International mobile roaming in the Arab states

Ewan Sutherland

Abstract

Purpose – The purpose of this paper is to review how the Arab states individually and especially collectively have tackled the question of persistently high charges for international mobile roaming.

Design/methodology/approach – The approach takes the form of a review of the decisions and decision-making processes of the League of Arab States, of the Gulf Cooperation Council and of certain of its member states in the matter of international mobile roaming charges.

Findings – The weaknesses of partial liberalisation and of flawed systems of governance of telecommunications markets at the national level are compounded at trans-national level by divergence of interest. Lack of experience in dealing with consumer issues and competitive analysis have limited the ability of institutions to respond.

Research limitations/implications – Data on roaming markets are very limited, making analysis difficult. Transparency of decision making by international institutions is often weak or selective.

Practical implications – The decision to try to use price caps neglected the opportunity to try to complement the actions of Zain in abolishing roaming surcharges.

Social implications – The regulators and ministers have pursued their own interests with little regard for consumers. They have failed to quantify the likely benefits of their proposed price caps on roaming charges.

Originality/value – This paper complements others on different regions. It sheds some light on telecommunications in the Arab world, a subject which is infrequently addressed in the academic literature.

Keywords Mobile communication systems, International pricing

Paper type Case study

Introduction

The high level of charges for international mobile roaming (IMR) and their apparent resistance to competitive pressures are now well established as global telecommunications policy issues. A set of still imperfectly described market problems have impeded competitive forces, so that prices for IMR services have diverged from those for domestic mobile services, which have been driven down substantially. This has been compounded by a series of “bill shocks” for consumers, arising from the extremely high IMR rates for data services. Price controls as a possible remedy have gained considerable attention in the last three years through the regulations introduced by the European Union (Sutherland, 2010a).

The roaming problem takes on additional dimensions in the Arab states, as a result of pan-Arab nationalism, ancient patterns of religious tourism, muddled attempts at liberalisation and weak systems of governance. It presents challenges to autocratic governments that have poor records in consumer protection and very limited experience of tackling complex market failures. Each country has created its own system of governance for telecommunication markets and each is significantly but differently flawed, with democratic deficits and weak observation of the rule of law. National variations make
concerted action within the Arab League difficult, compounded by its limited legal basis for intervention.

The prospect of price regulation in the Arab states caused the mobile network operators (MNOs) to draw on the experience of the GSM Association (GSMA) in Europe. SAMENA, a regional ICT association, sought alternatives to price controls, recognising that IMR played a “very important role in driving the profits” of operators and admitting that the charges had a “significant effect” on consumers, a euphemism for them having to pay (Samena, 2009). Zain abolished IMR surcharges across its geographic footprint in North Africa, the Near East and the Persian Gulf, obliging other MNOs to cooperate in order to compete against it.

There are few data on the use of IMR in the Arab states, with regulators generally not having required operators to report revenues or traffic volumes. In 2008, Informa estimated there were 7.8 million business roamers and 14.8 million consumer roamers in the “Middle East” (Stainthorpe, 2008). In Lebanon while one half of GSM customers was aware of the IMR service, only 2 per cent used it (Nielsen, 2008). The GSM Association described the market as small and still developing, with growth of only 2 per cent between 2006 and 2007 (GSMA, 2006).

This article first considers the systems of governance for telecommunications in the Arab states. It then examines the role of the Arab Telecommunications and Information Council of Ministers (ATICM). Next it considers the network of regulators and its various proposals to reduce IMR prices. The work on IMR within the framework of the Gulf Cooperation Council (GCC) is described, including the successful adoption of a regulation. The transparency measures taken by Bahrain and UAE are analysed. The issues arising from the cross-border ownership of SIM cards are discussed. The Zain “One Network” offer and the responses from its rivals are analysed. Conclusions and issues for future research are identified.

**Systems of governance**

The member states of the Arab League have each crafted their own system of governance for telecommunications, borrowing selectively from each other and from advanced economies (Gentzoglanis, 2003). The traditional administrative agency of the state that once provided service directly to a small number of customers has largely disappeared, in the face of liberalisation and the recognition of latent demand. Today, there is usually a small group of mobile operators, typically at least one is owned by the state, while another will be owned by the government of a different Arab state (see Table I). These oligopolistic markets are overseen by ministries and, sometimes, by a regulator, though without any effective independence. The omissions are quite consistent, with almost no parliamentary oversight and little in the way of appeals or judicial review.

The Arab states have proved unwelcoming to democracy (Diamond, 2010; Perthes, 2010). While a few put on an occasional piece of electoral theatre, they are otherwise autocratic or totalitarian regimes, without any popular legitimacy. Consequently, no minister of telecommunications is a member of a political party that has won a majority in a free and fair election, though two are in complex coalitions. Individually, almost all are technocrats, without experience of other ministerial portfolios and no higher political ambitions – they lack any personal political standing.

