

# *The Regulatory Framework for Investments in Telecommunications in Lebanon*

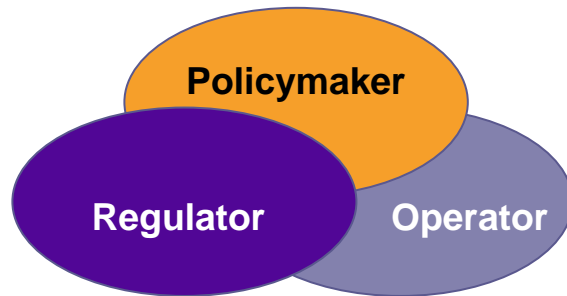
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Workshop  
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# Implementation of Telecom Law 431/2002 and the establishment of the Telecommunications Regulatory Authority initiates the liberalization and development of the stagnant telecom market

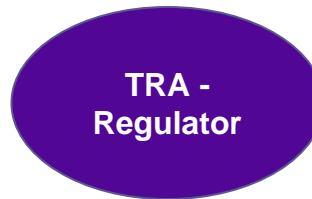
## Telecom Regime Pre and Post Law 431/ 2002

### Pre Telecom Law 431



- ❑ The Ministry of Telecom is the policymaker, regulator and service provider
- ❑ The Council of Ministers has an arbitrary regulatory role (e.g., issuing all licenses)
- ❑ There are three independent network operators (1 fixed and 2 mobile, previously private), all owned by the state and unable to act independently of each other
- ❑ The Ministry of Telecom is the *de jure* monopoly service provider through OGERo
- ❑ There is no formal regulatory regime in place
- ❑ The telecom industry is seen as a “cash cow” to the treasury not as service provider

### Post Telecom Law 431



- ❑ Setting national telecommunications policy and strategy in consultation with the TRA
- ❑ Drafting legislation in consultation with the TRA
- ❑ Reviewing and approving the TRA's annual budget
- ❑ Proposing national frequency pricing upon the recommendation of the TRA
- ❑ Serving as link between the TRA and Council of Ministers
- ❑ Issuing individual licenses (Mobile and Fixed)
- ❑ Issuing regulations governing the sector (interconnection, price regulation, competition, consumer protection, radio frequency, etc.)
- ❑ Preparing draft decrees and regulations for the sector
- ❑ Preparing and managing license award
- ❑ Promoting competition and penalizing anti-competitive behavior
- ❑ Managing the radio spectrum
- ❑ Providing services to the public
- ❑ Establishing and maintaining telecom networks and facilities
- ❑ Complying with regulations and licenses regarding provision of information, consumer protection, quality of service, etc.

**The TRA Board was appointed on February 21, 2007, therefore the TRA began its regulatory work as of March 2007**

### **TRA Board of Commissioners**

- The Board is composed of a Chairman and four members appointed for a 5 year term
  - Commissioners are full-time and have wide-ranging responsibilities
  - TRA has four Units and three Sections, each Unit headed by one of the Commissioners:
    - Legal and Licensing Unit
    - Telecom Technologies Unit
    - Information and Communication Unit
    - Market and Competition Unit
  - Administrative Section
  - Financial Section
  - Audit Section
- } Report to the Chairman directly

### **Mission Statement**

*To establish a regulatory environment that enables a competitive telecommunications market to deliver state-of-the-art services at affordable prices to the broadest spectrum of the Lebanese population*

# The TRA is legally mandated to regulate telecommunications in Lebanon and has the authority to take any measure necessary to promote a competitive telecom market

## Legislative Role

- Take all decisions and measures required to implement the Telecom Law 431 / 2002
- Prepare regulations to achieve the objectives of Telecom Law 431 / 2002
- Draft decrees related to the implementation of the telecommunications law, and refer these to the Minister

## Competition

- Encourage competition in the telecom sector
- Monitor behavior that may limit competition and ensure market transparency
- Ensure that operators with significant market power do not abuse their market position

## Licensing

- Issue licenses and monitor compliance with license terms and conditions
- Organize auctions and draft auction rules for the award of individual licenses
- Suspend or revoke licenses based on Telecom Law 431 / 2002

## Radio, Interconnection, Other

- Adopt a national frequency plan, frequency assignment, and propose frequency pricing
- Set regulations for interconnection and review interconnection agreements
- Quality of service, type approval, etc.

