominant service provider to adopt such practices or any other accounting practices to determine the cost of its services, including the preparation of cost studies on each category of its ~~activities~~ Activities or services or carrying out accounting separation between the different categories.

~~12.~~ Article 62 enables the CRA to obtain from a service provider the information it needs to exercise its regulatory powers. The information shall be furnished the form, manner and time as the CRA specifies.

~~13.~~ , including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Telecommunications Law.

Provisions of the Executive By-Law of 2009 for the Telecommunications Law ("By-Law") that support the RAS requirements

~~44-13.~~ Article 49(1) requires DSPs to meet any requirements relating to interconnection or access charges.

~~45-14.~~ Article 50(1) gives the CRA the powers to require that interconnection or access charges of any Dominant Service Provider be subject to Article (29) of the Law and Articles (56), (57), (58) and (59) of the By-Law. The CRA may also direct Dominant Service Providers to implement specific interconnection or access charges, or changes to such charges, as determined by the CRA requires DSPs to take directions from the CRA to implement specific charges or change such charges as determined by the CRA.

~~46-15.~~ Article 50(2) requires a DSP's access charges to be cost-based and in accordance with rules or standards determined by the CRA.

~~16.~~ Article 50(3) requires a DSP to comply with any rules or orders applicable to interconnection or access, including any pricing, costing and cost separation requirements as prescribed by the CRA.

~~17.~~ ~~any orders applicable to any pricing, costing and cost separation requirements as prescribed by the CRA.~~

~~18-17.~~ Article 59 says that if the CRA requires a DSP to prepare or participate in the development of a cost study, the DSP shall comply. Such a cost study involves the CRA deciding on cost categories, form, approach, procedures and timing for the cost study ~~and its implementation in accordance with best international practices.~~ The CRA may require the DSP ~~can then be required~~ to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose, including the separation of accounts.

Provisions in Ooredoo's Individual Licenses (ref. License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B).

~~19-18.~~ Under clauses 4 and 14(1), Ooredoo is required to comply with the terms and conditions of the licenses and the ARF.

~~19.~~ Clause 14(2) requires Ooredoo to ~~take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by the CRA. The development of, and the adoption of the RAS into its processes, are part of this process.~~ take all reasonable and practicable steps and measures necessary to adapt its business practices and processes, organizational structure, network configuration or other aspects of its business to facilitate the introduction and development of competition in the telecommunications sector in accordance with the decisions, orders, rules, instructions or timeframes issued by the CRA in accordance with the ARF. The implementation of this RAS Order is part of this process.

~~20.~~

~~21-20.~~ Clause 11 places specific obligations on Ooredoo to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the ARF. Under the current ARF, the RAS exercise is a crucial part of enabling the Licensee to fulfill this license requirement.

~~22-21.~~ Clause 2(1) of Annexure F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Under the current ARF, the Such costs, and prices based on costs, will become apparent during the RAS process and will enable the calculation of interconnection and access costs, crucial to set Licensee and any requesting licensee to enter into agreements based on efficient cost-based pricing and reduce the instance of disputes over this.

~~23-22.~~ Clause 1(1) of Annexure I of the Licenses clearly states that when a DSP is ordered by the CRA to prepare or otherwise participate in a cost study of its public telecommunication service, it will comply.

~~24-23.~~ Clause 1(3) and 1(4) of Annexure I orders and directs Ooredoo to adopt and implement accounting procedures and accounting separation requirements as set by the CRA.

~~25-24.~~ Clause 29 of the Licenses states that Ooredoo may be required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation. In addition, Clause 29(2) explains that to guarantee the performance of a Secured Obligation, Ooredoo shall provide to CRA a Performance Bond in accordance with Annexure K of the licenses.¹ The Clause specifies that Performance Bonds shall be issued or endorsed by a bank operating in the State of Qatar and shall be in the amount specified by the CRA.

~~26-25.~~ Annexure A of the Licenses defines "Performance Bond" as a bank guarantee or other form of surety approved by CRA in accordance with the requirements of Annexure K of the license. The Annexure defines "Secured Obligation" as any obligation that is expressly designated by the license or the ARF as requiring the lodging of Performance Bond or other surety approved by CRA to guarantee performance of the obligation.

~~27-26.~~ Annexure K of the licenses addresses the procedures governing the requirement, provision, and enforcement of Performance Bonds. Sub-clause 1.1 states that where CRA determines that a surety is necessary to guarantee the performance of a material obligation by the Licensee, CRA may issue a written order to provide a Performance Bond. The sub-clause also states that the value of the bond shall be specified by CRA. Clauses 1(3) and 1(4) of Annexure K recognize that CRA has the authority to determine that a Performance Bond must be paid, that a Performance Bond should be released, or that the term of a Performance Bond should be extended.

Provisions from the Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016 ("MDDD 2016").

~~28-27.~~ Section 6.1 and 6.2 of the MDDD 2016 made Ooredoo subject to the obligations on Accounting Separation and Cost Accounting.

¹ CRA notes that while there are slight variations in sub-clause 29.2 wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. Because the combined effect of the other provisions of Clause 29, Annexure A, and Annexure K make clear that CRA has authority to create additional Secured Obligations which will be governed by the provisions of Annexure K, these differences in wording are immaterial to any Secured Obligations created for these RAS Instructions in any concurrent Orders.

3 The Regulatory Accounting System

3.1 Objectives of the Regulatory Accounting System

~~29-28.~~ The main objectives of the RAS are to:

~~29.128.1~~ Verify adherence to the obligations of transparency, non-discrimination, and cost-based pricing;

~~29.228.2~~ Facilitate the understanding of costs and revenues at the required level of detail;

~~29.328.3~~ Identify and prevent potential abuses of dominance or other anti-competitive practices including anti-competitive cross-subsidies, margin squeeze, and predatory pricing by a licensee.

~~30-29.~~ The RAS is thus not an end in itself. The RAS is rather an instrument to support CRA's regulatory ~~activities~~Activities.

~~30.~~ As the RAS provides inputs to a wide range of diverse evaluations and decisions, it must be flexible and it must provide enough detail to support a wide range of regulatory analysis. some of which are not yet defined: it is inevitable that new questions on services will arise and these cannot be predicted in advance. The RAS must also balance the desire to answer as many questions as possible (which implies a very detailed system and many analytical breakdowns) with the practical reality of what can be achieved with cost accounting tools and the realistic expectations from an operator with the scale of Ooredoo.

~~31.~~ The CRA appreciates that the RAS has certain limitations and it is not itself always a solution to a regulatory decision on its own and cannot be expected to give definitive answers in all situations. It is therefore important to appreciate what the RAS is not intended to do. Limitations include:

~~31.1~~ The RAS does not set prices (retail or wholesale). However, data from the RAS does provide inputs to such price control processes, or to help evaluate prices. Additional assumptions and analysis will be used along with RAS data;

~~31.2~~ The RAS does not clearly identify or stop any anti-competitive behaviour. RAS based information could be used, with other evidence and analysis to evaluate such behaviour;

~~31-31.3~~ The RAS based on HCA does not identify efficient costs nor does it force operational efficiencies. Efficiency adjustments to RAS costs may be ~~made~~ within the price control processes.

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3.2 Accounting Principles

32. According to the ARF, and to international best practice, regulatory financial information must comply with the following principles:

32.1 Relevancy

Information is relevant if it has the ability to influence economic decisions, and is provided in time to influence those decisions. The qualitative characteristic of relevance is applied as a selection criterion at all stages of the RAS process.

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32.2 Reliability

There are a number of criteria that can be applied to test if the information is reliable, such as whether:

(a) It represents faithfully what it purports to represent;

(b) It is free from deliberate or systematic bias;

(c) It is free from material error;

(d) It is complete (subject to materiality tests) and representative;

(e) Its basis of preparation is carried out in an objective (fair) way;

~~32.4(f) It has a degree of caution (i.e. prudence) applied in exercising judgement and making the necessary estimates. The RAS must be free from errors or omissions;~~

32.232.3 Objectivity

The RAS must present a fair view of the business, based on objective evidence as far as possible, and not contain any systematic biases.

32.332.4 Causality

Costs (and revenues, assets and liabilities) must be attributed to Individual Products, Product groups and Relevant Markets (or sub-markets) in accordance with the ~~activities~~ Activities which cause the costs to be incurred, the revenues to be earned, assets to be acquired or liabilities to be incurred. A different approach is only ~~Deregations are~~ allowed for ~~b~~Business ~~e~~Sustaining costs (ref. section 3.7). Where it is not possible to attribute revenue, costs, assets, and liabilities in accordance with the causality principle, the attribution criteria must be ~~Other derogations shall be~~ explicitly approved by the CRA;

32.432.5 Transparency

The approach and processes used to prepare the RAS must be clear. That is, an informed user of the RAS should be able to follow the steps taken to prepare the RAS;

Materiality

A more rigorous approach to allocating costs, assets and revenues must be used for those Products or Cost Centers that are more material, from both a quantitative or a qualitative (e.g. "small" Wholesale Products relevant for the development of the competition) point of view. ~~However, the application of a specific allocation basis may not be necessary if the effect of allocation is not material to the outcome;~~

~~32.532.6~~ ;

32.632.7 Consistency

The RAS, both as a whole and from one period to another, must use, as far as possible, consistent assumptions and data such that the outcomes of the RAS are comparable across time periods, 'unless there are justifiable reasons for changes; and

32.732.8 Compliance with statutory accounting standards

Except for those areas where the CRA specifies otherwise, the RAS must be consistent with the accounting standards used in Ooredoo's Statutory Financial Accounts.

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Commented [NSVG1]: Re-inserted. This aspect of materiality is important as to avoid detailed workings for aspects that do not have a material effect on the outcome.

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Commented [NSVG2]: Re-inserted. This point is very important, an example is the global implementation of IFRS 15, which is a sea-change in the recognition of revenues and costs. Without this sentence inserted, the CRA could require Ooredoo to 'reverse' all the IFRS 15 changes. There are many more such examples.

3.3 Elements of the RAS

33. The RAS shall include, ~~among other things~~^{inter alia}, the following elements:

33.1 The RAS Methodology

The RAS Methodology shall describe the approach used to prepare the Separated Accounts. This document must be sufficiently clear and detailed to allow ~~an informed reader~~ (i) the CRA to approve the RAS Methodology (ii) to enable the independent auditor of the RAS to audit the Separated Accounts (ref. 33.3). The RAS Methodology must be developed ~~before~~^{prior to} the Electronic Cost Model (ref. 33.2, "ECM") and Separated Accounts ("SA") are fully implemented. The CRA requires that the RAS Methodology document and related details are supplied to the CRA for discussion, review and approval before the RAS is fully implemented (ref. section 7).

Commented [NSVG3]: Re-inserted. This is important as RAS is a highly specialized subject matter which requires expertise to understand and interpret.

33.2 The Electronic Cost Model

The Electronic Cost Model is the (electronic) system used to process, attribute and allocate the costs ~~and revenues~~, ~~assets and liabilities~~. This shall include operating and user guides – these are the technical guides to the IT system ~~for a suitably informed operator~~. The electronic cost model also includes all supplementary calculations and models that are used to derive the driver and other data that are used within the ECM but may be calculated or defined externally to the ~~model~~.

Commented [NSVG4]: This important point of principle should be maintained: the CRA approve the RAS Methodology and the auditors attest on the implementation of this. By seeking all of the input data and calculation, Ooredoo see's the CRA stepping into the role of the auditor, in which an external audit is no longer required.

33.3 Separated Accounts

The Separated Accounts are the detailed accounting statements ~~(also called referred as reports in this Order)~~ that Ooredoo must prepare, ~~have audited~~ and deliver to the CRA. These are defined fully in Annex IV. The key reports are, ~~among other things~~^{inter alia}, as follows:

Commented [NSVG5]: This is an important distinction in respect of the audit, as the auditors audit statements not reports. By confusing the two, the auditors will be required to audit all 'report's, which in RAS are extensive and numerous. The associated costs would be many times what we pay today.

- (a) Profit and Loss statements;
- (b) Statement of mean capital employed;
- (c) Statement of network costs;
- (d) Statement of Costs Specific to the Market;
- (e) Statements of the Transfer Charges;
- (f) Reconciliations with the Statutory Financial Accounts.

33.4 Audit Report

This must be prepared by an independent auditor to testify that the RAS is compliant with the applicable Orders and regulations (ref. section 4.5). As part of this process, Ooredoo's Chief Executive Officer, ~~Chief Legal & Regulatory Officer~~ and Chief Financial Officer are required to sign a Representation Letter (ref. section 4.5).

34. The detailed minimum requirements in relation to each of the above elements of the RAS are set out in section 4.

3.4 Extent of the RAS

35. The RAS will cover the full extent of Ooredoo's domestic operations. International (overseas) subsidiaries or Ooredoo group structures shall be included only if they materially impact domestic operations. International operations shall be included only to enable clear reconciliation with the company Statutory Financial Accounts.

36. The RAS is based on the Relevant Markets. Relevant Markets are currently those markets defined by the CRA within the MDDD 2016.
37. For the avoidance of doubt, the Wholesale Relevant Markets include both services for (i) Ooredoo's internal consumption (i.e. by Ooredoo's retail arms) and (ii) services for OLOs.
38. The following table shows the minimum level of separation at the Relevant Market and submarket level as currently required:

38.

Relevant Market – Retail
M1 - Retail national fixed voice and broadband services. <ul style="list-style-type: none"> • M1a - Retail fixed access services • M1b - Retail national fixed call services • M1c - Retail fixed broadband services
M2 - Retail international outgoing call services <ul style="list-style-type: none"> • M2a - Retail international outgoing call services at a fixed location – Residential customers • M2b - Retail international outgoing call services at a fixed location – Business customers • M2c - Retail international outgoing call services from a mobile device – Residential customers • M2d - Retail international outgoing call services from a mobile device – Business customers
M3 – Retail national leased lines services
M4 – Retail international leased lines services
M5 – Retail national mobile voice and broadband services <ul style="list-style-type: none"> • M5a – Retail national mobile voice and broadband services – Residential customers • M5b – Retail national mobile voice and broadband services – Business customers
Relevant Market – Wholesale
M6 - Wholesale call origination on public telecommunications networks at a fixed location
M7 - Wholesale termination on individual telecommunications networks at a fixed location
M8 - Wholesale physical access to network infrastructure <ul style="list-style-type: none"> • M8a - Physical access to SPs' mobile sites, masts, towers, including relevant ancillary facilities/services and colocation space • M8b - Physical access to SPs' dark fiber and copper, including relevant ancillary facilities/services and colocation space • M8c - Physical access to SPs' ducts, including relevant ancillary facilities/services and colocation space • M8d - Functional access to international gateway facilities required to gain international connectivity (including, but not limited to, physical access to the facilities, colocation space, cross-connects and other relevant ancillary facilities and/or services)
M9 - Wholesale broadband access at a fixed location
M10 - National trunk segment of (national and international) wholesale leased lines services
M11 - Terminating segment of (national and international) wholesale leased lines services
M12 - International transit segment of international wholesale leased lines services
M13 - Wholesale access and origination on public mobile networks
M14 - Wholesale termination on individual mobile networks
RAS Specific Markets
M90 – Other Retail Products <ul style="list-style-type: none"> • TV • Data Center • Handsets • Etc.
M95 – Wholesale Mobile Broadband
M100 – Other Wholesale Products <ul style="list-style-type: none"> • Hubbing • Etc.
M200 – Other services <ul style="list-style-type: none"> • Financial ActivitiesActivities • Etc.
Mxxx – Other RAS ss specific special markets as per the methodology approved by the CRA

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Figure 1 The extent of the RAS

- 39. For implementation purpose, if needed, Additional “RAS ~~S~~specific special Mmarkets” may be introduced to accommodate certain Product costs that do not map to the existing Relevant Markets definitions.
- 40. The list of the individual Products to be reported and their attribution to the Relevant or Specific Markets will be defined yearly by the CRA upon the proposal provided by Ooredoo.

3.5 Cost Base

- 41. The CRA requires the preparation of the RAS according to the Cost Base Historic Cost Accounting (“HCA”) with an initial cost efficiency assumption of Cost of Efficient Provision (“CESP”).
- 42. At a later date, another cost base such as Current Cost Accounting (“CCA”), or a further development of CESP, may be required if the regulatory needs arises.
- 43. The Statutory Financial Accounts of Ooredoo, as prepared in accordance with international financial reporting standards and audited by an independent auditor, are the basis for the HCA to be used for the RAS. Therefore, it is both possible and necessary for Ooredoo to reconcile its RAS with its audited annual Statutory Financial Accounts.
- 44. The CRA requires that the capital costs (depreciation and cost of capital) related to assets acquired “for free” shall be attributed to the Other Services (ref. Figure 1~~Figure 4~~). That Ooredoo has followed this approach needs to be verified by the auditor explicitly and separately (ref. section 4.5 Audit Report). If this is not be attested by the auditor, the CRA will either exclude these capital costs from the cost of both Retail and Wholesale Products or only allow up to 20% to be attributed to them (with the residual part attributed to the Other Services).

3.6 Cost Standard

- 45. The CRA requires the preparation of the RAS according to the cost standard Fully Allocated Costs (“FAC”). FAC allocates all relevant costs and revenues incurred by Ooredoo to its Products.
- 46. At a later date, another cost standard as e.g. incremental cost may be required if the regulatory needs arise.

3.7 Cost Types

- 47. The following table defines the cost types which must be reported, where required, in the Separated Accounts.

Cost Type	Characteristic
Primary operating costs	This cost type captures costs that relate directly to operating the network or delivering the services
Support operating costs	This cost type defines costs that assist the main teams to carry out their functions or assist with the operations of supporting assets that in turn help the primary assets deliver the network services. An example of support operating costs might be the IT Department which assists the Teams carrying primary operating tasks.
Depreciation	This cost type includes the annual depreciation of the assets related to the Primary and Support operating costs

Cost Type	Characteristic
Other expenses (net of other income)	This cost type covers a few items that can be directly identified to supporting assets or supporting activities Activities.
Capital Employed and Cost of Capital	The capital employed refers to the mean capital employed in the year. This is in two parts: non-current assets and net working capital (i.e. current assets minus current liabilities). The cost of capital is the Capital Employed times the regulatory Cost of Capital, specified by CRA (also commonly termed WACC – weighted average cost of capital).
Outpayments	Outpayments relate to wholesale Products, which the Reporting Licensee purchases from other service providers. This is normally zero for most services. Outpayments shall be attributed to the Retail Products where appropriate.
Business Sustaining Costs	The Business Sustaining costs include cost supporting the whole business but not specifically a Product or service. These costs shall be attributed to the Wholesale and Retail Products but not to other Cost Centers or assets based on cost previously attributed to the Products. These include among others ² : <ul style="list-style-type: none"> • Annual audit costs • Business and Finance Department costs • Strategy Department costs • Cost for producing the RAS • Employee costs, consultancy costs, associated costs, and all other associated ancillary costs relating to: Board; COO's office; and CEO's office. These form 'support and business sustaining departments' • License fee costs where the license covers all telecoms markets.

3.8 Cost and Revenue Allocation

3.8.1 Allocation Principles

48. Under the FAC standard, all costs and revenues are allocated to the Products. The guiding principles of cost allocation according to international best practice and required by the CRA are:

48.1 Causality

Costs, capital employed or revenues are allocated to the Products that "cause" them to arise. This requires the implementation of appropriate allocation methodologies³. The Activity Based Costing ("ABC") method shall be used where possible.

48.2 Objectivity

This supports the causality principle, requiring allocations to reflect causality using an objective (e.g. determined in an unbiased manner) driver⁴.

48.3 One time allocation

There must be no double counting or undocumented exclusion of cost, capital employed or revenue items. This is demonstrated by reconciling the Separated Accounts to the Statutory Financial Accounts.

48.4 Transparency

The descriptions of the allocation methods must provide sufficient information

² The complete list will be included in the RAS Methodology and approved by the CRA

³ Documented Network Models and Activity Based Costing (ABC) data, to ensure robust cost-causal allocations, have to be delivered to the CRA

⁴ Drivers based on auditable data recorded in the company systems are preferred

such that a suitably informed reader can easily gain a clear understanding of the structure of the RAS, the methodologies used in the derivation of the RAS and the drivers applied. The RAS has to include all the relevant material, so that the results can be fully analyzed by the CRA and the auditor.

48.5 Consistency of treatment

The structures, methodologies and drivers must be consistent from one period to the next. Deviations from a chosen structure, methodology or driver need to be documented and justified.

3.8.2 ~~Cost Objects~~ Cost Pools (Cost Centers) ~~Cost Centers~~ Required

~~49. The RAS shall be organized structured using ABC principles, that is using in C Cost Objects Cost Pools (Cost Centers/objects/entities/Business Process/Activities Activities), showing that show the cost of business processes Business Processes/functions. A B business P process or function is a set of activities Activities and tasks that, once completed, will accomplish an organizational goal. Hence the Cost Centers/objects/entities must be prepared as a collection of linked tasks which find their end in the delivery of a network or retail activity to another business process or to a Product. The Activities Activities are then allocated to other Activities Activities (Support), Retail or Wholesale Products, using causal drivers.~~

49.50. At least the following Cost ~~Centers-Objects~~ must be included in the RAS:

~~49.150.1 Marketing, where appropriate split by customer segment (e.g. residential vs. business) or family of Products (e.g. fixed vs. mobile Products);~~

~~49.250.2 Advertising, where appropriate split by customer segment (e.g. residential vs. business) or family of Products (e.g. fixed vs. mobile Products);~~

~~49.3 Sales (e.g. Shops, outlets, direct);~~

~~49.450.3 Advertising;~~

~~49.550.4 Customer Care, where appropriate split by customer segment (e.g. residential vs. business) or family of Products (e.g. fixed vs. mobile Products);~~

~~Planning and design of the network, where appropriate split by fixed and mobile network or more granular network components (e.g. mobile towers, ducts, etc.);~~

~~49.6 Network including, Installation, provisioning, Design, Build. ;~~

~~50.5 Repair and maintenance; where appropriate split by fixed and mobile network or more granular network components (e.g. mobile towers, ducts, etc.);~~

~~;~~

~~49.7 ;~~

~~50.6 Finance;~~

~~49.850.7 Billing; e and billing;~~

~~50.8 Human Resources;~~

~~Facilities Management (split by building, vehicles, security, etc.)~~

~~49.950.9 Installation/provisioning;~~

~~49.10 General support (e.g. accommodations/buildings, energy, etc.);~~

~~49.1150.10 General management (ref. to section 3.7 and 3.8.4 i.e. these are the Cost Centers including the b Business e Sustaining costs);~~

~~50.11 Information Technology (both Enterprise and Office);~~

~~49.12~~

~~49.13 Transport.~~

Commented [NSVG6]: For the sake of clarity: Ooredoo is governed by well over 100 processes, which cannot be implemented into RAS. The wording used here is for all detailed business process costing which Ooredoo does not agree with as it will introduce enormous complexity into RAS and resources. Further, the allocation of management & operational resource to such processes become high subjective which the CRA has in the past been opposed to in favour of more robust & evidenced approaches. E.g. product launch processes, purchasing processes, financial entries etc. Taking the pricing approvals process alone would require time allocations from across the business, the gain to RAS is not evident. The principle of RAS proportionality must be maintained.

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Others Costs ~~Centers/objects/entities~~Objects may be added according to Ooredoo's own ~~organizational chart⁶ and as per~~ regulatory needs. The final list of ~~Costs Centers~~~~Cost Objects~~Cost Pools, along with a clear description of the business processes, will be included in the RAS Methodology and approved by the CRA.

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~~50-51.~~ Costs must be attributed consistent with robust ABC principles, the exception being for the business sustaining cost (ref. section 3.7 above).

3.8.3 Cost Allocation Hierarchy

~~51-52.~~ The RAS shall be based on a hierarchy of cost and revenue allocations. An illustrative cost allocation hierarchy is shown in the figure below.