Parliaments do little to investigate or to criticise the work of ministries and regulators, which are not held to account. Supporting institutions such as an auditor general and an anti-corruption commission are usually ineffective or simply missing. The results are a democratic deficit, an absence of oversight, plus a lack of transparency that together enormously increases the risks of regulatory capture and of corruption.

A handful of regulators make a show of consultations, but generating few responses and only very rarely from the public. Some have created consumer panels, to ensure a minimal level of supportive input. Surveys of consumers and business users are rare. Public hearings, held in a few of the more advanced countries, are limited to technocratic dialogues.
between the regulator and the operators, which would be incomprehensible to the general public.

One of the reasons for the creation of a regulator is to allow its decisions to be challenged before an appellate body. Yet there are very few appeals in the Arab States and judicial review is almost unknown (Brown, 1998, 2003). Moreover, the independence of the judiciary is, at best, doubtful (ACIJLP, 2010).

The development of competition law has been slow (Dabbah, 2007). While many countries have legislation, enforcement is weak or absent and very few Arab states would claim to have an independent national competition authority. There remains a fear in government that a pro-competitive voice would challenge the many vested interests.

By comparison, the definition of a telecommunications regulator is sufficiently vague as not to threaten the established order, rather it appears to be accommodated within its structure. Nonetheless, while regulators are found in almost all countries in Africa and Asia, nearly half the Arab states do not yet have an operational regulator:

- Djibouti;
- Iraq;

### Table I Corporate groups in the Arab states

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Nationality</th>
<th>State ownership (%)</th>
<th>Holdings</th>
</tr>
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<tbody>
<tr>
<td>Batelco</td>
<td>Bahrain</td>
<td>100</td>
<td>Batelco (Bahrain), Batelco (Jordan), Umniah (Jordan), Etihad Athee Telecom Co. (KSA), STel (India)</td>
</tr>
<tr>
<td>Etisalat</td>
<td>UAE</td>
<td>60</td>
<td>Atlantique Telecom/Moov (Benin, Burkina Faso, Togo, Niger, Central African Republic, Gabon and Ivory Coast), Axiata (Indonesia), Etisalat (Afghanistan), Etisalat (Iran), Etisalat (Sri Lanka), Etisalat (India), Etisalat (UAE), Etisalat Misr (Egypt), Mobily (KSA), PTCL (Pakistan), Canar (Sudan), EMTS (Nigeria) and Zantel (Tanzania)</td>
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<tr>
<td>Orascoma</td>
<td>Egypt</td>
<td>0</td>
<td>Banglalink (Bangladesh), Cell One (Namibia), Djezzy (Algeria), Koryolink (North Korea), Mobilink (Pakistan), Mobilin (Egypt), Telecel (Zimbabwe), Tunisiana (Tunisia) and Wind (Canada, Italy and Greece)</td>
</tr>
<tr>
<td>Qtel</td>
<td>Qatar</td>
<td>68</td>
<td>Nawras (Oman), Qtel (Qatar) Also 51 per cent of the Wataniya Group, based in Kuwait, which has operations there and in Algeria, the Maldives, Palestine, Saudi Arabia and Tunisia</td>
</tr>
<tr>
<td>STC</td>
<td>KSA</td>
<td>70</td>
<td>Natrindo (Indonesia), Oger Telecom® (UAE), Kuwait Telecom (Kuwait), Maxis (Malaysia) and Aircel (India)</td>
</tr>
<tr>
<td>Zainc</td>
<td>Kuwait</td>
<td>24 (KIA)</td>
<td>Bahrain, Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and Sudan</td>
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</tbody>
</table>

**European groups**

- Orange: France
- Vivendi: France
- Vodafone*: UK

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<tr>
<th>Corporation</th>
<th>Nationality</th>
<th>State ownership (%)</th>
<th>Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange</td>
<td>France</td>
<td></td>
<td>Jordan Telecom, Mobilin (Egypt)</td>
</tr>
<tr>
<td>Vivendi</td>
<td>France</td>
<td>0</td>
<td>Maroc Telecom (Morocco)</td>
</tr>
<tr>
<td>Vodafone*</td>
<td>UK</td>
<td>0</td>
<td>Vodafone (Egypt) and Vodafone (Qatar)</td>
</tr>
</tbody>
</table>

