

Order To Ooredoo Q.S.C.

Regarding C05-02 as per filing of October 16, 2017

CRARAC 2017/10/22

October 22, 2017

Non-confidential Version

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1 Background and Introduction

1. This Order refers to Ooredoo's modifications to its Fibre Broadband Packages as contained in its Fibre Broadband (FBB) Services Tariff (C05-02) for Consumer Customers, filed on October 16, 2017 ("Tariff Filing – Consumer Fiber Broadband Changes", ref. OQ/Reg-5053/2017-10, dated October 12, 2017 "Ooredoo's Letter").
2. Apart from Ooredoo's Letter, the filing also includes:
 - 2.1 An updated Tariff Document (C05-02 Consumer Fibre Broadband Services);
 - 2.2 An updated FTTx cost justification model (5053-Consumer Fiber Broadband changes - cost justification).
3. With this filing, Ooredoo is proposing a new portfolio of FBB services applicable to new customers subscribing to the service.
4. Existing customers can continue to use the current portfolio of FBB services up until they decide to move to the new FBB portfolio
5. The new portfolio and tariffs proposed by Ooredoo are as follows:

Pack	Connection fee – one-time charge at inception (QAR)	Double Play Unlimited Internet (1) and Landline Package	Triple Play Unlimited Internet (1), Landline and IP Television Package	
		Monthly recurring charge rate (QR)	Set Top Box (QR)	Monthly recurring charge rate (QR)
15 Mbps	300	300	Free of Charge	300
30 Mbps	300	400	Free of Charge	400
50 Mbps	300	450	Free of Charge	450
75 Mbps	300	500	Free of Charge	500
100 Mbps	300	550	Free of Charge	550
150 Mbps	300	600	Free of Charge	600
200 Mbps	300	650	Free of Charge	650
300 Mbps	300	700	Free of Charge	700
1 Gbps	300	1,500	Free of Charge	1,500
10 Gbps	300	6,500	Free of Charge	6,500

Table 1: FBB new Consumer Fibre Broadband Portfolio and Tariffs

6. Subscribers to new Triple Play FBB services will get STARZ PLAY at no additional charge as an add-on to the basic IPTV content packages.
7. Subscribers to new Triple Play FBB services of 30 Mbps and above will get BeIN Sports at no additional charge as an addition to STARZ PLAY and the basic IPTV content packages.
8. The Access Points (Wi-Fi) price will be changed from QAR 360 to QAR 480.
9. Ooredoo plans to launch the new FBB services on November 8, 2017.
10. Subscribers to the current Triple Play FBB services will not get additional content packs unless they move to the Triple Play FBB new services.
11. The current service offering is as follows

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Pack	Connection fee – one-time charge at inception (QAR)	Double Play Unlimited Internet (1) and Landline Package	Triple Play Unlimited Internet (1), Landline and IP Television Package	
		Monthly recurring charge rate (QR)	Set Top Box (QR)	Monthly recurring charge rate (QR)
10 Mbps	300	250	Free of Charge	250
25 Mbps	300	350	Free of Charge	350
50 Mbps	300	400	Free of Charge	400
75 Mbps	300	450	Free of Charge	450
100 Mbps	300	500	Free of Charge	500
150 Mbps	300	550	Free of Charge	550
200 Mbps	300	600	Free of Charge	600
300 Mbps	300	650	Free of Charge	650
1 Gbps	300	1,900	Free of Charge	1,900
10 Gbps	300	7,500	Free of Charge	7,500

