

هيئة الاتصالات وتقنية المعلومات  
Communications & Information Technology Commission



## **Tariff Approval and Notification Regime ("Tariff Regime")**

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# 1. Introduction

## 1.1 Purpose

The Telecommunications Bylaw (the “Bylaw”) and the Rules of Procedures set out the general regulatory and process framework for the filing and approval of new tariffs or tariff amendments based on the tariff-related provisions in Article 3 of the Telecommunications Act (the “Act”).

This Tariff Approval and Notification Regime (the “Tariff Regime”) builds on the relevant provisions of the Bylaw and Rules of Procedures and replaces any previous tariff approval and notification procedures.

Specifically, this Tariff Regime constitutes the CITC’s adopted “approach to tariff regulation” pursuant to Article 51 of the Bylaw.

## 1.2 Definitions

Unless otherwise defined in the Glossary in Annex A, terms used in this Tariff Regime have the meaning set out in the CITC Statutes. Terms defined in the Glossary are identified herein with capital letters.

## 1.3 Objectives

This Tariff Regime is issued to accomplish the following objectives:

- To be consistent with recent, tariff-related regulatory reforms introduced or being introduced by the CITC, including:
  - the Regulatory Framework for Designation of Markets and Dominance in the Telecommunications Sector (the “Dominance Framework”),
  - the associated Market Definition, Designation and Dominance Report (the “Market Report”), and
  - the Guidelines for Addressing Abuse of Dominance in the Telecommunications Sector (the “Guidelines”).
- To lighten the overall regulatory burden associated with *ex ante* tariff approval and notification processes.
- To provide clarity, transparency and responsiveness to market conditions.

## 1.4 Scope

This Tariff Regime applies to a) changes in tariffs of existing Services, b) the introduction of tariffs for New Services, and c) Promotions for which service providers are required to file for tariff approval or notification under the Act and the Bylaw.

This Tariff Regime is designed primarily based on whether a particular Service is provided by a dominant service provider (“DSP”) as determined in the most current relevant Market Report.

The CITC Statutes include provisions for the regulation and setting of tariffs of DSPs. The CITC Statutes also provide for the regulation in other cases, including tariffs of non-dominant service providers. The CITC retains the authority to regulate and, where appropriate, set tariffs under such provisions.

## 1.5 Summary of Approach

### Filing processes

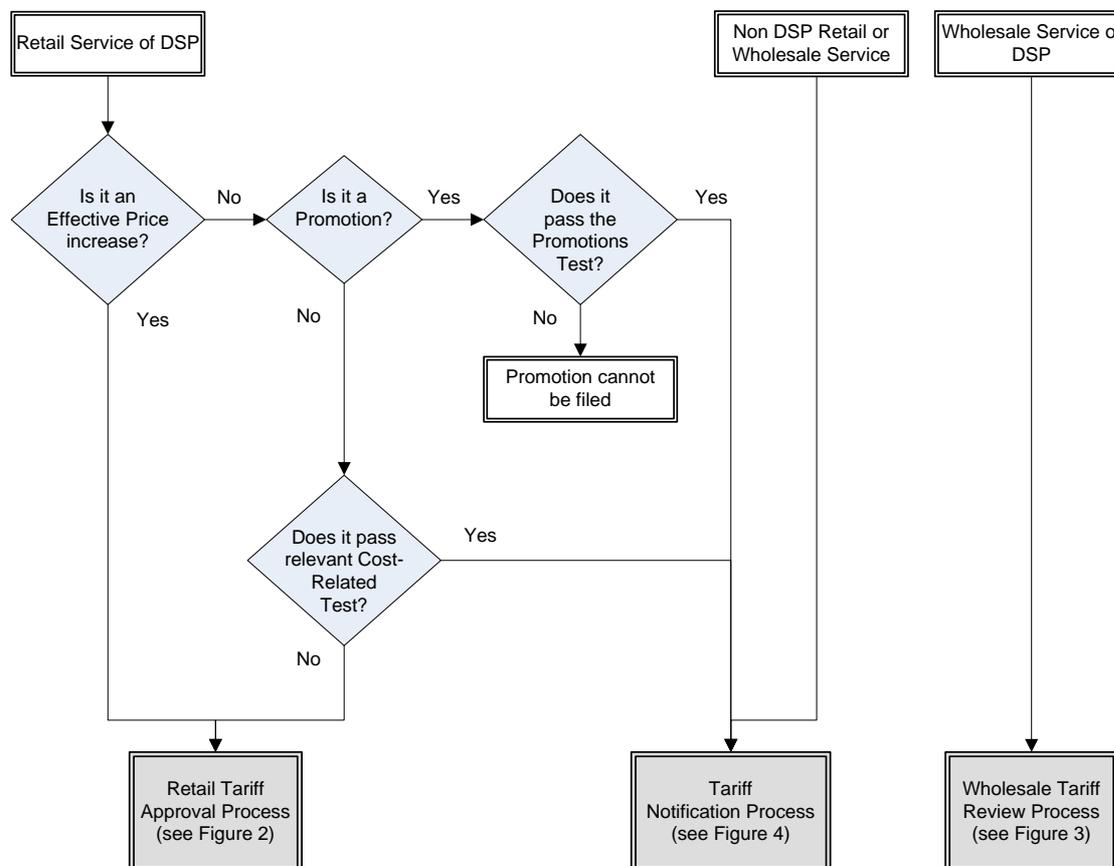
The Tariff Regime achieves the objectives set out in Section 1.3 by establishing different levels of *ex ante* regulatory scrutiny based on the type of Service, type of tariff application and whether the Service is provided by a DSP.

To implement such a differentiated approach, the Tariff Regime provides for three tariff filing processes:

1. Retail Tariff Approval, which is treated in Sections 2.1.1 and 2.2, for Retail Services provided by a DSP which involve price increases or do not pass certain Tests to safeguard against anti-competitive pricing;
2. Wholesale Tariff Approval, which is treated in Sections 2.1.2 and 2.3, for Wholesale Services provided by a DSP; and
3. Tariff Notification, which is treated in Sections 2.1.3 and 2.4, for Retail Services provided by a DSP, which pass certain Tests to safeguard against anti-competitive pricing, or any Service, whether Retail or Wholesale, provided by a non-DSP.

The flow chart and text below summarize the filing processes.

Figure 1. Filing Processes Flow-Chart



### Applicability of Processes to Services and Promotions

The determination of which process applies will depend on the following four factors:

- whether the Service is included in a defined market for which the service provider is a DSP;
- whether the Service is a Retail or Wholesale Service;
- in the case of existing Retail Services, whether the proposed change in tariff is a price increase; and
- where applicable, whether the proposed Retail tariff passes the relevant Test.

The service provider must select the process which is applicable to the proposed tariff application. The CITC will make a determination at the time of tariff filing on whether the service provider has selected the appropriate process. The service provider may consult with the CITC in advance of filing to determine which process applies.

In this Tariff Regime, where a service provider is a DSP for any one Service within a Bundle, the service provider will be required to treat such a Bundle as a Service for which it is a DSP. Moreover, a service provider is considered a DSP for all Services that form part of a defined market for which the service provider is a DSP and similarly, a service provider is considered a DSP for any Product that forms part of a Service for which the service provider is a DSP.

The processes applicable to Promotions are similar to those that are applicable to any other price changes where the Effective Price decreases or remains unchanged, except that for a DSP such Effective Price changes are subject to Cost Related Tests while Promotions are subject to the Promotions Test.

### **Tests to safeguard against anti-competitive pricing**

The Tariff Regime introduces a series of Tests which are designed to reduce the regulatory burden and allow more expeditious review of certain tariff applications of Retail Services provided by a DSP. These Tests are<sup>1</sup>:

- The Promotions Test, designed to prevent anti-competitive Promotions; and
- The Cost-Related Tests
  - The Price Floor Test, designed to prevent predatory pricing, when the applicant is not dominant in the market of a Wholesale Service underlying the Service whose tariff is the subject of the application;
  - The Imputation Test, designed to prevent margin squeeze, when the applicant is dominant in the market of a Wholesale Service underlying the Service whose tariff is the subject of the application;
  - The Predatory Bundle Test, designed to prevent predatory bundling, when the Bundle, whose tariff is the subject of the application, is replicable by other service providers; and
  - The Exclusionary Bundle Test designed to prevent exclusionary bundling, when the Bundle, whose tariff is subject of the application, is not replicable by other service providers.

### **Required cost information**

Pursuant to the Act and the Bylaw, DSPs may be required to submit costing information as part of the tariff approval processes. Such costing information is to be drawn from a CITC-approved cost study, based on a CITC-approved costing methodology (together, the “Approved Costs”).<sup>2</sup> Where the Approved Costs are not yet available, and as an interim measure for up to 1 year from the coming into effect of this Tariff Regime (the “Interim

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<sup>1</sup> These Tests are discussed further in Annexes F-J.

<sup>2</sup> Approved Costs are discussed further in Annex E.

Period”), the CITC has determined an interim set of readily-available alternative costs (the “Cost Proxies”) for use in the Cost-Related Tests.<sup>3</sup>

## 1.5 Relation with *Ex Post* Regulation

The Act and the Bylaw provide for the conduct of both *ex ante* and *ex post* regulation. This Tariff Regime addresses the CITC’s approach to *ex ante* regulation of tariffs only. The CITC’s approach to *ex post* regulation of abuse of a dominant position in relation to the matters referred to in Article 31 of the Bylaw is treated in the Guidelines.

## 2. Tariff Processes

### 2.1 Scope

This Section specifies the circumstances under which each category of tariff approval or notification will apply.

#### 2.1.1 Retail Tariff Approval

This process applies to Retail Services provided by a DSP, except where the tariff application passes the relevant Cost-Related Test, in which case the Tariff Notification process applies. The Retail Tariff Approval process does not apply to Promotions.

During the Interim Period specified above, Cost Proxies may be used for the relevant Cost-Related Test, except where, the application is

- for an increase in the Effective Price of an existing standalone Retail Service; or
- for an increase in the Effective Price for an existing Bundle or a proposed amended Bundle that includes one or more Retail Services in which the service provider is dominant.

This Tariff Approval process is described in more detail in section 2.2.

#### 2.1.2 Wholesale Tariff Approval

This process applies to Wholesale Services provided by a DSP, as set out below:

- the Service is included in a Reference Offer (“RO”). The ROs provide a detailed

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<sup>3</sup> Cost Proxies are discussed further in Annex F.

description of the terms and conditions, including with respect to price, pursuant to which the Services are provided. Non-price related terms and conditions in the ROs are subject to a review and approval process separate from this Wholesale Tariff Approval process.