**Notes:** a Orascom will merge its assets with Vimpelcom (Weather Investments, 2010). There is a dispute with the Algerian government which sought to block an earlier proposed sale of Djezzy in order itself to take control (Business Week, 2010). b Oger Telecom owns, among others, 75 per cent of Cell C (South Africa) and 55 per cent of Turk Telecom; c In 2010 Zain sold to Bharti its interests in Burkina Faso, Chad, Democratic Republic of the Congo, Gabon, Kenya, Madagascar, Malawi, Niger, Nigeria, Republic of the Congo (Brazzaville), Sierra Leone, Tanzania, Uganda, Zambia; d SFR (France) and also trades as Mobisud, an MVNO, in Belgium, France and Morocco; e Formerly had an arrangement with MTC of Kuwait for co-branding as MTC-Vodafone
Telecommunications markets were less open to competition than elsewhere in the developing world, competition was hindered, private participation was scarce and foreign ownership more severely constrained, while regulatory regimes did not support fair competition (Varoudakis and Rosotto, 2004). There is little to dispute the view that further liberalisation could deliver significant benefits (Bottini and Marouani, 2009). For example, this is still seen as a prerequisite for progress on the growth of broadband (Herbert, 2010).

The diversity of the systems of governance, their enduring flaws and the lack of a pro-competitive bias raise significant concerns when it comes to its ability, willingness and competence to tackle a problem as difficult as the persistently high charges for international mobile roaming.

**Arab Telecommunications and Information Council of Ministers**

The League of Arab States dates from 1945, having grown from six to 22 member states (see Table II). Representatives of each have one vote on the League Council, with decisions being binding only if there is unanimity. An agreement to create the Pan-Arab Free Trade Area saw the removal of tariffs on goods, but not services (PAFTA, 2008).

Article 2 of the Arab League Pact calls for close coordination in information and communication technologies (ICTs), implemented by the Arab Telecommunications and Information Council of Ministers (ATICM) established in 1991 and supported by an executive office (ATICM, 2009a, b, c). An Arab Strategy on ICTs was first adopted in 2001, updated in 2007 and is presently under review (ESCWA, 2010). It currently has three objectives:

1. To create a competitive market for the community.
2. To achieve universal access and improve the quality of ICT services.
3. To develop the ICT industry.

The issue of IMR charges was first raised at ATICM in 2005 by Saudi Arabia and the Arab Regulators Network (AREGNET). Ministers called for a study of the high level of charges within the Arab League states and for the development of solutions (ATICM, 2005). They initially proposed limiting the retail mark-up to 15 per cent and ensuring full price transparency for consumers.

In 2006, Ministers adopted a non-binding resolution in which (ATICM, 2006):

> Arab regulators, on the national level, shall put obligations on mobile operators in their respective countries to:

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<th>Table II</th>
<th>Members of the League of Arab States (2010)</th>
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<tbody>
<tr>
<td>Algeria</td>
<td>Iraq</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Jordan</td>
</tr>
<tr>
<td>Djibouti</td>
<td>Lebanon</td>
</tr>
<tr>
<td>Egypt</td>
<td>Libya</td>
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*Note: * Initially the Palestine Liberation Organisation and later the Palestine Authority
1. lower their international mobile roaming retail tariff starting from 01/01/2007 to a level that is appropriate and acceptable in accordance with the global norms, with the possibility of negotiating bilateral agreements between operators to lower the inter-operator tariffs; and

2. announce to the roamer, via SMS, the prices of international mobile roaming upon arrival in the visited country.

The following year ATICM noted the work of AREGNET and invited more member states to provide pricing data (ATICM, 2007). In 2008 it approved the proposal of AREGNET for a website with retail prices and sought comments from member states on the proposals for a price cap (ATICM, 2008).

In January 2009 the ATICM Executive Office requested AREGNET to continue to seek adoption of its draft Memorandum of Understanding (MoU) for the reduction of IMR prices (ATICM, 2009b). This was repeated in May 2009 (ATICM, 2009c). The July 2010 meeting made no progress on IMR rates (ATICM, 2010).

The ministers have yet to reach a unanimous position, with divisions apparently caused by some failing to see the benefits of reducing IMR charges, possibly because their governments or their cronies own operators, because their country is a net beneficiary of IMR revenues, because they are inexperienced in making pro-consumer market interventions or because it is lacks sufficient political significance.

### Arab Regulators Network

AREGNET brings together representatives of all members of the Arab League. It was established in 2003 from a mixture of regulators and, where no regulator yet existed, from ministries, plus, more unusually, the them private monopoly operator from Palestine (AREGNET, 2008).

A working group was formed in January 2006 in response to the mandate on IMR issues from ATICM (AREGNET, 2006). It was to:

- review IMR charges across the Arab world; and
- identify possible actions to address the problems identified.

Pricing data were requested from all members of the Arab League, and the results were presented first to AREGNET and then to ATICM (NTRA, 2006). While it was believed that there were large price differences between operators this exercise was to determine the extent and any patterns. Although 22 countries were asked for data, the final comparable data were limited to the following:

- **Local calls:** eight operators in Bahrain, Egypt, Kuwait, Lebanon and Yemen.
- **International calls:** ten operators in Bahrain, Egypt, Jordon, Kuwait, Lebanon and the United Arab Emirates (UAE).