⁶The complete list will be included in the RAS Methodology and approved by the CRA

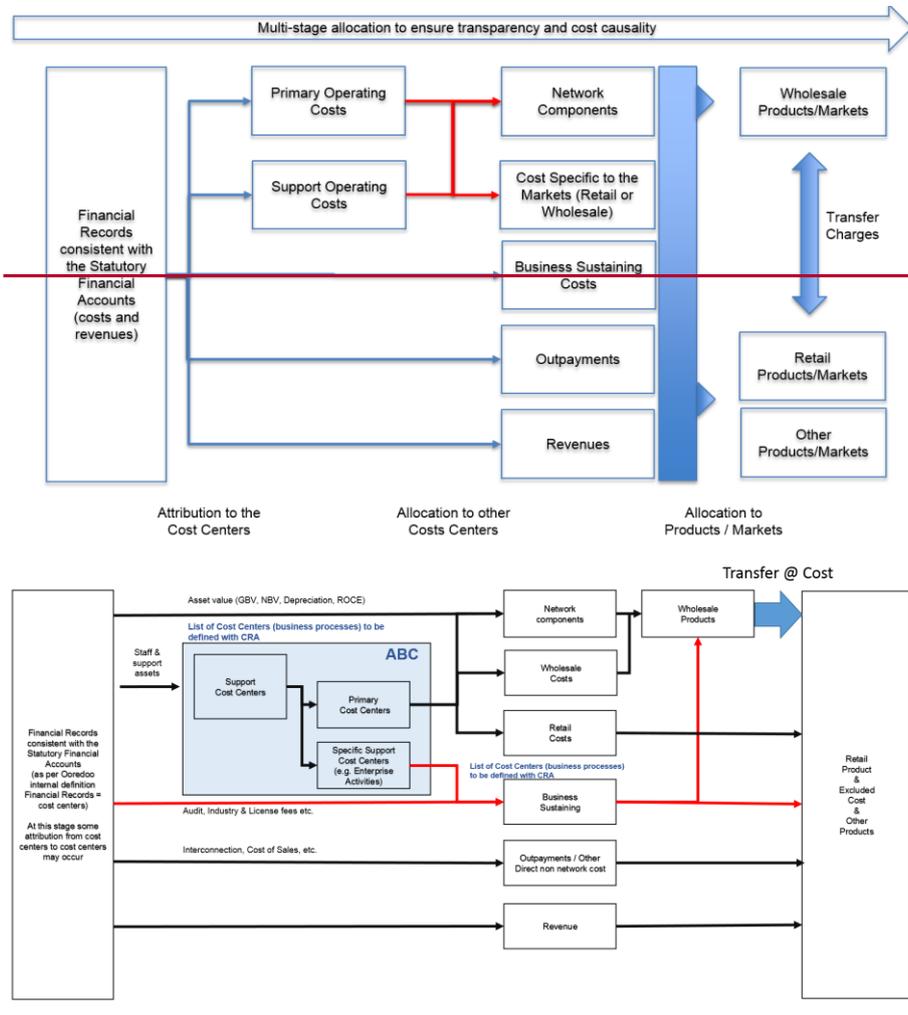


Figure 2 Cost Allocation Hierarchy – minimum requirements (illustrative)

52-53. This hierarchy reflects the primary flows of the minimum expected cost allocation stages. The final structure shall be defined by Ooredoo, and included in the RAS Methodology and approved by the CRA.

53-54. At the initial stage, the financial records must be attributed to Cost Centers (or Cost Pools), homogenous in terms of the relevant cost driver. That is, multiple Cost Types in the center shall still have the same driver. Those Cost Centers are then allocated to other Costs Centers, split by Network Components or Costs Specific to the Markets, through the hierarchy of allocation stages. At the latest stage, (i) the Cost Centers - being Network Components or Costs Specific to the Markets - are finally attributed to

the Products / Markets and (ii) Transfer Charges of Wholesale Products to Retail Products are implemented.

54-55. There should be no pre-allocation of costs outside of RAS. For example, if the fixed asset register only records duct in a single code, the accounting entries in relation to duct should not be split between core duct, access duct and shared duct prior to entering the cost model input layer.

3.8.4 Cost Center Categories

55-56. Cost Centers can cover a number of different categories and can be grouped in Cost Pools.

56-57. The following table defines these Cost Center Categories and describes how costs in each Cost Center Category should be allocated within the RAS:

Cost Center Category	Characteristic	Allocation Method
Direct Cost	This cost can be directly attributed to Products. E.g. a SMSC is allocated to SMS services	Direct
Joint Cost	These costs occur where an input produces two or more separable outputs in fixed proportions irrespective of volume and cost causality exists.	Routing Factors
Common Cost	Certain types of indirectly attributable costs are "common" to a number of activities Activities-. The cost of these inputs are necessary to produce one or more services, which cannot be directly assigned to specific services.	Cost causal allocations such as ABC or suitable proxies, where ABC is not possible. All such costs must be identified in the RAS methodology. - CRA will make specific directions where required on how these are to be treated ⁶
Supporting operating costs	This cost relates to supporting services and items that are indirectly related to the network and services. - The cost is similar to a joint cost as it supports several outputs, but there are clear cost drivers and the output is usually a direct operational Cost Center. Example: IT support supplies activities Activities that support the network teams and other operational staff – a robust cost driver therefore exists	Cost causal basis, such as Activity Based Costing or proxy allocations that have a close to cost-causal basis, to direct-cost elements
Primary Operating costs	This cost relates directly to the Production of services or the operation of network components. Example: network operational staff or sales staff. This is a type of direct cost, but does not have the one to one link to Products as the SMSC example. Network operational costs could allocate to several network components and the retail costs (sales staff) might allocate to several Products	Cost causal basis such as Activity Based Costing
Business sustaining costs	These are costs that are common to the entire Qatari business and do not have a strong cost driver. - For example, annual audit fees or Board costs have limited information in which to define a strong cost causal allocation. - These are defined in section 3.7. - Business sustaining costs are a	Mark-up – the cost are allocated in proportion to the costs (operational plus depreciation, excluding cost of capital and outpayments) that are already allocated

⁶ For example, access fibre or copper are common costs for several access services. - CRA has specified that the costs should be split 50:50 if there are two services or 33:33:33 if there are three services using the elements

Cost Category	Center	Characteristic	Allocation Method
		special type of common cost where the cost is relevant to the entire business.	using other cost allocation methods.

Figure 3 Cost Center Categories and Allocation Method

3.8.5 Revenue Allocation

57-58. Where possible, revenues shall be directly attributed to the relevant individual Products.

If this is not possible, and where a bundle's revenues are common to more than one individual Product, Ooredoo shall fully disclose the method and the driver used to allocate the revenues to the individual Products.

3.9 Transfer Charges

58-59. Transfer Charges, based on cost⁷, must be clearly identified in sufficient detail to allow the CRA to assess the absence of discrimination (e.g. between Ooredoo's own retail units and other SPs).

59-60. The Transfer Charging System will ensure that the transfer charges can be clearly identified and reconciled between Wholesale / Other Specific Markets and Retail Markets. For the avoidance of doubt, the CRA does not expect Retail to Retail Market transfers or Retail to Wholesale transfers.

60-61. The figure below shows the reporting principle (ref. 4.4 and Annex IV). The final reporting will be included in the RAS Methodology.

Summary of the Transfer Charges
for the year ended 31 December 20xx

Transfer to	M1a	M1b	M1c	M2a	M2b	M2c	M2d	M3	M4	M5a	M5b	M6	M7	M8a	M8b	M8c	M8d	M9	M10	M11	M12	M13	M14	Mobile BB	Other
Transfer from M1a	X																								
M1b		X																							
M1c			X																						
M2a				X																					
M2b					X																				
M2c						X																			
M2d							X																		
M3								X																	
M4									X																
M5a										X															
M5b											X														
M6					X							X													
M7						X							X												
M8a														X											
M8b															X										
M8c																X									
M8d																	X								
M9																		X							
M10																			X						
M11																				X					
M12																					X				
M13																						X			
M14																							X		
Mobile Broadband																									X
Other																									

⁷ For the avoidance of doubt, this includes full cost - operating cost including depreciation plus cost of capital

Figure 4 Transfer Charge reporting (illustrative)

3.10 Cost of Capital

~~61-62.~~ In line with international best practice, a Cost of Capital (“**CC**”) value, subject to a specific separate proceeding, is specified by CRA to be included in the RAS.

~~62-63.~~ The CC shall be included in the Separated Accounts as a discrete item that can be separated from the operational costs (ref Annex IV).

3.11 Working Capital

~~63-64.~~ The Working Capital (“**WC**”) includes cash and other short term assets and liabilities.

~~64-65.~~ The WC capital must be kept at a reasonable level. Unless Ooredoo demonstrates the need for a different limit, the actual *net* WC value is subject to an upper limit of one month or 8.3% of the total average operating costs.

~~65-66.~~ Operating costs include salaries and other operating expenses, but exclude depreciation and out payments to other operators.

~~66-67.~~ WC levels above this should be allocated to Other services (ref. Figure 1 The extent of the RAS~~Figure 1 — The extent of the RAS~~).

3.12 Costs Specific to Retail Markets

~~67-68.~~ Costs Specific to Retail Markets (“**CSRM**”) are costs incurred to sell and advertise retail Products, associated billing, etc.⁸

~~68-69.~~ For the avoidance of doubt, causal cost drivers should be used rather than proxy drivers and mark-ups.

3.13 Costs Specific to Wholesale Markets

~~69-70.~~ Costs Specific to Wholesale Markets (“**CSWM**”) are costs incurred to sell the wholesale Products, associated billing, etc.⁹

~~70-71.~~ The CRA notes that such wholesale costs are typically small (as there are few customers, and no marketing and no sales effort is required).

~~71-72.~~ Most of these costs should be directly allocated to Products and services based on solid cost allocation (ABC) principles.

For the avoidance of doubt, costs incurred to produce services for other SPs (e.g. cost for the provisioning requests, cost of the supervision of the SPs, etc.) are network costs but not CSWM.

4 Deliverables Required on an Annual Basis

4.1 Summary of the Deliverables

~~72-73.~~ The CRA requires the RAS to be delivered annually.

⁸ The cost to produce the Products (network costs) are included in the Transfer Charges.

⁹ The cost to produce the Products (network costs) are included in the Transfer Charges.

If necessary, the CRA may issue specific clarifications and further adjustments ~~in order~~ to enhance these Orders. CRA does not expect that such details would alter the RAS Orders significantly and so should not require additional consultations or the CRA to issue this Order. Rather, this might include new Products, Product groupings or altered cost-types that Ooredoo must report on.

~~73.74.~~ Ooredoo must provide, annually, the following deliverables:

~~73.174.1~~ The RAS Methodology (and supporting documents);

~~73.274.2~~ The Electronic Cost Model;

~~73.374.3~~ The Separated Accounts;

~~73.474.4~~ The Audit Report, with the Representation Letter.

4.2 RAS Methodology

~~74.75.~~ The RAS Methodology shall include, ~~among other things~~^{inter alia}:

~~74.175.1~~ Accounting Policies (ref. Annex I Definitions and Acronyms), including asset lives;

~~74.275.2~~ Cost Base and Cost Standard (ref. section 3.5 and 3.6);

~~74.375.3~~ List of Products with their definitions and attribution to the Markets, along with - when applicable - the Number of the Tariff, and as used in the SP's Tariff ~~reporting to the CRA Document (ref. Order on Retail Tariff Instruction). Unless obvious these should link to Retail and Wholesale Products definitions on Ooredoo's web site;~~

~~74.475.4~~ The definition of the Cost Types used in the RAS (ref. section 3.7);

~~74.575.5~~ Description of all Cost Centers ~~and related~~ ~~business processes~~ ~~Business Processes~~ used in the RAS, including the processing of Cost Centers to aggregated Cost Pools for allocation in the RAS system;

~~74.675.6~~ A list and description of all input cost elements derived from the Statutory Financial Accounts. This shall be grouped by asset categories, specific accounts, and special account/Cost Center/accounting code combinations;

~~74.775.7~~ ~~The Organizational Chart of Ooredoo, linked to the Cost Centers of the RAS when applicable;~~

~~74.875.8~~ Cost allocation hierarchy including a description for each allocation step in the cost allocation hierarchy;

~~74.975.9~~ Attribution and Allocation Methods detailing the drivers used; this includes also the route matrix table which shall also be described fully in the RAS Methodology;

~~74.1075.10~~ Network Structures and diagrams to link components to the Products that use them - comprehensive details and descriptions of its networks (e.g. fixed, mobile and data), supported by up to date network diagrams, including - when required - network nodes and their locations, to enable an informed user to understand how each Product uses the network and hence drives the network costs;

~~74.1175.11~~ Efficiency adjustments (if reporting on a CESP basis or if some CESP techniques are included within the Cost Base);

~~74.12~~75.12 The approach developed for the internal Transfer Charges (ref. section 3.9);

~~74.13~~75.13 An overview of any material changes compared to the previous year and justification for changing the approach. Amongst others, Ooredoo shall disclose changes to the list of Products, changes to Cost Centers and changes to drivers;

~~74.14~~75.14 The list of the SAs.

~~75-76.~~ Information on Products, Cost Centers, drivers, route matrix table, etc. shall also be available in Excel format.

4.3 Electronic Cost Model

4.3.1 The Electronic Cost Model itself

~~76-77.~~ Ooredoo will provide to the CRA on an annual basis:

~~76.1~~77.1 The ECM itself in electronic form;

~~76.2~~77.2 A comprehensive description of the ECM, its capabilities and limitations;

~~76.3~~77.3 A user guide prepared at the level of a suitably qualified operator that explains ~~on~~ how the ECM is used, operates and how it can be analyzed.

~~77-78.~~ Ooredoo must also provide training to enable CRA to use the electronic costing system.

~~78-79.~~ If the ECM requires licenses or specific (e.g. IT) infrastructure to enable the CRA to use it, then Ooredoo is obliged to supply such licenses or infrastructure free of charge to the CRA.

Commented [VD7]: There is no legal requirement that DSP should be paying for CRA training.

4.3.2 Model inputs and parameters

~~79-80.~~ Ooredoo will provide to the CRA on an annual basis the key input values and parameters that are used in the ECM.

~~80-81.~~ When required by the CRA to assess a methodology to build a driver, Ooredoo shall also deliver all of the input and calculations performed to build the drivers, including the source of the input and date (covering the period which the data relates to).

~~81-82.~~ If sampling and statistical methods are used, upon request, Ooredoo ~~should~~ must ~~include~~ provide details of:

~~81.1~~82.1 The sample per se;

~~81.2~~82.2 A ~~d~~ Detailed statement of the statistical sampling techniques used or which generally accepted statistical techniques the sample was based on;

~~81.3~~82.3 Justification why the sample is statistically significant and or objective and/or representative.

4.4 Separated Accounts

~~82-83.~~ ~~Annex IV~~ describes the expectations and level of detail that should be produced.

~~83-84.~~ The CRA will define the final format during the development of RAS in coordination with Ooredoo, and this will be reviewed and updated annually.

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4.5 Audit Report

- ~~84-85.~~ The SAs should be audited to the level of Properly Prepared in Accordance with (“**PPIA**”)¹⁰ audit standard.
- ~~85-86.~~ The auditor must be an international tier one company with relevant experience and reputation in auditing regulatory Separated Accounts of telecommunication companies.
- ~~86-87.~~ The auditor should be chosen and paid for by Ooredoo based upon his independence, resource availability and experience in such a way as to ensure the audit is completed to a high-level of quality.
- ~~87-88.~~ The auditor must prepare and sign an Audit Report including, ~~inter alia but not limited to,~~ the following:
- ~~87.188.1~~ The work done by the auditor;
 - ~~87.288.2~~ Whether the auditor has obtained all information and explanations that he or she has required;
 - ~~87.388.3~~ Whether, in the auditor’s opinion, as far as appears from an examination of them, proper accounting records have been kept by the Ooredoo so as to enable the complete and accurate compilation of required information;
 - ~~87.488.4~~ Whether, in the auditor’s opinion, the SA are prepared, in all material respects, in accordance with:
 - (a) This RAS Orders;
 - (b) The RAS Methodology;
 - (c) The CRA Orders issued during the implementation of the RAS;
 - (d) Any other Orders issued by the CRA containing requirements for the RAS.
 - ~~87.588.5~~ A statement of Accounting Policies used in the preparation of the SAs;
 - ~~87.688.6~~ The full description of the verification methodology followed; in addition to this the auditor will also separately deliver to the CRA a document including the audit procedures;
 - ~~87.788.7~~ A statement about the methodologies used regarding capitalization, valuation, amortization and allocation;
 - ~~87.888.8~~ A statement attesting that capital cost (depreciation and cost of capital) related to the assets acquired “for free” have not been attributed to the Relevant Wholesale or Retail Markets;
 - ~~87.988.9~~ All identified irregularities and any matters of emphasis;
 - ~~87.1088.10~~ Any other comments and remarks; and
 - ~~87.1188.11~~ The ~~conclusions opinion~~ of the auditor.
- ~~88-89.~~ As part of this process, Ooredoo’s Chief Executive Officer, Chief Legal & Regulatory Officer and Chief Financial Officer are required to sign a Representation Letter, attesting to the auditors that the accounts have been prepared in accordance with the principles defined by CRA for the RAS.
- ~~89-90.~~ The auditor must make available to the CRA a version of statement of compliance for publication on CRA’s website (ref. section 6).

5 Performance Bonds

91. The RAS is defined as a Secured Obligation as per clause 29 of Ooredoo’s Licenses.

¹⁰ This is generally defined as an audit opinion that provides assurance that the figures contained in Separated Accounts have been properly prepared in accordance with a described methodology and requirements from the Regulator.

92. In fact the RAS is the RAS is a key component of CRA's monitoring and regulation of Ooredoo's activities Activities as a DSP, and the protection of consumers from distorted competition, for example by anti-competitive cross-subsidies.

Commented [NSVG8]: Don't agree with this being a secured obligation.

93. The CRA reserves the right to impose a requirement for Ooredoo to supply it with performance bonds of 10,000,000 QAR (ten million Qatari Riyal) for fiscal year to ensure satisfactory delivery of the RAS to the required quality standard and to the required timeframe.

94. This may be enforced depending on the circumstances and the responsiveness of Ooredoo to complying with these Orders, including among other things inter alia:

Commented [NSVG9]: Shall CRA insist on Performance Bond (PB), clear criteria should be defined as to what exactly triggers PB. Appropriate escalation mechanism should be put in place to address any of the breach of these criteria prior PB is requested

94.1 Non-compliance with the detailed timelines for the implementation of the RAS agreed between Ooredoo and the CRA (ref. clause 98);

94.2 Failure to submit the required deliverables (ref. Figure 5 Timetable of annual RAS implementation);

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90-94.3 Refusal to provide information which request is justified by this Order. -

94-95. The details and further justifications of the Performance Bonds are defined in Annex III.

6 Publication of the Regulatory Accounting System

92-96. The CRA requires that the following aspects of the RAS should be published, thus increasing transparency within the market whilst recognizing the reasonable confidentiality of some aspects of the RAS:

92-196.1 The audit opinion with the statement of compliance (ref. section 4.54-5 above);

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The RAS acceptance (or refusal) statement issued by the CRA (i.e. the CRA Order closing the implementation of the RAS for the year in question) including any comments and qualifications. For the avoidance of doubt both auditors report, CRA acceptance or rejection & Ooredoo's response to the latter shall be published in full. Ooredoo wishes it be publically available that contradiction of a unqualified audit opinion by the auditors and rejection of RAS by the CRA.

92-296.2

7 Timeframe for Implementing the RAS

93-97. The RAS Final Deliverables must be submitted for each financial year within 6-9 months of the end of the financial year. For the avoidance of doubt, this includes all deliverables listed in section 4 above.

Commented [FM10]: VFQ also suggests 9 months, 6 months is not practical

94. —

95-98. The detailed timelines for the implementation of the RAS will be agreed with Ooredoo at the beginning of each financial year. The following shows the relevant steps that must be performed.

Timeline	Content
One month before the end of each financial year	Start-up meeting with CRA (inter alia, to define the detailed timeline for implementing the RAS and to discuss the amendments to be made according to the comments and qualifications eventually included in the Order closing the RAS of the previous financial year).

Timeline	Content
Within two-three (23) months after the financial year end: First Submission	The First Submission must include: <ul style="list-style-type: none"> • The pro-forma of the Audit Report, along with the audit procedures (ref. Section 4.54-5); • The pro-forma of Representation Letter and audit report wording (ref. Section 4.5)4.5); • The draft RAS Methodology (ref. Section 4.2), including amongst others: <ul style="list-style-type: none"> • Product lists, network components with units, SA pro forma reports; • Detailed description of the ABC methods and structures to be employed to include interim descriptions of the new ABC and activity collection program while it is being undertaken during the development of the RAS; • Route matrix table (logical structure); • Reports to be implemented (also internal reports); • Organization diagrams to support the ABC; • A document describing all changes from the previous version (i.e. new Products, new Cost Centers, new network components, changes in drivers, etc.).
Within 1 month of the first submission	The CRA to provide review comments (if any)
Within four (46) months of the financial year end: second submission	Ooredoo to provide for CRA review the preliminary results, model and documentation, to include: <ul style="list-style-type: none"> • Preliminary results (i.e. the SAs) (ref. section 4.4); • The electronic cost model (ref. section 4.3); • The RAS Methodology (ref. section 4.2).
Within one (1) month of the second submission	CRA to review and provide feedback on the preliminary SAs statements and other items
Within six (69) months of the financial year end: final submission	Ooredoo to provide all the final deliverables listed in Section 4: <ul style="list-style-type: none"> • Final results (i.e. the SAs) (ref. section 4.4); • The electronic cost model (ref. section 4.3); • The RAS Methodology (ref. section 4.2). This date defines the "Completion Deadline" for Performance Bond.
Within two-one (21) months of the final submission	The CRA to issue the Order for closing the review process and proceed with the publication

Figure 5 Timetable of annual RAS implementation

8 Monitoring, Compliance and Enforcement

~~96-99.~~ Under Article 11 of the Telecommunications Law, the CRA is required to monitor the compliance of licensees in accordance with their licenses and the accompanying Law and By-Law.

~~97-100.~~ Article 4 (14) of the Emiri Decision (42) of 2014, specifically mandates the CRA to monitor compliance of the Licensees with the regulatory frameworks and to take the necessary measures to ensure their compliance.

~~98-101.~~ CRA will monitor the compliance of Ooredoo, among other things~~inter alia~~, but not limited to against the following criteria:

~~98-101.1~~ That Ooredoo has implemented the RAS consistently with this Order and CRA's audit requirements;

~~98.2~~101.2 That Ooredoo has submitted all the information required by this Order and CRA's additional requests;

~~98.3~~101.3 That Ooredoo has complied with the RAS Timeline included in this Order or with that defined by the CRA.

~~99.102.~~ This monitoring will be carried out after submissions and will include checking of the quality of the deliverables submitted by Ooredoo.

~~400.103.~~ Any judged non-compliance shall result in one or a combination of the following enforcement provisions, as stipulated under the Telecommunication Law¹¹:

~~400.4~~103.1 Invoking the provisions of chapter sixteen 16 of the Law, whereby the Licensee shall be subject to criminal prosecution as a form of punishment for non-compliance with the relevant provisions of the Law and its license; and

~~400.2~~103.2 Such non-compliance shall under Article 70¹² be punishable as an offence by a term of imprisonment not exceeding two (2) years and or a fine not exceeding one hundred thousand Riyals; or

~~400.3~~103.3 Under Article 71, the person responsible for the actual management of the corporate entity, shall be punished with the same penalties assigned to the acts that are committed in violation of the rules of this law, if it is proved that such person was aware of such acts or the breach of his or her duties rendered upon him or her by such management, had contributed to the offense.