- the Service is not included in a RO.

This Wholesale Tariff Approval process is different than the other two processes included in this Tariff Regime in that a review of tariffs may be initiated by the CITC, other service providers or the DSP in question.

This Wholesale Tariff Approval process is described in more detail in section 2.3.

### **2.1.3 Tariff Notification**

The Tariff Notification process applies to Services when

- the service provider has not been designated as a DSP for the Service in question,
- the Service is a Retail Service in which the service provider is dominant, but the tariff application passes the relevant Cost-Related Test, or
- a Promotion for a Service is proposed. Where the service provider is dominant, the promotion must pass the Promotions Test.

This Tariff Notification process is described in more detail in section 2.4.

### **2.1.4 Summary**

These three processes are summarized in Table 1 and developed in subsequent sections.

<b>Table 1: Overview of Tariff Processes</b>			
<b>Type of Service</b>	<b>Retail Tariff Approval</b>	<b>Tariff Notification</b>	<b>Wholesale Tariff Approval</b>
<b>1. Service for which service provider is a DSP</b>			
<b>a. Retail Service, where the Proposed Effective Price is:</b>			
(i.) an increase	<b>X</b>		
(ii.) decreased/ unchanged, or is for a New Service, <b>and</b> in either case the price passes the relevant Cost-Related Test		<b>X</b>	
(iii.) decreased/unchanged, or is for a New Service, <b>and</b> in either case the price does not pass the relevant Cost-Related Test	<b>X</b>		
(iv) a Promotion which passes the promotions test		<b>X</b>	
<b>b. Wholesale Service</b>			
			<b>X</b>
<b>2. Any retail or wholesale Service for which service provider is not a DSP. This includes both price changes and promotions.</b>			
		<b>X</b>	

## 2.2 Retail Tariff Approval Process

### 2.2.1 Data Requirements

When seeking approval for a tariff application for a Retail Service, DSPs shall be required to submit certain information as described on the Tariff Approval Form included in Annex B1, including the Approved Costs as defined and described in Annex D or, during the Interim Period, the Cost Proxies defined and described in Annex E.

### 2.2.2 Process

The following is a description and flow-chart of the Tariff Approval Process (Figure 1) that should be read together with the Rules of Procedures and the Tariff Approval Form included in Annex B1.

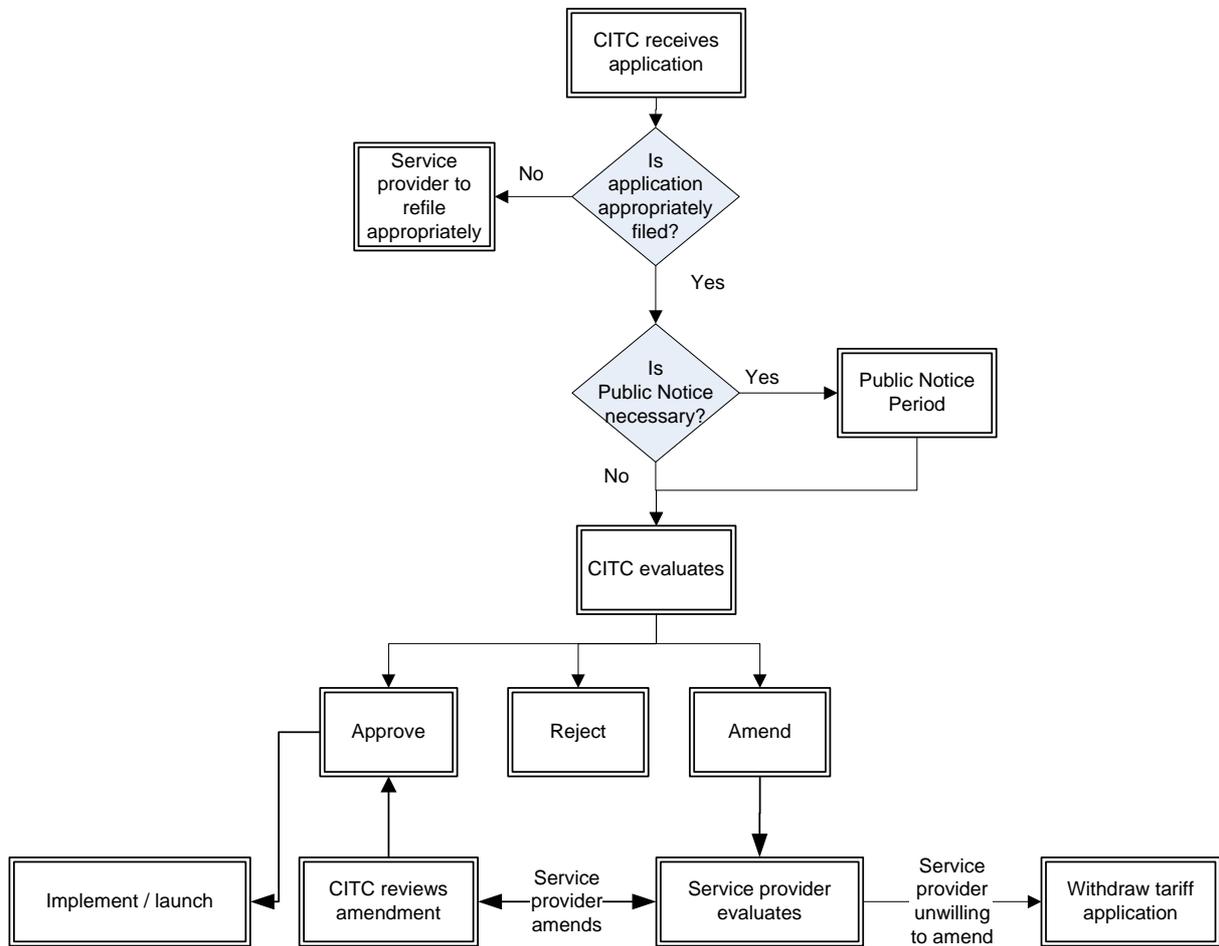
1. The service provider should first determine to which of the processes described in this Tariff Regime the proposed tariff applies. If the service provider determines that the Tariff Approval process applies, the service provider shall complete and submit to the CITC the Tariff Approval Form included in Annex B1.
2. Upon receipt of the Tariff Approval Application, the CITC will determine whether the service provider has selected the correct process for the Service and tariff in question. If the CITC determines that the application has not been filed under the correct process, the CITC shall inform the service provider within 5 working days of its determination and require the Service provider to re-file its application under the

correct process.

3. The CITC shall make a decision on a Tariff Approval Application within 25 working days of receipt of a fully-compliant Tariff Approval Form submitted by the service provider, unless the CITC has issued a Public Notice inviting comments on the tariff application as referred to in paragraph 9 below.
4. The CITC may decide to approve, amend, reject a Tariff Approval application, or request clarifications or additional information as the CITC may reasonably require.
5. In the case of a request for clarifications or additional information, the DSP shall provide any such clarifications or information within 10 working days, following the receipt of which the 25 working days required for CITC to make a determination shall recommence.
6. In the case of approval, the CITC will either approve the proposed launch date or state an alternative launch date for the Service in question. An approved tariff cannot be introduced before the approved launch date. The DSP has up to 15 working days from the approved launch date to implement the tariff, unless otherwise agreed with the CITC. If the service provider fails to implement the tariff within the stipulated period, the approved tariff becomes null and void.
7. In the case of amendment by the CITC, the service provider has the option of not implementing the amended tariff. The CITC will state why the proposed application has been amended. The service provider may then amend and resubmit the tariff accordingly. The CITC will review the amendment within 10 working days and approve if satisfactory, otherwise return the tariff to the service provider for correction.
8. In case of rejection, the CITC will state why the proposed application has been rejected. The service provider may withdraw the proposed tariff or modify and re-file under the appropriate process.
9. If the CITC is unable to make a determination for approval, amendment or rejection of a Tariff Approval application within the 25 working days, it will extend the time period for consideration of the Tariff Approval application and will provide the service provider with the reason(s) for doing so.
10. Pursuant to Rules of Procedures 29.4, the CITC may issue a Public Notice inviting comments from other parties before making a decision on a tariff approval application.
11. If the CITC determines to invite comments, it will issue the Public Notice within 25 working days of receiving the application.
12. The Public Notice will establish the procedure and timing to be followed in the proceeding, including with respect to consultation.
13. A proposed tariff subject to a Tariff Approval Process cannot be introduced without formal, written approval by the CITC.

The process for a Retail Tariff Approval is summarized in the figure below.

Figure 2. Retail Tariff Approval Process Flow-Chart



## 2.3 Wholesale Tariff Approval Process

### 2.3.1 Data Requirements

Data requirements will vary according to the nature of the proposed tariff and related proceeding.

Since the Wholesale Tariff Approval process is not generally application driven, the process does not include a corresponding application form.

### 2.3.2 Process

The following is a general narrative and flow-chart description of the Wholesale Tariff Approval process that should be read together with the Interconnection Guidelines and Chapter 4 of the Rules.

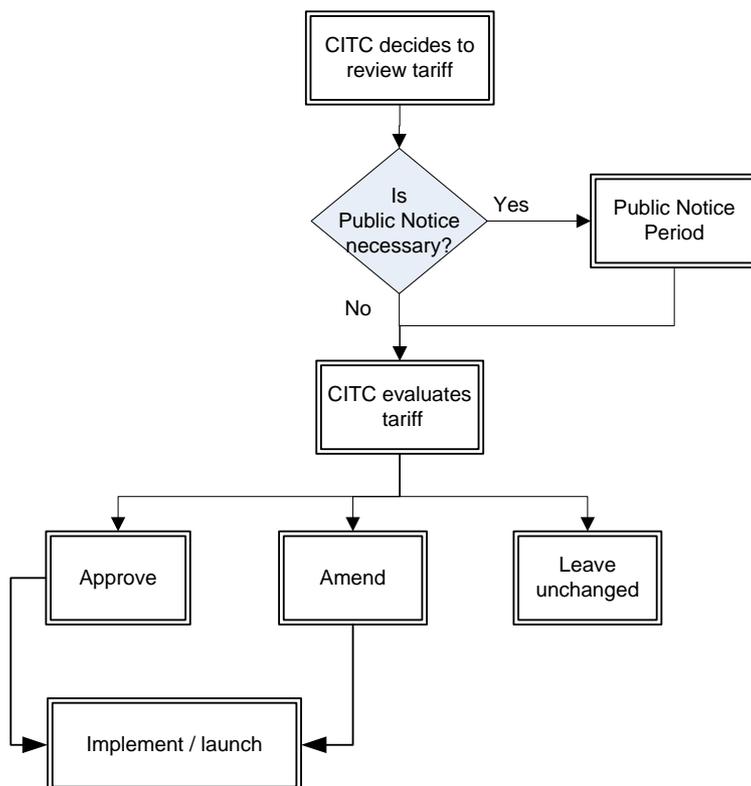
1. The CITC may review a tariff of a Wholesale Service provided by a DSP based on any one of the following:
  - a. A CITC view that the tariffs of one or more Services may need to be reviewed due to one or more of the following reasons:
    - i. market conditions have changed;
    - ii. the Interconnection Guidelines are changed;
    - iii. new or revised costing-related information, including Approved Costs is available;
    - iv. new or revised benchmarking information on which wholesale prices have been previously set is available;
    - v. receipt by the CITC of an interconnection agreement, access agreement or any other agreement between service providers wherein the prices are different from those previously approved by the CITC;  
or
    - vi. as part of a periodic review initiated by the CITC or pursuant to the terms of a RO.
  - b. A written request from the DSP to propose a new Wholesale Service or amend the Tariff(s) of an existing Wholesale Service
  - c. A written request from one or more licensed service providers, if CITC

considers the request to be justified.