## Dispute Resolution

- Set standards and regulations for review of complaints and other disputes
- Act as a mediator / arbitrator in disputes between licensees
- Set regulations for the arbitration of disputes regarding interconnection agreements

## In carrying out its functions, the TRA is expected to adhere to the highest standards of transparency

### Transparency

#### Examples

- Availability of Information: The TRA is required to make available to any person that requests it any and all information which the TRA has and which has not been designated as confidential (Art. 12), although it is also required to maintain the confidentiality of reports and information submitted by the service providers (Art. 32)
- Accountability: The TRA is required to report on its activities and its finances. It is required to present annual reports to the Council of Ministers (Art. 5.4 and Art 33); its budget has to be approved by the ministers of telecom and finance; its finances are subject to internal and external auditing (Art. 11.6) and to the Audit Court auditing a posteriori (Art. 2)
- Licensing: Licensing is to be conducted using well publicized, pre-announced competitive bidding rules and procedures, clear and simple criteria for evaluating bids, and a license award process that is open to public scrutiny. Bidders will be treated equally, with public receipt of all bids, rapid notification and public announcement of the winner
- Review and Appeal: All TRA decisions are subject to review by the TRA within two months from their publication at the request of a concerned party (Art. 14.1). TRA decisions may be appealed to the Council of State but only on procedural grounds (Art. 14.2). TRA decisions imposing penalties may be appealed to the Court of Appeals (Art. 40). The start of a review or appeal process does not, by itself, justify suspension of the decision

# The TRA has the obligation to carry out consultations, which may be limited to stakeholders or open to the wider public

## Consultation

### TRA and Consultation

- ❑ TRA is required by law (Law 431/2002, Art. 5) to consult stakeholders or the public
- ❑ TRA decisions have to be reasoned and the reasoning has to be made available to the public
- ❑ TRA has the obligation to provide information to the public about the telecom sector except for confidential information

Stakeholder Consultation	Public Consultation
<ul style="list-style-type: none"> <li>❑ Typically, stakeholders are consulted on very specific issues which may interest service providers, investors, users, or a special category of users (e.g., service providers are to be consulted on interconnection, on new technologies, etc.)</li> <li>❑ The TRA is required to publish guidelines on consultations</li> <li>❑ The TRA may carry written or oral consultations</li> <li>❑ In both cases, the TRA has to make public transcripts and records of the consultation process</li> </ul>	<ul style="list-style-type: none"> <li>❑ Typically, a public consultation process is conducted on matters of general public interest, such as telecom policy, price regulation, etc.</li> <li>❑ The public consultation shall be clear and focused with respect to the issue it is consulting on and the timeframe available for consultation</li> <li>❑ The consultation methodology may vary depending on the concerned parties and the issue in question</li> <li>❑ The TRA has to provide information about the responses to the public consultation and summarize the findings of the consultation</li> </ul>

# The Lebanese telecom market is characterized by a stagnant fixed and mobile services segment, and a constrained data and internet segment

## Strengths

## Weaknesses

1

### Fixed Voice

- Relatively good copper infrastructure
- Regionally competitive price per minute

- On incentive to upgrade the infrastructure and introduce new technologies
- Low penetration rate
- Stagnant growth

2

### Mobile

- Pent up demand for mobile services
- High mobile revenues

- Lag behind in terms of new technologies (e.g. MMS, EDGE)
- High connection and subscription charges
- High per minute prices / Per minute pricing
- Penetration is low
- Limited choice in mobile packages
- Saturated mobile network /no upgrade
- Bad quality of service