2 Legal Basis

12. Article (4) of the Emiri Decision 42 of 2014 gives to the Communications Regulatory Authority (CRA) the responsibility for regulating the ICT and the Post sector, as well as access to digital media, with the aim of providing advanced and reliable communication services across the State. The Authority shall have the powers necessary to undertake the above and, in particular:
 - 12.1 Setting regulatory framework for the communications, ICT, post sector, and access to digital media, in line with the General policies of the sector and to enable optimum performance (1);
 - 12.2 Securing access to services across the State and ensuring comprehensive access to basic services (5);
 - 12.3 Ensuring interconnection and access to all users by setting conditions for effective interconnection and access (6);
 - 12.4 Setting conditions and criteria for licensing and approval for communications and ICT services, access to digital media, the use of frequencies and the issuance of related licenses and approvals; and ensuring compliance with its conditions (9).
13. Further, Article (15) of the Emiri Decision states that, within CRA, the Regulatory and Competition Affairs department shall:
 - 13.1 develop appropriate tariff regulations, giving priority to the telecommunications market, or telecommunications services according to the market requirements, and determine fees for retail and wholesale (2);
 - 13.2 develop and identify policies and regulations for all services which will foster a competitive market and serve the interests of the consumers (7).
14. The Retail Tariff Instruction ("RTI") for Individually Licensed Service Providers in Qatar (CRA 2015/05/07) sets forth the rules and processes for the approval of retail tariffs by the CRA.

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15. Section 4 of the RTI contains the Specific Provisions for Dominant Service Providers, including the prohibition of Anti-Competitive Conduct, such as e.g. pricing below cost, cross subsidizing, predatory pricing and excessive pricing.
16. Specifically, Section 4.1 "Tariff Filing and Review" of the RTI contains that:
 - 16.1 DSPs must ensure that all Tariffs that contain any service or service elements that falls within a Relevant Market in which the SP has been designated as dominant are filed and approved by the Authority in advance of their proposed effective date.
 - 16.2 The Authority shall have five working days, from the date on which a Tariff filing is received, in which it may (a) approve or (b) object to the tariff and order its suspension, modification or withdrawal, or (c) extend the period for review.
 - 16.3 If the Authority decides that an extended review of a proposed Tariff is necessary, it shall notify the DSP in writing and shall specify the procedures and timetable for the Tariff review, including any consultation or other relevant process with respect thereto, in accordance with the Applicable Regulatory Framework or as determined by the Authority.
17. In addition, Section 4.2 "Safeguards against Anti-Competitive Conduct" of the RTI contains that:
 - 17.1 Charging: In order to demonstrate that the effect of an offer has not been anticompetitive and therefore the DSP's pricing within a market is above cost the DSP is required to provide reports, which clearly demonstrate that product categories, taken individually and/or as a whole, are above the applicable cost standard¹. The DSP must also be able to demonstrate on request of the Authority that a Tariff is in compliance with the ARF. Sufficient granularity of information should be provided by the DSP to CRA to demonstrate that any product category will not be under cost over a given period.
 - 17.2 Absence of cross-subsidisation: Unless explicitly approved by the Authority cross subsidisation is explicitly forbidden by the Telecommunications Law. It is the obligation of the DSP to demonstrate that a Tariff does not contain cross-subsidies.
 - 17.3 Absence of a Price Margin Squeeze: DSPs must demonstrate the absence of a Price Margin-Squeeze (PMS) for their services. This should be based on the Wholesale Charges of existing wholesale products or, where relevant, the charge of proposed wholesale products.
 - 17.4 Charging: In order to demonstrate that the effect of an offer has not been anticompetitive and therefore the DSP's pricing within a market is above cost the DSP is required to provide reports, which clearly demonstrate that product categories, taken individually and/or as a whole, are above the applicable cost
18. The Order to Ooredoo ("Order on FBB") Regarding C05-02 Consumer Fiber Broadband Services as per filings of August 10, 2016 and February 16, 2017, and B30-01 Fibre Broadband Services as per filing of June 4, 2017 (ref. CRARAC 2017/07/18, dated July 17, 2017" is also applicable, with reference to the requirements on the cost justifications (ref. clauses 29, 30 and 31 of the Order).

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

3 Concerns

3.1 Commercial strategy pursued by Ooredoo

19. The CRA seeks to better understand Ooredoo's reasons behind, and objectives in introducing the new portfolio of FBB services.
20. Specifically:
 - 20.1 the increase in package speeds from 10Mbps to 15Mbps and 25Mbps to 30Mbps;
 - 20.2 the increase of the monthly charges for packages less than 1Gbps;
 - 20.3 the decline of the monthly charges for the 1Gbps and 10Gbps packages;
 - 20.4 the inclusion of Starz Play service in all packages; and
 - 20.5 the inclusion of the BEIN Sport Channels in packages with speeds of 30Mbps and greater.