A specimen of the results is shown in Figure 1, with variations that still defy easy explanation. AREGNET suggested underlying causes of the high prices included:

- insufficient competitive pressure on operators providing IMR services;
- strong disincentives on operators to negotiate lower prices;
- the fragmented nature of the market, reducing the purchasing power of consumers; and
- barriers to entry for alternative operators.

The GSMA argued that competition was already driving prices down. It also replicated measures already attempted in Europe, though with little effect there, creating:

- a code of conduct on the provision of IMR information (GSMA, 2006); and
- a website to provide retail IMR prices (GSMA, 2007).

The AREGNET International Roaming Working Group met in Bahrain in 2007 (NTRA, 2007). It heard the views of representatives of the GSM Association and some academics, but
rejected pleas not to act (TRA, 2009a-d). The operators claimed that the proposed price regulation would decrease roaming revenues by 35 per cent, with those operators more reliant on IMR revenues being hardest hit. The result was to be reduced investment, competition and innovation.

AREGNET stressed the value that lower IMR rates would have in enhancing tourism and communication among the Arabic-speaking peoples (TRA, 2007a, b, c). It called for roaming customers to be sent a personalised SMS with the applicable rates, including taxes, in a clearly understandable form. It proposed a series of price controls to create a downward glide path with wholesale rates based on local retail rates with multipliers of 150, 140 and 130 per cent in consecutive years. The cost of receiving a call while roaming was to be capped at the home operator’s rate to call the country being visited. In the absence of an impact assessment it is difficult to assess whether these values were appropriate or what the costs and benefits for the operators and customers might have been.

In April 2009, AREGNET announced a new approach, with a draft Memorandum of Understanding (MoU) on the regulation of IMR prices, including two annexes and a protocol for the Gulf Cooperation Council (GCC) (TRA, 2009a-d). This was a novel legal form, in which Arab League NRAs or ministries would bind themselves to require operators to reduce their wholesale prices in line with other member states which took similar measures. In effect it was to be an international treaty, but one signed predominantly by NRAs and not directly by sovereign states. It raises the question of how they might acquire the legal authority to do so.

There is also the question of how the regulators might enforce a breach by another regulator or government. It would make for potentially awkward regulations, since if one signatory reneged or withdrew, then operators from that country would no longer be eligible for the regulated rates. This should trigger a modification of the regulations, which ought to require a further impact assessment, consultation and then be open to appeal.

A national measure could also be challenged before the World Trade Organization (WTO) agreements. Operators from other WTO member states would be entitled to claim Most Favoured Nation (MFN) treatment under the General Agreement on Trade in Services.
(GATS), in this case the reduced wholesale rates. The only way to avoid this provision is for it to be part of a registered regional trade agreement, such as the GCC, though this is not easily compatible with an opt-in approach (WTO, 2010).

The Oman TRA held a consultation on the draft MoU (TRA, 2009a-d). It received no responses from consumers or enterprises, only from Nawras and Oman Mobile, two MNOs, which were both strongly opposed to the vast majority of the provisions. The former reported a significant number of increases in wholesale rates, giving specific examples (see Table III). Disturbingly, the three operators in Saudi Arabia and six operators in India had raised their undiscounted wholesale roaming rates to what were said to be agreed national levels. This was *prima facie* anti-competitive conduct and should have been addressed by a complaint under the competition law of the foreign country, failing which a dispute could have been brought to the World Trade Organisation (WTO) under the GATS.

The Bahrain TRA launched a simultaneous consultation on the MoU (TRA, 2009a-d). Although this closed on 10 May 2009, no responses have yet been published (as at November 2010).

**Gulf Cooperation Council**

The Cooperation Council for the Arab States of the Gulf (GCC) comprises the countries of the Persian Gulf, except for Iran and Iraq (see Table IV). A GCC common market was launched in 2008, providing national treatment for all GCC citizens and legal persons. The economies have grown, buoyed up by rising oil prices and by the investment of accumulated surpluses, notably through sovereign wealth funds, in non-oil sectors of their economies (Sturm *et al.*, 2008).

The GCC Supreme Council comprises the six heads of state. There are also a Consultative Commission, comprising five representatives from each member state, chosen for their experience and qualifications, and a Ministerial Council of the foreign ministers. However, there are neither a parliamentary body nor a court to interpret the treaty.

Article 4 of the GCC charter provides for the formulation of “similar regulations” in various fields, including communications. Article 24 of the Economic Agreement calls for integration in that:

> Member States shall take all necessary measures to ensure integration of their telecommunication policies, including telephone, post and data network services, which would lead to improving their service levels and economic efficiency and to strengthening the ties among GCC citizens as well as private and public institutions (GCC, 2001).