- d. Pursuant to a requirement that, where a DSP proposes to change a Retail tariff, it must also propose a change to a related wholesale tariff.
2. As part of the review of a tariff of a Wholesale Service provided by a DSP, the CITC will generally issue a Public Notice inviting comments.
3. The Public Notice will set out the Service or Services whose tariff(s) are under review and the reasons for their review.
4. The Public Notice will establish the procedure and timing to be followed in the proceeding, including with respect to consultation.
5. The Public Notice may also invite the corresponding DSP(s) to propose revised a tariff(s) or tariff schedule for the Service(s) under review.
6. The Public Notice will set out the expected basis for the CITC review and setting of the tariff(s) of the Services under review. CITC will determine the prices based on Approved Costs. Where the Approved Costs are not yet available, and during the Interim Period, the CITC will review and set prices based on international benchmarking.
7. The CITC will conclude a Wholesale Tariff Approval proceeding by issuing a decision to, approve, amend or leave unchanged the Tariff or Price Schedule in question.

The process for a Wholesale Tariff Approval is summarized in the figure below.

Figure 3. Wholesale Tariff Approval Process Flow-Chart



## 2.4 Tariff Notification Process

### 2.4.1 Data Requirements

When notifying a tariff, service providers shall be required to submit the information required on the Tariff Notification Form.

### 2.4.2 Process

The following is a description and flow-chart that should be read together with the Rules of Procedures and the Tariff Notification Form included in Annex C1.

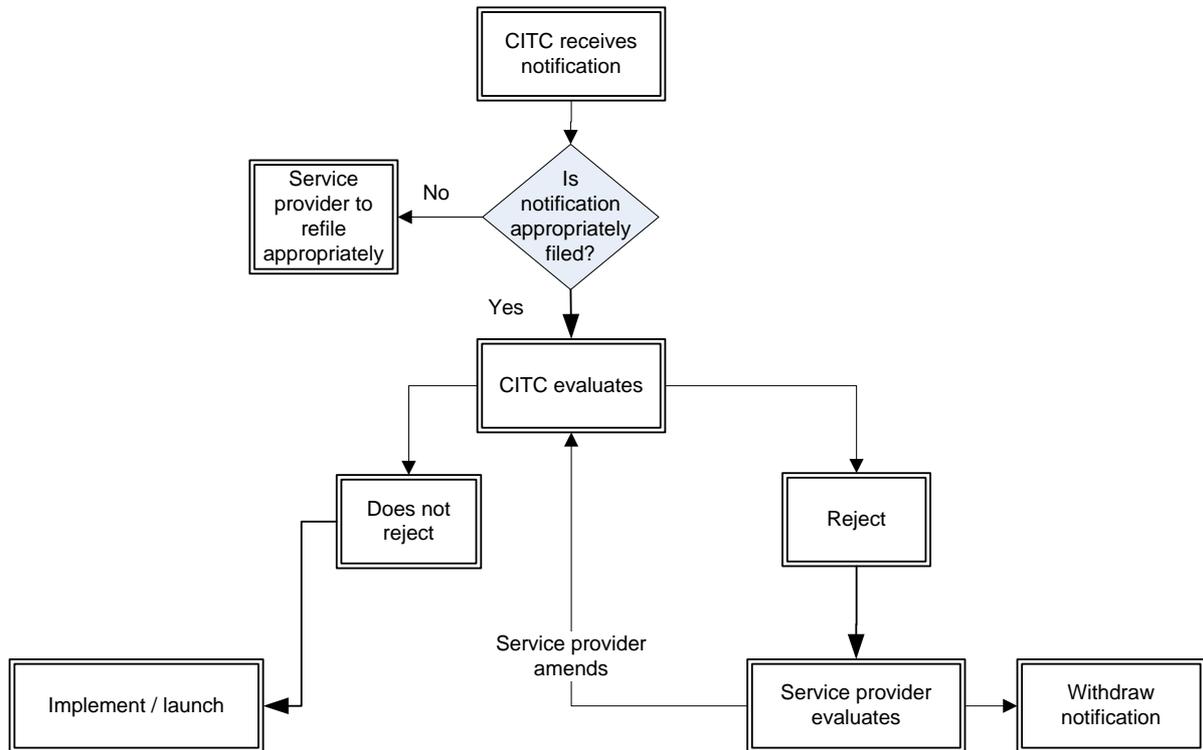
1. The service provider should first determine to which of the processes described in these Tariff Procedures the proposed tariff applies. If the service provider determines that the Tariff Notification process applies, the service provider shall complete and submit to the CITC the Tariff Notification Form included in Annex C1 and, if relevant,

the completed Cost-Related Test or Promotions Test.

2. Upon receipt of the Tariff Notification, and, when appropriate, data on the corresponding Cost-Related Test or Promotions Test, the CITC will determine whether the service provider has selected the correct process for the Service and tariff in question, in which case the CITC shall continue with the process summarized below. If the CITC determines that the application has not been filed under the correct process, the CITC shall inform the service provider within 5 working days of its decision and require the service provider to re-file its application under the correct process.
3. A Tariff Notification Form, and the proposed tariff, shall be deemed approved within 5 working days of its filing with the CITC unless, within that period, the CITC requests clarifications or additional information as it may reasonably require, or informs the service provider that the Tariff Notification is rejected stating the CITC's reasons for the decision.
4. In the case of a request for clarifications or additional information, the service provider shall provide any such clarifications or information within 5 working days, following the receipt of which the CITC's 5 working day evaluation period shall recommence.
5. The CITC may reject a notification if
  - the Service in question does not fall within the cases set out in Section 2.1.2, or
  - the information included in the Tariff Notification Form and/or the applicable Cost-Related or Promotions Test is incomplete, incorrect or unreasonable.

The process for a Tariff Notification is summarized in the figure below.

Figure 4. Tariff Notification Process Flow-Chart



## Annex A: Glossary

In this Tariff Regime, the following terms and expressions have the following meaning:

- **Approved Costs** mean costing information drawn from a CITC-approved Cost Study.
- **Bundle** means two or more Services sold together. The total Effective Price of the Bundle is generally lower than the sum of the Effective Prices of the component Services of the Bundle when sold separately.
- **Cost-Related Tests** mean the Price Floor Test, the Imputation Test, the Predatory Bundle Test and/or the Exclusionary Bundle Test.
- **Cost Proxies** mean alternative cost measures developed by the CITC in absence of Approved Costs.
- **Cost Study** means the results of calculations based on a CITC-approved costing methodology. The criteria by which the CITC approve a costing methodology and Cost Study are set out in Annex D.
- **Dominance Framework** means the Regulatory Framework for Designation of Markets and Dominance in the Telecommunications Sector.
- **Effective Price** means that price reflecting the actual level and structure of price elements paid by consumers when purchasing the Service in question. Often, a Service is sold at a variety of price elements, defined by such factors as time of day, etc. The price may also be structured as a multi-part tariff comprising one-off, recurring monthly and/or usage based elements. To arrive at the Effective Price, the Service provider must blend the relevant price elements into a single weighted average price based on the actual or expected structure of demand.
- **Ex ante** means applying regulation in advance to prevent a potential abuse of a dominant position, before it occurs.
- **Ex post** means applying regulation in response to an alleged abuse of a dominant position, after it has occurred.
- **Guidelines** mean the Guidelines for Addressing Abuse of Dominance in the Telecommunications Sector.
- **Exclusionary Bundle Test** means the test intending to demonstrate that the pricing and availability of a Bundle, which cannot be replicated by a competitor, do not give rise to anti-competitive effects, and is described in Annex J.
- **Imputation Test** means the test, which is intended to demonstrate that pricing of the Service concerned does not give rise to an unfair margin squeeze on competitors, described in Annex H.

- **Interim Period** means the period of time, determined by the CITC, over which Cost-Proxies may be used to meet Cost-Related Test requirements and when Approved Costs are not available.
- **Market Report** means the Market Definition, Designation and Dominance Report produced under the Dominance Framework.
- **New Service** means a service that has not been previously offered. A New Service may or may not be included in one of the defined markets set out in the Market Report.
- **Product** means the specific form in which a service provider offers a Service. A single Service may include one or more Products, which are differentiated by performance or other characteristics. However, Products within the same Service do not provide materially different functionality.
- **Predatory Bundle Test** means the test intending to demonstrate that the pricing of a Bundle, which can be replicated by a competitor, does not give rise to anti-competitive effects, and is described in Annex I.
- **Price Floor Test** means the test intending to demonstrate that the terms of the Service concerned does not constitute predatory pricing, and is described in Annex G.
- **Promotion** means a temporary offer intended to stimulate demand or encourage adoption of an existing or New Service. Promotions may take such forms as a price reduction, a reduction or waiver of a one-off charge, an offer of additional volumes of Service without an additional charge, or a coupon or rebate effecting the same such offer.
- **Promotions Test** means the test, concerning the length of and the intervals between, Service Promotions, described in Annex F.
- **Retail Service** means a Service provided to end-users.
- **Retail Tariff Approval** process means the process of tariff filing that applies to Services meeting the criteria set out in section 2.1.1.
- **Services** have the meaning set out in the Bylaw. For the purposes of this Tariff Regime, unless otherwise indicated or the context suggests otherwise, the term Services also refers to Products and Bundles.
- **Tariff Notification** means the process of filing tariffs that applies to Services meeting the criteria set out in section 2.1.3.
- **Wholesale Service** means a Service provided to other service providers.
- **Wholesale Tariff Approval** process means the process of tariff filing that applies to Services meeting the criteria set out in section 2.1.2.