3.2 Wi-Fi Access Point

21. The CRA seeks clarification on the charging/billing of the Wi-Fi Access Point.
22. Specifically:
 - 22.1 In the last bullet point on page 2 of Ooredoo's Letter there is a reference to the purchase price of the Wi-Fi Access Point increasing from QAR 360/- to QAR 480/-. Please explain the reason for this increase.
 - 22.2 Does the monthly rental option that applies to the current FBB services apply to the new FBB services? If it continues to apply what would happen if a customer who takes the monthly rental option for the Access Point, cancels their subscription with outstanding payments required on the Access Point? Is the subscriber required to pay out the remaining amount for the Access Point before the subscription can be cancelled?
 - 22.3 The CRA requests confirmation that the price of the Wi-Fi Access Point (QAR 480) for the new FBB services is only applicable to new customers, i.e. current customers moving to a new FBB service who either own their own (compatible) Wi-Fi Access Point or rent Ooredoo's Wi-Fi Access Point (as part of their current package) will be charged or not? Similarly what will happen to customers who subscribe to the new FBB services and later move location? Will they be able to re-use, for no fee (apart from the QAR399 relocation fee), their existing Wi-Fi Access Point?

3.3 One-time Fees

23. Ooredoo shall clarify if customers who change from the existing FBB service to the new FBB service will be required to pay the QAR 300 connection fee.
24. Ooredoo shall clarify if a customer on the current FBB services who shifts from one location to another and who subscribes to the new FBB service at their new location will be required to pay a relocation fee of QAR 399?
25. The CRA notes that the charge for a shift of location has been increased by Ooredoo. Ooredoo is requested to explain the reason for this increase.

3.4 Other Terms and Conditions

26. Clause 4.3.1 states that "*Consumer fiber customers will have the option to upgrade their current fiber broadband plan to any higher speed for the same price as their current speed*

for two months". Ooredoo shall clarify if this applies both to new subscribers who take up the new FBB service and existing subscribers who move from a current FBB service to a new FBB service? If it also applies to existing subscribers, Ooredoo shall confirm that this includes customers moving from a current FBB package of 10Mbps to 15Mbps and 25Mbps to 30Mbps?

27. Clause 3.3 – Commencement of Service states that the service will be provided within 30 consecutive days from the order. Ooredoo is required to provide a response to the CRA's concerns that this clause is not in accordance with Ooredoo's Fixed License obligations or the CRA's complaint procedure:
 - 27.1 As per the license obligation, supply time for initial telephone line connection is 5 working days for 95% of request and additional 4 days for 99% of valid requests.
 - 27.2 Supply time for initial broadband line connection is within 10 days for 95% and 5 days more for 99% of valid requests.
 - 27.3 As per the complaint process, the customer can register the complaint for the delay in installation of new service after 10 working days.
28. Although the CRA assumes that the Tariffs in *Section 4.4 Landline Services* have not changed we have found that Clause 4.2.1 is not consistent with Clause 4.4.2. In fact, Clause 4.2.1 states that voice only customers are charged a recurring monthly fee of QAR 33 while 4.4.2 states that there is no monthly fee for landline. Ooredoo is required to provide a clarifications to the CRA on this inconsistency.

3.5 Cost justifications

29. According to Ooredoo's cost justifications, the changes proposed are economically sustainable and make the overall FBB platform profitable, as shown in the table below.

	Consumer	Business	All
Voice Only	██████	██████	██████
Double Play	██████	██████	██████
Triple Play	██████	██████	██████
Total	██████	██████	██████

Table 2: Profitability – Ooredoo's calculations

30. On Ooredoo's calculations the CRA has the following concerns.

Forward Looking Approach

31. Ooredoo has developed the calculations using a forward looking approach, assuming that:
 - 31.1 ██████ of the current subscribers of the 10 and 25 Mbps packs will move to the 15 and 30 Mbps respectively.
 - 31.2 ██████ of all the other current customers will move to the new tariffs.
32. Ooredoo is required to justify the above assumptions.
33. In addition, the CRA needs to discuss with Ooredoo alternative scenarios, such as the potential impact on the profitability in case of migration of the customers to lower speeds, which would reduce the estimated revenues while leaving untouched the estimated costs.