~~103.4~~ Under Article 72, In case of repeated offences, the penalty shall be doubled. A person shall be considered a repeat offender if he/she committed any of the offences specified in this Law within three years from the date of the fulfillment of the previous penalty

~~400.4~~103.5 ~~Invoking the provision of Article 62-bis of the Telecommunication Law, whereby non-compliance is punishable with the imposition of one or more of the administrative penalties that are set out in Schedule 1 of the Law.~~

Signed on October _____ 2018

Mohammed Ali Al-Manna'i
President of the Communications Regulatory Authority

¹¹ This is Without prejudice to any greater penalty provided for in any other law (ref. Art. 64 of the Law).

¹² Art. 70 states— "Any person who violates any rules of Articles (18/ paragraphs 4,5,6,7,8), (22), (24), (28), (31), (34/ last paragraph), (38), (41), (43), (44), (45), (49/ last paragraph), (51), (52), (55), (59) and (62) of this Law, shall be punished with imprisonment for a period not exceeding two years and/or with a fine not exceeding one hundred thousand Riyals".

Annex I Definitions and Acronyms

ABC	Activity Based Costing
Accounting Policies	The specific principles and procedures implemented by a company to prepare its Statutory Financial Accounts. These include any methods, measurement systems and procedures for presenting disclosures
Accounting Separation	This is the separation of revenue and cost of the service providers into Relevant regulatory Markets, submarkets and Products as directed by the CRA
ARF	Applicable Regulatory Framework
Audit Report	The report prepared by an independent auditor on the compliance of the RAS with the applicable regulation
CCA	Current Cost Accounting
CESP	Cost of Efficient Service Provision
CSM	Costs Specific to the (Retail or Wholesale) Market - Retail/Wholesale Products' costs relating to customers of the market, and not to the network cost. It is akin to cost of sale, and is defined for the market and is also allocated to the Products within the market
Cost Accounting	Cost accounting is the process of recording, classifying, analyzing, summarizing, and allocating to Products revenues and costs associated with a process
Cost Base	The cost used to prepare the RAS. The CRA required the cost base to be based on Historic Cost Accounting (HCA) as defined below. An alternative Cost Base is the Current Cost Accounting (CCA), is defined below
Electronic Cost Model	The (electronic) system used to process and allocate the costs and revenues to the Products
Cost Pool	Aggregation of cost centers or accounts containing homogenous items
Cost Center	An element of the cost model related to a functional area within the operator used to group costs pertaining certain revenues, assets, cost, etc. <u>It shows the cost of business processes</u> <u>Business Processes. A business process is a set of activities, Activities and tasks that, once completed, will accomplish an organizational goal. Hence the Cost Centers must be prepared as a collection of linked tasks which find their end in the delivery of a network or retail activity to another business process or to a Product.</u>
Cost Standard	Cost accounting methodology options which can be used to allocate costs to services (see also FAC below)
Cost Type	Which costs accrue (e.g. primary operating cost, depreciation, etc.)
CC	Cost of Capital
DSP	Dominant Service Provider
FAC	Fully Allocated Costs. According to this Cost Standard, all the costs are allocated and apportioned to the various Products or services provided
FDC	Fully Distributed Costs (usually the same as FAC)
HCA	Historic Cost Accounting. According to HCA, the values of assets are reported with the same value as per the statutory accounts and Fixed Assets Register record
MDDD 2016	Market Definition and Dominance Designation = Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016
PPIA	Properly Prepared in Accordance with the requirements of this Order and other requirements set by the CRA
Products	Products or services offered by the Service provider. For the RAS the terms "Product" and "service" have the same meaning
RAS	Regulatory Accounting System = Regulatory Cost Accounting System
Relevant Markets	Relevant telecommunications market or markets in terms of products and geographic scope as defined by the MDDD 2016. These can be Retail or Wholesale Markets
SA	Separated Accounts
Separated Accounts	The reports as defined in this Order
Service	See Product
Statutory Financial Accounts	They are a set of financial reports prepared at the end of each financial year, audited by an independent auditor
<u>Tariffs</u>	<u>= price = charges; excludes License Fee and Industry Fee as defined in Annexure H of the Licenses</u>
<u>Tariffs Document</u>	<u>= price = charges; excludes License Fee and Industry Fee as defined in Annexure H of the Licenses Refer to the applicable Retail Tariff Instruction</u>

Transfer Charge	Transfer charges refer to the imputation of costs (and associated revenues) among Relevant Markets and Individual Services owing to self-provision of services. Transfer charges occur whenever the licensee self provides a service belonging to one offering (upstream) market in order to make possible the provision of another service(s) in a different receiving (downstream) market
WACC	Weighted Average Cost of Capital
WC	Working Capital

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Annex III Performance bonds

1. Pursuant to the relevant provisions of the ARF and Ooredoo's Licenses, and in the event that CRA determines that a surety may be necessary to guarantee Ooredoo's compliance with the material obligations created by these RAS Orders, this section describes the terms and conditions that would apply to the required Performance Bonds.
2. If CRA determines bonds are necessary, the CRA would issue specific Orders implementing these determinations and requiring Ooredoo to execute and provide to CRA Performance Bonds to guarantee fulfillment of its RAS obligations. Failure to comply with the Performance Bond obligations, as required under Ooredoo's licenses, would constitute material breach of a license condition, and could result in criminal, economic, or regulatory sanctions.¹³

Requirement of a surety to guarantee implementation of the RAS

3. The CRA hereby designates the fulfillment of Ooredoo's obligations under these RAS Orders a Secured Obligation, for which a Performance Bond may be required as a surety.—Pursuant to the terms of Ooredoo's Licenses, to which Ooredoo fully consented by accepting the Licenses, Ooredoo is required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation.¹⁴—Although some specific Secured Obligations were set forth in Ooredoo's Mobile License, the provisions of that License and the Fixed License are not limited to those specified Secured Obligations and give CRA flexibility to create new Secured Obligations. According to Annexure A of the Licenses, a Secured Obligation is any obligation expressly designated by the Licenses or the ARF as requiring the lodging of a Performance Bond or other surety approved by CRA to guarantee performance of the obligation.¹⁵ As these RAS Orders, upon issuance, become a part of the ARF, Ooredoo has consented in its licenses to CRA's ability to designate Secured Obligations herein.
4. Where CRA determines that a surety is necessary to guarantee the performance of a material obligation by Ooredoo, CRA may require Ooredoo to execute and provide a Performance Bond to CRA pursuant to the provisions set forth in Annexure K of Ooredoo's licenses.¹⁶—Implementation of the RAS is a material obligation of Ooredoo.
5. As explained in detail in Section 3.1 of these RAS Orders, the RAS is a key component of CRA's monitoring and regulation of Ooredoo's ~~activities~~ [Activities](#) as a DSP, and the protection of consumers from distorted competition, for example by anti-competitive cross-subsidies.—Annexure I of Ooredoo's licenses requires it to comply with instructions from CRA regarding cost studies, independent auditing, adoption of accounting procedures, and accounting separations requirements.—The information provided by the RAS will allow CRA to monitor Ooredoo's compliance with the provisions of Annexure F of its license governing the terms of interconnection or access agreements.—Additionally, the RAS will facilitate CRA's review of Ooredoo's tariff filings

¹³ See, e.g., Telecommunications Law of 2006, Articles (67), (70); Ooredoo I Fixed and Mobile Licenses, Sub-clause 17.2.

¹⁴ Ooredoo Fixed and Mobile Licenses, Clause 29.1.

¹⁵ Ooredoo Fixed and Mobile Licenses, Annexure A.

¹⁶ Ooredoo I Fixed and Mobile Licenses, Annexure K, Clause 1.1.

pursuant to Annexure D of its licenses and help it evaluate the cost bases for Ooredoo's retail charges.

6. One of the key objectives of the RAS is to calculate, trace and analyze costs in order to demonstrate compliance with a cost orientation and non-discrimination obligation for regulated services. Therefore the RAS is vital for establishing regulatory tools based on sound economic evidence. This will help to foster the development of a pro-competitive market place and hence benefit the Qatari people. The importance of the RAS justifies the designation of the RAS as a Secured Obligation.
7. These RAS Orders require from Ooredoo certain RAS deliverables on an ongoing annual basis. The full deliverables are included in this RAS Order and specifically in Section 4.
8. The components of the RAS, including amongst others, but not limited to the Description of the RAS, the Cost Model itself, the Separated Accounts (SA) and the Audit and Statement of Compliance as further detailed in Section 4 are essential components of the RAS. Because complete and satisfactory implementation of these obligations is required in order for the RAS to serve its many important purposes, CRA could determine that a surety is necessary to guarantee the performance of these material obligations.
9. Hence, CRA could designate the implementation of these RAS Orders, including the provision on an annual basis of all deliverables in this RAS Order and specifically in Section 4 in a complete form that is satisfactory to CRA, to be a Secured Obligation of Ooredoo. As detailed below, Ooredoo would be required to execute a separate surety in the form of a Performance Bond for each fiscal year covered by these RAS Instructions on an ongoing annual basis.

Form and Content of the Performance Bonds

10. The form and content of Performance Bonds are governed by Annexure K of Ooredoo's licenses.¹⁷ CRA has significant flexibility to set the conditions of and enforce Performance Bonds. CRA has discretion to specify the value of any required Performance Bond.¹⁸ CRA must approve in advance the issuing financial institution selected by Ooredoo.¹⁹ CRA has discretion to release the bond or demand payment of the bond based upon its determination of whether Ooredoo has complied with the requirements of the Secured Obligation,²⁰ and it has authority to extend the term of the bond or if there is a dispute about Ooredoo's compliance.²¹ Disputes over fulfillment of Ooredoo's obligation under a performance bond will be settled pursuant to Clause 2 of Annexure K of Ooredoo's licenses.
11. The Performance Bonds executed by Ooredoo to guarantee fulfillment of its Secured Obligations under these RAS Orders should be payable to CRA in the amount of

¹⁷ CRA notes that while there are slight variations in Annexure K wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. These differences do not affect the provisions of Annexure K relevant to other Secured Obligations, and therefore these differences in wording are immaterial to the Secured Obligations created by these RAS Instructions and the concurrent Orders.

¹⁸ See Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.1.

¹⁹ Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.2.

²⁰ Ooredoo Fixed and Mobile Licenses, Annexure K, Clauses 1.3, 1.4, 1.7.

²¹ Ooredoo Fixed and Mobile Licenses, Annexure K, Clause 1.3.

10,000,000 QAR (ten million Qatari Riyal) for each fiscal year covered by these RAS Orders on an ongoing annual basis.

12. The RAS establishes an approved, fundamental understanding of Ooredoo's costs and revenues. This helps CRA to establish a fair regulatory regime on the wholesale and the retail level. The RAS is a vital instrument to support CRA's regulatory activities. Amongst these purposes is to monitor and identify potentially anti-competitive practices, such as pricing below cost and cross subsidies. The ARF provides that the prices of DSPs have to be above cost. These cost inputs are derived from the RAS. DSPs are also obliged to engage in non-discriminatory behavior. For example, a DSP must ensure that prices for services rendered to other Service Providers are in line with those used in its own pricing. Using the RAS therefore helps to ensure that CRA is fulfilling its mandate to ensure just and fair competition to the benefit of the Qatari people.
13. The value of the annual Performance Bond is a small fraction of the bonds contained in Ooredoo's Mobile License (QAR 670,000,000 - six hundred and seventy million Qatari Riyal), as illustrated by the table below, adapted from Table A of Ooredoo's Mobile License.

ITEM	SECURED OBLIGATION MILESTONE			AMOUNT OF CORRESPONDING PERFORMANCE BOND COMPONENT (QARI MILLION)		LICENSE CROSS-REFERENCE	INITIAL TERM OF VALIDITY OF PERFORMANCE BOND COMPONENT
	1800 MHz Release Block (Milestone A)	900 MHz Release Block I (Milestone B)	900 MHz Release Block II (Milestone C)	NON CUMULATIVE	CUMULATIVE		
	SPECTRUM RELEASE						
				COVERAGE			
1.					20	-	Annexure C Section 2.4 Table 1
2.	II				40	60	Annexure C Section 2.4 Table 1
3.	III				60	120	Annexure C Section 2.4 Table 1
4.	IV				80	200	Annexure C Section 2.4 Table 1
-	Total				=	200	-
5.		I			20	-	Annexure C Section 3.4 Table 2
6.		II			40	60	Annexure C Section 3.4 Table 2
7.		III			60	120	Annexure C Section 3.4 Table 2
8.		IV			80	200	Annexure C Section 3.4 Table 2
-	Total					200	-
9.			I		200	-	Annexure C Section 3.4 Table 3
-	Total				-	200	-
10.				I	60	-	Annexure G Section 1
11.				II	10	70	Annexure G Section 1
				Total	=	70	
12.	Grand Total					670	

Figure 6 Detail of performance bonds in Ooredoo's mobile License

Submission of the Performance Bonds

14. CRA reserves the right to request Ooredoo to submit to CRA for approval the name of the financial institution selected to issue the Performance Bond to guarantee Ooredoo's RAS obligations for that financial year.—_Within two (2) weeks of receiving CRA's approval of the financial institution, Ooredoo will provide a Performance Bond payable to CRA in the amount of 10,000,000 QAR (ten million Qatari Riyal) for the purpose of guaranteeing Ooredoo's fulfillment of its Secured Obligation under these RAS Orders for that financial year.

General provisions

15. While the RAS is being determined on a FAC basis, the "Completion Deadline" of the Performance Bond requirement, as that term is used in Annexure K of Ooredoo's Licenses, shall be the same as the date set by CRA for delivery of the RAS deliverables for each year.
16. The Completion Deadline for the Performance Bond when the RAS is completed on a CESP basis will be determined at the time when CESP is implemented. CRA anticipates that the Completion Deadline will remain the same as the RAS deliverables deadline.
17. Release or payment of the bond shall be governed by the procedures set forth in Annexure K of Ooredoo's licenses.
18. Any non-compliance with any aspect of the RAS Orders or the non-enforcement of any aspects of the Orders, including these Performance Bond obligations shall not be considered a waiver to the obligations to comply with the rest of the Orders.

Annex IV Separated Account Reports

General requirements

1. The details of the reports are shown in the pro-forma SA reports (ref. excel file attached to this Order).
2. The CRA would like the SAs to be implemented in the ECM to grant transparency and automation.
3. Regardless of the solution implemented to produce the SAs, Ooredoo shall make available the SAs also in Excel.
4. The pro-forma listed in this Annex shall be complied with but may be subject to refinement and adjustments when the Final Deliverables are issued, ~~if needed,~~ to accommodate revisions to the methodology and updated lists of markets or Products etc. All significant variations to the SAs must be agreed by the CRA as part of the Methodology approval process.

*** End of the Order ***



By email

28 October 2018

Mohammed Al Mannai
President
Communications Regulatory Authority
P.O. Box 23404
Doha, Qatar

Cc: Francesco Massone

Dear Mohammed,

Re: Draft Regulatory Accounts System ("RAS") Order for comments

Vodafone Qatar P.Q.S.C. ("**Vodafone Qatar**") refers to the Communications Regulatory Authority's ("**CRA**") email dated 7 October 2018 asking for comments to the Final Draft Version of 2018 RAS. Vodafone Qatar welcomes the opportunity to review the final draft, especially given the very significant rewrite which has led to useful and necessary text to be removed from the Order.

We attach a mark-up copy with our detailed comments and wish to highlight the following concerns:

- **Possible extension to the Order requirements to Vodafone Qatar:** The RAS Order is issued to Ooredoo and is designed to address specific problems arising out of Ooredoo dominance. Hence the generic paragraph ("if deemed necessary, the CRA may extend these requirements to other DSPs") has no legal basis or merit and should be removed.
- **Transfer charges:** We disagree with the proposal of the CRA to move from a wholesale price to a cost based transfer charging system. This runs counter the principle of non-discrimination which is a core legal requirement of the RAS. If transfer charges based on cost are used, then regulatory accounts are not able to reveal price discrimination. The CRA's approach runs counter regulatory practices and the decision of the CRA to impose an obligation on Ooredoo to offer duct access, wholesale leased lines and bitstream as well as the obligation to ensure replicability at the retail level.
- **Treatment of "free" assets given to Ooredoo:** issue and its magnitude remain unclear to us. Treatment for those "free" assets has implications for investment and competition. If those are excluded from Ooredoo's cost base but are legitimate cost to be incurred by a competitor, then Ooredoo will benefit from a lower cost base and this would distort competition and investment. A pragmatic approach would be for the value of those free assets (depreciation + WACC) to be captured and for the CRA to retain discretion to include or exclude them from product cost based on investment and competition considerations.
- **Audit:** The order should specify that the auditor of the RAS should be approved by the CRA and that it should have experience in regulatory accounts in the telecommunications sector

Vodafone Qatar P.Q.S.C

QSTP, Tech 2, Level 2, PO Box 27727, Doha, Qatar

A Qatari Shareholding Company, by virtue of Ministerial Resolution number (160) of 2008 and in accordance with the laws of the State of Qatar, having Commercial Registration number 39656. Registered Office: PO Box 64057, Doha, Qatar



- **Publication:** VQ disagrees with the reversal of position of the CRA. Documents to be published will provide no useful information to the market. The CRA should revert to its initial proposals which are well balanced and include the provision of summary P&L at the market level (which in our view should include mean capital employed) to reveal potential excess profitability.
- **Role of the CRA in the preparation of the RAS:** The Draft Order continues to lack clarity. We have included our recommendations as a mark-up.
- **Operational data:** we recommend that the Draft Order places more emphasis on the question of the quality of operational data (e.g. duct, leased lines, etc) that feed into the model and not only on the structure as this is a key area of concern which undermines the veracity of the regulatory accounts and its reliability for costing purposes (e.g. regulatory accounts cannot be used to set wholesale leased lines prices).

Yours sincerely,

Alexandre Serot
Head of Regulatory
Vodafone Qatar QSC

Vodafone Qatar P.Q.S.C

QSTP, Tech 2, Level 2, PO Box 27727, Doha, Qatar

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Regulatory Accounting System (RAS) Order 2019+

CRARAC 2018/10/xxx
xxx, 2018

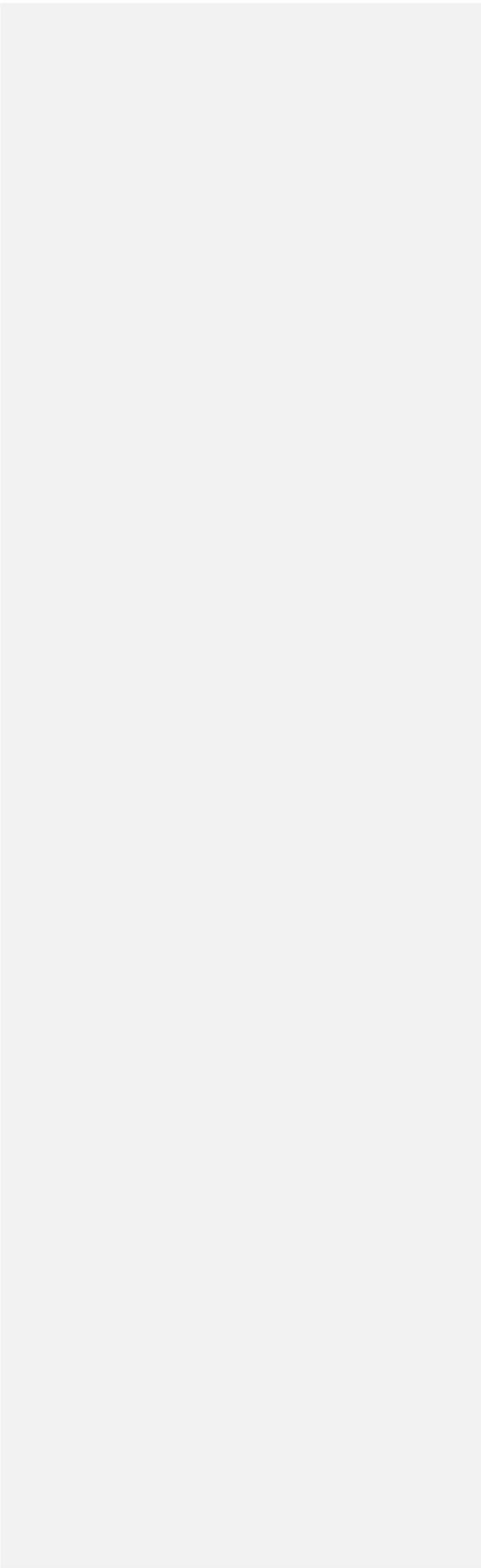
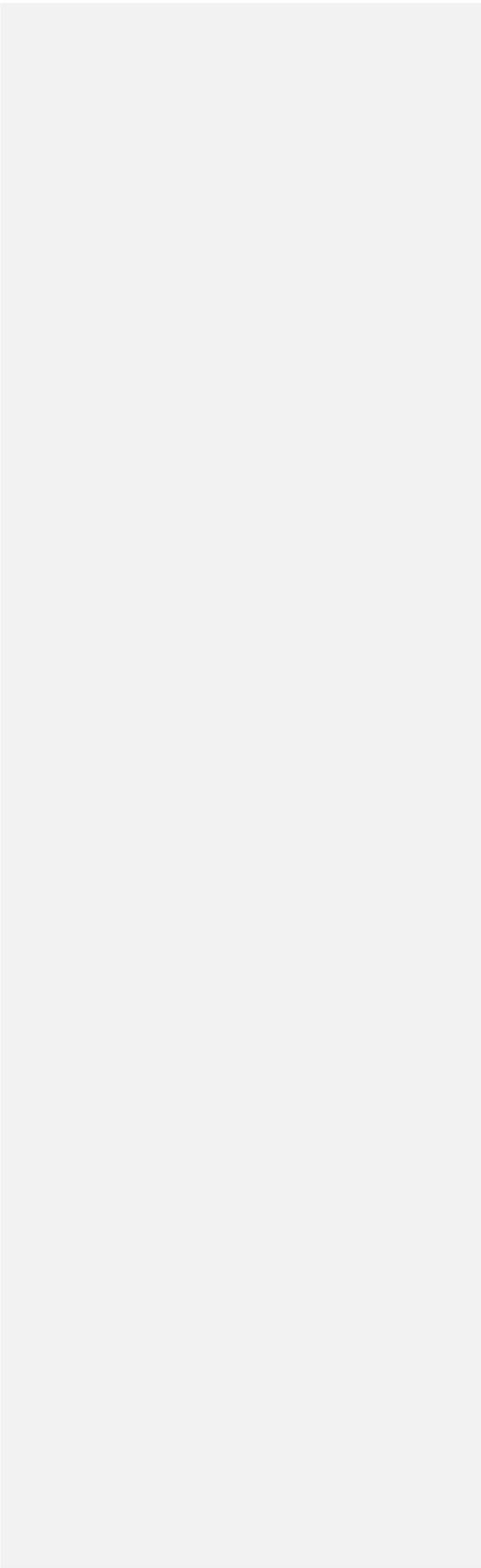


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1 Introduction

1. Ooredoo Q.P.S.C. has been designated as a Dominant Service Provider (“DSP”) in various retail ~~markets~~ and wholesale markets in the telecommunications sector in Qatar (ref. Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016, “MDDD 2016”).
2. Amongst others, the MDDD 2016 has imposed on Ooredoo obligations on Accounting Separation (“AS”) and Cost Accounting (“CA”) on all Relevant Markets. These obligations, that are essential to monitor Ooredoo’s~~the~~ compliance ~~of Ooredoo~~ with other obligations such as the cost orientation of ~~the~~ tariffs, not engaging in the absence of cross-subsidization, ~~or the absence of~~ discrimination, etc.
3. This ~~Order sets the requirement for the~~ Regulatory Accounting System (“RAS”) Order (“RAS Order”) sets the requirement for the RAS that Ooredoo ~~must~~ has to implement to fulfill its obligations with regards to ~~AS Accounting Separation~~ and ~~CA Cost Accounting. More specifically, this Order set out:~~
 - 3.1 — Legal Basis for the Order;
 - 3.2 — Requirements for the RAS;
 - 3.3 — Deliverables, including Audit requirements;
 - 3.4 — Requirements for Performance Bonds;
 - 3.5 — Publication requirements;
 - 3.6 — Timeline and Process for implementing the RAS;
 - 3.7 — Compliance, Monitoring and Enforcement Procedures.
4. This RAS Order:
 - 4.1 Replaces the ~~Order Orders~~ “Regulatory Accounting System (RAS) Orders for the financial years 2013+ to Qatar Telecom (Qtel) Q.S.C.” (ref. CRA 2014/05/25);
 - 4.2 Is applicable starting from the RAS ~~for referred to~~ the Financial Year ~~2019~~2014 ~~and shall be ongoing unless and until repealed or replaced with another obligation and subject to adjustments in the details and required timeframes, as specified from time to time by CRA.~~
5. ~~If deemed necessary, the CRA may extend these requirements to other DSPs.~~
6. ~~The~~ In addition to the requirements in this RAS Order, the CRA may, from time to time, issue ~~additional~~ clarifications or ~~minor~~ amendments to this RAS Order. ~~These RAS Orders shall be taken as key principles to be met and should be complied with, along with the amendments.~~

2 Legal Basis

~~Requirements under the Telecommunications Law as amended—The Telecommunications Law issued by Decree No. 34 of, 2006 (“Telecommunications Law”.)—) as amended by Law No. 17 of 2017.~~

7. Article 18 (8) of the Telecommunications Law ~~states~~states the rights, obligations and terms of interconnection and access, which are available to each licensed service provider including the following:

(...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows (...):
8. any obligations or requests to a dominant service provider regarding interconnection and access as specified by the General Secretariat and which relate to its charges or calculation of costs or the requirements of accounting separation pursuant to the rules of article (24), (25) and (33) of this Law.

