

Beyond the Basics: Proposed Changes to the Telecoms Licensing Regime in Saudi Arabia

Nick O'Connell - Partner, Head of Digital & Data - Saudi Arabia - Digital & Data
- Riyadh

Saudi Arabia's Communications and Information Technology Commission ('CITC') is responsible for regulating the information and communications technology sector in the Kingdom. In the March 2019 Law Update article '[An Overview of Telecoms Licensing in Saudi Arabia](#)' we provided an overview of the Saudi telecoms licensing regime. CITC recently issued a public consultation paper outlining proposed changes to the Saudi telecoms licensing regime. In this article, we summarise key aspects of CITC's proposal, and the potential impact on current and prospective market participants.

Background to the Consultation

In the consultation paper, CITC cites multiple considerations to provide context to its decision to review the Saudi telecoms licensing regime. It identifies a strong domestic ICT industry as key to meeting Saudi Vision 2030 objectives, reducing the Kingdom's dependence on hydrocarbons and diversifying the national economy. It further notes that the current telecoms licensing regime has developed over time, resulting in something of a patchwork of regulations and licences. This has resulted in the perception of a complex and fragmented approach to telecoms regulation, and potential for a market imbalance resulting from different licence requirements for comparable services. Additionally, changes in technology (and technological convergence), consumer demand, market development, and government policy, mean that the current regulatory regime is not as suitable as it once was. CITC has identified that the Saudi telecoms market has matured, and it is appropriate to move from a telecoms regulatory regime that goes beyond the delivery of basic services, towards technology-neutral and, ultimately, service-neutral regulation.

Current Framework

The current licensing framework broadly provides for two types of telecommunications licences: 'Individual' Licences and 'Class' Licences.

Individual Licences, also referred to as 'Facilities Based Provider' Licences, essentially permit the licensee to operate public telecommunications networks, provide fixed voice telephone services, public mobile cellular telecommunications services, and national and international fixed and mobile data communications services. These can be broadly understood as the type of licence a 'full service' telecoms service provider would typically hold. Very few of these Individual Licences have been issued.

In contrast, Class Licences permit a large number of service-based providers to offer one of a variety of specific services. The range of services in respect of which Class Licences are issued is diverse, and includes: voice call resale services, Very Small Aperture Terminal ('VSAT') satellite services; radio paging services; Internet of Things-Mobile Virtual Network Operator ('IoT-MVNO') services; Internet Service Provider ('ISP') services; Value-Added Network ('VAN') services; Global Mobile Personal Communication by Satellite ('GMPCS') services; Automated Vehicle Location ('AVL') service; broadband satellite services; call centre services; electronic wallet services; leasing utilities communications facilities; network operation

centre; providing internet services on aircraft; providing mobile communication services on-board aircraft; bulk Short Messages Service ('SMS'); and wholesale infrastructure services.

Individual Licence holders who wish to provide services that are the subject of a Class Licence are also required to hold the applicable Class Licence.

In CITC's assessment, the current licensing framework and market landscape could be perceived as complex, and potentially unfair and inequitable, deterring prospective market participants.

Proposed Approach

The proposed licensing regime set out in the consultation paper contemplates replacing the existing regime with three new licences: the 'Unified Licence'; the 'Wholesale Licence'; and the 'General Class Licence'. The CITC has proposed an approach to the transitioning of existing telecoms licences to the proposed new regime. It notes that supporting parallel licensing regimes is best avoided, and that the migration should occur promptly.

Unified Licence

Under the proposed framework, a Unified Licence holder will be permitted to provide any and all telecommunications services (be they fixed or mobile, voice or data), including, subject to notifying the CITC in accordance with the regulations, and compliance with the associated requirements, those the subject of a Wholesale Licence or a General Class Licence. Unified Licence holders can provide their services to retail end-users, as well as wholesale customers (namely, other Unified Licence holders, Wholesale Licence holders and General Class Licence holders).

Wholesale Licence

Under the proposed framework, a Wholesale Licence holder can build, own and operate a public telecommunications network for the provision of public telecommunications services to Unified Licence holders and other Wholesale Licence holders. A Wholesale Licence holder cannot hold a Unified Licence or a General Class Licence. It cannot provide its services to General Class Licence holders or to retail end-users.

The type of services a Wholesale Licence holder can offer include establishing, operating and maintaining a public telecommunications network in the Kingdom. This can relate to infrastructure such as: towers and masts; small cells, distributed antenna systems, in-building solutions and wireless access points; dark fiber and ducts; fixed wholesale data connectivity, including vertical cabling and in-building wiring; international cable landing stations; and provision of services based on surplus capacity from existing infrastructure and utility providers.

General Class Licence

Under the proposed framework, a single General Class Licence would replace the multiple Class Licence approach under the current regulatory regime. The services contemplated under the General Class Licence category are as follows:

- Internet Service Provider (ISP) Services

- Network Operations Centre Services
- Automated Vehicle Location (AVL) Services
- Call Centre Services
- Mobile Virtual Network Operators (MVNOs) Services
- Internet of Things – Virtual Network Operator (IOT-VNO) Services
- Broadband Satellite Services
- Provision of Global Mobile Personal Communications Services (GMPCS)
- Operation System and Networks of GMPCS
- Mobile Communication Service On-board Aircraft
- Internet Services on Aircraft
- Short Messaging Service (SMS)
- Audio Text Services
- VSAT System Communication Service
- Digital Certification Services
- Internet Exchange Point (IXP) Services
- International Cable Landing Station Services
- Fixed Voice Reselling Services

Absent from the list of services under the General Class Licence are electronic calling services, electronic wallets and pre-paid cards. Class Licences for these services are available under the current licensing regime, but the proposal is to cease licensing these activities on the basis that they are obsolete.

Generally, for each service that the holder of a General Class Licence wishes to provide, it will also need to obtain a 'service authorisation' from the CITC, and comply with the 'service regulations' specific to each authorised service. (There is a limited exception, in that CITC has proposed that all General Class Licences will automatically include service authorisations for ISP services, network operation centre services, automated vehicle location services, and call centre services.) General Class Licence holders will need to continue to meet all the service regulations applicable to any particular service that they launch.

A General Class Licence holder would only be able to provide its services to other General Class Licence holders or to retail end-users. It would not be able to provide services to Unified Licence holders or to Wholesale Licence holders.

Conclusion

In its consultation paper, the CITC identified the following expected benefits of the revised proposed revisions to the telecoms licensing regime in Saudi Arabia:

- increased regulatory framework clarity;
- simplification of the regulatory and licensing regime;
- swifter access to new services for consumers;
- improved fairness and market transparency;
- clearer service provider appreciation of terms, conditions and obligations;
- increased market attractiveness for new investors; and
- reduced potential market distortion between facilities-based providers and service-based providers.

We expect that the proposed approach will go some way towards reaching these objectives. We wait to see the outcome of the public consultation process, which closed in mid-June 2019, and whether the proposed approach as originally set out in the consultation document will be revised as a result of feedback from the market.

Al Tamimi & Company's [Technology, Media & Telecommunication team](#) regularly advises on telecoms licensing related issues in Saudi Arabia and across the Middle East. For further information, please contact [Nick O'Connell \(n.oconnell@tamimi.com\)](mailto:n.oconnell@tamimi.com).