While it has been able to achieve technical and training goals, little progress has been made in aligning telecommunication markets (GCC, 2010b).

<table>
<thead>
<tr>
<th>Table III</th>
<th>Increases in inter-operator tariffs</th>
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<tbody>
<tr>
<td><strong>Operator</strong></td>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>Turkcell</td>
<td>Turkey</td>
</tr>
<tr>
<td>du</td>
<td>UAE</td>
</tr>
<tr>
<td>Zain</td>
<td>KSA</td>
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<table>
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<tr>
<th>Table IV</th>
<th>Members of the Cooperation Council for the Arab States of the Gulf</th>
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<tbody>
<tr>
<td>Bahrain</td>
<td>Oman</td>
</tr>
<tr>
<td>Kuwait</td>
<td>Qatar</td>
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<tr>
<td>Saudi Arabia</td>
<td>United Arab Emirates</td>
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</table>

Source: GCC (2010a)
In 2008, the Ministerial Committee for Post, Communications and Information Technology agreed in principle to take measures to reduce IMR charges between the six member states, based on proposals by AREGNET (ICT Qatar, 2008). Officials recommended a plan to reduce roaming charges to ministers, but a decision was postponed. In June 2010, the Ministers finally agreed to the recommendation of the Telecommunications Steering Committee, imposing caps on IMR tariffs within the GCC countries (see Table V) (Zawya, 2010e). This required the six regulators to introduce implementing regulations (TRA UAE, 2010).

The small size of the GCC should make cooperation easier and ought to ensure speedy adoption of measures. That this has been drawn out in the case of IMR points to the lack of alignment of consumer protection and financial interests, with all the governments having commercial stakes in operators, while not being held to account by voters in elections.

Saudi Arabia

The Kingdom of Saudi Arabia (KSA) illustrates some of the governance challenges for an Arab state tackling the IMR problem.

The government has licensed three mobile operators:

1. Saudi Telecom Company (70 per cent owned by KSA government).
2. Mobily (100 per cent owned by Etisalat, 60 per cent owned by the government of UAE).
3. Zain (100 per cent owned by MTC Kuwait, 24 per cent owned by the Kuwait Investment Authority).

Once Zain received its licence, in August 2008, it extended its One Network offer to KSA, providing free incoming calls while roaming, plus home country rates for outbound calls while on any other Zain network. In making this offer it was leveraging power between its geographic markets. Customers in, say, Sudan who must decide between competing mobile operators on the domestic market, might well consider the advantage of cheaper IMR calls and, especially, free incoming calls when abroad with Zain, especially if they were planning travel to KSA for religious purposes. For customers living in KSA the same considerations arose in respect of business travel to, say, Egypt. There was a further case of a family in, say, Iraq with a child at university or working in KSA – providing the child with a Zain Iraq SIM card would bypass international calling rates for incoming calls.

Tourism to Saudi Arabia is unusual and possibly unique in that it is largely of a religious character, with many tourists insufficiently wealthy to pay conventional IMR charges. Nonetheless, capturing the traffic they generate is commercially interesting, with Mobily estimating it had served over 1.3 of the 2.5 million visitors in 2009 (Zawya, 2010a-e). Its HSDPA network saw traffic volume jump by almost three-quarters compared to the previous year, pointing to future growth in mobile broadband roaming. All three local MNOs sell local SIM cards and offer pre-paid local number services to tourists. Foreign MNOs in certain countries offer special terms to their outbound tourists, having secured deals with the operators in KSA, especially during the peak seasons (Mobilink, 2010; Financial Express, 2010).

<table>
<thead>
<tr>
<th>Table V</th>
<th>GCC caps for roaming calls in SDR per minute</th>
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<tbody>
<tr>
<td></td>
<td>From 1 September 2010</td>
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<tr>
<td>Calls to another GCC member state</td>
<td>Wholesale</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
</tr>
<tr>
<td>Calls within the visited country</td>
<td>Wholesale</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
</tr>
</tbody>
</table>
In order to compete with Zain on the domestic market, rival operators needed to forge IMR agreements with their counterparts in key travel destinations. Relatively rapidly all three operators were offering free call forwarding while roaming, even though this incurred real costs in having to pay for international calls.

In late 2008, the Communications and Information Technology Commission (CITC), the national regulator, decided that providing free incoming calls when roaming away from KSA was anti-competitive. Three studies had been conducted, two by external consultants, which although considered by the CITC Board were never published (CITC, 2009). It determined a minimum price of SAR 0.50 (£0.10) per minute for forwarded calls while roaming, half the cost of an international call from Saudi Arabia.