8. Article 24 states that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The RAS process enables the identification of costs that ~~allows CRA~~ to ~~ascertain that a DSP is adhering to~~ascertaining such ~~requirements~~equivalence.
9. Article 25 provides that the RAS itself is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.
10. Article 29 requires that the tariffs for telecommunications services provided by DSPs must be based on the cost of efficient service provision and the tariffs must not contain any excessive charges which result from the dominant position that the service provider enjoys.
11. Article 32 enables the CRA to require a cost study ~~such as that~~ to be carried out as part of the RAS.
12. Article 33 states:

If the CRA finds that some of the accounting practices or accounting separation between different categories of activities and services are effective and necessary means for preventing anticompetitive conduct, or for regulating tariffs and prices, it may require from any dominant service provider to adopt such practices or any other accounting practices to determine the cost of its services, including the preparation of cost studies on each category of its activities or services or carrying out accounting separation between the different categories.
13. Article 62 enables the CRA to obtain from a service provider the information it needs to exercise its regulatory powers, including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Telecommunications Law.

Provisions of the Executive By-Law of 2009 for the Telecommunications Law (“By-Law”) that support the RAS requirements

14. Article 49(1) requires DSPs to meet any requirements relating to interconnection or access charges.
15. Article 50(1) requires DSPs to take directions from the CRA to implement specific charges or change such charges as determined by the CRA.
16. Article 50–(2) requires ~~a DSP’s~~ access charges ~~of a DSP~~ to be cost-based and in accordance with rules or standards determined by the CRA.
17. Article 50(3) requires a DSP to comply with any orders applicable to any pricing, costing and cost separation requirements as prescribed by the CRA.

18. Article 59 says that if the CRA requires a DSP to prepare or participate in the development of a cost study, the DSP shall comply. Such a cost study involves the CRA deciding on cost categories, form, approach, procedures and timing for the cost study and its implementation. The DSP can then be required to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose, including the separation of accounts.

Provisions in Ooredoo's Individual Licenses (ref. License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B).

19. Under clauses 4 and 14(-1),⁵ Ooredoo is required to comply with the terms and conditions of the licenses and the ARF.
20. Clause 14(-2) requires Ooredoo to take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by the CRA. The development of, and the adoption of the RAS into its processes, are part of this process.
21. Clause 11 places specific obligations on Ooredoo to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the ARF. The RAS exercise is part of enabling the Licensee to fulfill this license requirement.
- ~~22. Annexure D of the Licenses requires Ooredoo to provide its telecommunications services pursuant to retail tariffs. Clause 3 of Annexure D applies special procedures to DSPs, including prior review of new and modified tariffs.~~
- ~~23-22.~~ Clause 2(-1) of Annexure F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Such costs, and prices based on costs, will become apparent during the RAS process and will enable the Licensee and any requesting licensee to enter into agreements based on efficient cost-based pricing and reduce the instance of disputes over this.
- ~~24-23.~~ Clause 1(-1) of Annexure I of the Licenses clearly states that when a DSP is ordered by the CRA to prepare or otherwise participate in a cost study, it will comply.
- ~~25-24.~~ Clause 1(-3) and 1(-4) of Annexure I orders and directs Ooredoo to adopt and implement accounting procedures and accounting separation requirements as set by the CRA.
- ~~26-25.~~ Clause 29 of the Licenses states that Ooredoo may be required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation. In addition, Clause 29(-2) explains that to guarantee the performance of a Secured Obligation, Ooredoo shall provide to CRA a Performance Bond in accordance with Annexure K of the licenses.¹ The Clause specifies that Performance Bonds shall be

¹ CRA notes that while there are slight variations in sub-clause 29.2 wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. Because the combined effect of the

issued or endorsed by a bank operating in the State of Qatar and shall be in the amount specified by the CRA.

~~27-26.~~ Annexure A of the Licenses defines "Performance Bond" as a bank guarantee or other form of surety approved by CRA in accordance with the requirements of Annexure K of the license. The Annexure defines "Secured Obligation" as any obligation that is expressly designated by the license or the ARF as requiring the lodging of Performance Bond or other surety approved by CRA to guarantee performance of the obligation.

~~28-27.~~ Annexure K of the licenses addresses the procedures governing the requirement, provision, and enforcement of Performance Bonds. Sub-clause 1.1 states that where CRA determines that a surety is necessary to guarantee the performance of a material obligation by the Licensee, CRA may issue a written order to provide a Performance Bond. The sub-clause also states that the value of the bond shall be specified by CRA. ~~Clauses~~~~Sub-clauses~~ 1(-3) and 1(-4) of Annexure K recognize that CRA has the authority to determine that a Performance Bond must be paid, that a Performance Bond should be released, or that the term of a Performance Bond should be extended.

Provisions from the Notice and Orders: Designation of Ooredoo Q.S.C. and Vodafone Qatar Q.S.C. as Dominant Service Providers in Specified Relevant Markets, CRARAC 09/05/2016 A, dated May 09, 2016 ("MDDD 2016").

~~29-28.~~ Section 6.1 and 6.2 of the MDDD 2016 made Ooredoo subject to the obligations on Accounting Separation and ~~Cost Accounting~~~~cost accounting~~.

other provisions of Clause 29, Annexure A, and Annexure K make clear that CRA has authority to create additional Secured Obligations which will be governed by the provisions of Annexure K, these differences in wording are immaterial to any Secured Obligations created for these RAS Instructions in any concurrent Orders.

23 The Regulatory Accounting System Separation Requirements

2.13.1 Objectives of the Regulatory Accounting System

~~30.29.~~ The main objectives of the RAS accounting separation are to:

~~30.129.1~~ Verify adherence of a dominant licensee to the obligations of transparency, non-discrimination, and cost-based pricing;

~~30.229.2~~ Facilitate the understanding of a dominant licensee's costs and revenues at the required level of detail;

~~30.329.3~~ Identify and prevent potential abuses of dominance or other anti-competitive practices including anti-competitive cross subsidies, margin squeeze, and predatory pricing by a dominant licensee; and

~~30.4~~ Ensure implementation of any associated objectives of the ARF.

~~34.30.~~ Therefore, the RAS is thus not an end in itself. The RAS is, rather, an, a vital instrument to support CRA's regulatory activities.

~~32.31.~~ As the RAS provides inputs to a wide range of diverse evaluations and decisions, it must be flexible and it must provide enough detail to support a wide range of regulatory analysis. The RAS must also balance the benefits of collecting as much information as possible with the practical reality of what can be achieved with cost accounting tools.

2.2 Accounting Principles Critical features of the RAS

The key features of the RAS are defined here and expanded upon in later sections

~~33.~~ To support the objectives listed above, the RAS must calculate, trace and analyze costs, revenues, assets and liabilities of Ooredoo.

~~34.~~ The main instruments of the RAS, are, therefore: (i) the rules and specification of the RAS including the required inputs, defined in the Methodology (ii) the Cost Model that forms the central part of the RAS (iii) the Regulatory Separated Accounts (SA); and, (iv) the Audit and Statement of Compliance that form part of the supporting submissions.

Input values and rules	Cost model	Regulatory Separated Accounts (SA)	Supporting submissions
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Figure 4 Simplified elements of the RAS (Input values, specifications and rules, Cost Model, Separated Accounts, Audit and Statement of Compliance).

- 35. The Cost Model forms the central instrument of the RAS; processing and allocates costs and revenues in a causal manner to the products. The allocation of costs to product categories shall adhere closely to the principles included in this Order. It is also subject to other directions given by the CRA during the review process (ref. section 7).
- 36. The Regulatory Separated Accounts (SA), form a second main instrument of the RAS. They show costs and revenues of products and markets.
- 37. The SA shall include accounting statements ("reports") that identify not only the profit and loss of individual markets (with balance sheet), but also more detailed analysis of the individual products supplied. This must include sufficient detail to enable CRA to have an understanding of the nature of the cost components that are used to deliver the products. This is required to support CRA in its obligations relating to reviewing price approval requests and ensuring the best outcomes for the Qatari market.
- 38. The RAS shall be prepared on a Historic Cost Accounting (HCA) basis. This shall be based on the Ooredoo's statutory accounts and the audited annual financial statements.
- 39. Current Cost Accounting (CCA) may also be required. In such accounts asset costs shall be adjusted to current values altering the net value and the depreciation charges.
- 40. Requirements pertaining to the Cost of Efficient Service Provision (CESP), as prescribed in the Telecommunications law may also be required and added to the RAS. These will be defined if the CRA deems that such costs are relevant for regulatory decisions.
- 41. The RAS will cover the full extent of Ooredoo's domestic operations. International (overseas) subsidiaries or group structures of the SP shall be reported only if they materially impact domestic operations. In any event, international operations shall be included to enable clear reconciliation of the SA with the company Statutory Accounts.
- 42. All RAS submissions must be conveyed to the CRA in a standard electronic format, which can be processed by the CRA². Where information is provided in spreadsheet format, links and all formulae need to be visible and workable.
- 43. Transparency also requires that the CRA has an electronic copy of the system used by Ooredoo, with all documentation and user guides. CRA may agree to alternatives, subject to meeting the requirement that all key information and calculation stages can be verified and investigated by CRA.
- 44. All information conveyed to CRA shall be in English to enable the involvement of a wide range of staff and international experts.

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² e.g. figures must be conveyed in .xls (including formulas and links) and not in .pdf.

2.3 Accounting principles

~~The principles should be adhered to in all aspects of the design, implementation and delivery of the final accounts and system. These are not materially different from previous Orders.~~

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Commented [FM1]: This part is merely descriptive, there is no need to keep it in the Order

2.43.2

45-32. According to the ARF, and to international best practice, regulatory financial information must comply with the following principles:

~~(a)~~32.1 Reliability

~~:-~~The RAS ~~must~~should be free from errors or omissions;:-

~~(b)~~32.2 Objectivity

~~:-~~The RAS ~~must~~shall present a fair view of the business, based on objective evidence as far as possible, and not contain any systematic biases.

~~(c)~~32.3 Causality

~~:-~~Costs (and revenues, assets and liabilities) ~~must~~should be attributed to Individual Products, Product ~~groups~~Groups and Relevant Markets ~~(or sub-markets)~~ in accordance with the activities which cause the costs to be incurred, the revenues to be earned, assets to be acquired or liabilities to be incurred. Derogations are allowed for business sustaining costs (ref. [section 1.1](#)). Other derogations shall be explicitly approved by the CRA;:-

~~(d)~~32.4 Transparency

~~:-~~The approach and processes used to prepare the RAS ~~must~~Separated Accounts ~~should~~ be clear. That is, ~~an informed~~a user of the RAS should be able to follow the steps taken to prepare the ~~RAS; Separated Accounts~~.

~~(e)~~32.5 Materiality

~~:-~~A more rigorous approach to allocate costs, assets and revenues ~~must~~shall be used for those ~~Products~~products or ~~Cost Center~~cost-centers that are more material;:-

~~(f)~~32.6 Consistency

~~The~~ RAS ~~reports~~, both as a whole and from one period to another, ~~must~~shall use, as far as possible, consistent assumptions and data such that the ~~outcomes of the RAS~~Regulatory Accounts are comparable across time periods; ~~and~~:-

~~(g)~~32.7 Compliance with statutory accounting standards

~~Except~~:-~~except~~ for those areas where ~~the~~ CRA specifies otherwise, the RAS ~~must~~Regulatory Accounts ~~shall~~ be consistent with the accounting standards used in Ooredoo's Statutory Financial Accounts.

2.53.3 Elements of the RAS

~~The RAS is more than a system or the separate account reports. The methodology is critical as that provides the basis for CRA and the auditor to evaluate the results and to ensure the SA meet the CRA's requirements. The model itself, the SA results and the audit reports are the other three key deliverables.~~

46-33. The RAS shall include, inter alia, the following elements:

46.133.1 The RAS Methodology

~~The RAS Methodology This shall describe the approach used to prepare the Separated Accounts. This document must be sufficiently clear and detailed to allow (i) allowing the CRA to approve the RAS Methodology (ii) to enable and enabling the independent auditor of the RAS to audit the Separated Accounts (ref. 33.3). The~~

~~(ref. 33.2, "ECM") and Separated Accounts ("SA") are fully implemented. The CRA requires that the RAS Methodology document and related details are supplied to the CRA for discussion, review and approval before the RAS is fully implemented (ref. section 7).~~

~~The Methodology shall include, inter alia:~~

- ~~(a) The applicable standards like cost base and cost standard, along with the Accounting Policies (ref. section 3.6 and 3.7);~~
- ~~(b) The list of Products, with their definition, attribution to the Markets and number of the Tariff(s) as per filing to the CRA (where relevant);~~
- ~~(c) Diagrams and supplementary information to show the products' structures and how they use the network (and therefore drive costs). This must provide clear explanations of the products and how they differ from other similar products.~~
- ~~(d) The definition of the cost types used in the RAS (ref. section 3.8);~~
- ~~(e) A comprehensive description of all the cost centers used in the RAS, carrying revenues, costs and capital employed (ref. section 3.9.2);~~
- ~~(f) The cost allocation principles (ref. section 3.9.1);~~
- ~~(g) The description of the allocation process, including the processing stages as implemented in the RAS electronic cost model (ref. section 3.9 – 3.14);~~
- ~~(h) For each of the input and cost center included in the RAS Methodology must be , the description of all the drivers used for all the allocation performed in the RAS (ref. section 3.9.3); this includes also the route matrix table which shall also be described fully in the methodology. Upon request, Ooredoo shall submit to the CRA all the information and input used to define and calculate the drivers;~~
- ~~(i) The approach developed prior to the for the internal Transfer Charges (ref. section 3.10);~~
- ~~(j) An overview of any material changes compared to the previous year and the justification for the changing the approach. Amongst others, Ooredoo shall disclose changes to the list of products, changes to cost centers and changes to drivers.~~

~~Information on products, cost centers and drivers shall also be available in Excel format.~~

~~46.2 The Electronic Cost Model (ref. 33.2, "ECM") and Separated Accounts ("SA") are fully implemented. The CRA requires that the RAS Methodology document and related details are supplied to the CRA for discussion, review and approval before the RAS is fully implemented (ref. section 7).~~

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33.2 The Electronic Cost Model

~~The Electronic Cost Model~~ This is the (electronic) system used to process, attribute and allocate the costs and revenues. This shall include operating and user guides – these are the technical guides to the IT system. ~~The electronic cost model also includes and should be separate to the Methodology that describes the RAS and how it is structured, without reference to the underlying IT system. The cost model shall include~~ all supplementary calculations and models that are used to derive the driver and other data that are used within the ~~ECM~~ ~~electronic cost model~~, but may be calculated or defined externally to the model.

46.33.3 Separated Accounts (SA)

The Separated Accounts are the detailed accounting statements (also called ~~and~~ reports) that Ooredoo must prepare, audit and deliver to the CRA. ~~These provide a detailed view in Error! Reference source not found, section 4 and Annex VII. The reports are, inter alia in summary, as follows:~~

- (a) Profit and Loss statements;
- (b) Statement of mean capital employed;
- ~~Statement of Statements for products that together form regulatory markets as set out in the CRA's MDDD;~~
- ~~Statements for Ooredoo's markets;~~
- ~~Statements for the individual products within these markets;~~
- ~~Statements shall show the cost types within the products;~~
- (c) ~~Statements shall show the cost sources such as network components and costs;~~
- (d) ~~Statement of Costs Specific-specific to the Market;~~
- ~~(e) Statements of the Transfer Chargesmarket for each product;~~
- ~~(f) Reconciliations with the Statutory Financial Accounts. Ooredoo's annual report;~~
- ~~Statements on the network components' costs and volumes of component usage, with analysis of how these relate to products. This includes route factor information showing how each product uses each component, with related volume information;~~
- ~~Statements on the cost center groupings that clarify the allocations of these centers and how they make best use of Activity-Based Costing methods;~~
- ~~Statements of the cost transfers (notional charges) between each market;~~

46.433.4 Audit Report and Statement of Compliance

This must be ~~prepared~~ ~~executed~~ by an independent auditor to testify ~~that compliance with the rules of the ARF and the RAS is compliant with the applicable Orders and regulations (ref. section 4.5).~~ As part of this process, ~~Ooredoo's the Reporting Licensee's~~ Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter ~~(ref. section 4.5).~~

47.34. The detailed ~~minimum requirements~~ ~~deliverables~~ in relation to each of the above elements of the RAS are set out in section 4.

2.63.4 Extent ~~The extent~~ of the RAS

35. The RAS will cover the full extent of Ooredoo's domestic operations. International (overseas) subsidiaries or Ooredoo group structures shall be included only if they materially impact domestic operations. International operations shall be included only to enable clear reconciliation with the company Statutory Financial Accounts.

~~The RAS is This section has critical changes compared to past RAS requirements. The move to a markets-based reporting requires an altered allocation system and new reports. The existing RAS already has mapping of products to markets. However, this is not sufficient to develop the transfer charges required by the new market-based approach.~~

~~In line with the MDDD, all products shall be assigned to a retail or wholesale market as listed in the MDDD. Where a given product is not covered by those markets, such as mobile broadband, for example, it shall be allocated to another specific market. Finally, any non-relevant items shall be mapped to an "other" category. This assignment of the individual products to the markets shall be approved by CRA as part of the methodology approval stage.~~

~~Separation of network and cost of sale are also not fundamentally new, as they exist in the current RAS, but the definitions and reporting details are altered.~~

48. ~~Ooredoo is required to prepare the RAS based on the Relevant Markets.~~

49-36. ~~Relevant Markets are currently those markets defined by the CRA within the MDDD 2016, with the Notice and Orders on the MDDD (ref. section 1 paragraph 1 onward) and any future modifications.~~

37. ~~For the avoidance of doubt, the Wholesale Relevant Markets include both services for (i) Ooredoo's internal consumption (i.e. by Ooredoo's retail arms) and (ii) services for OLOs.~~

50-38. ~~The following table shows provides for the minimum level of separation required at Relevant Market and submarket level as currently required:-~~

<u>Relevant Market – Retail</u>
Retail service markets
M1 - Retail national fixed voice and broadband services. <ul style="list-style-type: none"> • M1a - Retail fixed access services • M1b - Retail national fixed call services • M1c - Retail fixed broadband services
M2 - Retail international outgoing call services <ul style="list-style-type: none"> • M2a - Retail international outgoing call services at a fixed location – Residential customers • M2b - Retail international outgoing call services at a fixed location – Business customers • M2c - Retail international outgoing call services from a mobile device – Residential customers • M2d - Retail international outgoing call services from a mobile device – Business customers
M3 – Retail national leased lines services
M4 – Retail international leased lines services
M5 – Retail national mobile voice and broadband services <ul style="list-style-type: none"> • M5a – Retail national mobile voice and broadband services – Residential customers • M5b – Retail national mobile voice and broadband services – Business customers
<u>Relevant Market – Wholesale service markets</u>
M6 - Wholesale call origination on public telecommunications networks at a fixed location

M7 - Wholesale termination on individual telecommunications networks at a fixed location
M8 - Wholesale physical access to network infrastructure <ul style="list-style-type: none"> • M8a - Physical access to SPs' mobile sites, masts, towers, including relevant ancillary facilities/services and colocation space • M8b - Physical access to SPs' dark fiber and copper, including relevant ancillary facilities/services and colocation space • M8c - Physical access to SPs' ducts, including relevant ancillary facilities/services and colocation space • M8d - Functional access to international gateway facilities required to gain international connectivity (including, but not limited to, physical access to the facilities, colocation space, cross-connects and other relevant ancillary facilities and/or services)
M9 - Wholesale broadband access at a fixed location
M10 - National trunk segment of (national and international) wholesale leased lines services
M11 - Terminating segment of (national and international) wholesale leased lines services
M12 - International transit segment of international wholesale leased lines services
M13 - Wholesale access and origination on public mobile networks
M14 - Wholesale termination on individual mobile networks
Others RAS Specific Markets
M90 – Other Retail Products <ul style="list-style-type: none"> • TV • Data Center • Handsets • Etc.
M95 – Wholesale Mobile Broadband
M100 – Other Wholesale Products <ul style="list-style-type: none"> • Hubbing • Etc.
M200 – Other services <ul style="list-style-type: none"> • Financial Activities • Etc.
<u>Mxxx – Other RAS-specific special markets as per the methodology approved by the CRA</u>

Figure 1 The extent of the RAS

39. Additional “RAS Specific Markets” may be introduced to accommodate certain Product costs that do not map to the existing Relevant Markets definitions.

54.40. The list of the individual Products to be reported and their attribution to the Relevant or Specific Markets will be defined yearly by the CRA upon the proposal provided by Ooredoo.

3.5 Cost Base

2.7 The Cost base and cost standard

The RAS must be based on FAC with historic accounts, in line with past RAS reports. Current cost accounting is not seen as useful at present and efficient cost or incremental cost reports do not provide additional insights that CRA currently requires.

2.7.1 Historic Cost Accounting (HCA)

~~52.41. CRA requires the preparation of the RAS according to the Cost Base~~cost base~~: Historic Cost Accounting (“HCA”) with an initial cost efficiency assumption of Cost of Efficient Provision (“CESP”).”~~

~~53.42. At a later date, another cost base such as Current Cost Accounting (“CCA”),” or a further development of CESP, Cost of Efficient Provision (“CESP”) may be required if the regulatory needs arises(see also paragraph 64 below). This will be part of a separate process.~~

~~54.43. The Statutory Financial Accounts~~The statutory accounts and the disaggregated figures of the audited financial statement of Ooredoo, as prepared in accordance with international financial reporting standards and ~~audited~~signed by an independent auditor, are the basis for ~~the HCA to be used for the RAS~~. Therefore, ~~it is both possible and necessary for Ooredoo to reconcile its RAS with its~~reconciliation with the audited annual Statutory ~~Financial Accounts~~ is both possible and necessary.