# Annex B1: Retail Tariff Approval Form

## Section 1: General Information

**A: Name and description of Service or Product**

Provide descriptive information on the Service or Product for which the tariff is proposed.

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**B. Type of Tariff**

Indicate by inserting a "X" by the type of Service or Product provided by the DSP for which the tariff is proposed:

Existing standalone Service or Product, Effective Price decrease/unchanged <input type="checkbox"/>	New Service <input type="checkbox"/>
Existing Bundle, Effective Price decrease/unchanged <input type="checkbox"/>	New Bundle with existing Service <input type="checkbox"/>
Existing standalone Service or Product, Effective Price increase <input type="checkbox"/>	New Product within Existing Service <input type="checkbox"/>
Existing Bundle, Effective Price increase <input type="checkbox"/>	

**C: Reason for filing Tariff Approval Form**

Price increase application <input type="checkbox"/>	Tariff does not pass Cost-Related Test <input type="checkbox"/> Please indicate test failed and attach. <hr/> <hr/>
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**D: Application Date**

Submission date of the proposal. \_\_\_\_\_

**E: Effective Date**

Provide information on the implementation date of the proposed tariff.

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**Section 2: Tariff Information**

**F: Tariffs (prices, terms and conditions)**

(i) Provide detailed schedule of all proposed price terms. This should include one-off and recurring payments, time varying Prices, volume discounts, thresholds etc.

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(ii) Changes to Existing Service tariffs shall be specified identifying % changes, if relevant.

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(iii) Include all items and changes to the existing terms and conditions (where there are specific references to another tariff or tariff schedule, provide specific reference to relevant tariff), if relevant

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**G: Target Market**

Identify target customer segment (e.g., residential, business, etc.) and sub segments (e.g., urban, rural, small business etc.).

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**H: Rationale**

(i) Supply specific reasons for introducing or amending the Service (for example, revenue increase, customer retention, and added customer satisfaction).

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(ii) Describe the expected impact on users and, where relevant, revenue impact with and without user demand change due to Effective Price change.

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(iii) When relevant, attach price benchmarking studies for the proposed tariff changes (pursuant to Section 2.1.1, the CITC will be relying on cost information for many Tariff Approval determinations, however, the applicant may provide such for rationale or additional support as it sees fit.)

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**Section 3: Cost- and Volume-Related Information**

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**H: Rationale**

(i) Supply specific reasons for introducing or amending the Service (for example, revenue increase, customer retention, and added customer satisfaction).

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(ii) Describe the expected impact on users and, where relevant, revenue impact with and without user demand change due to Effective Price change.

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(iii) When relevant, attach price benchmarking studies for the proposed tariff changes (pursuant to Section 2.1.1, the CITC will be relying on cost information for many Tariff Approval determinations, however, the applicant may provide such for rationale or additional support as it sees fit.)

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**Section 3: Cost- and Volume-Related Information**

**I: For a proposed price increase**

(i) Provide the applicable Approved Costs as defined Annex E. Indicate below whether such Approved Costs have been updated or amended for this application:

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(ii) Based on such Approved Costs, indicate the applicable cost of the proposed Service. The applicant shall attach a complete set of calculations and supporting evidence.

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(iii) Indicate the source of all demand information, including relevant volumes and elasticities. The applicant shall attach a complete set of calculations and supporting evidence.

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(iv) The CITC will generally not approve an application for a proposed tariff is above the relevant cost. Provide justification below for such an application.

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**J: For a proposed tariff failing a Test**

(i) Attach the relevant Cost-Related Test which was failed.

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(ii) The CITC will generally not approve an application for a proposed tariff that has failed a Test. Attach a full justification why failure of the Test does not indicate that that the tariff is anti-competitive.

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# Annex B2: Retail Tariff Approval Form Example

The following is a completed example of the Retail Tariff Approval Form using illustrative text. The example is of a fictional reduction in the price for an international leased line Product. In this example, it is assumed that, although the service provider is dominant in the provision of retail international leased lines, it is not dominant in the provision of wholesale international leased lines. Therefore, the appropriate Cost-Related Test for this Effective Price decrease is the Price Floor Test. In the example it is further assumed that the service provider has not passed this Test. Please also note that the fact that the CITC is providing this example does not suggest that it would or would not approve of such a Retail Tariff Approval application. This example is merely for the purpose of demonstrating how such a form would be completed. The Test example associated with this Approval Form can be seen in Annex G

## Section 1: General Information

### A: Service name and description

Provide descriptive information on the Service for which the tariff is proposed.

*The service in question is the international leased lines price for a 2Mbps to the GCC. The Tariff Approval sought is for a 50% reduction off the current monthly access (subscription)*

### B. Type of Tariff

Indicate by inserting a "X" by the type of Service or Product provided by the DSP for which the tariff is proposed:

Existing standalone Service or Product, Effective Price decrease/unchanged <input checked="" type="checkbox"/>	New Service <input type="checkbox"/>
Existing Bundle, Effective Price decrease/unchanged <input type="checkbox"/>	New Bundle with existing Service <input type="checkbox"/>
Existing standalone Service or Product, Effective Price increase <input type="checkbox"/>	New Product within Existing Service <input type="checkbox"/>
Existing Bundle, Effective Price increase <input type="checkbox"/>	

**C: Reason for filing Tariff Approval Form**

Price increase application

Failed Cost-Related Test

Please indicate test failed and attach.

*Price Floor Test*

---

**D: Application Date**

Submission date of the proposal. *25 April 2011*

**E: Effective Date**

Provide information on the implementation date of the proposed tariff.

*1 September 2011*

**Section 2: Tariff Information**

**F: Tariffs (prices, terms and conditions)**

(i) Provide detailed schedule of all proposed price terms. This should include one-off and recurring payments, time varying Prices, volume discounts, thresholds etc.

*Current standard access (subscription) price for a 2Mbps International Leased half-circuit to the GCC is 51,000 SAR per month. We propose that the rate is lowered to 25,500 SAR per month.*

*All other terms and conditions remain the same.*

---

(ii) Changes to existing Service tariffs shall be specified identifying % changes.

*50% of the access (subscription) charge for the 2Mbps International Leased half-circuit to the GCC*

---

(iii) Include all items and changes to the existing terms and conditions (where there are specific references to another tariff or tariff schedule, provide specific reference to relevant tariff).

*Apart from price, no other changes in terms and conditions are proposed.*

---

**G: Target Market**

Define market (e.g., residential, business, etc.) and sub segments (e.g., urban, rural, small business etc.).

*The target market is corporates with significant overseas operations.*

**H: Rationale**

(i) Supply specific reasons for amending the Service (for example, revenue increase, customer retention, and added customer satisfaction).

*The rationale behind the price reduction is to make the Product more competitive with analogous Products of other service providers in the market who are now offering the 2Mbps Product at the 25,500 per month level to the GCC market. As we are leaving lower bandwidth service prices at there current level, the proposed change will also encourage customers to upgrade their Service from lower bandwidth (less than 2Mbps) to the higher bandwidth Services.*

(ii) Describe the expected impact on users and, where relevant, revenue impact with and without user demand change due to Effective Price change.

*Customers will receive more value for money. By shifting to higher bandwidths, they will also be able to make better use of bandwidth intensive applications.*

iii) When relevant, attach price benchmarking studies for the proposed tariff changes (pursuant to Section 2.1.1, the CITC will be relying on cost information for many Tariff Approval determinations, however, the applicant may provide such for rationale or additional support as it sees fit.)

*We find that our proposed rate is no lower than the same rate in competitive markets. Please find benchmark study attached (not included as part of this example).*

**Section 3: Cost- and Volume-Related Information****I: For a proposed Effective Price increase**

(i) For an Effective Price increase, provide auditable cost information from a CITC-approved cost methodology and an applicable model (the "Approved Costs"). Indicate below the CITC Decision that approved the corresponding Approved Costs and whether such Approved Costs have been updated or amended for this application:

*Not applicable.*

(ii) Based on such Approved Costs, Indicate the applicable cost of the proposed tariff. Attach a complete set of calculations and supporting evidence.

*Not applicable.*

(iii) Indicate the source of all demand information, including relevant volumes and elasticities. Attach a complete set of calculations and supporting evidence.

*Not applicable.*

---

(iv) The CITC will generally not approve an application for a proposed tariff is above the relevant cost. Provide justification below for such an application.

*Not applicable.*

---

**J: For a proposed tariff failing a Cost-Related Test**

(i) Attach the relevant Test which was failed.

*See attached Price Floor Test [included as an example in Annex G].*

---

(ii) The CITC will generally not approve an application for a proposed tariff that has failed a Test. Attach a full justification why failure of the Test does not indicate that that the tariff is anti-competitive.

*The proposed promotion violates the Price Floor Test as it is significantly below the corresponding Cost Proxy.. According to Annex E of the Tariff Regime, the Cost Proxy for this retail service is the Retail Service price at that time less 20%. For the standard 2Mbps to GCC product Cost Proxy was 40,800 SAR per month. On that basis, our proposed price violates the price floor.*

*However, we believe that our proposed price is not anti-competitive for two reasons. First, the price for the 2Mbps half-circuit to GCC of our competitors is now around 25,500 SAR. If we maintain our prices above that level (as they currently are), we will lose a significant number of customers. Secondly, we have reduced our standard wholesale price for this product to 20,000 SAR per month. We have thus preserved or improved upon the retail minus 20% relationship that existed at the time of the tariff filing.*

---

# Annex C1: Tariff Notification Form

**Section 1: General Information**

**A: Name and description of Service or Product**

Provide descriptive information on the Service or Product for which the tariff is proposed.

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**B. Type of Tariff**

Amendment to Existing Service provided by a non-DSP

New Service provided by a non-DSP

Promotion for Existing or New Service provided by a non-DSP, or promotion provided by a DSP and passing the Promotions Test (please attach test)

Existing or New Service provided by DSP and passing Cost-Related Test (please attach test)

Price floor Test <input type="checkbox"/>	Predatory Bundle Test <input type="checkbox"/>
Imputation Test <input type="checkbox"/>	Exclusionary Bundle Test <input type="checkbox"/>

**C: Application Date**

Submission date of the proposal. \_\_\_\_\_

**D: Effective Date**

Provide information on the implementation date of the proposed tariff.