This measure lay unenforced for one year, before CITC decided to act (Saudi Gazette, 2010a, b, c). The responses were mixed:

- STC complied;
- Zain complied but announced it would appeal; and
- Mobily refused to comply and announced it too would appeal.

CITC’s decision to ban free incoming IMR calls was upheld by the Board of Grievances, following one of the two appeals, including fines against the operators of SAR 5 million (£1.04 million) (Zawya, 2010c; Saudi Gazette, 2010a, b, c).

The operators also lobbied members of the Majlis Al-shura (a council of elders advising the sovereign) alleging that CITC had no authority in the matter. Dr Al-Sa’doun, Deputy Chairman of the Shura Committee on IT and Communications, suggested it was in the interest of consumers that the free service be retained and called on the CITC to conduct a study before enforcing its decision (Saudi Gazette, 2010a-c).

The decision of CITC to increase prices, in the absence of consumer complaints of and a detailed, robust and fully disclosed analysis of the allegedly anti-competitive effects of zero-rated calls is highly unusual, as was the seemingly arbitrary delay in enforcement. Even Zain now charges for calls received on its other networks.

There is a strange mixture of intervention and market developments in KSA. Minimally, there have been some competitive forces at work in the IMR market. Whether the intrusions by the KSA authorities have helped or hindered is something that would have emerged in consultations and impact assessments had any been held.

**Price transparency**

The regulatory authorities in Bahrain and the UAE, sought to address the issue of high IMR charges by means of transparency measures, which did not require the cooperation of other Arab states. The question this raised was whether price transparency on its own could cause operators to reduce their charges. This would happen if a significant number of customers responded or were expected to respond to the information received by not using the service, by switching to a rival operator or by switching to another service (e.g. by buying a local SIM card or using Wi-Fi).

The Telecommunications Regulatory Authority (TRA) of the UAE directed MNOs licensed there to provide pricing information to their customers when they roamed (TRA, 2007a, b, c). From the end of 2007, MNOs were required to send text messages to each customer who was roaming, providing the prices of calls in UAE Dirham (AED) in the language specified for billing.

The UAE regulator also issued a heavily redacted decision in June 2007 (TRA, 2007c). Etisalat had been offering a push e-mail service with unlimited global use, which included in the IMR charges in the package. The TRA took the view that all consumer prices required prior approval, which had not been requested for this tariff, consequently, Etisalat had violated:
Federal Law by Decree No 3 of 2003 (as amended); TRA’s Price Control Procedure; and Etisalat’s Public Telecommunications Licence No 1/2006.

Etisalat argued that TRA had no knowledge of the wholesale rates it was paying and thus was incapable of regulating its retail prices. Despite its ignorance of the input costs, TRA nonetheless felt able to regulate the retail prices. It then compounded the problem by publishing a decision that was redacted to the point that it was all but devoid of meaning.

The Bahrain TRA opened a consultation on its own roaming price transparency measure in March 2008, almost identical to the one in the UAE (TRA, 2008a). The regulation was promulgated the following July, requiring text messages with pricing information be sent to all roaming customers, while for the blind and partially sighted there was to be an alternative voice service (TRA, 2008b). Some months later, the TRA published a report on the consultation, based on the responses of the five members of its own Consumer Advisory Group and the four licensed operators (TRA, 2008c). The operators had been concerned by the large number of messages required to convey the information, since they had different prices for each network in many countries and they had to send the full set of prices. In September 2009, the TRA amended the requirements to allow more flexibility in meeting the needs of blind and partially sighted customers, and reduced the requirements to provide information in countries with more than four operators (TRA, 2009a-d). Again, the TRA published its summary of responses to the consultation some weeks after the amended regulation had taken effect (TRA, 2009a-d).

No analyses of the IMR markets were conducted by the regulators, nor have they collected and published data on those markets. In particular, there was no evidence of customers’ knowledge or lack of knowledge of IMR prices. Consequently, it is very difficult to see what the effects of the measures have been, except possibly through changing levels of use of the service, though there are very little historic data for such comparisons.

The operators accepted the decisions of both regulators. They might reasonably have been taken to appeal on both procedural and substantive grounds, there being almost no evidence of consumer complaints or even interest, there being no impact assessments and in the case of Bahrain, the responses to the consultations being disclosed only weeks or months after the decisions (i.e. not immediately available for use in the preparation of an appeal). It is in marked contrast to the approach of the MNOs in Europe, where every measure on IMR was contested at every opportunity.

Multiple SIM cards

Some of the Arab states, especially the GCC states, have very high levels of mobile teledensity (see Figure 2). Once the entire population, nationals and resident foreigners are accounted for, the theoretical limit of the market should be reached. However, this needs to be reduced to account for those too young or too elderly to use a phone, those too poor to afford one, those in gaol or in an asylum, suggesting a limit of around 93 per cent of nationals, though this would be slightly higher for resident foreigners, since there will have fewer infants and most of the elderly will have retired elsewhere.