~~55. The starting part for the separated accounts prepared on a HCA basis will be Ooredoo’s actual performance as presented in its Statutory Accounts. This performance is then separated between the different markets.~~

~~56. The main assumptions underpinning HCA in the context of RAS are:~~

~~56.1 Gross Book Values (GBV) are presented on the basis of the historic cost of the purchased assets.~~

~~56.2 Net Book Values (NBV) are presented as the difference between GBV and accumulated depreciation for all the assets currently in place.~~

~~56.3 Annual depreciation is on a straight line basis.~~

Commented [FM4]: Not needed, these notions are very well known

~~2.7.2 Efficiency Adjustments and assets acquired without payment~~

~~57. The Telecommunications Law prescribes, that the tariffs for telecommunications services provided by a DSP must be based on the CESP.³~~

~~58. Efficiency adjustments can also be applied to HCA cost basis. the CRA requires accounts without efficiency assumptions based on CESP.~~

~~59.  CRA requires that the capital costs (depreciation and cost of capital) related to the assets acquired “for free” shall be attributed to the Other Services (ref. Figure 1). That Ooredoo has followed this approach needs to be verified by the auditor explicitly and separately (ref. section 4.5 Audit Report). If this is not be attested by the auditor, the CRA will either exclude these capital costs Markets. Hence, these costs will be excluded from the cost of both Retail and Wholesale Products or only allowproducts. This needs to be verified by the auditors explicitly and separately. If this will not be attested by the auditors, the CRA will take up to 20% to be attributed to them (with the residual part attributedof the relevant asset category into account.~~

~~44. This requirement aims to the Other Services.~~

3.6 Cost Standard

³ Telecommunications Law, Article 29

~~60. The Report of CRA will be subject to a separate Order for publication in the public domain. The Report of CRA will be subject to a separate Order for publication in the public domain.~~
Allocated Costs ("FAC"). (FAC)

61.0.0 Fully Allocated Costs ("FAC"). (FAC)

~~45. The FAC⁴ approach shall be used. It allocates all relevant costs and revenues incurred by Ooredoo to its Products.~~

~~62. At a later date, another cost standard as e.g. incremental cost may products. FAC is used for the costs bases HCA, CCA and CESP (if CCA or CESP are to be required if the by CRA)~~

~~63. FAC requires that all efficient costs from the accounting systems are allocated based on cost causality, and non-relevant items or items with unclear cost causality are still included.~~

64.0 Other Cost Base and Standards

65.0.0 Current Cost Accounting (CCA)

~~66. The same allocation techniques and accounting principles described above can also be used with current cost accounting (CCA). CCA alters the values of assets to reflect the values of the asset today. The operational costs can optionally be also altered to reflect the asset that would be used today (rather than the asset actually bought). This re-valuation and operational cost adjustment is carried out at the initial stage of the RAS as the costs and asset accounts are brought in.~~

~~67. The allocations use the same principles described above for FAC, using the HCA values.~~

~~68. CCA is described further in the Annex V.~~

~~69.46. CRA does not intend to implement CCA – it remains an option that will be introduced if regulatory needs arise. If introduced, then both FAC HCA and FAC CCA reports will be required to show the differences.~~

2.7.3 Incremental Costing (IC)

~~70. Annex VI briefly describes this standard cost. It is included for future discussion and advice only. Incremental Costing (IC) is not currently a requirement unless directed by CRA.~~

2.8 Cost Types

The cost breakdowns are not altered significantly from the existing RAS. The requirements in the below and other sections are more fully defined than in the previous Orders.

Commented [FM5]: These are not requirements, therefore they have been deleted

⁴ Also referred as fully distributed costs (FDC)

3.7

74.47. The following table defines the cost types which must be reported, where required, in the Separated Accounts.

Cost Type	Characteristic
Primary operating costs	This cost type captures costs that relate directly to operating the network or delivering the services
Support operating costs	This cost type defines costs that assist the main teams to carry out their functions or assist with the operations of supporting assets that in turn help the primary assets deliver the network services. An example of support operating costs might be the IT Department which assists assist the Teams carrying primary operating tasks.
Depreciation	This cost type includes the annual depreciation of the assets related to used-in the Primary and Support operating costs production-of-network services.
Other expenses (net of other income)	This cost type covers a few items that can be directly identified to supporting assets or supporting activities.
Capital Employed and Cost of Capital	The capital employed refers to the mean capital employed in the year. This is in two parts: non-current assets and net working capital (i.e. current assets minus current liabilities). The cost of capital is the Capital Employed times the regulatory Cost of Capital, specified by CRA (also commonly termed WACC – weighted average cost of capital).
Outpayments	Outpayments relate to wholesale Products products, which the Reporting Licensee purchases from other service providers. This is normally zero for most services. Outpayments shall be attributed to the Retail Products products where appropriate.
Business Sustaining Costs	The Business Sustaining costs include cost supporting the whole business but not specifically a Product product or service. These costs shall be attributed to the Wholesale and Retail Products products but not to other Cost Center cost-centers or assets based on cost previously attributed to the Products products. These include among others are defined as: <ul style="list-style-type: none"> • Annual audit costs • Business and Finance Department costs • Strategy Department costs • Cost for producing the RAS • Employee costs, consultancy costs, associated costs, and all other associated ancillary costs relating to: Board; COO's office; and CEO's office. These form 'support and business sustaining departments' • License fee costs where the license covers all telecoms markets.

2.8—Cost and ~~Revenue~~ revenue allocation

2.8.23.8 Allocation principles

3.8.1 Allocation Principles

72.48. Under the FAC standard, all costs and revenues are allocated to ~~the Products~~specific products. The guiding principles of cost allocation according to international best practice and required by ~~the~~ CRA are:

⁵ The complete list will be included in the RAS Methodology and approved by the CRA

~~(-) Causality.~~

~~48.1 Costs, capital employed or revenues are allocated to the Productsproducts that "cause" them to arise. This requires the implementation of appropriate cost and revenue allocation methodologies. The Activity Based Costing ("**ABC**") method shall be used where possible. — alternatives may be used for some cost pool categories that contain the cost types defined above in section 3.8 above — see section 3.9.4.~~

~~ABC is shown to be a well understood method that is used in many industries (see Consultation Document above). CRA emphasizes that ABC should be properly implemented, and the driver data, method and logic should be transparent. ABC should be part of the audit.~~

~~The costs in the RAS must be allocated using the industry standard principles of ABC where ever possible — alternatives may be used for some cost types. Under ABC, cost-causal allocations are applied to cost pools that have homogeneous costs that all have the same cost drivers. This cost pool is defined as the resource. The drivers are defined by the activities carried out. The costs are allocated by the driver activities to the cost object.~~

~~For example, a homogeneous operational cost pool may have staff costs, the costs of tools and equipment and supporting costs such as office space. The cost driver for this operational cost pool resource may be activities such as installing customer local loops, repairing them and configuring the network systems to deliver a service. These are the cost drivers — more such activities increase the costs of staff (more staff are required) and would need more tools and office space. The cost objects of these activities might be: access copper and access fiber (for installing customer local loops); ducts, plus access copper and access fiber (for repair activities); and broadband and PSTN services for the configuration activities.~~

~~This ABC must also be documented and provided to CRA in the Methodology documents that defines the cost sources, drivers and destinations. The final delivered RAS model and supplementary reports must provide the allocation driver values as well as the nature of the driver.~~

~~The practical implementation of the ABC principles may simplify the process described above, but it must not reduce the transparency or the cost causality of the allocations. Simplification may involve combining the resource to activity allocations with the activity to cost object allocation to allocate from resource direct to cost object in one allocation stage — not defining the intermediate cost of each activity. This is permitted to simplify the RAS, so long as the ABC principles are adhered to, and no loss of accuracy or transparency results — this requires full definitions of the activities and drivers in the Methodology and ABC supplementary reports.~~

⁶ Documented Network Models and Activity Based Costing (ABC) data, to ensure robust cost-causal allocations, have to be delivered to the CRA

Objectivity__

48.2 This supports the causality principle, requiring allocations to reflect causality using an objective (e.g. determined in an unbiased manner) driver⁷. ~~This also ensures that an audit is possible.~~

~~(a) One time allocation __~~

48.3 There ~~must~~should be no double counting or undocumented exclusion of cost, capital employed or revenue items. This is demonstrated by reconciling the ~~Separated Accounts~~separated accounts to the Statutory Financial Accounts~~statutory accounts~~.

~~(a) Transparency __~~

48.4 The descriptions of the allocation methods ~~must~~should provide sufficient information such that a suitably informed reader can easily gain a clear understanding of the structure of the RAS, the methodologies used in the derivation of the RAS and the drivers applied. The RAS has to include all the relevant material, so that the results can be fully analyzed by the CRA and the auditor.

~~(a) Consistency of treatment __~~

48.5 The structures, methodologies and drivers ~~must~~should be consistent from one period to the next. Deviations from a chosen structure, ~~or~~ methodology or driver need to be documented and justified.

2.8.33.8.2 Cost Centers ~~Required~~required

~~At least~~The existing RAS combines cost centers, but this processing not carried out in a robust and transparent manner. The method used and the processing of the cost centers from the accounting centers to homogenous centers suitable for ABC allocations is required to be defined and be reported on.

~~75.49.~~ Along with the network components, the CRA ~~expects~~ the following Cost Centers ~~must~~cost centers be included in the RAS, ~~detailed by relevant products where applicable:~~

~~(a)~~49.1 Marketing;

~~(b)~~49.2 Sales;

~~(c)~~49.3 Advertising;

~~(d)~~49.4 Customer Care~~Cares~~;

~~(e)~~49.5 Repair and maintenance;

~~(f)~~49.6 Finance and billing;

~~(g)~~49.7 Installation/provisioning;

⁷ Drivers based on auditable data recorded in the company systems are preferred

- ~~(h)49.8~~ General support (i.e.g. accommodations/buildings, energy, etc.);
~~(i)49.9~~ General management (ref. to section 1.1 and 3.8.4 i.e. these are the Cost Centers including the business sustaining costs);
~~(j)49.10~~ Information Technology;
~~(k)49.11~~ Transport.

~~The CRA requires Ooredoo to include in the RAS the above cost centers and to attribute them consistently with the Others Costs Centers may be added according to Ooredoo's own organizational charts and as per regulatory needs. The final list of Costs Centers will be included in the RAS Methodology.~~

~~76-50. Cost must be attributed consistent with robust~~ ABC principles, the exception being for the business sustaining cost (ref. section 1.1 above).

3.8.3 Cost Allocation Hierarchy

~~The list might be adapted according to Ooredoo's own organizational chart.~~

~~78. Cost allocation drivers must be disclosed as indicated in paragraph 47.1 above.~~

79.0.0 Cost allocation hierarchy

~~CRA notes that the specific implementation will need to reflect both these Orders and the structures that can be practically implemented in the RAS IT systems. The principles and general allocation stages defined here and in these Orders are expected to be followed and implemented. The final system will be reviewed and approved by the CRA once the methodology is defined.~~

- ~~82. The RAS shall be based on a hierarchy of cost (and revenue allocations.)~~
~~83. In summary, the initial stage must link in the accounting data from the financial system — this includes all relevant items. Every item is to be assigned to a cost center. Cost centers are allocated through the hierarchy of allocation stages to other cost centers and then to the individual products.~~
~~84. Cost centers shall include homogeneous cost elements. This is because the combined cost elements within a cost center are normally all treated "as one" and are allocated using the key principles for each type of cost center. The nature of cost in the cost center or any other collection of costs (defined as a "cost pool") identifies the cost allocation method to be used.~~
~~85. Intermediate stages of cost processing and allocation may be used as required to obtain cost centers that have homogenous cost categories that can be all allocated using the same principle. This is achieved by grouping costs that all have the same cost driver. A homogeneous operational cost center may have staff costs, the costs of tools and equipment and supporting costs such as office space. The cost driver for this may be activities such as installing customer local loops, repairing them and configuring the network systems to deliver a service. These are the cost drivers — more such activities increase the costs of staff and would need more tools and office space. All~~

⁸ The complete list will be included in the RAS Methodology and approved by the CRA

~~These costs are transferred for allocation together. This is the underlying principle of Activity Based Costing (ref. section 39.4)~~

Commented [FM6]: Redrafted to simplify the document

86-51. An illustrative ~~set of cost allocation hierarchy is stages are shown in~~ the figure below.

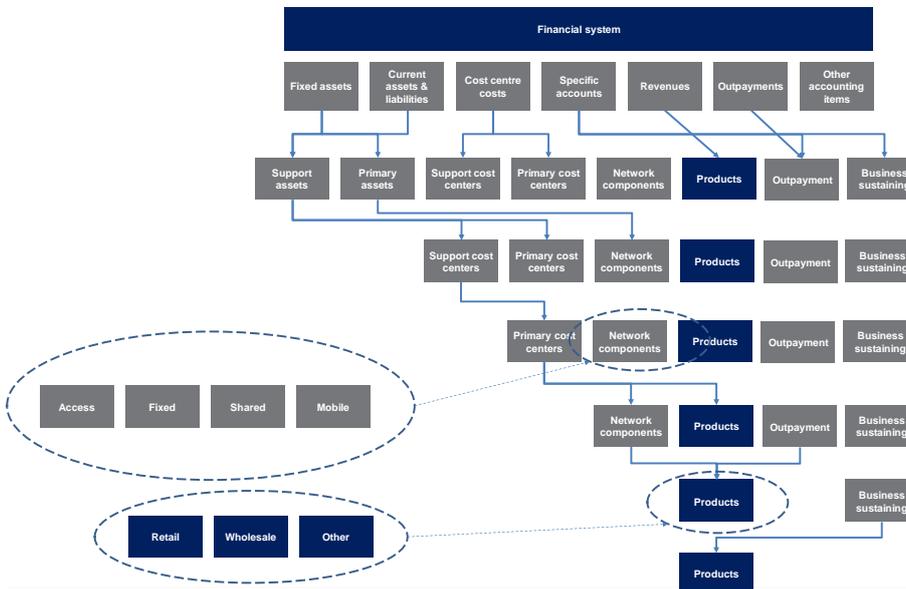
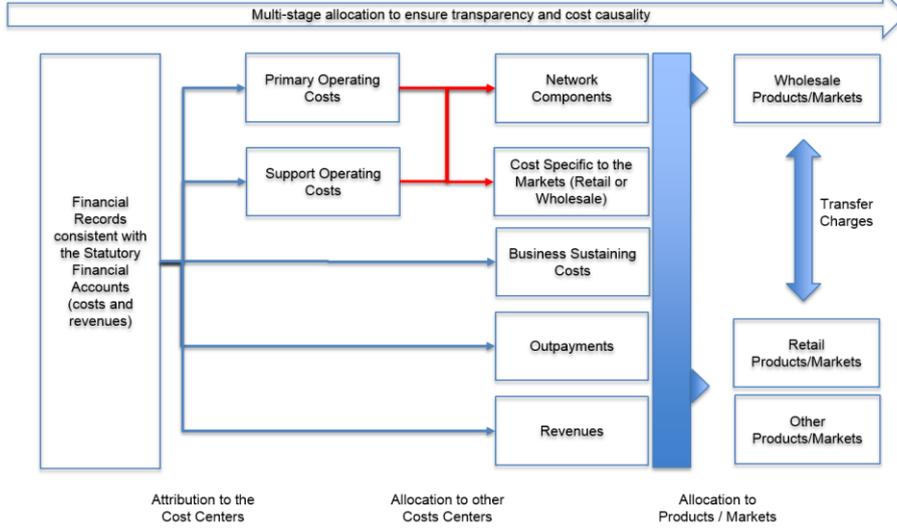


Figure 2 Cost Allocation Hierarchy allocation hierarchy – minimum requirements (illustrative)

~~87. This hierarchy. The above hierarchy is consistent with an Activity Based Costing (ABC⁹) system which follows a multi-layer approach to cost allocation. Under such an approach, costs are allocated progressively to network elements (components) and other cost centers to the final products through a number of allocation layers. The costs of network components are used through switching and transmission activities by the products and so provide the cost of production of the products sold. Wholesale and retail activities are directly allocated to the Wholesale and Retail products.~~

~~88-52. The hierarchy shown above only reflects the primary flows of the minimum expected cost allocation stages, required to ensure robust, transparent allocations that reflect cost causality. Only the primary flows in each stage are shown. The final structure shall be defined and included in the RAS Methodology methodology. The following notes clarify key features of the cost allocations that are to be considered and defined in the methodology and implemented in the RAS system:~~

~~53. At the initial stage, the financial records must be attributed to Cost Centers (or Cost Pools), homogenous in terms of the relevant cost driver. That is, multiple Cost Types in the center shall still have the same driver. Those Cost Centers are then allocated to other Costs Centers, split by Network Components or Costs Specific to the Markets, through the hierarchy of allocation stages. At the latest stage, (i) the Cost Centers are finally attributed to the Products / Markets and (ii) Transfer Charges are implemented.~~

~~54. There should be no pre-allocation of costs outside of RAS. For example, if the fixed asset register only records duct in a single code, the accounting entries in relation to duct should not be split between core duct, access duct and shared duct prior to entering the cost model input layer.~~

~~2.8 Support assets such as buildings, tools or IT are typically allocated to cost centers that use these items;~~

~~2.8 Support cost centers are typically allocated to the main (primary) cost centers for example to give office support, or IT support;~~

~~2.8 Primary assets mostly relate to the network components;~~

~~2.8 Primary cost centers carry out the primary activities such as maintaining the network components or selling the products (i.e. are part of GSM);~~

~~2.8 The network components deliver the products;~~

~~2.8 Outpayments are required to complete some of the products; and~~

~~2.8 Business sustaining costs are common costs for all products and these are added on in the final stage. These are described further in 3.9.4 below.~~

2.8.113.8.4 Cost Center Categories' categories

⁹ ABC is a management accounting approach that allows causal relations to be established between costs and products. ABC views the products as the result of a series of activities, each of which consumes resources and therefore generates costs. This methodology, based on cost drivers allocates costs through the activities performed and establishes a clear cause and effect relationship between activities, their associated costs and the resulting output.

ABC may introduce an intermediate stage of activities, enabling some costs – that would otherwise be allocated in a less direct way – to be attributed to the activities that cause them to occur and then to other resources that cause the activities. This cascade of allocation technique may therefore strengthen the causal link for certain types of indirect cost where alternative approaches may prove less robust.

55. Cost Centers (as described in the preceding section) can cover a number of different categories. The cost centers, and other cost inputs to the RAS, may be grouped in Cost Pools.

89-56. under cost pool categories. The following table defines these Cost Center Categories and describes how costs in each Cost Center Category should be allocated within the RAS:-

<u>Cost Center Category</u>	<u>Characteristic</u>	<u>Allocation Method</u>
<u>Direct Cost</u>	<u>This cost can be directly attributed to Products. E.g. a SMSC is allocated to SMS services</u>	<u>Direct</u>
<u>Joint Cost</u>	<u>These costs occur where an input produces two or more separable outputs in fixed proportions irrespective of volume and cost causality exists.</u>	<u>Routing Factors</u>
<u>Common Cost</u>	<u>Certain types of indirectly attributable costs are "common" to a number of activities. The cost of these inputs are necessary to produce one or more services, which cannot be directly assigned to specific services.</u>	<u>Cost causal allocations such as ABC or suitable proxies, where ABC is not possible.</u> <u>All such costs must be identified in the RAS methodology. CRA will make specific directions where required on how these are to be treated¹⁰</u>
<u>Supporting operating costs</u>	<u>This cost relates to supporting services and items that are indirectly related to the network and services. The cost is similar to a joint cost as it supports several outputs, but there are clear cost drivers and the output is usually a direct operational Cost Center. Example: IT support supplies activities that support the network teams and other operational staff – a robust cost driver therefore exists</u>	<u>Cost causal basis, such as Activity Based Costing or proxy allocations that have a close to cost-causal basis, to direct-cost elements</u>
<u>Primary Operating costs</u>	<u>This cost relates directly to the Production of services or the operation of network components. Example: network operational staff or sales staff. This is a type of direct cost, but does not have the one to one link to Products as the SMSC example. Network operational costs could allocate to several network components and the retail costs (sales staff) might allocate to several Products</u>	<u>Cost causal basis such as Activity Based Costing</u>
<u>Business sustaining costs</u>	<u>These are costs that are common to the entire Qatari business and do not have a strong cost driver. For example, annual audit fees or Board costs have limited information in which to define a strong cost causal allocation. These are defined in section 1.1. Business sustaining costs are a special type of common cost where the cost is relevant to the entire business.</u>	<u>Mark-up – the cost are allocated in proportion to the costs (operational plus depreciation, excluding cost of capital and outpayments) that are already allocated using other cost allocation methods.</u>
<u>Cost pool category-</u>	<u>Characteristic</u>	<u>Allocation</u>
<u>Direct Cost</u>	<u>This cost can be directly attributed to products. E.g. a SMSC is allocated to SMS services</u>	<u>Direct</u>

¹⁰ For example, access fibre or copper are common costs for several access services. CRA has specified that the costs should be split 50:50 if there are two services or 33:33:33 if there are three services using the elements

Cost Category	Center	Characteristic	Allocation Method
Joint Cost		These occur where an input produces two or more separable outputs in fixed proportions irrespective of volume.	Routing Factors
Common Cost		Certain types of indirectly attributable costs are "common" to a number of activities. The cost of these inputs are necessary to produce one or more services, which cannot be directly assigned to specific services	Cost causal allocations such as ABC or suitable proxies, where possible. All such costs must be identified in the RAS methodology. CRA will make specific directions where required on how these are to be treated ⁴⁴
Supporting operational costs		This cost relates to supporting services and items that are indirectly related to the network and services. The cost is similar to a joint cost as it supports several outputs, but there are clear cost drivers and the output is usually a direct operational cost center. Example: IT support supplies activities that support the network teams and other operational staff — a robust cost driver therefore exists	Cost causal basis, such as Activity Based Costing or proxy allocations that have a close to cost causal basis, to direct cost elements
Primary operational costs		This cost relates directly to the production of services or the operation of network components. Example: network operational staff or sales staff. This is a type of direct cost, but does not have the one to one link to products as the SMSC example. Network operational costs could allocate to several network components and the retail costs (sales staff) might allocate to several products	Cost causal basis such as Activity Based Costing
Capital costs (asset average value in the year) and depreciation		These costs are used to deliver services (in which case they may be direct costs) or indirect costs, such as a salary payment IT system in which it would be combined with entities that have support operational costs (such as the payroll department). Asset costs that are used to deliver services are usually joint costs to several services. These assets are then allocated by technical Activity Based Costing (such as X Mbit/s is driven by service A and Y Mbit/s is driven by service B). Other assets that relate to many products are often defined as a joint cost and so allocated based on route factors rather than a technical ABC method	Cost causal basis such as Activity Based Costing
Business sustaining costs		These are costs that are common to the entire Qatari business and do not have a strong cost driver. For example, annual audit fees or Board costs have limited information in which to define a strong cost causal allocation. These are defined in section 3.8	Mark-up — the cost are allocated in proportion to the costs (operational plus depreciation, excluding cost of capital and outpayments) allocated using more solid cost allocation methods.