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<b>Section 2: Tariff Information</b>
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<p><b>E: Tariffs (prices, terms and conditions)</b></p> <p>(i) Provide detailed schedule of all proposed price terms. This should include one-off and recurring payments, time varying Prices, volume discounts, thresholds etc.</p> <hr/> <hr/> <hr/> <p>(ii) Changes to existing Service tariffs shall be specified identifying % changes, if relevant.</p> <hr/> <hr/> <p>(iii) Include all items and changes to the existing terms and conditions (where there are specific references to another tariff or tariff schedule, provide specific reference to relevant tariff), if relevant.</p> <hr/> <hr/>
---

# Annex C2: Tariff Notification Form Example

The following is a completed example of the Tariff Notification Form using illustrative text. The example is of a fictional introduction of a new mobile Product. In this example, it is assumed that, the service provider is not dominant in the provision of retail mobile service. Therefore, the Tariff Notification Process, rather than the Tariff Approval Process, applies.

## Section 1: General Information

### A: Service name and description

Provide descriptive information on the Service for which the tariff is proposed.

*The service is a postpaid wireless service package called Mobile 90. Mobile 90 is exactly the same product as our Mobile 45, but the number of free minutes is doubled. Thus, whereas the monthly subscription for Mobile 45 was SAR 45 and include 45 free on-net minutes per month. The Mobile 90 monthly subscription is also SAR 45, but includes 90 free on-net minutes per month.*

### B. Type of Tariff

Amendment to Existing Service provided by a non-DSP

New Service provided by a non-DSP

Promotion for Existing or New Service provided by a non-DSP, or promotion provided by a DSP and passing the Promotions Test (please attach test)

Service passing Cost-Related Test (please attach test)

Price floor Test

Predatory Bundle Test

Imputation Test

Exclusionary Bundle Test

### C: Application Date

Submission date of the proposal. *25 August 2010.*

**D: Effective Date**

Provide information on the implementation date of the proposed tariff.

*Target launch date is 1 September 2010*

**Section 2: Tariff Information****E: Tariffs (prices, terms and conditions)**

(i) Provide detailed schedule of all proposed price terms. This should include one-off and recurring payments, time varying Prices, volume discounts, thresholds etc.

- *Installation: SAR 50*
- *Monthly subscription: SAR 45*
- *On-net mobile minutes: first 90 minutes are free, thereafter 0.30 SAR per minute*
- *All other price terms are the same as in our existing mobile service tariffs.*

(ii) Changes to existing Service tariffs shall be specified identifying % changes.

*Not applicable.*

(iii) Include all items and changes to the existing terms and conditions (where there are specific references to another tariff or tariff schedule, provide specific reference to relevant tariff).

*The single change from the Mobile 45 postpaid plan is to double the number of free on-net minutes available for the same 45 SAR monthly subscription.*

---

## Annex D: Approved Costs

The costing information required in this Tariff Regime is to be drawn from a CITC-approved or developed cost study, including a CITC-approved or developed costing methodology (together, the “Approved Costs”).

Pursuant to Article 52 of the Bylaw, where costing information is used as a means of preventing abuse of a dominant position with respect to tariffs, the DSP may be required to prepare a cost study (the “Cost Study”). The CITC will consult with the service provider to ensure that the Cost Study is adequate for the purpose it was created. If and when found adequate by the CITC, it will be approved by the CITC in the form of a decision. The CITC may develop its own Cost Study using one of the reasonable costing methodologies described below, if the service provider fails to do so. In this regard, the CITC notes that it has developed bottom-up LRIC models for certain Wholesale Services and may use the output of the models where relevant and where alternative Approved Costs do not exist or have not been provided.

This Annex sets out guidance as to the criteria by which the CITC will determine the adequacy of any Cost Study submitted by the DSP and the process to review and if appropriate, approve the Cost Study.

The CITC has developed the criteria below to be inclusive of a number of different, reasonable costing methodologies. In the near term, the CITC expects that Cost Studies submitted by DSPs may be derived from a fully allocated cost (“FAC”) model compliant with the CITC-approved accounting separation policy and guidelines. With time, the CITC expects that such Cost Studies will be derived from incremental cost models. In addition, where appropriate, particularly in the case of the introduction of new Services, the CITC may also consider Service-specific Cost Studies calculated on an ad-hoc basis, outside an existing “business-wide” FAC or long-run incremental cost model.

For clarity, the intention is that a Cost Study will produce results for one or more Services that may be effective for more than a single tariff filing. For example, a cost model for the entire fixed line business will serve to generate costs for tariff filings for all DSP fixed line Services for an extended period. A Service specific model developed for a new Service may not provide information for more than one Service, but may be sufficient for all tariff filings in respect to the same Service for an extended period. So long as the criteria set out below are met by a Cost Study for the Service in question, the Cost Study should remain adequate for the Service.

The DSP has the onus of establishing to the satisfaction of the CITC that its costing methodology and Cost Study complies with the criteria set out below.

## Criteria

**1. Cost Causality.** The Service costs submitted in the Cost Study should identify those costs that are incurred as a direct result of providing the Service. Common costs should be identified separately. Thus, the Cost Study must identify:

- Directly attributable costs, i.e., those costs that are caused by and can be directly and unambiguously related to a Service or Product;
- Indirectly attributable costs, i.e., those costs that are shared by more than one Service, but may be allocated across Services on an objective, non-arbitrary basis, e.g, activity-based costing or routing tables (for network elements); and
- Common costs, i.e., those costs that do not vary to any appreciable level with the provision of any specific Service and therefore cannot be attributed, directly or indirectly to Services or Products.

Cost causality also implies that, in respect of FAC and top-down incremental models, the CITC may exclude investments and expenses made for purposes other than the provision of Services in question, e.g., expenses for non-recurring activities or investments made on facilities needed for the provision of the Service or Services in question.

**2. Treatment of Common Costs.** Depending on the tariff application in question, the CITC may allow different treatment of common costs. With applications for Effective Price increases the CITC may allow a percentage of common costs to be included in the Service cost. With applications for Effective Price decreases or the introduction of new Bundles with Tariff Approval Services, the CITC may allow common costs to be partially or fully excluded.

**3. Comprehensiveness.** The following elements of cost must be explicitly calculated and supported with evidence.

- Operational costs, such as customer service, sales, marketing, billing, any relevant network expenses, etc.
- Investment, including both fixed assets and working capital. All assets types and values involved in the provision of the Service must be identified. The asset value chosen should represent the best measure of the current replacement value of the asset. This may be a recent capex figure, or an unadjusted or revalued book value of an asset. The applicant must explain and provide evidence as to why the value chosen is the best estimate of the asset's current replacement value. Where relevant, the valuation must be consistent with any CITC-approved accounting separation policy and guidelines. The annualized cost of investment is the sum of the depreciation and the cost of capital.

- Depreciation. There are numerous methods by which depreciation may be calculated (e.g., straight-line, tilted annuity, economic). While the CITC is open to more than one method to best capture the value of asset depreciation, the approach used must be justified and must also be consistent with any CITC-approved accounting separation policy and guidelines.
- Cost of capital is calculated as the mean capital employed multiplied by weighted average cost of capital (WACC). An aggregate WACC value determined for the company or a group of Services as a whole may be used. However, a Service-specific WACC may be used where justification is provided, and accepted by the CITC.

**4. Transparency.** The Cost Study must be transparent. The processes for generating the cost information must be clear and understandable, the numbers must be objectively determined and based on verifiable data, and the Cost Study must be fully documented. The DSP should provide adequate documentation and supporting explanation to the CITC to ensure the models are understood and their compliance with CITC requirements can be ascertained. The CITC may verify the data provided independently through an audit process. More specifically, this means the CITC must have the ability to

- identify the costs types (operational expenses, cost of capital, etc.);
- identify the cost sources (how much the cost of one input contributes to each result);
- reconcile the results and inputs of the Cost Study to ensure a) output values relate to calculations throughout the model, b) no double counting occurs and c) no items are excluded; and
- understand all calculations.

## Process

The process to be followed in proposing, reviewing and receiving approval for a Cost Study developed by a DSP is as follows:

1. The DSP shall submit to the CITC documents describing the proposed Cost Methodology to be used in the Cost Study. The Cost Methodology should set out how the DSP proposes to comply with the criteria outlined above.
2. The CITC may decide to initiate a proceeding inviting other parties to comment on the proposed Cost Methodology.
3. The CITC will review the proposed Cost Methodology, then ask for clarifications of, reject or propose amendments to the proposed Cost Methodology.

4. Until receiving CITC approval for the proposed Cost Methodology, the DSP may continue to provide clarifications, revise the methodology as proposed by the CITC, or withdraw the proposed Cost Methodology.
5. Based on the above process, the CITC may approve the Cost Methodology.
6. Upon receiving CITC approval for the Cost Methodology, the DSP may proceed to conducting the Cost Study. The Cost Study shall be constructed and populated based on the approved Cost Methodology.
7. Once the DSP has completed its Cost Study, it shall submit to the CITC the Cost Study. The Cost Study must include accompanying documentation that demonstrates how the study complies with both the criteria outlined above and the approved Cost Methodology.
8. The CITC may decide to initiate a proceeding inviting other parties to comment on the proposed Cost Study, subject to confidentiality provisions.
9. The CITC will review the Cost Study, then ask clarifications of, propose amendments to or issue a decision approving the Cost Study.
10. Until receiving CITC approval, the DSP may continue to provide clarifications, revise the study as proposed by the CITC, or withdraw the proposed Cost Study.
11. Upon receiving CITC approval on the costing methodology, the DSP may use the corresponding cost elements in the processes described herein where Approved Costs are required.

For clarity, this process transpires independent of the tariff approval or tariff notification process of any given Service. DSPs are encouraged to initiate the process for Cost Study approval well in advance of any tariff approval or notification which will rely on such a Cost Study.

## Annex E: Cost Proxies

Where the Approved Costs are not yet available, and as an interim measure for up to 1 year, the CITC has determined an interim set of readily-available alternative values for purposes of the conducting Cost-Related Tests (the “Cost Proxies”). These Cost Proxies are set out below.

The CITC will require the relevant DSPs to use these Cost Proxies when submitting their respective applications unless and until the DSP submits Approved Costs.

At its own discretion or based on an application, the CITC may revise the Cost Proxies based on updated and other information.

On an exceptional basis, the CITC may consider alternatives for Cost Proxies as submitted by DSPs only if CITC is persuaded by the quality and quantity of the data provided by the DSP in support of the cost alternatives in question. In the event that any application by a DSP of an alternative to a Cost Proxy may have a material effect on other interested parties, the CITC may initiate a public consultation process to seek the views of other service providers and stakeholders regarding the proposed alternative cost information. Under the circumstances, the CITC will not approve the corresponding tariff application for which an alternative for the Cost Proxy is being proposed until such time as the public consultation process is complete.