The obvious cause of the excess of connections over people is ownership of several SIM-cards or mobile phones by individuals. A survey in Jordan found that 36 per cent of respondents owned more than one SIM-card (Arab Advisors, 2007). This was mainly to benefit from different tariff plans, offers and promotions, with 58 per cent of respondents gave cost savings as the reason, while maintaining an older mobile number was given by 26 per cent. In Bahrain ownership of two or more SIM cards was 16 per cent of users, primarily to separate business from personal use (Arab Advisors, 2008).

A significant portion of the excess is caused by non-residents. These are people living in other countries but visiting one of the Arab countries sufficiently often to buy a SIM card, for
example, regular business travellers and owners of second homes, plus migrant workers who periodically return home or hope to do so.

It would require surveys by the regulators to identify how many of the connections included in their mobile teledensities are held by persons resident in other countries. Until that is undertaken, the numbers have to be treated with very great caution.

Zain – One Network

In March 2005, MTC of Kuwait acquired Celtel for USD 3.36 billion, giving it an extensive geographic footprint across Africa, which it rebranded as Zain. In 2010, it sold its non-Arab operations in Africa to Airtel for USD 10.7 billion (Bharti, 2010).

In 2006, Zain announced a ‘One Network’ offer eliminating IMR surcharges for both post-paid and pre-paid customers in East Africa, this was made possible by retaining the traffic on its own network in and between each country (Sutherland, 2010a). High IMR charges would have been rejected by its customers, since nearly all are pre-paid and they would instead have changed SIM cards at the border, possibly switching to a rival.

The then CEO of Zain remarked that:

It being Africa, we had to think outside the box, and in doing so, we stripped traditional roaming of its aura of exclusivity. On a continent where borders mean less than they do probably anywhere else in the world, we were able to see Africa through the eyes of our customers and deliver a product that represented their reality (Al Barrak, 2009).

In April 2008 it announced the extension of ‘One Network’ to four Arab states (Zain, 2008):
- Bahrain;
- Iraq;
- Jordan; and
- Sudan.

The following August it added Saudi Arabia. It also opened negotiations, still underway, with the governments of Lebanon and Kuwait over the tax and licensing issues necessary to enable the offer. The One Network offer was later extended, through a partnership with Mobinil, to Egypt (Zain, 2009a) and to Palestine, in partnership with the Palestine Communications Group (Zain, 2010).
In 2009, Zain launched a “One Office” tariff for data roaming, having linked the various national GPRS networks to provide a single virtual data network (Zain, 2009b). This service was initially available in Bahrain, Jordan, Iraq, Saudi Arabia and Sudan, plus East Africa. However, it was not available in Kuwait the home base of Zain, because of “regulatory constraints”.

Zain went much further than any measure proposed by the regulators and in doing so put commercial pressure on other MNOs in the Arab states who feared the loss of those customers for whom IMR was a significant consideration.

Other commercial roaming offers

Faced with domestic competition in the UAE, Etisalat expanded abroad, for example, buying the third licences in Egypt and Saudi Arabia. In July 2008, it announced a common roaming tariff between the three countries (The National, 2008). Previously, customers from the UAE had paid up to AED 12 (£2.31) per minute to make calls while in Saudi Arabia and up to AED 5 (£0.96) per minute to receive calls. The new tariff was AED 1.4 (£0.27) per minute for outgoing calls, while incoming calls were free of charge.

Emirates Integrated Telecommunications Company (EITC) operates only in the UAE under the “du” brand. In December 2008, du introduced a flat rate IMR tariff for incoming and local calls within the six countries of the GCC (Arabian Business, 2008). Its “One Region One Rate” scheme charged customers AED 1.25 (£0.24) per minute to make or to receive calls. Then in 2009, du launched its “One World, One Rate” roaming tariff, in which all pre-paid and post-paid customers paid a flat rate of AED 1.25 (£0.24) per minute to receive calls when roaming anywhere in the world (ITP, 2009).

The Vodafone Group is one of the largest players in the IMR market, with its own extensive geographical footprint and partnerships with a wide range of operators to extend its reach. It has a relatively weak presence in the Arab World, with operations only in Egypt and Qatar. In August 2008, Vodafone Egypt announced a roaming agreement with Saudi Telecom Company (STC) and with du in the UAE (AME, 2008). These offers were in place prior to the IMR traffic surge created by religious tourists making annual visits to ancient sites in Saudi Arabia. In 2010, it added Al Madar in Libya as a partner (Cellular News, 2010). Vodafone also created an Arab Region Zone in its World Plus Plan, with reduced prices.

