

## **Regulatory Decisions on Charges for Interconnection Services based on TSLRIC + Models**

Umniah Mobile Company “Umniah” wishes to thank TRC for its continuous efforts and cooperation. With reference to TRC’s Regulatory Decision on Charges for Mobile Interconnection Services Based on TSLRIC+ Models and Regulatory Decision on Charges for Fixed Interconnection Services Based on TSLRIC + Models No. 8-12/2017 along with their explanatory memorandums.

The TRC has also started its market review process and we believe that this was a much needed study to ensure effective competition in the Jordanian market, and take competition safeguards-where necessary in implementation of the Statement of Government Policy 2012 of the Communications, Information Technology and Postal Sectors in the absence of effective competition tools in our market today such as mobile number portability, market entry barriers such as high cost for frequencies.

Umniah would like to draw to the TRC’s attention the following remarks for TRC’s kind review and consideration:

### **Implementing LRIC-based Interconnection Charges:**

The TRC states in Article (4) of the Regulatory Decision on Charges for Mobile Interconnection Services Based on TSLRIC+ Models that *“The approach adopted by the TRC when setting the new regulated charges is described below:*

- 1- *When the new charges were considered to be close to the previous ones and/or the regulated services under consideration were not material under the current market situation, a fixed charge has been set for the 2018-2021 period, which is extracted as the average of the efficient operator model's result for that period.*
- 2- *When the new charges were considered not to be close to the previous ones and the regulated services under consideration were material under the current market situation, a glide path has been defined so as to smooth the impact on the market of this decision”*

Please be informed that Umniah disagrees with the glide path defined by the TRC to set the termination service interconnection rate due to the following reasons:

- Glide paths are frequently used to reduce asymmetries in MTRs at the same time as approaching cost-orientation prices. In 2011, the TRC has determined that the calculated costs for call termination using TSLRIC+ models were sufficiently different from the applied rates and decided

to implement a glide path to minimize the potential disruptive effect of the decision on mobile operators. We believe that the glide path should not be implemented in this TSLRIC+ review as all mobile operators are starting from approved 2014 symmetrical termination rates.

**2011 TSLRIC+ Termination Rates**

Rate per Min / Fills	2010	2011	2012	2013	2014
Zain	22.40	20.50	17.69	15.34	12.99
Orange	22.60	20.20	17.71	15.39	12.99
Umniah	27.70	24.02	20.34	16.67	12.99

The concept of materiality used in the above-mentioned TRC’s Explanatory Memorandum is not clear to us and no details for the assessment of this materiality have been provided in the document. We found that the glide path is implemented on **termination service only** for both mobile termination and fixed termination. Please note that the interconnection charges for all other interconnection services for both Mobile and Fixed services are equal for the period 2018-2021, and we request to implement this rule to the termination service.

- The European Commission has also stated on a number of occasions that the use of glide paths should be as short as possible and in many cases has encouraged NRAs to revise glide paths which are over two years long.
- We do believe that the immediate implementation of the new TSLRIC+ rates will reduce the disruption to industry caused by on-net and off-net mobile offering. The current retail rates for off-net calls on the market are showing an average retail rate of 3 to 4 Fills/ Min which is much lower than the suggested termination rate of 11.6 to be implemented as of January 2018. Below are examples of current available offers in the market which indicate that off-net blended rate is very low:

Company	Offer name	Monthly subscription	On-net minutes	Off-net minutes	Data (GB)	SMS
Umniah	Umniah 7	7	20,000	1,500	12+ 9 Facebook + 9 social	1,500
Zain	Muhafazat Mix	6	12,000	1,000	9 + 6 Facebook	1,000



Orange	Orange 7	7	30,000	1,000	4+6 Facebook+2 Governorates	3,000
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If we take Zain's offer as an example, 3 JDs out of the 6 is allocated to data, and the remaining 3 is allocated to voice and SMS. Based on fair value allocation, maximum of 0.75 JD to 1 JD can be allocated to off-net voice. Assuming that the customer will utilize only 30% of the available bundle (300 minutes), off-net blended rate will be around 2.5 fils to 3.3 fils.