3

### Data

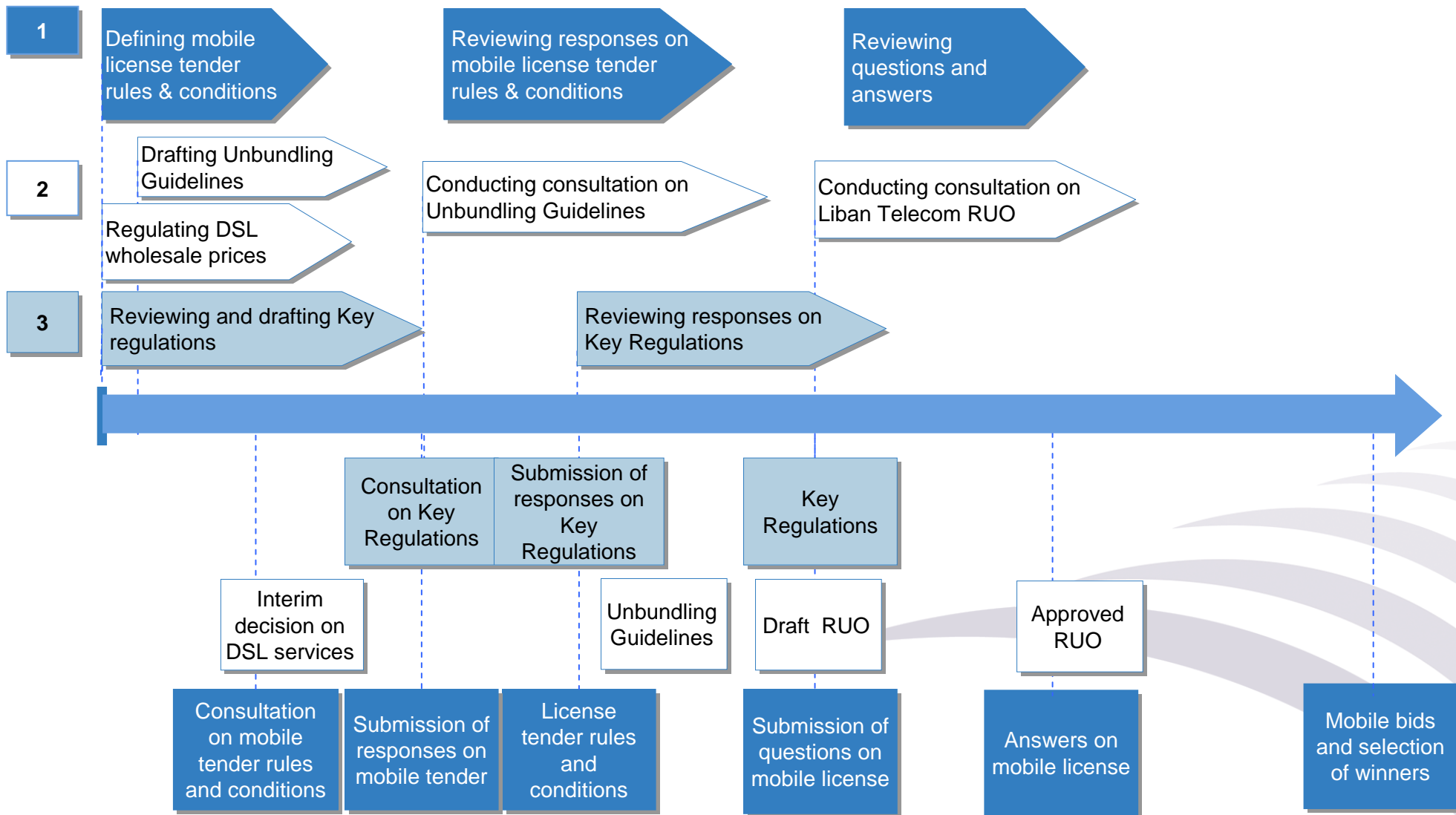
- Relatively competitive
- Lucrative segment
- New wireless technologies deployed
- Pent-up demand for data and internet services

- No ADSL services launched yet
- Access is hindered by incumbent operator
- Until recently, high international bandwidth prices
- Uncertainty over regulatory framework



REPUBLIC OF LEBANON  
TELECOMMUNICATIONS  
REGULATORY AUTHORITY

# The implementation of the strategic plan for 2007 will proceed along three main axes



# The TRA will spend most of 2007 preparing for the mobile and broadband licensing which should bring considerable private investment to the telecommunications market

## Policy and Strategy

- ❑ Prepare a qualitative and quantitative study of the telecom market in Lebanon and model the different scenarios for the future
- ❑ Formulate market liberalization strategy for Lebanon and outline the vision for the sector's
- ❑ Formulate strategy and structure the corresponding licensing framework for:
  - Broadband
  - Mobile privatization and liberalization
  - Spectrum licensing and Management Policy

## Spectrum

- ❑ Conduct due diligence on existing frequency assignment
- ❑ Define corrective measures (if required)
- ❑ Determine mobile frequency assignment and fees
- ❑ Issue Spectrum Management Guidelines
- ❑ Issue National Frequency Plan
- ❑ Issue spectrum pricing
- ❑ Begin work on spectrum trading model

## Licensing

- ❑ Structure the licensing framework
- ❑ Define Mobile licensing policy (auction design, revenue sharing, IPO, rollout, international gateway, quality of service, interconnection obligations, etc...)
- ❑ Draft and issue two mobile licenses
- ❑ Prepare new broadband licenses and begin the licensing process
- ❑ Draft and issue Liban Telecom license

# The strategic plan for 2007 requires the TRA to prepare a sound regulatory framework, in line with international regulatory best practices