⁴⁴ For example, access fibre or copper are common costs for several access services. CRA has specified that the costs should be split 50:50 if there are two services or 33:33:33 if there are three services using the elements

Figure 3 Cost Center Categories and Allocation Method

~~———— The types of cost pool/entity categories and their allocation~~

2.8.133.8.5 Revenue Allocation

~~Tariff bundles have not been a major concern to the RAS or the CRA, but these are increasingly more common, and this creates special issues when the tariff bundle has products that are in diverse markets. To prepare for such tariffs, CRA defines below the solution for when the approach is required.~~

~~92-57. Where possible, revenues shall be directly attributed to the relevant individual Products.~~

~~If this is not possible, and where at the bundle's revenues are common to more than one individual Product, Ooredoo shall fully disclose the method and the driver used to allocate the revenues to the individual Products.~~

~~2. — Revenue allocation drivers must be disclosed as indicated in section 3.9.1 above~~

2.113.9 Transfer Charges

~~Some cascade transfers are expected where one wholesale market supplies another before most costs transfer to retail markets~~

~~58. — A system of Transfer Charges, based on cost¹², must needs to be clearly identified in sufficient detail to allow the CRA to assess the absence of whether there are any potential issues in relation to Ooredoo's non-discrimination (obligations, e.g. between Ooredoo's own retail units and other SPs).~~

~~95-59. — The Transfer Charging System internal transfer charging system will ensure that the total transfer charges can between the markets will be clearly identified and reconciled between Wholesale / Other Specific Markets wholesale, and Retail Markets. For retail markets. This system will make explicit the avoidance of doubt, total charges between the CRA does not expect Retail to Retail Market transfers or Retail to Wholesale transfers different markets such as, for example, from the wholesale broadband market to the retail market.~~

¹² For the avoidance of doubt, this includes full cost - operating cost including depreciation plus cost of capital

96. The figure below shows the ~~Transfer Charges expected by the CRA.~~ **not found.** *for transparency of non-discrimination*

Summary of the Transfer Charges
for the year ended 31 December 20xx

Transfer to	M1a	M1b	M1c	M2a	M2b	M2c	M2d	M3	M4	M5a	M5b	M6	M7	M8a	M8b	M8c	M8d	M9	M10	M11	M12	M13	M14	Mobi le BB	Other
Transfer from	QAR	QAR																							
M1a	■																								
M1b		■																							
M1c			■																						
M2a				■																					
M2b					■																				
M2c						■																			
M2d							■																		
M3								■																	
M4									■																
M5a										■															
M5b											■														
M6												■													
M7													■												
M8a														■											
M8b															■										
M8c																■									
M8d																	■								
M9																		■							
M10																			■						
M11																				■					
M12																					■				
M13																						■			
M14																							■		
Mobile																								■	
Broadband																									■
Other																									■

97. Ensuring non-discrimination and equivalence also means that the regulated products and markets' cost must be defined in a market-based transfer report. A template for this is shown in the figure below.

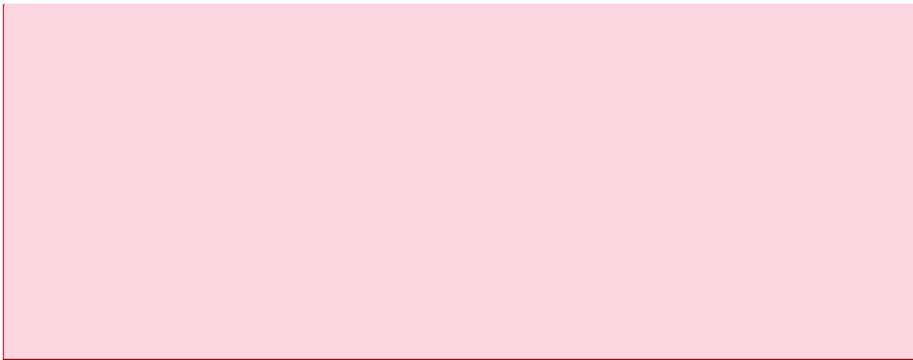


Figure 8 Cost transfer reporting principle (ref. 4.4 and **Error! Reference source not found.**) *for transparency of non-discrimination*

103. Any derogations or difference from the above Transfer Charges shall be justified by Ooredoo, and shall be subject to CRA approval as part of the methodology approval process.

~~104. Transfer charges must be calculated to ensure transparency between network and retail activities and external operators.~~

~~105-60. These transfer charges shall be based on the costs of the products consumed (transferred) by the other Market. The final reporting will be included transferred amount is the cost of the product as determined in the RAS Methodology. The cost transfer is defined as the sum of costs: relevant operation costs including depreciation charges plus a cost of capital charge. The capital charge considers the average capital employed in the product, and the defined cost of capital percentage (as defined by CRA).~~

Figure 4 Transfer Charge reporting (illustrative)

~~2. The RAS provides the clarity on Transfer Charges. This will help *inter alia* to identify cases of non-discrimination.~~

~~2. A transfer charge report is required to show the cost transfers from each market to other markets (ref. 4.4 and Annex VII).~~

~~2. CRA does not expect retail to retail market transfers or retail to wholesale transfers.~~

Commented [FM7]:  Ident requirements have been deleted

2.153.10 Cost of Capital

~~No changes to the current Order~~

~~61. Apart from including depreciation in the RAS, there is also a need to include a return on capital employed, referred as Cost of Capital. This allows the CRA to assess the profitability of individual products and of the Markets taking into account the need to earn a return on capital employed. In line with international best practice, a Cost of Capital ("**CC**") (CoC) value, subject to a specific separate proceeding, is specified by CRA to be included in the RAS.~~

~~108-62. The **CCCoC** shall be included in the Separated Accounts SA and all product or network costs reports, as a discrete item that can be separated from the operational costs (ref see **Error! Reference source not found.**) Annex VII, pro forma SA).~~

~~2. The calculation of the CoC, typically expressed as the Weighted Average Cost of Capital (WACC), is subject to a specific separate definition process.~~

2.173.11 Working Capital

~~The No changes to the current Order~~

~~63. Working Capital ("**WC**") includes cash as a current asset and other short term assets and liabilities.~~

~~111. The WC is low or even negative in some operators. In the absence of CESP, the WC must still be limited, as experience shows that cash levels can vary substantially and this distorts an assessment of the costs.~~

~~112-64. The CRA specifies that the working capital must be kept at levels should be maintained in the FAC HCA and CCA reports to a reasonable level. The actual *net WC*~~

~~working capital value is should be used~~ subject to an upper limit of one month or 8.3% of the total average operating costs.¹³ ~~This is deemed a reasonable level.~~

65. ~~Operating costs include salaries and other operating expenses, but exclude depreciation and outpayments to other operators.~~

113-66. ~~WC levels above this should be allocated to Other services (ref. Figure 1 Treat the RAS. The cost to produce the Products (network costs) are included in the Transfer Charges.~~

2.183.12 ~~Costs Specific~~ **Costs Specific to Retail Markets (CSRM)**

Commented [FM8]: The text has been streamlined

~~CRA appreciates that sales and marketing costs often do not have robust cost drivers to any individual product. However the allocations that are used must be transparent and fully documented, as a result specific new reports are required to cover this.~~

~~This does not remove the need to consider the CSM costs sometimes at the aggregate market level and not at the product level. But, this is not a concern that alters the RAS requirements specified in these Orders — it only affects how the CRA will use the RAS.~~

118-67. ~~These are the costs specific to Retail Markets (“CSRM”) are costs incurred to sell and the products, advertise retail Products, associated the products, billing, etc.¹⁴ The cost to provide the products are included in the Transfer Charges.~~

119. ~~The allocation of the CSRM shall also follow the ABC principles. Cost causality shall also be applied.~~

120. ~~Retail cost allocations should also comply with cost causality wherever possible~~

124-68. ~~For the avoidance of doubt, causal cost drivers should be used rather than a preference to proxy drivers and these are preferred over the mark-up option.~~

2. ~~Given this, it is important that the approach used should be clear and documented in the Methodology. The CRA may revise the allocation basis, on an as needed basis.~~

2.203.13 ~~Costs Specific~~ **Costs Specific to Wholesale Markets (CSWM)**

122-69. ~~Costs Specific These are the costs specific to Wholesale Markets (“CSWM”) are costs incurred to sell the wholesale Products, associated billing, etc.¹⁵ products, have relations with other service providers, to bill, etc. The cost to provide the products are included in the Transfer Charges.~~

123-70. ~~The These shall be treated in the same general way as the retail CSM. However, the CRA notes that such wholesale costs are typically small (as there are few customers, and no marketing and no sales effort is required).~~

124-71. ~~Most indeed, most of these costs should clearly relate to particular products and services, so there should be directly few costs that cannot be allocated to Products and services individual products based on solid cost allocation (ABC) principles.~~

¹³ Or 8.3%, where operating costs covers salaries and other operating expenses, excluding depreciation and outpayments to other operators

¹⁴ The cost to produce the Products (network costs) are included in the Transfer Charges.

¹⁵ The cost to produce the Products (network costs) are included in the Transfer Charges.

~~125. For the avoidance of doubt, costs but not the incurred production services provided by the SPs (eg cost for are considered as network costs. This includes, amongst other, the cost for managing the provisioning requests, the cost of the supervision of the SPs, etc.) are network costs but not CSWM.~~

34 Deliverables Required on an Annual Basis

3.14.1 Summary of the Deliverables

~~72.~~ The CRA requires the RAS to be delivered annually.

~~126. , with updates to reflect business changes.~~ If necessary the CRA may issue specific clarifications and further adjustments, in order to enhance ~~the general demands specified in~~ these Orders. CRA does not expect that such details would alter the RAS Orders significantly and so should not require requiring additional consultations or the CRA to re-issue this Order. Rather, this of the Instructions. This might include new Products, Product products, product groupings or altered cost-types that Ooredoo must report to be reported on.

~~127-73.~~ Ooredoo must provide, annually, the following deliverables:

~~(a) 73.1~~ The Description of the RAS - i.e. the Methodology (and supporting documents);
(ref. section 3.4);

~~(b) 73.2~~ The Electronic Cost Model;

~~(c) The Pro forma of the auditor's statement (audit report scope and what the auditor will be signing off to, defined in advance);~~

~~(d) 73.3~~ Separated Accounts; (SA);

73.4 The Audit Report, with the Representation Letter.

- ~~o Profit and Loss of each market and submarket — grouped by Retail and Wholesale plus Other;~~
- ~~o The revenues, costs, capital employed and net profit of each individual product in the market;~~
- ~~o Statement of Mean Capital Employed;~~
- ~~o Detailed statement of total cost of production, reporting the Network element (component) costs broken down by cost type and showing the total and per unit cost¹⁶;~~
- ~~o Network cost statement, detailing the network component total and per-unit cost attributed to the products;~~
- ~~o Detailed Statement of product cost, showing the cost (total and per-unit). This should show the "costs of production" outpayments and GSM. Reports must also show the discrete cost types;~~
- ~~o For the Markets there should be:~~
 - ~~▪ Statement of turnover;~~
 - ~~▪ Statement of costs by category;~~

¹⁶ Each final network element (after allocations) is used by products. The element has to have only one cost driver (subscribers, minutes, messages etc.). The per-unit cost provides inputs to inform with element-based charging and to assess the RAS results.

~~* Analysis of the network component and CSM; and~~

Commented [FM9]: Separated Accounts are listed in Annex IV, there is no need to have them listed here

~~* Assignment of each product to the relevant market.~~

Commented [FM9]: Separated Accounts are listed in Annex IV, there is no need to have them listed here.

- ~~○ Reconciliation Statements;~~
- ~~○ A consolidated route factor table for all network components and products in all markets as defined in Annex VII;~~
- ~~○ A transfer charge statements as defined in Section 3.10.~~
- ~~○ Audit opinion and Statement of Compliance;~~

3.174.2 Description of the RAS Methodology

~~128-74. The Ooredoo will provide on an annual basis a detailed document describing the RAS Methodology. The Methodology shall include contain, inter alia, but not limited to:~~

~~(a) 74.1 Accounting Policies (ref. **Error! Reference source not found. Error! Reference source not found.**), principles and policies including asset lives;~~

~~74.2 Cost Base and Cost Standard (ref. section 1.1 and 3.6);~~

~~74.3 List of Products with their definitions and attribution to the Markets, along with - when applicable - the Number of the Tariff, and as used in the SP's Tariff reporting to the CRA. Unless obvious these should link to Retail and Wholesale Products definitions on Ooredoo's web site;~~

~~74.4 The definition of the Cost Types used in the RAS (ref. section 3.7);~~

~~74.5 Description of all Cost Centers used in the RAS, including the processing of Cost Centers to aggregated Cost Pools for allocation in the RAS system;~~

~~74.6 A list and description of all input cost elements derived from the Statutory Financial Accounts. This shall be grouped by asset categories, specific accounts, and special account/Cost Center/accounting code combinations;~~

~~74.7 The Organizational Chart of Ooredoo, linked to the Cost Centers of the RAS when applicable;~~

~~(b) Cost base;~~

~~(c) Cost standard;~~

~~(d) Attribution Methods;~~

~~(e) Allocation Methods detailing the drivers used;~~

~~(f) 74.8 Cost-allocation hierarchy including a description for each allocation step in the cost allocation hierarchy;~~

~~(g) Attribution and Allocation Methods detailing the drivers Description of all cost centers used; this includes also the route matrix table which, including the processing of cost centers to aggregated cost pools for allocation in the RAS system;~~

~~(h) 74.9 A list and description of all input cost elements derived from the accounts. This shall also be grouped by asset categories, specific accounts, and special account/cost center/accounting code combinations. These shall be described fully in the RAS Methodology; and the principles for their allocation processing shall be defined;~~

~~(i) List of Products and descriptions. Unless obvious these should link to retail and wholesale products definitions on the Ooredoo's web site, in particular~~

~~to regulatory reporting obligations and definitions defined on the Ooredoo's web site;~~

~~(j)74.10~~ Network Structures and diagrams to link components to the Products~~products~~ that use them - comprehensive details and descriptions of its networks (e.g. fixed, mobile and data), supported by up to date network diagrams, including - when required - network nodes and their locations, to enable an informed user to understand how each Product uses the network and hence drives the network costs;

~~(k)74.11~~ Efficiency adjustments (if reporting on a CESP basis or if some CESP techniques are included within the Cost Base);~~HCA or CCA cost base~~.

~~74.12~~ The approach developed for the internal Transfer Charges (ref. section 3.9);

~~74.13~~ An overview of any material changes compared to the previous year and justification for changing the approach. Amongst others, Ooredoo shall disclose changes to the list of Products, changes to Cost Centers and changes to drivers;

~~74.14~~ The list of the SAs.

~~75.~~ Information on Products, Cost Centers, drivers, route matrix table, etc. shall also be available in Excel format.

Commented [FM10]: Moved here from section 3.3 + changes to make more clear the requirements

3.18.4.3 Electronic Cost Model~~model~~

3.18.4.3.1 The Electronic Cost Model~~itself~~~~tool~~

~~76.~~ Ooredoo will provide ~~to the CRA on an annual basis:~~

~~429-76.1~~ The ECM ~~itself~~~~cost model~~ in electronic form;~~to CRA on an annual basis.~~
It must include:

~~(a)76.2A~~ comprehensive description of the ECM~~IT~~ system, its capabilities and limitations;

~~(b)~~ A comprehensive description of the modules with the relevant assumptions;

~~(e)76.3A~~ user guide on how the ECM~~system~~ is used, operates and how it can be analyzed.

~~130.~~ The information provided by Ooredoo must provide an equivalent outcome to CRA having a complete electronic copy of the RAS.

~~77.~~ Ooredoo must also provide~~ensure~~ training ~~is provided~~ to enable CRA to use the electronic costing system.

~~134-78.~~ If the ECM~~electronic costing system~~ requires licenses or specific (e.g. IT) infrastructure to enable the CRA to use ~~it~~~~the RAS~~, then Ooredoo is obliged to supply such licenses or infrastructure systems free of charge to the CRA.

3.18.4.3.2 Model inputs and parameters

~~79.~~ Ooredoo ~~will provide to~~~~shall submit~~ the CRA on an annual basis~~model documentation~~ setting out the key input values~~inputs~~ and parameters that are used in the ECM.

~~132.~~ When required by the CRA~~model~~, as well as a general description of the model, Ooredoo ~~shall~~~~will~~ also deliver all of the input ~~provide comprehensive details~~ and

~~calculations performed~~ descriptions of its networks (e.g. fixed, mobile and data), supported by up to date network diagrams, including network nodes and their locations.

~~133. The documentation must include a comprehensive list of products and their definitions within each market, and how these services map to build the detailed breakdown of revenue that is required as part of the drivers financial reporting by product and market.~~

~~134. Documentation shall include organizational structure diagrams, with information on the cost centers that can be related by the CRA to the aggregated cost centers used within the cost system.~~

~~135.80. With respect to input values, the documentation must be comprehensive, including the source of the input, method and date (covering the period which the data relates to). When the data was collected and other information on the collection should also be archived for the potential for investigations. There is a need for trace-ability of data. Such traceability is assumed to be covered by audit demands to ensure verification is possible. Date information indicates whether the input is up to date.~~

~~136. The model inputs must be transparent and unequivocal. Inputs to the model should be directly sourced from Ooredoo's operating and financial systems, or other solid sources that can be verified and audited to ensure cost causality (for example the use of ABC interviews and technical calculation data).~~

~~137.1. Costs can be categorized into a more manageable set of inputs for the cost model allocation stages. There should be no pre-allocation of costs outside of the costing system, e.g. if the fixed asset register only records duct in a single code, the accounting entries in relation to duct should not be split between core duct, access duct and shared duct prior to entering the cost model input layer.~~

~~138.81. With respect to model parameters, the documentation should include justifications for any assumptions that are used. If expert judgments are used, the expert's name, his/her position and a justification for the assumption is to be included. If sampling and statistical methods are used, Ooredoo the documentation should include details of:~~

- ~~•81.1 The sample per se;~~
- ~~•81.2 Detailed statement of the statistical sampling techniques used or which generally accepted statistical techniques the sample was based on;~~
- ~~•81.3 Justification why the sample is statistically significant and objective.~~

3.194.4 Separated Accounts

~~139.82. End users and the data and reports developed for the CRA to be produced and that should be produced.~~

~~140.83. The reports and system are expected to be flexible to enable a variety of reports to satisfy likely future investigations. The CRA will define the final format during the development of RAS in coordination with Ooredoo, and this will be reviewed and updated annually.~~

3.204.5 Audit Report and Statement of Compliance

Pending the outcomes of the consultation, these are the suggested requirements.

~~84.~~ The SAs should be audited to the level of Properly Prepared in Accordance with ~~(“PPIA”)~~, audit standard.

~~141-85.~~ The auditor must be an ~~—This PPIA review is in line with international tier one~~ company with relevant experience and reputation ~~practice.~~

~~142.~~ The RAS shall include an audit process comprising the examination and verification of Ooredoo’s RAS and supporting documents. An audit process will provide clarity, transparency and confidence with Ooredoo’s figures.

~~143-86.~~ The auditor should be chosen and paid for by Ooredoo based upon his independence, resource availability ~~resources~~ and experience in such a way as to ensure the audit is completed to a high level of quality ~~for the audit of the separated financial statements.~~

~~144.~~ The auditor must prepare and sign an Audit Report ~~main elements to be covered by the~~ audit are, inter alia, but not limited to, the following:

- ~~(a) The scope of costs included in the model and the allocation to individual services and service categories;~~
- ~~(b) Methodologies used regarding valuation and depreciation of assets;~~
- ~~(c) Compliance with the Methodology;~~
- ~~(d) Compliance with these Orders;~~
- ~~(e) Compliance with CRA directions that may be issued on the RAS;~~
- ~~(f) Acceptable results from following procedures defined by CRA;~~
- ~~(g) Assurances that SAs are derived from underlying general ledgers, properly prepared, including operational data as volumes and technological parameters; and~~
- ~~(h) The reconciliation between the cost model, the SAs and the statutory accounts;~~

~~145-87.~~ The statement of compliance will be prepared and signed by the independent auditor and includes, inter alia but not limited to, the following:

~~a-87.1~~ The work done by the auditor;

~~b-87.2~~ Whether the auditor has obtained all information and explanations that he or she has required;

~~c-87.3~~ Whether, in the auditor’s opinion, as far as appears from an examination of them, proper accounting records have been kept by the Ooredoo so as to enable the complete and accurate compilation of required information;

~~d-87.4~~ Whether, in the auditor’s opinion, the SA are prepared, in all material respects, in accordance with ~~these Orders and further specifications issued by CRA during the process described in section 7;~~

~~(a) This RAS Orders;~~

~~(b) The RAS Methodology;~~

~~(c) The CRA Orders issued during the implementation of the RAS;~~

~~(d) Any other Orders issued by the CRA containing requirements for the RAS.~~

~~e.~~ A statement of whether the separated financial statements have been properly prepared;

~~f-87.5~~ A statement of Accounting Policies ~~accounting policies~~ used in the preparation of the SAs;

Commented [FM11]: Moved down / redrafted

~~g-87.6~~ The full description of the verification methodology followed; in addition to this the auditor will also separately deliver to the CRA a document including the audit procedures;

~~h-87.7~~ A statement about the methodologies used regarding capitalization, valuation, amortization and allocation;

~~i-87.8~~ A statement attesting that capital cost (depreciation and cost of capital) related to the assets acquired "for free" SAs have not been attributed to prepared in accordance with the Relevant Wholesale or Retail Markets; accounting requirements of governing legislation in Qatar, in compliance with standard accounting practices with the Direction and Instruction and these Orders from CRA.

~~j-87.9~~ All identified irregularities and any matters of emphasis;

~~k-87.10~~ Any other comments and remarks; and

~~l-87.11~~ The conclusions of the auditor.

~~446-88.~~ As part of this process, Ooredoo's Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter, attesting to the auditors that the accounts have been prepared in accordance with the principles defined by CRA for the RAS, Regulatory Accounting System.

~~89.~~ The auditor must make available to the CRA a version of statement of compliance for publication on CRA's website (ref. section 6).

45 Performance Bonds

~~447-90.~~ The CRA reserves the right to impose a requirement for Ooredoo to supply it with performance bonds to ensure satisfactory delivery of the RAS to the required quality standard and to the required timeframe. -This may be enforced depending on the circumstances and the responsiveness of Ooredoo to complying with these Orders.

~~448-91.~~ The details and justifications of the Performance Bonds are defined in ~~Section Error!~~
Reference source not found..

6 Publication of the Regulatory Accounting System

5 RAS publication

~~449-92.~~ The CRA requires that the following aspects of the RAS should be published, thus increasing transparency within the market whilst recognizing the reasonable confidentiality of some aspects of the RAS:

- ~~•~~ The audit opinion with the report;
- ~~•~~ Lists of CRA defined procedures for the auditor;
- ~~•~~ 92.1 The management statement of compliance (ref. section 4.5 above);;
- ~~•~~ 92.2 The RAS acceptance (or refusal) statement Order-issued by the CRA (i.e. the CRA Order closing the implementation of the RAS for the year in question) including any comments and qualifications.

6 Timeframe for Implementing the RAS

7 RAS

150-93. The RAS ~~Final Deliverables~~ ~~final deliverable~~ must be submitted for each financial year ~~within 60 months~~ of the end of the financial year. For the avoidance of doubt, this includes all deliverables ~~listed in section 4 and the audit (cf. section 4)~~. This should include the RAS cost model itself together with all the SAs as set out in 4 above.