We believe that setting a mobile termination rate at the calculated TSLRIC+ will deliver more effective competition and will ultimately be to the benefit of end customers.

- There are very specific competition problems which develop at the retail level but which are the result of the ways in which retail and wholesale markets interact. Zain will in all likelihood generate excess profits from implementing a glide path for termination services, which will in turn be used to preserve its position in the retail market. We believe that setting a mobile termination rate at the calculated TSLRIC+ will leverage Zain's dominant position in the retail mobile market.

The TRC extended the validity of the approved 2014 TSLRIC+ interconnection rates until the finalization of the new models review resulting in having the same interconnection rates applied for more than 3 years without providing any benefits to competition nor to customers.

- As a result of implementing glide path rather than the immediate implementation of the new TSLRIC+ rates, Umniah will suffer from additional cost during the period from 2018 to 2020 of not less than JD 4.5m, which will further weaken Umniah's position in the market in comparison with the other two operators.
- Please note that we do support immediate implementation of the new interconnection rate. However, if the TRC is of the view that a glide path is in the best interest of the sector, then we would appreciate a decision accelerating the glide path to be fully implemented by end of 2019 as follows:

Rate per minute (fils)	1 January 2018	01 July 2018	01 January 2019	01 July 2019
Blended	11.6	8.4	5.2	2.0



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ص/٤/١١٧/١

الرقم .....  
التاريخ ٢٠١٧/١٠/٣ .....  
الموافق .....

الرئيس التنفيذي/

الموضوع: مراجعة نماذج الربط البيني TSLRIC+

إشارة إلى الموضوع أعلاه، للتفضل بالعلم بأن مجلس مفوضي الهيئة قد بحث في جلسته رقم ٢٠١٧/١٢ المنعقدة بتاريخ ٢٠١٧/١٠/١٥ موضوع مراجعة نماذج الربط البيني وفقاً لمنهجية الـ (TSLRIC+) وقد قرر المجلس ما يلي:

أولاً: اعتماد الوثائق المبينة أدناه بصيغتها المرفقة طي القرار رقم (٨-٢٠١٧/١٢) وتبليغ الشركات المعنية بذلك وحسب الأصول:

١- القرار التنظيمي لإقرار أجور خدمات الربط البيني للهواتف المتنقلة والمعنون باللغة الإنجليزية بـ:

"REGULATORY DECISION ON CHARGES FOR MOBILE INTERCONNECTION SERVICES BASED ON TSLRIC+ MODELS"

٢- القرار التنظيمي لإقرار أجور خدمات الربط البيني للهواتف الثابتة والمعنون باللغة الإنجليزية بـ:

"REGULATORY DECISION ON CHARGES FOR FIXED INTERCONNECTION SERVICES BASED ON TSLRIC+ MODELS"

٣- المذكرة التوضيحية للقرار التنظيمي لإقرار أجور خدمات الربط البيني للهواتف المتنقلة والمعنون باللغة الإنجليزية بـ:



الرقم .....  
التاريخ .....  
الموافق .....

"EXPLANATORY MEMORANDUM FOR CHARGES FOR MOBILE  
INTERCONNECTION SERVICES BASED ON TSLRIC+ MODELS"

٤- المذكرة التوضيحية للقرار التنظيمي لإقرار أجور خدمات الربط البيني للهواتف الثابتة والمعنون  
باللغة الإنجليزية ب:

"EXPLANATORY MEMORANDUM FOR CHARGES FOR FIXED  
INTERCONNECTION SERVICES BASED ON TSLRIC+ MODELS"

ثانياً: التأكيد على تطبيق القرارين التنظيميين الواردين في البندين (١) و(٢) من (أولاً) أعلاه اعتباراً  
من تاريخ ٢٠١٨/٠١/٠١.

علماً بأنه سيتم نشر القرار والوثائق ذات العلاقة على موقع الهيئة الإلكتروني .

وتفضلوا بقبول فائق الاحترام ،،

رئيس مجلس المفوضين/  
الرئيس التنفيذي  
الدكتور المهندس غازي الجبور

نسخة: الدائرة الاقتصادية.  
نسخة: فريق عمل المشروع.