## Interconnection/ Access

- Interconnection Guidelines
- Unbundling Guidelines
- Interim Interconnection decision for mobile services (Rates and points of interconnection)
- Review of Reference Interconnection Offer by Mobile and Fixed Service Providers
- Review Interconnection Agreements
- Review the Reference Unbundling Offer by Liban Telecom

## Quality of Service

- Defining KPIs for mobile SPs
- Approving Quality of Service Guidelines

## Price Regulation

- DSL wholesale price Regulation
- Price Regulation Guidelines

## Consumer Protection

- Reviewing/ Approving Consumer Protection Guidelines
- Handling Consumer Complaints

## General

- Drafting Dispute Resolution Procedures
- Drafting Accounting Separation Guidelines
- National Roaming Guidelines

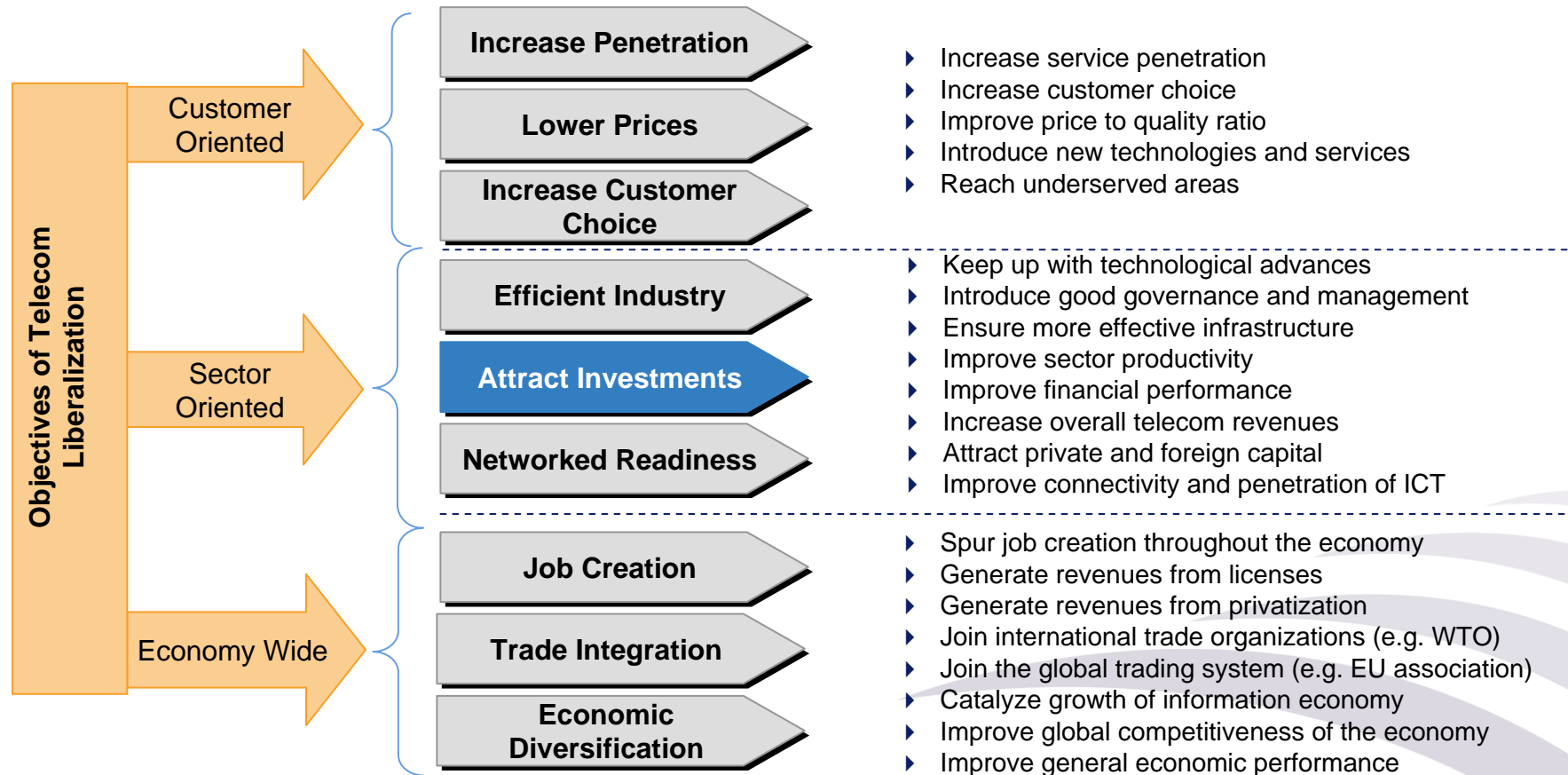
## Numbering

- Reviewing/Approving National Numbering Plan
- Overseeing migration to the new Numbering Scheme
- Drafting Mobile Number Portability Guidelines