151-94. ~~The Description of the RAS (Methodology) with accounting manual shall be delivered at least 6 months in advance of the RAS completion date (i.e. no later than 3 months after the financial year end). At this time, the pro forma auditor's report should also be supplied to the CRA, together with the pro forma SA reports, for the CRA's review and approval~~

152-95. ~~The detailed timelines for the implementation of the RAS will be agreed with Ooredoo at the beginning of each financial year. The following shows the relevant steps that must be performed,~~

Commented [FM12]: Timeline changed from 9 to 6 month

Timeline	Content
One month before the end of each financial year	Start-up meeting with CRA (inter alia, to define the detailed timeline for implementing the RAS and to discuss the amendments improvement to be made done according to the comments and qualifications eventually included in the Order closing the RAS closure letter of the previous financial year).
Within two (2) three (3) months after the financial year end: First Submission first submission	<p>The First Submission must include:</p> <ul style="list-style-type: none"> The Ooredoo to provide pro-forma of the Audit Report, along with the audit procedures (ref. Section 4.5); The pro-forma of Representation Letter and pro-forma of audit report (audit report wording (ref. Section) (both as per 4.5);) <p>The</p> <ul style="list-style-type: none"> Ooredoo to provide draft RAS Methodology (ref. Section 4.2), including amongst others: <ul style="list-style-type: none"> Product Description of the RAS (cf. 4.2) this includes amongst others product lists, network components with units, SA pro forma reports; Detailed description of the ABC methods and structures to be employed to include interim descriptions of the new ABC and activity collection program while it is being undertaken during the development of the RAS; Route matrix table/ Routing Table (logical structure); Reports to be implemented (also internal reports); Organization diagrams to support the ABC; A document describing all changes from the previous version (i.e. new Products/products, new Cost Center/ cost-centers, new network components, changes in drivers, etc.);
Within 1 month of 2 months after the first submission	The CRA to provide review comments (if any)

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Timeline	Content
Within four (4) six (6) months of after the financial year end: second submission	Ooredoo to provide for CRA review the preliminary results, model and documentation, to include: <ul style="list-style-type: none"> • Preliminary results (i.e. the SAs) (ref. section 4.4);the SA • The electronic cost model (ref. section 4.3); • The RAS Methodology (ref. section 4.2);All RAS Documentation
Within one (1) month of after the second submission	CRA to provide review of and provide feedback on the preliminary SAs SA statements and other items
Within six (6) nine (9) months of after the financial year end: final submission	Ooredoo to provide all the final deliverables listed in Section 4: <ul style="list-style-type: none"> • Final results (i.e. the SAs) (ref. section 4.4); • The electronic cost model (ref. section 4.3); • The RAS Methodology (ref. section 4.2); <p>—This date defines the "Completion Deadline" for Performance Bond. Deliver all results, final description of RAS, final electronic cost model, Audit Statement and all other documents¹⁷.</p>
Within two (2) months of after the final submission	The CRA to issue the Order for closing the review process and proceed with the publication

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Figure 5 Timetable of annual RAS implementation

8 Monitoring, Compliance and Enforcement

~~153-96.~~ Under Article 11 of the Telecommunications Law, the CRA is required to monitor the compliance of licensees in accordance with their licenses and the accompanying Law and By-Law.

~~154-97.~~ Article 4 (14) of the Emiri Decision (42) of 2014, specifically mandates the CRA to monitor compliance of the Licensees with the regulatory frameworks and to take the necessary measures to ensure their compliance.

~~155-98.~~ CRA will monitor the compliance of Ooredoo, inter alia, but not limited to against the following criteria:

~~155-198.1~~ That Ooredoo has implemented the RAS consistently with this Order and CRA's audit requirements;

~~155-298.2~~ That Ooredoo has submitted all the information required by this Order and CRA's additional requests;

~~155-398.3~~ That Ooredoo has complied with the RAS Timeline included in this Order or with that defined by the CRA.

~~156-99.~~ This monitoring will be carried out after submissions and will include upon filing and checking of the quality of the deliverables submitted by Ooredoo.

¹⁷ ~~For the avoidance of any doubt, this will include all elements of this RAS Instruction and specifically deliverables listed in section 4 which include inter alia, but not limited to:~~

~~Description of the RAS (cf. section 4.2)~~

~~Cost Model (cf. section 4.2, 4.3)~~

~~SA (cf. 4.4, Annex VII)~~

~~Audit and Statement of opinion (cf. section 4.5)~~

~~157-100.~~ Any judged In the event of non-compliance, it shall result in one or a combination of the following enforcement provisions, as stipulated under the Telecommunication Law¹⁸:

~~157-4100.1~~ Invoking the provisions of chapter sixteen (16) of the Law, whereby the Licensee shall be subject to criminal prosecution as a form of punishment for non-compliance with the relevant provisions of the Law and its license; and

~~157-2100.2~~ Such non-compliance shall under Article 70¹⁹ be punishable as an offence by a term of imprisonment not exceeding two (2) years and or a fine not exceeding one hundred thousand Riyals; or

~~157-3~~ Such non-compliance shall under Article 67 be punishable as an offence by imposing a term of imprisonment not exceeding one year and a fine not exceeding one million Qatari Riyals; and

~~157-4100.3~~ Under Article 71, the person responsible for the actual management of the corporate entity, shall be punished with the same penalties assigned to the acts that are committed in violation of the rules of this law, if it is proved that such person was aware of such acts or the breach of his or her duties rendered upon him or her by such management, had contributed to the offense.

Annex I — Under Article 72, In case of repeated offences, the penalty shall be doubled. A person shall be considered a repeat offender if he/she committed any
Definitions and Acronyms

~~of ABC — Activity Based Costing~~

~~Accounting methodology is the offences specified in this Law within three years from east standard including the dated detailed specification of the fulfillment approach to be followed~~

~~100.4 Annual financial statement — is an integrated part of the previous penalty annual report and comprises typically: balance sheet, profit and loss account, cash flow explanatory notes, auditor's statement~~

~~Signed on October Accounting Policies define the accounting standards and principles to be followed~~

~~ARF — Applicable 2018~~

Mohammed Ali Al-Mannai

¹⁸ This is Without prejudice to any greater penalty provided for in any other law (ref. Art. 64 of the Law).

¹⁹ Art. 70 states "Any person who violates any rules of Articles (18/ paragraphs 4,5,6,7,8), (22), (24), (28), (31), (34/ last paragraph), (38), (41), (43), (44), (45), (49/ last paragraph), (51), (52), (55), (59) and (62) of this Law, shall be punished with imprisonment for a period not exceeding two years and/or with a fine not exceeding one hundred thousand Riyals".

Framework

BSS Business Support Systems

CAPEX – Capital Expenditure

CC – Current Costs or Cost Center

CC Current Cost Accounting

CESP Cost of Efficient Service Provision

CoP Cost of production—network-related costs needed to produce basic wholesale products

CoS Cost of sale (see also CoM)

CSM – Costs Specific to the Market – Retail/Wholesale Products' costs relating to customers of the market, and not to the network CoP. It is akin to cost of sale, and is defined for the market and is also allocated to the products within the market

Cost base—primarily the “HCA family” and the “CCA family” are used. CESP is typically in the “CCA family”, but includes efficiency adjustments have been made.

Cost components—is an umbrella term for direct costs, joint costs and common costs

Cost Model – The (electronic) framework for allocating costs and revenues

Cost pools—where do costs accrue (e.g. copper plant, tandem switching centre, etc.) and this can be treated as a homogenous item, even though many cost items may be in the pool

Cost centres—a type of cost pool that relates to a functional area within the operator—the cost centre has all of the relevant costs of the team

Cost standards (= accounting methodology) like FAC; FDC, LRIC, FL-LRIC, FL-LRAIC, SAC and EDC. A combination of the aforementioned standards is possible.

Cost types— which costs accrue (e.g. personnel cost, rental cost, depreciation of switches, etc.)

CoC – Cost of Capital

CPE – Customer Premises Equipment

CVR – cost-volume relationship

DSP – Dominant Service Provider

EDC – Embedded Direct Cost

EPMU—equivalent proportional mark-up

FAC – Fully Allocated Costs

FDC – Fully Distributed Costs (usually considered to be the same as FAC)

FY Financial Year

FL-LRAIC – Forward Looking – Long Run Average Incremental Costing

FL-LRIC – Forward Looking – LRIC

FCM – Financial Capital Maintenance

GBV – Gross Book Value

HC – Historic Costs

HCA – Historic Cost Accounting

IC – Incremental Cost

IP – Internet Protocol—

ISDN – Integrated Services Digital Network

LRAIC – Long Run Average Incremental Costs

LRIC – Long Run Incremental Cost

MEA – Modern Equivalent Asset

MTR – Mobile Termination Rate, regulated termination price

NBV – Net Book Value

NGA – Next Generation Access

NGN – Next Generation Network

OCM – Operational Capital Maintenance

One-off tariffs—as installation or set-up rates for the initial implementation (cf. recurring tariffs)

OPEX Operational Expenses

OSS – Operational Support Systems

PDH – Plesiochronous Digital Hierarchy—

PPIA – Properly Prepared in Accordance with audit standard

POTS Plain Old Telephony Services
PSTN Public Switched Telephone Network
Price control method—Cost orientation, Benchmarking, Price Cap, Retail Minus, etc.
Products: Products or services offered by the Service provider. For the RAS the terms "product" and "service" have the same meaning
RAS elements—Costing Methodology; Cost Model per se; Cost Model documentation; Separated financial statements; Report of an independent auditor
RAS—Regulatory Accounting System = Regulatory Cost Accounting System
Recurring tariffs— as periodic lease or rental rates for the use of facilities, equipment and other identified resources (cf. one-off tariffs)
RRU—Regulatory Reporting Unit
SASeparated Accounts
SAC—Stand Alone Costs
SDH—Synchronous Digital Hierarchy
Separated Accounts— are formed for the regulatory reporting units of the DSP
SFS/SA— Separated Financial Statements = Separated Accounts
Service category— product group, resp. product
Service— see product
Tariffs= price = charges; excludes License Fee and Industry Fee as defined in Annexure H of the Licenses
Transfer tariffs = transfer charges =transfer prices
TTTransfer Tariffs
WACC—Weighted Average Cost of Capital
WC—Working Capital

Annex I

**Review of the Regulatory Accounting
System (RAS) Order 2013+ (ref.
ICTRA 2013/03/31-B, dated March 31,
2013)**

**Response Document to the
Consultation (ref. CRARAC
2018/04/30) and further comments
provided by the Service Providers**

CRARAC 2018/12/06-A

December 6, 2018

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1 Background

1. On March 8, 2018, the Communications Regulatory Authority (“**CRA**”) issued a first consultation document (ref. CRARAC 2018/04/30, “**CD1**”) on the “Review of the Regulatory Accounting System (“**RAS**”) Order 2013+ (ref. ICTRA 2013/03/31-B, dated March 31, 2013)” and requested written comments.
2. The CRA received responses to the CD1 from Ooredoo (“**OO**”) and Vodafone Qatar (“**VFQ**”).
3. Based on the responses received, on October 7, 2018, the CRA sent a draft RAS Order 2019+ (“**CD2**”) to OO, Qnbn and VFQ asking for additional comments.
4. OO and VFQ provided additional comments.
5. This Response Document (“**RD**”) contains CRA’s responses to the comments provided to CD1 (ref. Section 2) and CD2 (ref. Section 3) by the Service Providers (“**SP**”).
6. Relevant comments has been taken into account when updating the RAS Orders 2019+.
7. As part of the consultation process and in the interest of transparency and public accountability, the CRA will also publish on its website the SPs’ responses to CD1 and CD2.

2 Table of Responses to CD1

8. The tables below provide the key comments received and the CRA's response to each.

2.1 CRA's Responses to General Comments

Respondent	Key Comments Received	CRA Response
Ooredoo	The reporting by market is agreed to have merits, but the work required for the RAS is excessive	The new RAS does not change the products to be costed or the underlying product calculations (other than requiring more robust ABC). Indeed, the allocation of products to markets already exists in the existing RAS. Therefore the new RAS is not greatly more complex than the existing RAS. Furthermore, the changes to new structures are necessary and sensible reflecting changes demanded by the MDDD and CRA's focus on market-based regulation. Hence the CRA does not consider the work excessive compared to CRA's need for market-based accounting information.
	The RAS should apply to all Service Providers.	For the time being, the CRA does not plan to impose the RAS on other SPs. This issue was already discussed and decided upon in the MDDD proceedings (ref. CRARAC 09/05/2016 A, dated May 09, 2016), " MDDD 2016 ". The CRA notes that it has no legal obligation to apply the RAS to other SPs, i.e. it is at the discretion of the CRA to impose RAS obligations on other SPs. Hence, for the time being, the RAS will not be applied to other SPs. However, the CRA reserves the right to amend this position if there are material developments in Qatar.
	Ooredoo notes that the RAS is not the only basis for control.	This is noted and in is line with the CRA's approach. See also the CRA response to VFQ below.
	Ooredoo notes that the costs of the RAS may increase and ultimately have to be paid for. Ooredoo asks how cost increases increase CRA's ability to promote competition and welfare.	The CRA notes that the costs of preparing the RAS need to be recovered. This is not different from today. The costs of producing the RAS under the revised Order should not be significantly more than that of past RAS production. Further, any such cost increase will be more than offset, in CRA's view, by the additional value that CRA will gain into having accounting information by markets.

Respondent	Key Comments Received	CRA Response
VFQ	Amendments to the RAS should be fully justified and proportionate with the issues identified, given the burden of the obligation on the Dominant Services Providers (" DSP ").	As described in the CD1, the changes identified are fully justified and proportionate to the issues that have arisen with the past RAS. Indeed, the amendments are needed to adapt the RAS to the new relevant markets defined by the CRA (ref. MDDD 2016).
	VFQ disagrees with the proposal of the CRA to move from a wholesale price to a cost-based transfer charging system.	This is responded to under Question 3 below.
	VFQ supports at least the Properly Prepared In Accordance with (" PPIA ") audit standard in light of the on-going issues.	The CRA notes VFQ agreement with the CD1 proposal (i.e. move to the PPIA audit standard).
	VFQ requests that emphasis should be on operational data (duct, leased lines, etc.) that feeds into the model and not only on the structure.	The CRA agrees that data and drivers used in the RAS need to be robust. As described in CD1, the RAS Methodology and all the data used in the RAS shall be made available to the CRA for a first review. The data will then be separately audited by the independent Auditor appointed for the audit. The auditor shall – amongst others – be responsible for the correctness of the data. The auditor will also track the flow of the data and disclose the systems from where the data is sourced.
	VFQ supports the position of the CRA on publication, including regarding publication of summary P&Ls by product market and considers that the Methodology Document should also be made available to stakeholders.	<p>The CRA notes VFQ's comments and concludes that:</p> <ul style="list-style-type: none"> • Few regulators publish accounting data; • The RAS Methodology is likely to be understood by only a few specialist cost-accounting readers, and they may not appreciate the rationale for the chosen solution or values – leading to misunderstandings. Indeed it could invite comments that do not have the benefit of the in-depth knowledge of the Methodology that the CRA has obtained from interactive discussions with Ooredoo on the RAS techniques and values. This may lead to irrelevant discussions and so not be efficient. <p>According to the above, the CRA has decided to publish the Audit Report and CRA's Order closing the RAS for each year. The publication of these documents will ensure transparency and grant the SPs knowledge that the RAS are compliant with the Applicable Regulatory Framework ("ARF").</p>
	Delay in RAS review, and time for preparation of the RAS accounts. This affects the usability of the Accounts.	The CRA shares VFQ's concerns over the time taken for RAS accounts to be produced. Delays have been caused to RAS 2016 due to Ooredoo's late submission, unsatisfactory submissions and a delay in the RAS 2015 (i.e. due to the appointment of the Auditor). The CRA plans to close the RAS 2016 by December 2018.

Respondent	Key Comments Received	CRA Response
		<p>The CRA is considering requiring Ooredoo to submit RAS 2017 and 2018 at the same time to recover the delay. The two RAS submissions could be completed with closure by December 2019.</p> <p>The RAS 2019 (to begin late 2019/early 2020) will then follow the new RAS Order and its related timelines. The time factor in any accounting regime is understood by the CRA and regulatory decisions take this into account. However, the CRA also notes that it has access to inputs other than the RAS - such as market data and cost proxies - to inform its decisions. Therefore, the RAS is not the only foundation used for decisions – this includes pricing decisions (as described below).</p>
	VFQ claims it is impossible to use the RAS for pricing of retail and wholesale services	<p>Cost-based prices, in particular for wholesale services, have an economic and regulatory rationale, and the RAS <i>does</i> provide a cornerstone for such decisions. However, the RAS is not the only input that may be used for pricing decisions. It is just one factor, and when setting regulated prices a balanced view is taken that considers different data items and the wider needs of the market. As noted in the CD1, RAS values are not used to directly set prices. The CRA is aware that aspects such as the differences in time from the RAS data being issued to the date of the pricing decisions matter, and this is another factor used in pricing work. Indeed the CRA notes that pricing is part of other proceedings but not of this proceeding on the review of the RAS Order.</p>
	Clarity on the role and process of CRA.	<p>The CRA reviews the RAS Methodology proposed by Ooredoo to ensure the RAS Methodology and Separated Accounts meet the needs of the Orders and complies with detailed instructions provided by the CRA. Indeed the CRA has the power to ask for changes if methods and drivers are not consistent or appropriate.</p> <p>On the other hand, the Auditor has the role to verify that the RAS Methodology approved by the CRA has been fully implemented and to sign-off on the data used by Ooredoo.</p> <p>Hence, the role of the CRA is very clear and does not overlap with the role of the Auditor.</p>

2.2 CRA's Responses to SPs' Comments to Consultation Questions

Consultation question	Key Comments Received by respondents	CRA Response
<p>Question 1</p> <p>Do stakeholders agree that the RAS should be structured around the</p>	<p>VFQ:</p> <ul style="list-style-type: none"> • Supports the alignment with the MDDD 2016. • Notes that greater attention is required to be given to allocations of revenues and costs due to the level of granularity. 	<p>The RAS Order provides for general requirements on the allocations. The RAS Methodology will include more granular requirements which will be subject to CRA's review and approval and will be the basis for the audit.</p>

Consultation question	Key Comments Received by respondents	CRA Response
<p>relevant markets defined within the MDDD?</p>	<p>Ooredoo:</p> <ul style="list-style-type: none"> • Agrees with the principle of markets for RAS. • Cites practice in the EU that competitive markets need not be included. • Believes the markets structure excessively increases the reporting requirements. • Asks for clarification on supplementary reports. • Asks that the CRA does its own reporting using the delivered RAS system. 	<p>On the inclusion of competitive markets in the RAS, the CRA notes that the EU situation is very different. Generally in Europe, competitive markets see the presence of more than two players, with market shares more evenly distributed among the players. In Qatar, even if mobile markets have been declared competitive, only two SPs provide mobile services and market shares are still unbalanced.</p> <p>Given this peculiarity, the CRA believes that it is still important to also gather RAS information on competitive markets. This is because the CRA needs to ensure that Ooredoo retains reasonable margins in these markets (i.e. that it does not leverage its dominance from other markets into these competitive markets), and that the values in all markets reconcile with the total Ooredoo business. Therefore, RAS reports for the competitive markets also have to be done in full. In any event, the CRA notes that this creates no significant additional effort as all of the products' and markets' values would still need to be defined fully to ensure that competitive markets as well as other markets are all correctly defined. All markets must, therefore, be reported on.</p> <p>On the number of reports, the CRA notes that the total number of product items will not increase significantly from the current RAS. The new reporting requirements effectively group up the products differently, but this is not a major increase in complexity. Further, the reports are mostly all very similar, so the structure and processing can be duplicated.</p> <p>The CRA does not consider that these changes are excessive and notes they must be carried out to align the RAS with the MDDD 2016. Indeed, Ooredoo has agreed with the market reporting principle.</p>

Consultation question	Key Comments Received by respondents	CRA Response
		<p>On the supplementary reports, the CRA may ask for them if the need arises. Transfer charge reports or reports on allocation data or product calculations or ABC etc., are reasonable supplements. These are also often <i>necessary</i> supplementary reports to give the CRA visibility on key calculations and functions of the Ooredoo business.</p> <p>On the CRA doing its own reporting using the RAS system delivered by Ooredoo, this is acceptable but only for reports not subject to audit (i.e. the Separated Accounts). This does not exclude the option for CRA to carry out <i>ad hoc</i> analysis using the RAS tool.</p>
<p>Question 2 Non-discrimination through the accounting separation of Retail and Wholesale Relevant Markets: do stakeholders agree with the proposed approach?</p>	<p>VFQ:</p> <ul style="list-style-type: none"> • Generally supports the proposals. • Notes how cost accounting may assist in assessments of: price squeezes; predatory pricing; anti-competitive behavior; and cross subsidies. • Requests that RAS uses Equivalence of Inputs (“Eol”). • Opposes the possible combination of M10 and M11, and notes the lack of leased line provision. 	<p>On the use of the cost accounting, the CRA is aware of how the RAS may be used, and the RAS is designed to provide data that may help in such regulatory assessments (e.g. price squeezes, predatory pricing, etc.). However all such assessments are not within the scope of the RAS Orders itself.</p> <p>On the Eol, the CRA requirements on the RAS are aimed at ensuring Ooredoo complies with the pricing aspects of its non-discrimination obligation. Full Eol (i.e. technical, economic and processes) is desirable, although the RAS is not the instrument to enforce / monitor this obligation (e.g. specific reporting associated to the wholesale offers would be more effective).</p> <p>On the possible combination of M10 and M11, the CRA notes that it has not combined any markets in a way that reduces transparency of the Qatari market (M10 and M11 shall remain separate). In at least one case, the CRA has identified a need for an additional market (Mobile broadband) that is not in the MDDD list. This “RAS-specific special market” may be supplemented by a few other such items, but only if these are</p>

Consultation question	Key Comments Received by respondents	CRA Response
	<p>Ooredoo:</p> <ul style="list-style-type: none"> • Indicates there may be a report with 150+ products • Proposes aggregate reporting of markets M90 and M100 • “Fixed” and “mobile” assignments of each of these two markets should be used to assist with reconciliation 	<p>needed (see Ooredoo point below relating to “dummy” markets under Question 3).</p> <p>On the report with 150+ products, the CRA is of the view that this will not occur due to the fact that relevant markets each have fewer products per market than in the previous business unit structure.</p> <p>On the proposal to aggregate the reporting of Markets M90 and M100, the CRA does not agree with this proposal. The product breakdown information within each market is required and shall not be aggregated.</p> <p>On the assignment of these markets to fixed and mobile, this will be discussed with Ooredoo in future working meetings: the CRA is open to such ideas if these assignments are sensible.</p>
<p>Question 3</p> <p>Transfer charging:</p> <ul style="list-style-type: none"> • Do stakeholders agree with the approach proposed by the CRA? • Are the transfer charges properly defined? • Are there any additional requirements for other cost transfers to be made more transparent? 	<p>VFQ:</p> <ul style="list-style-type: none"> • Disagrees with the move to cost-based transfer from price-based transfer and states that CRA’s proposal runs counter to the principle of non-discrimination which is a core requirement of the RAS. • Asks that Ooredoo supply a report with the mapping and calculation of transfer charges. 	<p>The CRA notes that price-based transfer has a clear logic and is widely used elsewhere (a point also noted by VFQ). However the CRA notes that real non-discrimination is provided by the price controls, not by the notional P&L accounts. Hence the CRA prefers to have in the RAS information on the “real” profitability of Ooredoo, which requires cost-based transfer charges.</p> <p>Also, currently there are very few services or markets that are affected by CRA’s proposal, given the limited number of wholesale products available in Qatar compared to other countries that may have price-based transfers. The CRA is well able to adjust “off-line” these few items in the Accounts to see the impact of using price-based transfers. Furthermore, the change simplifies the RAS, and non-discrimination analysis is still transparent from an additional CRA review of the accounts. The CRA therefore intends to continue with the change set out</p>

Consultation question	Key Comments Received by respondents	CRA Response
	<p>Ooredoo:</p> <ul style="list-style-type: none"> • Provides a number of proposed alterations. • Identifies a need for 3 additional “non-relevant markets” in addition to the broadband market that the CRA introduced to supplement the MDDD markets’ list. • Proposes an altered allocation structure for wholesale Ducts. • Discusses some network component cost allocations (SDH, MPLS etc.), which should be part of the Orders and new RAS structure. 	<p>in the consultation, though this may be reviewed if the number of price-regulated wholesale services increases. A transfer charge report is specified in the Orders.</p> <p>The CRA is not against the addition of further non-relevant markets, if they are really required. The RAS Order has been modified to allow such additional special markets to be included upon CRA approval. It is proposed these are termed “RAS-specific special markets,” as they are relevant to RAS production and not relevant markets according to the MDDD 2016.</p> <p>The CRA is not convinced that the three additional RAS-specific special markets proposed by Ooredoo are required. For example, fixed line costs should already be in existing wholesale markets. However, this will be further discussed during the implementation of the RAS and – if needed – additional RAS-specific special markets will be allowed (see comment above).</p> <p>Ooredoo’s proposed allocation of Duct does not appear to be in line with CRA’s requirements and is more of a network component allocation (Ooredoo Figure 1b and Figure 2). Non-discrimination requires that the Wholesale Duct market be defined first so that the prices from that market, are <i>then</i> used in downstream network components and hence appear in the correct other wholesale markets. The CRA requirements as set out in the Orders should be followed in this regard. These may be discussed and clarified in working meetings between Ooredoo and the CRA. However, duct network component costs shall not be allocated directly to other network component such as SDH or MPLS (Ooredoo Figure 1b) but initially must form part of the Duct Market cost that is <i>then</i> used as an input to the</p>