Orange Jordan (France Telecom Group) and Wataniya Mobile Palestine (Wataniya Group) signed a deal in January 2010 to provide IMR calls between the two companies at discounted rates (Zawya, 2010b). While this pre-empted the inclusion of Palestine into the Zain One Network scheme, it had been known for months that Zain had been trying, ultimately unsuccessfully, to acquire Paltel. Customers of both operators were to pay a unified tariff of JOD 0.12 (£0.12) per minute for roaming between Jordan and Palestine for international calls and for roaming.

The Maghreb countries appear to have very few comparable roaming offers. One problem is that the travel patterns tend to be with Europe, where MNOs lack access to the regulated wholesale prices. For example, the cheapest rates for Maroc Telecom are to its Zone 1 (Belgium, France, Italy, The Netherlands, Spain and Switzerland) in which receiving calls are charged at MAD 3/min (£0.26) and a call home has a set-up fee of MAD 6 then MAD 6/min (£0.53) (IAM, 2010). Its rival Méditel prices by individual country, with very considerable variations, with the cheaper prices including Ghana, Jordan, Malaysia and Taiwan (Méditel, 2010).

MTN is one of the largest operators in Africa, with a few licences in Asia. It has responded to Zain with a number of roaming offers in Africa, though not yet with a promised comprehensive tariff (Sutherland, 2010b).

These offers, including that of Zain, remain somewhat patchy and imperfect, but cross-corporate boundaries where there is sufficient commercial interest. For example, Orascom, offers no special IMR rates across its footprint and Etisalat limits its offers to Egypt and the Persian Gulf, excluding its African operations. These ad hoc offers appear to
address primary routes for businesses and leisure travellers. The market dynamic is driving further developments, though there remain many governmental obstacles to be cleared, only some of which are in telecommunications.

Conclusion
The proposals to reduce the prices for international mobile roaming between Arab states have been driven by the regulators, there being no evidence produced of complaints from consumers or business users. The project has helped to justify the existence of the network of regulators, since it could not readily have been addressed by a single regulator, even if it was tackled directly by a single trans-national operator.

The objectives of the proposed interventions remain unclear and unquantified, despite nice phrases about making communications cheaper among Arabic-speaking peoples. One claim was that lower prices would increase trade, but there is no evidence to support this and no estimate of the possible scale of the benefits. Accepting that market failures exist, interventions through price caps neither eliminate them nor increase competition, they merely change the distortions.

No effort was made to consider ways to create more competitive market structures. In particular, an opportunity was lost to craft an intervention that would have built on the very significant market development initiated by Zain, which eliminated roaming surcharges across its footprint. Instead, measures were copied from Europe, but with neither studies of the markets nor impact assessments of the proposals. It appears to be regulation for its own sake or, more worryingly, for the sake of the regulators.

Ministers have been very hesitant to implement price cuts, despite repeated calls from the regulators or, more accurately, the dozen members of the regulators’ network actively engaged with the issue. In some countries there is no NRA to advise the minister, only the state-owned operators which understandably lobby against intervention.

Zain brought from its African operations a radical commercial model, in which roaming surcharges were simply eliminated, first for voice and later for data. The preconditions for this model include an appropriate geographic footprint, ownership of their own international gateways and an agreement with governments on taxes. Rivals were able to emulate the Zain offer, where they saw it was commercial advantageous or a necessary response.

Consequently, on some routes the operators have gone much further than the regulators had proposed, to levels that the GSM Association had, apparently wrongly, claimed would be unsustainable. In doing so they undermined the value of the price caps, so that an impact assessment could now be embarrassing.

The debate on transparency measures echoes that in Europe, with operators arguing it would be sufficient and regulators expressing scepticism. Yet it is one measure that can be enforced unilaterally. Implementation by Bahrain and the UAE was flawed, without economic studies, impact assessments, surveys of customers in advance, nor post-implementation reviews of its effectiveness.

In contrast with Europe, there is no democratic oversight of the processes, neither a counterpart to the European Parliament, pursuing the issue of reducing roaming charges, nor a Commissioner, pressing for action. Instead, the NRAs repeatedly propose, ministers procrastinate, but neither is held to account. The GCC finally acted. Whether this will cause “waterbed effects”, as operators seek to recover “lost revenues” remains to be seen – though since the regulators have not collected pricing data they may not be able to make the necessary assessment.

Further research is essential on roaming markets in the Arab states, in particular to collect sets of retail and, where possible, wholesale prices in order to monitor the changes over time. Surveys of travellers would begin to answer questions about patterns of use, in particular of purchases of local SIM cards and sensitivity towards prices for voice and for video.
Mobile broadband. With more data it would be possible to perform econometric analyses to further our understanding of markets and interventions.

More generally, detailed analyses of the governance of telecommunications in the Arab States would help to explain the technical, economic and political processes. Likewise, further work on the behaviour of the trans-national operator groups would be useful.

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