The CITC has selected the Cost Proxies with the objective of approximating a reasonable cost basis for providing the relevant Service. Where appropriate, the CITC has made use of LRIC and benchmarking exercises that it had previously undertaken. For example for national fixed calling Services, the CITC has constructed a Cost Proxy for the Retail Service on the basis of the LRIC costs of wholesale components making up the Service plus a mark-up for retail costs of 20%. If no LRIC price(s) exists, but an appropriate unregulated wholesale Effective Price(s) exists, the applicant shall use this unregulated wholesale Effective Price(s) plus a mark-up as the Cost Proxies. When determining Cost Proxies on the basis of wholesale service prices, the CITC will mark-up those prices by 20% to represent retail costs, unless the service provider can provide robust evidence, on the basis of Service-specific benchmarking that a percentage other than 20% is more reasonable approximation for retail cost

If neither a regulated nor unregulated wholesale Effective Price exists, then the applicant shall use the retail Effective Price at the time of issuance of these Tariff Procedures minus a certain percentage. This reduction off the retail Effective Price is intended to account for the fact that generally for services for which the service provider enjoys dominance, the service provider will earn above normal economic profits. The percentage reduction is therefore intended to arrive at a value closer to the cost base under more competitive conditions. The applicant shall apply 20%, unless it can provide robust evidence, on the basis of Service-specific benchmarking, that a percentage other than 20% is more reasonable approximation of the relevant efficient cost.

In the case of residential access, the CITC has presumed that the retail Effective Price may

not be above cost.<sup>4</sup> The applicant shall therefore use the retail Effective Price at the time of issuance of these Tariff Procedures as the Cost Proxy.

In no case, may any DSP use these cost proxies for justifying for an increase the relevant retail and wholesale Effective Price. As indicated elsewhere, a DSP applying for an Effective Price increase must use Approved Costs, not Cost Proxies.

These Cost Proxies may be amended from time to time as the CITC deems appropriate.

**The following lists are examples designed to be indicative of the Products, prices and Cost Proxies that would be determined for services provided by a DSP. Please note that Cost Proxies based on LRIC prices and RODA rates are fictional.**

### Retail fixed access Services

Service	Price element	Price (SAR)	Cost Proxy (SAR)	Comments
Residential access line	Installation	300	300	Cost Proxy = retail price
	Access(*)	30	30	Cost Proxy = retail price
Additional lines	Installation	200	200	Cost Proxy = retail price
	Access (^)	45	45	Cost Proxy = retail price
Business access	Installation	300	300	Cost Proxy = retail price
	Access	119	119	Cost Proxy = retail price
Line Transfer - city-to-city	One-off charge	150	120	Cost Proxy = retail price minus 20%
Line Transfer – same city, different exchange	One-off charge	120	96	Cost Proxy = retail price minus 20%
Line Transfer – same exchange	One-off charge	60	48	Cost Proxy = retail price minus 20%
Line Transfer – internal relocation	One-off charge	40	32	Cost Proxy = retail price minus 20%
Line Transfer – external extension	One-off charge	120	96	Cost Proxy = retail price minus 20%
Line Transfer – internal extension	One-off charge	50	40	Cost Proxy = retail price minus 20%
Line Transfer – to another customer	One-off charge	30	24	Cost Proxy = retail price minus 20%
Line Transfer – additional charge per line per meter above 500m Dist. point	One-off charge	2.5	2	Cost Proxy = retail price minus 20%
Change of name	One-off charge	20	16	Cost Proxy = retail price minus 20%
Change of telephone number	One-off charge	20	16	Cost Proxy = retail price minus 20%
Disconnection	One-off charge	20	16	Cost Proxy = retail price minus 20%
Reconnection	One-off charge	20	16	Cost Proxy = retail price minus 20%
Bill investigation if customer claim incorrect	One-off charge	10	8	Cost Proxy = retail price minus 20%
Temporary suspension (1 year max)	One-off charge	50% of subscription rate	12	Cost Proxy = 50% of retail price of residential subscription minus 20%

<sup>4</sup> This presumption is made without prejudice to the CITC subsequently finding that the current retail Price is above Approved Costs.

(\*) includes 200 local call minutes to same fixed network (“on-net”) every two months and emergency and service calls for free. Access is a monthly charge. (^) includes 600 local, 400 on-net national and 200 fixed-to-mobile call minutes per month, emergency and service calls for free. Access is a monthly charge.

## Retail fixed access Services (cont.)

### Retail local & national fixed voice calling Services

Service	Price element	Price (SAR)	Cost Proxy	Comments
Calls to Mobile	Per minute	0.40	0.37	Cost Proxy = LRIC fixed origination + mobile termination +20%
On-net Local Calls	Per minute	0.05	0.05	Cost Proxy = LRIC cost +20%
On-net National Calls	Per minute	0.20	0.08	Cost Proxy = LRIC cost + 20%
Call to Other Fixed Networks	Per minute	0.20	0.20	Cost Proxy = LRIC fixed origination + fixed termination +20%,

**Retail business data Services at fixed locations**  
**Service: Domestic Digital Leased lines**

Service	Price element(*)	Price (SAR)	Cost Proxy	Comments
64kbps				
	Installation	5000	4000	Cost Proxy = Retail price minus 20%
	Access (local)	590	472	Cost Proxy = Retail price minus 20%
	Access (national, distance dependent)	Various	Various	Cost Proxy = Retail price minus 20%
128kbps				
	Installation	5000	4000	Cost Proxy = Retail price minus 20%
	Access (local)	1340	1072	Cost Proxy = Retail price minus 20%
	Access (national, distance dependent)	Various	Various	Cost Proxy = Retail price minus 20%
256kbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access (local)	2100	1680	Cost Proxy = Retail price minus 20%
	Access (national, distance dependent)	Various	Various	Cost Proxy = Retail price minus 20%
512kbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access (local)	2760	2208	Cost Proxy = Retail price minus 20%
	Access (national, distance dependent)	Various	Various	Cost Proxy = Retail price minus 20%
1 Mbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access (local)	3570	2856	Cost Proxy = Retail price minus 20%
	Access (national, distance dependent)	Various	Various	Cost Proxy = Retail price minus 20%
Higher than 1 Mbps				
	Installation	Various	Various	Cost Proxy = Retail price minus 20%
	Access (local and national)	Various	Various	Cost Proxy = Retail price minus 20%

(\*) Access is a monthly charge.

**Service: International Leased lines – to GCC destinations**

Service	Price element	Price (SAR)	Cost Proxy	Comments
64kbps				
	Installation	5000	4000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	5000	4000	Cost Proxy = Retail price minus 20%
128kbps				
	Installation	5000	4000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	8500	6800	Cost Proxy = Retail price minus 20%
256kbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	16500	13200	Cost Proxy = Retail price minus 20%
512kbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	24000	19200	Cost Proxy = Retail price minus 20%
1 Mbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	38000	30400	Cost Proxy = Retail price minus 20%
2 Mbps				
	Installation	7500	6000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	51000	40800	Cost Proxy = Retail price minus 20%
34 Mbps				
	Installation	60000	48000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	335000	268000	Cost Proxy = Retail price minus 20%
DS3				
	Installation	60000	48000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	445000	356000	Cost Proxy = Retail price minus 20%
STM-1				
	Installation	60000	48000	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	825000	660000	Cost Proxy = Retail price minus 20%
Speeds higher than STM-1				
	Installation	Various	Various	Cost Proxy = Retail price minus 20%
	Access -half circuit (*)	Various	Various	Cost Proxy = Retail price minus 20%

(\*) Access is a monthly charge. Applicable discounts on retail rates for 1-year, 2-year and 3-year term commitments are applied to cost proxies as well.

**Service: Other business data Services (Packet Switched, Frame relay, ATM, ASDL WAN, IP-VPN and Analogue Leased Circuits)**

Service	Price element	Price (SAR)	Cost Proxy	Comments
Various	Various	Various	Various	Wholesale price, if exists, or retail price minus 20%

**Retail internet access Service**

Product	Price element(*)	Price	Cost Proxy	Comment
128kps	Installation	300	240	Cost Proxy = RODA bitstream access price + 20%
	Access	90	79.20	
	Connectivity	9		
256kps	Installation	300	240	Cost Proxies = RODA bitstream access price + 20%
	Access	100	96	
	Connectivity	49		
512kps	Installation	300	240	Cost Proxies = RODA bitstream access price + 20%
	Access	120	120	
	Connectivity	79		
1 Mbps	Installation	300	240	Cost Proxies = RODA bitstream access price + 20%
	Access	150	144	
	Connectivity	61		
Higher than 1 Mbps	Installation	300	240	Wholesale price + 20% or Retail access + connectivity price minus 20%
	Access	Various	Various	
	Connectivity	Various		

(\*) Access and connectivity are monthly charges.

## Other Markets and Services

In general, a DSP will only be required to submit cost information, whether in the form of Cost Proxies or Approved Costs, in relation to Services for which the applicant is a DSP (a “DSP Service”). However, where a DSP makes a Retail Tariff Approval application or Tariff Notification in relation to Bundles that include both DSP and non-DSP Services, the applicant must also submit appropriate cost information for non-DSP Services. When Cost Proxies are submitted in relation to these non-DSP Services (in particular, for the purposes of filing a Predatory Bundle Test or an Exclusionary Bundle Test), the following Cost Proxies will apply:

- For Retail Services with a wholesale version of the same Service, the applicant shall use the Effective Price of the Wholesale Service plus a 20% mark-up (and outpayments to other service providers if not already reflected in the wholesale Effective Price) as the Cost Proxy.
- For other Retail Services, the applicant shall use the retail Effective Price (at the time of the tariff application or notification) minus a certain percentage as the Cost Proxy. The applicant shall use the percentage value of 20% unless it can provide robust evidence, on the basis of Service-specific benchmarking, that a percentage other than 20% is reasonable.

## Annex F: Promotions Test

The Promotions Test is designed to demonstrate that the promotional offer is not constructed to have predatory pricing characteristics. It involves two elements: a restriction on the length of the enrolment and/or benefit period and a minimum required length of time between promotions that are substantially similar.

The following form is to be submitted by DSPs pursuant to the requirements set out in the relevant Tariff Approval and Notification processes.

The Promotions Test requires that the promotion in question complies with the following three constraints:

1. The length of each of the enrolment and benefit period is 180 days or less;
2. The length of the enrolment periods is equal to or less than the length of the benefit period; and
3. The length of time between promotions that are substantially similar, the “cooling off period”, is 180 days or more. This is measured from the last day for which an enrolled consumer would benefit from the previous substantially similar promotion, assuming that the consumer enrolled on the last day possible to the first possible day of enrolment in the proposed promotion.