Consultation question	Key Comments Received by respondents	CRA Response
		components (as well as a cost to external customers, defined at the same per unit value).
<p>Question 4</p> <p>Activity Based Costing (ABC) and supporting costs versus primary operational costs: do stakeholders agree with the changes and how do they propose to ensure the ABC methods are robust, cost based and also transparent?</p>	<p>VFQ:</p> <ul style="list-style-type: none"> • Agrees with the use of ABC. • Asks that clear definitions are provided and the Methodology should have clear explanations on the cost attributions. <p>Ooredoo:</p> <ul style="list-style-type: none"> • Summarizes the current ABC method that includes: allocation down of division costs to departments and then drivers to products or networks based on external drivers calculated in Excel. • Shows that activities are proposed to be grouped up to processes. These define broader costs such as “Building the Network” and those relating to “Mobile.” • Agrees that changes to ABC are required but proposes that these be based on business processes. 	<p>VFQs comments are in line with CRA's requirements.</p> <p>The CRA views ABC to be the key area in the current RAS that should be improved and the CD1 provided clear directions that this should be revised to follow a new method and that Ooredoo should provide additional information to ensure CRA have confidence in the improved ABC. Ooredoo's proposed method does not provide this confidence, because process costs are aggregations of activities, and there is no proposal to develop the underlying activities' definitions and allocations in line with the CRA requirements. Furthermore, the underlying activity definitions have not been changed as specified by CRA, and aggregating them, <i>further reduces</i> the ABC quality. The CRA requires that Ooredoo reviews the CRA directions set out in CD1 and if these are not clear then they may be discussed in future working meeting(s). The importance of ABC is such that the CRA now directs that Ooredoo provides interim descriptions of the new ABC and activity collection program, <u>while it is being undertaken during the implementation of the RAS</u>. This is vital to avoid future RAS being developed in a way which is not actually not compliant with the new Orders; either because the ABC method adheres too much to the current method or to the proposed aggregated process method (neither of which are acceptable). Furthermore, the CRA notes that building costs up into processes and then aggregating the larger process cost, as</p>

Consultation question	Key Comments Received by respondents	CRA Response
		<p>proposed by Ooredoo is not in line with normal ABC or the CRA CD1. A process view is a normal part of ABC/Management (a way to understand activity costs in combination and so extend the use of ABC) but the smaller activities are still allocated to the cost object layer (products or network components). ABC/M is not required and the Ooredoo method seems to avoid proper allocation of correctly-defined resources (sensible list of cost centers etc.) to activities and then to cost objects.</p> <p>The CRA views this as a serious matter and hence introduces the need for transparent reporting of the ABC developments during the implementation of the new RAS.</p>
<p>Question 5 The attribution of the business sustaining costs:</p> <ul style="list-style-type: none"> • Do stakeholders agree with the altered allocation approach described above? • What other costs should be added to the list of the business sustaining cost proposed by the Authority?? 	<p>VFQ:</p> <ul style="list-style-type: none"> • Notes that the approach seems reasonable. • Proposes that the term common cost is used. • There should be a percentage limit to the amount of such non-attributable costs. • Agrees that non-Qatar-relevant costs be excluded. <p>Ooredoo:</p> <ul style="list-style-type: none"> • Proposes that support and business sustaining cost be both clearly identified and allocated appropriately. Support costs and business sustaining are “High level Activities” that will be defined by Ooredoo • Agrees with the CD1 proposal that overseas activities (non-Qatar-relevant) and costs should be excluded. 	<p>On the term common cost, for the purposes of the RAS Orders, common cost and business sustaining are synonymous in <i>some</i> situations. This is made clear in the final Orders.</p> <p>Business Sustaining is a special type of common cost, and subject to a specific mark-up allocation. Some other common costs are subject to other directions for cost-allocation, as defined in the RAS Orders or other CRA directions that may be issued from time to time.</p> <p>On the percentage limit to the amount of such non-attributable costs, the CRA notes that the RAS is based on the FAC cost standard. Hence for the purpose of the RAS no percentage limit is introduced.</p> <p>The CRA is of the view that support and business sustaining costs are not <i>high-level activities</i> and that each requires different allocations.</p> <p>They are types of cost resource cost pools (see RAS Order definitions). Support costs will subsequently form support activities and hence allocate to other cost objects (such as cost centers or assets) based on the support activities. Correct,</p>

Consultation question	Key Comments Received by respondents	CRA Response
		<p>conventional ABC techniques should be used and the costs should not all be aggregated into one cost pool (HR and IT support each have different drivers and should not be combined). Support costs certainly shall not be allocated in the same manner as business sustaining cost.</p> <p>Business sustaining costs are a specific type of common cost that normal ABC methods are not applicable to. These shall be allocated using the mark-up method defined in the RAS Order.</p>
<p>Question 6</p> <p>Audit procedures:</p> <ul style="list-style-type: none"> Do stakeholders agree with the PPIA audit standard and what specific procedures are recommended to be included? If only the procedures are considered the most critical aspect, then option 3 might be used – are there good reasons to accept this lower level audit? 	<p>VFQ:</p> <ul style="list-style-type: none"> Audit should be to PPIA standards as the minimum, with increase to FPIA if, “<i>issues pertaining to operational data persist and Ooredoo fail to cooperate with the CRA</i>”. CRA should approve the auditor, as one experienced in regulatory accounts. <p>Ooredoo:</p> <ul style="list-style-type: none"> Notes that CRA proposed FPIA and PPIA, as “new potential options” in “as well as staying with the current audit agreed upon procedures” (“AUP”). Proposes that it stays with the current audit procedures that are “already prepared according to PPIA.” Does not support publication of audit procedures. 	<p>The CRA notes VFQ’s agreement with the proposal to apply the PPIA standard.</p> <p>The CRA notes the move to FPIA is a possibility, and could be introduced in the future, but only if there were clear benefits and certainty that the move would remove the concerns with the RAS.</p> <p>The CRA requires that the auditor has the relevant experience, but selection is a matter for Ooredoo. NRAs are not in a position to assess accounting companies’ skills in a commercial selection process.</p> <p>The CRA notes the conflicting statements within Ooredoo’s response on the actual audit standard delivered for RAS 2015. However, for the avoidance of doubt, the CRA views that the audit on the most recent set of RAS and SA was to AUP standards.</p> <p>This shall be increased to PPIA.</p> <p>Even if Ooredoo considers the current audit to be PPIA compliant, the levels of work shall be improved to fully align with PPIA requirements. This means that the audit work needs to be clarified with the CRA so that it is assured that this level of audit is really carried out.</p>

Consultation question	Key Comments Received by respondents	CRA Response
		The CRA agrees that the audit procedures shall not be published, while the audit report will be published.
<p>Question 7</p> <p>Publication of the RAS: Do stakeholders agree with the CRA's proposed approach to publication? If not, please specify, with reasons, your proposed alternative approach.</p>	<p>VFQ:</p> <ul style="list-style-type: none"> • Supports the provision of summary P&L reports. • Argues that the RAS Methodology should also be released. <p>Ooredoo:</p> <ul style="list-style-type: none"> • Proposes only the audit report, management statement of compliance and the CRA RAS Order of acceptance is published. • Notes the Draft orders and CD were not both clear whether profit and loss reports for each market should be published. Publication could encourage "cherry picking." • Audit procedures should not be published. <p>:</p>	<p>This comment has been already responded to by the CRA (see above).</p> <p>The CRA has reviewed the options for publication. It has decided that accounting information should not be published. Few countries do publish such details (UK is a notable exception). A number of risks relate to publication including some confidential data being potentially revealed. The potential for publication to encourage "cherry picking", however, is not a reason not to publish the accounts. In fact, this actually supports publication because competitive market entry is to be encouraged and if high profits are available in any market, competitive entry should benefit end-users.</p> <p>On balance the CRA has decided against publication of this information but may review this in future years, at which point limited market or product data may be released to assist with specific developments in the industry. This will be done on an as needed basis.</p> <p>Other SPs should be aware of the Ooredoo prices and likely margins in both the markets they operate in and other markets that they might enter. Overall Qatari margins can also be inferred from the Annual Report. Therefore non-publication does not greatly disadvantage other SPs.</p> <p>The audit procedures are part of the RAS deliverables, but they need not be published in detail.</p> <p>Hence the CRA has decided to publish:</p> <ul style="list-style-type: none"> • The Audit report as prepared by the Auditor of the RAS • The Order including CRA's assessment of the RAS.

2.3 CRA's Responses to SPs' Comments on specific areas of the draft RAS Orders

The below table does not include specific comments if they were already covered in Sections 2.1 or 2.2 above or if they are generally in agreement with the CRA's draft RAS Orders.

Comments from all Respondents on specific areas of the RAS Orders		
Respondent	Comments Received	CRA Response
General comments on CRA's approach		
VFQ	Applicability of the RAS Order. Para 5, <i>"If deemed necessary, the CRA may extend these requirements to other DSPs,"</i> should be removed. The CRA would be required to consult on the details applicable to VFQ.	The CRA accepts that a consultation may be required on the specific RAS obligations that might be placed on VFQ. However, the paragraph should remain as the RAS Order would still be the basis of the VFQ RAS, and any resulting amendments from a consultation would form extensions to the Order. For avoidance of doubts, the CRA has no current plans to extend the applicability of RAS to VFQ.
	Cost base and cost standard. Para 65. <i>"The CRA requires that the capital costs (depreciation and cost of capital) related to the assets acquired "for free" shall be attributed to the Other Markets"</i> should be clarified. Assets such as duct should not be valued using a CCA basis	The clause has been included to exclude from the relevant Wholesale and Retail Markets the costs of assets acquired for free by Ooredoo, such as assets provided by the Qatari government and/or where no investment monies were required. The CRA views costs and returns on this capital value to be unreasonable, if no investment was made. Hence the attribution is specified so that they have no impact on the cost of regulated products. The CRA has already replied to the point regarding CCA evaluation in its response to the 2017 Wholesale Charges Proceedings. Whether an asset is replicable or not, is not a deciding factor when deciding whether CCA or HCA is used for the RAS. To have a clear picture on the performances and costs of Ooredoo, the CRA will continue to require only HCA asset valuations. The CRA is fully aware of the limits and merits of both HCA and CCA, and this is taken into account in any decisions.
	Section 3.12 Working capital – no return should be allowed if there is also a return on interest bearing accounts.	As noted by VFQ, the working capital is limited, therefore any impact is relatively small. It is not usual for additional restrictions to be placed on the relevance of any particular current asset in accounts. These can be held in several forms and some cash-accounts may accrue interest, but others are simply accounts-due (though <i>overdue</i>

Comments from all Respondents on specific areas of the RAS Orders		
Respondent	Comments Received	CRA Response
		accounts might have interest). With the limit to working capital the CRA does not see a need for complex instructions on the detailed relevance of cash and possible short-term interest returns on either these cash-accounts or other accounts. It therefore has not changed the RAS Order to reflect VFQ's comment.
	Section 3.14 Costs specific to retail markets – CRA should be empowered to make modifications to the Methodology	The CRA is able to specify changes to the RAS Methodology – this is subject to CRA approval.
	Section 4 Deliverables required on an annual basis: <ul style="list-style-type: none"> • Eliminate unnecessary duplications in documentation in Sections 4.2 and 4.3. • More clarity on the process and steps taken by CRA are requested. • Allocation and conversion factors should be made more clear. 	Duplications have been removed. As noted above, the RAS Methodology will not be published, but CRA will be involved – amongst others - in the approval of key values used in allocations, including the conversion factors needed to ensure robust cost driver allocations.
	Section 6 RAS publication is inconsistent with Section 7 part II	The text has been revised. It is now clear that the CRA intends to not include publication of any accounting information on the final product and market values.
	Section 7 Timeline from implementation. The time taken is too long after publication of the statutory financial statements.	See comments above on timelines and reasons for the delay. According to CRA benchmarks, other regulators ask for the RAS to be completed after minimum 6 – maximum 9 months from the end of the financial year.
Ooredoo	The legal basis and references to the ARF are suggested to be not relevant to the RAS	The CRA has revised the references in the final Order.
	The limit of working capital (WC) is not agreed to. Monies for the World Cup 2022 is cited as a reason for additional cash levels.	The limit to the WC is fully justified and was introduced because of excessive levels appearing in earlier RAS work – cash that was intended for specific business investments that were not related to Qatari assets. The same reason also applies now: the cash is not currently relevant to existing Qatari operations. Once it is invested in assets then it is part of the national business and forms part of the RAS capital value. Prior to that it must be excluded. The exclusion has no impact on the World Cup investments: the monies are simply excluded from the relevant RAS markets. Once the <i>capital</i> investments are made then they are relevant to services that either exist within the current markets or to specific World Cup services, in which case such services shall be defined in the RAS.

Comments from all Respondents on specific areas of the RAS Orders		
Respondent	Comments Received	CRA Response
	Asks for clarification to the point: “For avoidance of doubt, all the cost incurred to provide the products to the other SPs are considered as network costs.”	The CRA requires that asset costs, operational costs and network system costs form part of the effective network costs that feed into the wholesale markets and products that are delivered to other SPs. The cost of sales to SPs are needed in addition. The wording has been refined in the Orders.
	Object to the provisions for a performance bond.	The provisions for a bond shall remain in place. For the time being, the CRA has not enforced the bond. This will only be carried out if Ooredoo is non-compliant with the CRA’s requirements. Therefore there is no burden on Ooredoo, and no reason to object, if it carries out its obligations as specified.
	The timescales are not agreed to and start of the RAS work should only be after the annual report is published.	The Ooredoo-proposed timelines are a retrograde step and would be even slower than the current times and as such, the CRA rejects Ooredoo’s proposal. There is absolutely no reason for the RAS work <i>not</i> to start before the annual report is final. The RAS data and structures are based on the accounting structures and business information. The audit of company accounts has no bearing on this (or only a minor bearing if some structural changes are needed). Of course the final RAS must be run using the final audited accounts, but the RAS system can be almost fully developed before then, and a final run carried out with the approved values.
	States that reference to MDDD is not required as RAS and MDDD Obligations are unconnected (ref 4.9)	There is no action required from the Orders paragraph 2. The MDDD and RAS are connected as the new RAS is needed because the MDDD structures, and because resulting reporting requirements now exist. The reference is a sensible statement of context for the RAS.
	Notes that retail prices need not be cost based, and CD part 1 paragraph 31 should be amended	The legal context to cost based prices does not mention retail prices. The reference to existing laws and text remain valid. There is no need in the RAS Orders to mention how prices are set (except to give general context to the RAS and so help ensure RAS is fit for purpose) as price controls are part of other separate proceedings (e.g. Retail Tariff Instructions).
	The RAS should be “proportionate to the market,” and Draft Orders paragraph 33 should be amended.	The RAS requirements are defined to meet the overall purposes, as stated in the CD1, and to assist the CRA in its work. The market size is not a relevant factor – the same reports are needed for small and large markets. The RAS demands are reasonable and sensible for the wider Qatari market. For example, there is no CCA or LRIC,

Comments from all Respondents on specific areas of the RAS Orders		
Respondent	Comments Received	CRA Response
		which are common demands, but the CRA deems these are not required, given the status of the Qatari market at this time. The proposed change is not accepted.
	Reference to IPRS is not recognized and CESP is unfamiliar	This is typographical error for IFRS. CESP is defined in the glossary and discussed and explained at several points in the RAS. CESP is defined in legal ordinance, but not enforced in the RAS. No change is required.
	The statement regarding “...that all key information and calculation stages can be verified and investigated by the CRA” is misplaced. This is an auditor’s function.	The CRA maintains that such information must be able to be verified and investigated. However this may require additional tasks and the data might not be transparent in the RAS submissions themselves. The CRA has adjusted this text in the final version of the Orders, but the general principle that the CRA has the right to obtain such information remains in place. The CRA requirement to see or verify calculations is separate to the auditor’s functions to do its own tasks that also requires such information transparency.
	The CRA’s statement that “...Other derogations shall be explicitly approved by the CRA” implies that CRA will, at its discretion, override the agreed RAS principles.	The CRA always has the power to adjust the RAS and small changes can be required without the need for a further Consultation. The reference however is to <u>derogations</u> – these are <i>exemptions</i> from the RAS, not additional demands added to the RAS, therefore there is no reason for Ooredoo to refuse to accept lesser demands. CRA emphasizes that any derogations can only be carried out after CRA prior approval.
	Asks that “a user” of the RAS be replaced by “an informed user.”	The CRA has no objections to this change – it has been carried out.
	The CRA’s statement “...Upon request, Ooredoo shall submit to the CRA all the information and input used to define and calculate the drivers” implies that the CRA can ask for anything at will without proper justification	The CRA has the powers to request any information that is required. The text remains valid. In practice the CRA will provide reasons why the information is required, but this does not impact the requirement to comply.
	Ooredoo does not agree to provide training to the CRA on how to use the RAS system. Ooredoo states there is no legal obligation to bear the costs of software licenses for the CRA.	The CRA has the powers to enforce this and this has been the situation for many years in the RAS. No change is accepted.

Comments from all Respondents on specific areas of the RAS Orders		
Respondent	Comments Received	CRA Response
	Network diagrams will not be submitted. Organizational charts will not be submitted	These have been submitted in the past and remain necessary to understand the products and RAS calculations and product processing. The requirements are not lifted. Organization charts are required as part of the ABC reporting to ensure the new methods are valid and comply with the new RAS Orders. They remain in the list of RAS deliverables. As ABC is a key area to develop, this information is vital, especially in the initial years after the new RAS Orders are implemented.
	Asks that “representative” word be used with respect to statistical samples, rather than significant.	When selecting samples, a <i>statistically</i> significant number is a more usual approach than taking a <i>representative</i> sample. It is also more correct as a technical definition. No change is required.
	Other comments repeat earlier points regarding numbers of reports, audit level, bonds, publications and timelines	These have been covered earlier in this document.

3 Table of Responses to CD2

3.1 CRA’s Responses SP’s Comments

Respondent	Key Comments Received	CRA Response
Ooredoo	Legal Basis: Ooredoo proposed various amendments to the text proposed by the CRA	Ooredoo’s suggestions have been taken into account in various instances to clarify the legal basis.
	RAS as a secured obligation: Ooredoo is of view that this cannot be the case for the RAS. Hence Ooredoo deleted the requirements for the Performance Bond	The RAS is not only relevant per se but it is crucial to monitor other relevant obligations placed on Ooredoo (e.g. the obligation to offer cost oriented wholesale charges, the obligation for its tariffs to be approved by the CRA and its obligation not to engage in anti-competitive cross subsidies, among others).

Respondent	Key Comments Received	CRA Response
		<p>Therefore the CRA has confirmed that the preparation and provision of the RAS is a secured obligation.</p> <p>However, with a view to enhancing transparency and certainty, the CRA has clarified in the final Orders the triggers for asking Ooredoo to deliver a Performance Bond.</p>
	Edits on the section 3.1 to clarify the objectives of the RAS	Many of the proposed edits have been accepted.
	Edits on section 3.2 Accounting Principles, to put back the Relevancy principle and better specify the Reliability Principle	Ooredoo had suggested text consistent with the RAS Order 2013+. The CRA has accepted most of the proposed edits.
	Suggested deletion of clause 39 on additional RAS specific markets stating “This proposal is at odds with regulatory practice Markets are defined as part of the MDDD process. Products that are not part of existing markets as defined by MDDD fall under the “other” category. Not all products must be mapped to a specific market”.	The CRA has disagreed with Ooredoo suggestion. However, it has clarified that additional specific markets are meant to facilitate the implementation of the RAS, i.e. they can be added if needed. This is distinct to the MDDD process.
	In section 3.8.2 Ooredoo has proposed to change Cost Centers to Business Processes	The CRA has reviewed the text to take Ooredoo’s suggestion into account. Specifically, the CRA has kept using Cost Centers but has clarified that they shall [may] include costs related to Business Processes. Business processes should therefore be clear entities in the RAS and not the result of processing of the accounts before entry into the RAS.
	In section 3.8.2 Ooredoo has proposed changes to the list of the minimum cost centers	The CRA has reviewed the suggestions. The final list of cost centers to be included in the RAS will be proposed by Ooredoo and approved by the CRA during the process of Ooredoo implementing its RAS.
	In section 3.11 Ooredoo has proposed changing from 8.3% to 25% the cap for the Working Capital	The CRA does not have sufficient information to change the cap. During the implementation process, Ooredoo may provide substantiated evidence to CRA for changing the cap, at which point CRA may revisit this.
	In section 4.3.2 Ooredoo suggested to delete the following provision “When required by the CRA, Ooredoo shall also deliver all of the input and calculations performed to build the drivers, including	The CRA has left the provision in the RAS Order. The CRA is entitled by the Law and the By-Law to request information needed to fulfil its mandate.

Respondent	Key Comments Received	CRA Response
	the source of the input and date (covering the period which the data relates to)". According to Ooredoo "There should be a clear division line between work done by auditors and CRA in checking RAS. Ooredoo can provide a description of the methodology used, which will be verified by auditors".	
	In section 6 Ooredoo provided comments and suggested to have 9 month timeline for the annual submission of the RAS.	In light of Ooredoo's comments and further deliberation, the CRA has amended the timeline to 9 months.
VFQ	VFQ has proposed to delete clause 5 that states "If deemed necessary, the CRA may extend these requirements to other DSPs".	The CRA has agreed with VFQ's suggestion and deleted the clause. Should the CRA decide to impose RAS obligations on any service provider other than Ooredoo, it will consult on the requirements that should be applied to those RAS.
	On clause 33.3 Separated Accounts VFQ has suggested to clarify that Ooredoo does not audit the Separated Accounts.	The CRA has agreed and changed "audit" to "have audited."
	On clause 33.3 Separated Accounts, VFQ has suggested to have the full list in the body of the Order.	The CRA has preferred to have the list of the Separated Accounts in the Annex to avoid duplications. However, this is a presentational matter: the Annex is part of the Order and as such it is fully enforceable as the main body of the Order.
	On clause 44, Assets acquired for free, VFQ has stated the, "issue and its magnitude remain unclear to Vodafone Qatar as no details has been provided to us despite our request for clarification in our response to the consultation. Treatment for those "free" assets has implications for investment and competition".	The CRA clarifies that the Auditor has certified that all the costs included in Ooredoo financial statements are legitimate. Therefore up to now the CRA has never implemented this clause, i.e. there is not an issue with costs related to assets acquired for free.
	On Section 3.9, VFQ has reiterated its preference for Transfer Charges based on cost	The CRA has already responded to this point in section 3.2.
	On Section 4.5 VFQ has provided the following comments: <ul style="list-style-type: none"> • The audit standard should be described and not only referred to as PPIA 	The CRA has described the PPIA and added that the auditor shall have experience in the audit of the RAS.

Respondent	Key Comments Received	CRA Response
	<ul style="list-style-type: none"> • The CRA should approve the auditor • Experience required of the auditor: has done similar work in the telecoms sector 	<p>However, the CRA prefers not to be involved in the approval of the auditor. Rather, it is confident that the criteria set out in the RAS Order are sufficient to ensure that Ooredoo will appoint a qualified auditor.</p>
	<ul style="list-style-type: none"> • In section 6 VFQ provided comments and suggested to have 9 month timeline . 	<p>The CRA reviewed VFQ's and Ooredoo's comments and has changed the timeline to 9 months.</p>

*** End of the RD ***