Costs of the Optical Line Termination (OLT) and of the Core Fiber

34. The CRA notes that these costs have changed (on average -5 QAR per subscriber/month) compared to the same costs delivered by Ooredoo on June 21, 2017 to justify the previous

changes to the Tariffs C05-02 Consumer Fiber Broadband Services and B30-01 Fibre Broadband Services (ref. Ooredoo letter OQ/Reg-4964/2017-06).

35. These costs are included in the cost justifications submitted by Ooredoo.
36. However, they are sourced from an external file not delivered to the CRA.
37. Hence, the CRA could not verify them and requires Ooredoo to include the missing sources in the cost justifications for CRA to verify them.

Costs of the TV basic content

38. These costs are sourced from an external file not delivered to the CRA.
39. Hence, the CRA could not verify them and requires Ooredoo to include the missing sources in the cost justifications for CRA to verify them.
40. In addition, the CRA requires Ooredoo to make explicit the cost per subscriber per month for both the BEIN Sport Channels and the STARZ PLAY service, along with the number of customers currently subscribing these Channels (ref. table below).

Package Speed	Number of BEIN Sport Subscriber	Cost/Subscriber/Month to provide BeIN Sports Package (QAR)	Cost/Subscriber/Month to provide STARZ PLAY Service (QAR)
10 Mbps			
25 Mbps			
50 Mbps			
75 Mbps			
100 Mbps			
150 Mbps			
200 Mbps			
300 Mbps			
1 Gbps			
10 Gbps			

Costs of the International Backhaul

41. The CRA notes that these costs have almost double compared to the same costs delivered by Ooredoo on June 21, 2017 to justify the previous changes to the Tariffs C05-02 Consumer Fiber Broadband Services and B30-01 Fibre Broadband Services (ref. Ooredoo letter OQ/Reg-4964/2017-06).
42. Ooredoo is required to explain the reasons behind this change.

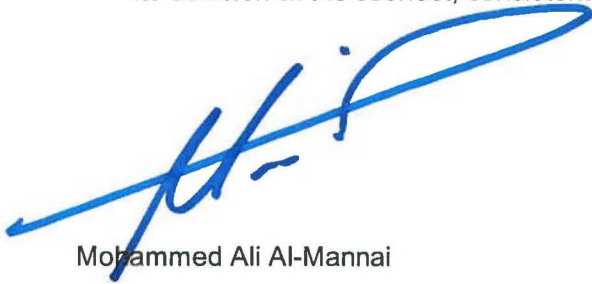
Cost basis

43. Ooredoo has justified its proposed new business portfolio tariff based on 2016 forecasted costs which are significantly lower than the 2015 Regulatory Accounting System (RAS) costs (ref. RAS 2015 version delivered by Ooredoo to CRA on April 23, 2017).

44. Ooredoo already explained (ref. Order on FBB) that
- 44.1 the drop in 2016 forecasted costs were due to a 'new network solution' implemented by Ooredoo to deliver the FBB services to its customers. In particular, Ooredoo declared that since 2016 dedicated FTTx Links have been used to connect some of Internet Routers and Servers to the Internet platform instead of the core network;
- 44.2 The forthcoming RAS 2016 will provide a detailed demonstration of the fall in costs related to the core network.
45. An update on the status of the implementation of the above new technical solution is required to understand the further reductions in costs noted by the CRA reviewing the cost justifications.

4 Order

46. Due to the stated concerns and in order to enable a full investigation, the CRA orders Ooredoo:
- 46.1 Not to launch the new Tariff before the CRA has finished its verifications;
- 46.2 To answer all the concerns included in the Section 3 above and deliver an updated cost justifications including the missing information and the additional input listed in Section 3 in five (5) working days from the date of this Order;
- 46.3 To meet with the CRA two (2) working days after the above deadline.
47. Provided that the CRA receives all the required information including appropriate answers to the above requirements the CRA will make every effort to assess this case and make its decision at the soonest, consistent with Ooredoo plans on launching the new offer.



Mohammed Ali Al-Mannai

President of the Communications Regulatory Authority