A “substantially similar” promotion is one that reduces the effective price of a Service that was subject to a reduction via a previous promotion. The reduction may or may not be of the same form or magnitude. Note that this definition encompasses elements of bundled promotions or promotional offerings with favourable terms on more than one Service. For example, a promotional discount given for international mobile calls for a given holiday period to a specified set of destinations would be “substantially similar” to an increase in top-up minutes for a given price that can be for internationally direct dialled minutes or the a Bundle of free international minutes given for the signing of a new mobile contract.

# Promotions Test Form

## 1. Brief Description of Tariff

Please provide a short description of the Service and the proposed pricing terms.

---

## 2. Maximum Combined Benefit and Enrolment Period

a. Please indicate the Benefit Period, i.e., the days during which a consumer is availing himself or herself of the promotion benefits from the promotion.

---

b. Please indicate the Enrolment Period, i.e. the first possible date from which a consumer availing himself or herself of the promotion could enrol for the promotion, and ii) the last possible date at which a consumer availing himself or herself of the promotion could enroll for the promotion.

---

---

c. Confirm that the following two conditions are met:

1. The maximum Combined Benefit and Enrolment period of 180 days is exceeded, and
  2. The length of each of the enrolment and benefit periods is 180 days or less .
- 

## 3. Minimum Cooling off Period

a. Please indicate previous promotions that could be described as substantially similar to the promotion set out above.

---

b. Please indicate the last date of the Combined Benefit and Enrolment period of any promotions identified under 3a., i.e., the last day for which the consumer availing himself or herself of the promotion would benefit from the previous substantially similar promotion assuming that they enrolled on the last day possible.

---

c. Confirm that the minimum cooling off period of 180 days is met.

---

# Promotions Test Example

The following is a worked example of the Promotions Test using illustrative data. The example is of a fictional promotion for leased lines Services. In addition to setting out an illustrative set of promotion terms, the example assumes that this promotion follows a similar promotion offered the previous year.

## 1. Brief Description of Tariff

*The proposed promotion is for domestic leased line Services. The standard prices are being discounted by 50% for a period of 60 days. Customers are able to sign up for the promotion starting any day between 1 and 30 September 2010.*

## 2. Maximum Combined Benefit and Enrolment Period

- a. The benefit is for a period of 90 days*
- b. The Enrolment Period is determined as follows:*
  - i) the first possible date from which a consumer availing himself or herself of the promotion could enrol for the promotion is 1 September 2010; and*
  - ii) the last possible date at which a consumer could availing himself or herself of the promotion could enroll for the promotion is 30 September 2010.*
- c. The Combined Benefit and Enrolment period is 60 days of benefit plus 30 days of enrolment, i.e. 90 days.*
- d. The length of each of the enrolment and benefit periods is 180 days or less.*
- e. The length of the enrolment period is equal to or less than the benefit period.*

## 3. Minimum Cooling off Period

- a. There was a similar promotion for domestic leased lines offered on the same terms between 1 March and 1 April of the previous year.*
- b. The last date of the Combined Benefit and Enrolment period of the previous domestic leased line promotions was 120 days from 1 April inclusive which is 30 July of the previous year.*
- c. Since 30 July of the previous year is more than 90 days prior to the first enrolment date of the proposed promotion (1 September 2010), the promotion meets the minimum cooling off period.*

## **Annex G: Price Floor Test**

The price floor test is designed to demonstrate that a proposed tariff is not below cost and therefore cannot constitute predatory pricing.

The following form is to be submitted by Service providers pursuant to the requirements set out in the relevant Tariff Approval and Notification processes.

# Price Floor Test Form

## 1. Brief Description of Tariff

Please provide a short description of the Service and the proposed pricing terms.

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## 2. Price components

Please list each of the Price components and the accompanying Price element necessary to calculate the Effective Price of the Service.

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## 3. Cost components

Please list each of the cost components and the accompanying costs necessary to calculate the cost of the Service.

When using Approved Costs, please include accompanying references to the specific CITC-approved model, spreadsheet and cell of the cost.

Where the costs are derived on the basis of Cost Proxies, please provide references to the specific Cost Proxy from Annex E of this Tariff Regime.

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## 4. Volume information

Please supply specific information and evidence on how the volumes in the calculation of the price floor were derived. Justification why the particular volume information used in the calculation is representative or otherwise appropriate for the Test and details of any elasticity information should be included.

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## 5. Calculation

Please supply the detailed calculation of the price floor and the effective price of the proposed tariff.

Indicate whether the effective price is at or above the price floor

Please mark confidential information with # # and submit both confidential and non-confidential versions of the test.

# Price Floor Test Examples

The following are two worked examples of the Price Floor Test using illustrative data. The examples are for a fictional international lease line tariff. They assume that, while dominant in the retail market, service provider is not dominant in the provision of the underlying wholesale services for these services.

In the first example, it is assumed that Approved Costs exist, and the applicant uses outputs from a CITC-approved cost model for the application. The fictitious cost model in this worked example is referred to as “FAC model v. A”. The example makes use of fictitious spreadsheet and cell references.

In the second worked example, it is assumed that no such cost model exists and the applicant has had to rely on Annex E Cost Proxies.

In both examples, references are made to a fictitious “confidential annex” which is not included in this text.

## A. Example with Costs Derived from a CITC-Approved Cost model (Approved Costs)

### 1. Brief Description of Tariff

*The service in question is the half circuit international leased lines price for a 2Mbps to the GCC. The Tariff Approval sought is for a 50% reduction off the current monthly access (subscription)*

### 2. Price components

The single Price component proposed for change is the monthly access charge:

*2 Mbps to GCC Standard price for access 25,500 per month. Current discounts for 1-year, 2-year and 3-year term commitments (4%, 6% and 8% respectively) continue to apply.*

### 3. Cost components

Please list each of the cost components and the accompanying costs necessary to calculate the cost of the Service.

When using Approved Costs, please include accompanying references to the specific CITC-approved model, spreadsheet and cell of the cost.

Where the costs are derived on the basis of Cost Proxies, please provide references to the specific Cost Proxy from Annex E of this Tariff Regime.

*The costs for this tests are derived from the CITC-approved FAC model v.A.*

*The relevant cost component is international leased line as found in spreadsheet “A”, cell “BC” of FAC model v. A. The model produces unit costs for international half circuits. We have modified disaggregated these units costs by destination (Group 1 (GCC), Group 2 (Arab) and Group 3 (Other)) and by speed. These calculations are included in the confidential annex. The monthly cost for the 2Mbps to the GCC is 10,000 SAR per month.*

#### **4. Volume information**

Please supply specific information and evidence on how the volumes in the calculation of the price floor were derived. Justification why the particular volume information used in the calculation is representative or otherwise appropriate for the Test and details of any elasticity information should be included.

*The only volumes necessary for the test are those used in the confidential annex to breakdown the FAC unit costs into circuit costs by destination and speed as described in section 3 above. The necessary volumes are average active half circuit by region and speed for calendar year 2009.*

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#### **5. Calculation**

Please supply the detailed calculation of the price floor and the effective price of the proposed tariff.

Indicate whether the effective price is at or above the price floor

*The proposed price of 25,500 SAR per month is greater than the price floor, which is the calculated cost of 10,000 SAR per month described above and documented in the confidential annex.*

## **B. Example with Cost Proxies**

### **1. Brief Description of Tariff**

*The service in question is the half circuit international leased lines price for a 2Mbps to the GCC. The Tariff Approval sought is for a 50% reduction off the current monthly access (subscription)*

### **2. Price components**

The single Price component proposed for change is the monthly access charge:

*2 Mbps to GCC Standard price for access 25,500 per month. Current discounts for 1-year, 2-year and 3-year term commitments (4%, 6% and 8% respectively) continue to apply.*

### **3. Cost components**

Please list each of the cost components and the accompanying costs necessary to calculate the cost of the Service.

When using Approved Costs, please include accompanying references to the specific CITC-approved model, spreadsheet and cell of the cost.

Where the costs are derived on the basis of Cost Proxies, please provide references to the specific Cost Proxy from Annex E of this Tariff Regime.

*Annex E gives The Proxy Cost for this service as the retail price at the time of issuance of the Tariff Regime, less 20%. The retail price less 20% at the time of issuance was 40,800.*

#### **4. Volume information**

Please supply specific information and evidence on how the volumes in the calculation of the price floor were derived. Justification why the particular volume information used in the calculation is representative or otherwise appropriate for the Test and details of any elasticity information should be included.

*No volume information is required for this Test.*

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#### **5. Calculation**

Please supply the detailed calculation of the price floor and the effective price of the proposed tariff.

Indicate whether the Effective Price is at or above the price floor

*The proposed price of 25,500 SAR per month is less than the Cost Proxy of 40,800 SAR per month  
Therefore, the Effective Price is not at or above the price floor.*

## **Annex H: Imputation Test**

The imputation test is designed to demonstrate that the proposed tariff does not create a margin squeeze for competitors. The applicant that enjoys dominance in the provision of a wholesale input must demonstrate that the proposed retail tariff exceeds the relevant wholesale price and other costs.

The following form is to be submitted by service providers pursuant to the requirements set out in the relevant Tariff Approval and Notification processes.

The Imputation Test will be determined on the basis of the relevant wholesale Effective Price and other Approved Costs. In the absence of Approved Costs, other costs will be represented through a mark-up over the wholesale Effective Price. This mark-up will be 20% of the wholesale Effective Price--unless the applicant can provide robust evidence on the basis of Service-specific benchmarking, that a percentage other than 20% is reasonable--plus any relevant outpayments to other Service providers not already reflected in the wholesale Effective Price.

# Imputation Test Form

## 1. Brief Description of Tariff

Please provide a short description of the Service and the proposed pricing structure.

## 2. Price components

Please list each of the Price components and the accompanying Price element necessary to calculate the effective price of the Tariff Approval Service

## 3. Wholesale input components

Please list each of the Wholesale Services a) which are used in the provision of the Tariff Approval Service and b) for which the applicant has been designated dominant.

Please list the all the Price elements for each Wholesale Service necessary to calculate the effective price of the Wholesale Service

## 4. Cost components

Please list each of the retail cost components and the accompanying costs necessary to calculate the cost of the Tariff Approval Service

When using Approved Costs for the retail costs, please include accompanying references to the specific CITC-approved model, spreadsheet and cell of the cost.

When Approved Costs are not available, confirm that the mark-up of 20% over the Effective Price of the wholesale input is used. Also identify any relevant outpayment made to another service provider.