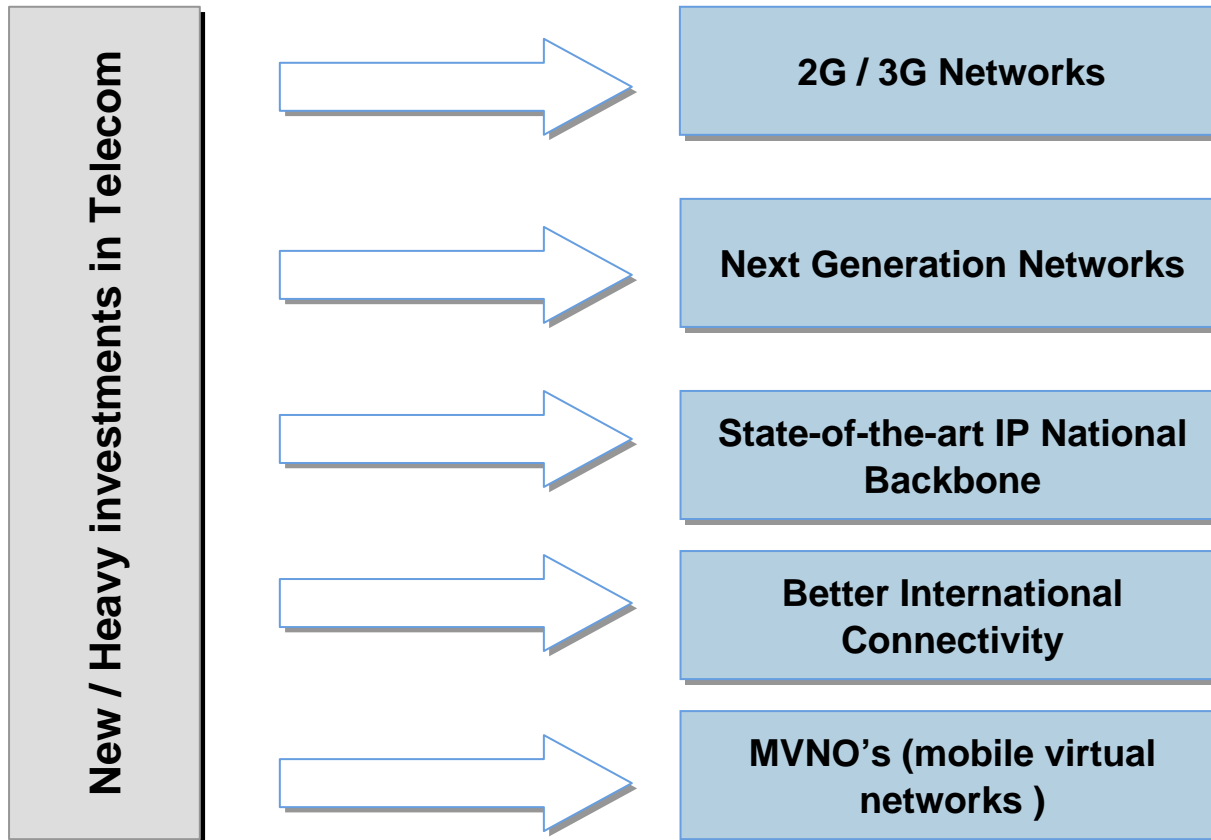
## Competition Regulation

- Issuing Decision Designating Significant Market Players
- Reviewing/ Approving Competition Regulation Guidelines
- Drafting Dominance Guidelines

# Telecommunications liberalization has a wide range of benefits, including attracting investment to Lebanon



**Competition in telecommunications market segments will give incentives to service providers to invest in new technologies and benefit the telecom market and the economy at large**



# Lebanon will attract investments by liberalizing telecommunications and by having a stable and transparent regulatory framework

## Conclusion

**Promoting competition and maintaining a level playing field**

**Regulate significant market players and take measures to prohibit anti-competitive behavior**

**Prohibit discrimination between service providers**

**Adopt a technology neutral approach to regulation**

**Providing a stable and transparent regulatory framework**

**Engage investors in consultations on all regulatory matters of interest to them**

**Design transparent license auctions**

**Provide incentives to invest in remote and underserved areas through a universal service policy**