## 5. Volume information

Please supply specific information and evidence on how the volumes in the calculation of the price floor were derived. Justification why the particular volume information used in the calculation is representative or otherwise appropriate for the Test and details of any elasticity information should be included.

## 6. Calculation

Please supply the detailed calculation of the imputation test of the effective price of the proposed tariff.

Indicate whether the effective price passes the test.

Please mark confidential information with # # and submit both confidential and non-confidential versions of the test.

# Imputation Test Examples

The following are two worked examples of the Imputation Test using illustrative data. The examples are for a fictional price reduction for a 512kps ADSL Service.

In the first example, it is assumed that Approved Costs exist, and the applicant uses outputs from a CITC-approved cost model for the application. The fictitious cost model in this worked example is referred to as “FAC model v A”. The example makes use of fictitious spreadsheet and cell references.

In the second worked example, it is assumed that no such cost model exists, and the applicant has had to rely on a mark-up of 20% of the (fictitious) wholesale price as a proxy for retail costs.

## A. Example with Costs Derived from a CITC-Approved Cost model

### 1. Description of Tariff

*The tariff proposed is a reduction in the monthly recurring price of the 512kps ADSL service.*

### 2. Price components

*The Price component is the annual monthly access charge, which covers both access and connectivity, and which currently stands at SAR 200 per month. The proposed tariff reduces this charge to SAR 120 per month.*

### 3. Wholesale input components

*The relevant wholesale service for this retail service is bitstream access for the 512kbps service, which is sold for SAR 100 per month.*

### 4. Cost components

*The costs associated with the ADSL service include bandwidth sensitive costs and line sensitive costs.*

*The wholesale input price is the imputed cost for bandwidth sensitive costs.*

*The remaining costs, the retail costs, are generally line-sensitive. The relevant retail cost components are the a) operating expenses associated with marketing, billing and other general administration, b) the return on capital employed on related retail assets and c) depreciation of the related retail assets.*

*The cost model, the CITC approved FAC model v A, produces these costs in aggregate for the entire internet access business of the applicant.*

*The annual billing and marketing costs allocated to internet access are found in cells “XM-XP” of spreadsheet “Z”.*

*The annual general administration costs allocated to internet access are found in cells “AB-AD” of spreadsheet “Z”.*

*The annual return on capital employed and depreciation associated with the internet access service is found in cells PN and PM respectively of spreadsheet “Z”.*

*The cost figures are unitized by using the number of current number of active ADSL lines and then divided by 12 for a monthly value.*

## 5. Volume information

The active ADSL lines are 1,000,000 as can be viewed in spreadsheet cell "LM" of spreadsheet "N". Because we need volume information only for derivation of the line-sensitive costs, we do not require additional volume information.

## 6. Calculation

Component		Annual totals (million SAR)	Per user per month
Proposed Retail price of 512 broadband ADSL	<b>P</b>		120
Wholesale charge for associated upstream ADSL product	<b>W</b>		100
Marketing		50	4.2
Billing		20	1.7
General administration		50	4.2
Cost on capital		50	4.2
Depreciation		50	4.2
<i>Total Incremental downstream retail costs of broadband</i>	<b>C</b>	220	18.5
Total cost	<b>T = W + C</b>		118.5
Margin	<b>P - T</b>		1.5

The proposed tariff passes the test.

## B. Example with Cost Proxies

### 1. Description of Tariff

*The tariff proposed is a reduction in the monthly recurring price of the 512kps ADSL service.*

### 2. Price components

*The Price component is the annual monthly access charge, which covers both access and connectivity and which currently stands at SAR 200 per month. The proposal is to reduce this charge to SAR 120 per month.*

### 3. Wholesale input components

*The relevant wholesale service for this retail service is bitstream access, which is sold for SAR 100 per month.*

### 4. Cost components

*As no Approved Costs exists, the wholesale price is marked-up by 20%*

### 5. Volume information

*No volume information is required for this imputation test.*

### 6. Calculation

Component		Per user per month (SAR)
Proposed Retail price of 512 broadband ADSL	<b>P</b>	120
Wholesale charge for associated upstream ADSL product	<b>W</b>	100
Downstream Costs (20%) of Wholesale		20
<i>Total Incremental downstream retail costs of broadband</i>	<b>C</b>	20
Total cost	<b>T = W + C</b>	120
Margin	<b>P - T</b>	0

The proposed tariff passes the test.

## **Annex I: Predatory Bundle Test**

The Predatory Bundle Test is designed to demonstrate that the proposed tariff of a Bundle, which includes a Service for which the applicant is DSP and can be replicated by one or more competitors in the market, is not below cost.

The following form is to be submitted by service providers pursuant to the requirements set out in the relevant Tariff Approval and Notification processes.

For this Predatory Bundle Test, the applicant must demonstrate, in particular, that the Effective Price of the Bundle is above the sum of the stand-alone price floors of the component Services (less any allowance for savings through bundling).

The test will be determined on the same basis as the Price Floor Test and/or Imputation Test, making use of Cost Proxies and mark-ups in the absence of Approved costs, where relevant, as discussed above in respect to those two tests.

# Predatory Bundle Test Form

## 1. Description of Tariff

Please provide a short description of the Service and the proposed pricing.

Please ensure that component Services in the Bundle are listed.

## 2. Price components

Please list each of the Service Price components and the accompanying Price element necessary to calculate the effective price of the Bundle.

## 3. Cost components

Identify those Services which have wholesale components for which the applicant has been designated dominant (“imputation test Services”) and those for which the applicant has not been designated dominant do not (“price floor Services”).

For imputation test Services:

- Please list each of the Wholesale Services a) which are used in the provision of the tariff approval Service and b) for which the applicant has been designated dominant.
- Please list the all the Price elements for each Wholesale Service necessary to calculate the effective price of the Wholesale Service.
- Please list each of the retail cost components and the accompanying costs necessary to calculate the cost of the imputation test Service.
- Where Approved Costs are available for deriving the retail costs, please attached accompanying references to the specific CITC-approved model, spreadsheet and cell of the costs.
- Where Approved Costs are not available for deriving the retail costs, confirm that the mark-up of 20% over the effective price of the wholesale input was used. Also identify any relevant outpayment made to another service provider.

For price floor test Services:

- Please list each of the cost components and the accompanying costs necessary to calculate the total cost of the Service.
- Where the Approved Costs used, please attached accompanying references to the specific model version, spreadsheet and cell of the cost.
- Where the costs are derived on the basis of Cost Proxies, please refer to the specific Cost Proxy from Annex E of these Tariff Procedures.

#### **4. Volume information**

Please supply specific information and evidence on how the volumes in the calculation were derived. Justification for why the particular volume information used in the calculation is representative or otherwise appropriate for the Test and details of any elasticity information should be included.

#### **5. Confirmation of replicability**

Please refer to the Services in the Bundle and consider the licenses of competitors. Indicate which competitors could legally replicate the proposed Bundle. For those that could legally replicate, indicate which competitors are actually offering similar Services to that in the proposed Bundle.

#### **6. Cost savings information**

Please supply specific information and evidence quantifying any cost savings that may be expected in the provision of these Services as a Bundle. This evidence will only be accepted if derived from a CITC-approved cost model.

#### **7. Calculation**

Please supply the detailed calculation of the price floor as the sum of the individual stand-alone price floors less any costs savings from bundling and the effective price of the proposed tariff Bundle.

Indicate whether the effective price is at or above the sum of stand-alone price floors less cost savings.

Please mark confidential information with # # and submit both confidential and non-confidential versions of the test

# Predatory Bundle Test Example

The following is a worked example of the Predatory Bundle Test using illustrative data. The example is for a fictional Bundle combining residential access, international calling and an ADSL Service. In this example, it is assumed that no CITC-approved cost model exists, and the applicant has had to rely on Annex E Cost Proxies.

Reference is made to a fictitious “confidential annex” which is not included in the example. Also note that in this fictional example there are only 3 international direct dialling (IDD) zones.

## 1. Description of Tariff

*This service offers the customer a bundle including a residential access line and 1 Meg ADSL service for the bundle price of SAR 200. It also includes international (IDD) calling at single unified price of SAR 1.*

## 2. Price components

*The Price component are as follows:*

- Flat fixed Price at SAR 200
- International calling priced at SAR 1 per minute irrespective of destination

## 3. Cost components

*Those services in the bundle that qualify as “imputation test services” in this bundle are:*

- ADSL
- IDD

*The service in the bundle that qualifies as a “price floor service” is the Fixed access line.*

*The Cost Proxy, from Annex E, for fixed access line is the retail price of SAR 30 per month.*

*For the imputation test services, the relevant wholesale services are:*

- For ADSL, bitstream access
- For IDD, wholesale IDD origination for all zones

*Based on Annex E, for the Cost Proxies, we mark up the relevant wholesale costs by 20%:*

- Bitstream access price + 20%, i.e., SAR 144
- Zone 1 wholesale IDD + 20% is 0.75 per minute
- Zone 2 wholesale IDD + 20% is 1.00 per minute
- Zone 3 wholesale IDD + 20% is 1.50 per minute

*We note that the wholesale IDD already account for far-end termination.*

#### 4. Volume information

Please find appended in the confidential annex, the latest 12 month data on residential:

- International calls to Zones 1, 2 and 3, respectively; and
- Fixed access lines.

We use the number of fixed access lines to determine the average monthly calling for International calls to Zones 1, 2 and 3: 8, 4 and 4 minutes per month respectively.

In the confidential annex evidence is provided justifying the assumed elasticity effect of the reduction in price for international calling being at most 25%. The forecasted demand is therefore raised to 10, 5 and 5 minutes per month respectively.

#### 5. Confirmation of replicability

There is another fixed licensee that is legally able to the same bundle as is described in this application, XYZ Company. Currently they are offering all these component services.

#### 6. Cost savings information

As there is no CITC approved cost model, no cost savings estimates are included in this test.

#### 7. Calculation

Price floor Calculation	Cost proxy	Vols	Price floor
Residential Access	30	1	30.00
Zone 1 IDD	0.75	10	7.50
Zone 2 IDD	1	5	5.00
Zone 3 IDD	1.5	5	7.50
1 Meg Internet Access	144	1	144.00
<b>Bundle price floor</b>			<b>194.00</b>
Effective Price Calculation	Price	Vols	Revenue
Monthly recurring	200	1	200
Zone 1 IDD	1	10	10
Zone 2 IDD	1	5	5
Zone 3 IDD	1	5	5
<b>Effective price</b>			<b>220.00</b>

The effective price is therefore above the sum of the stand-alone price floors.

## **Annex J: Exclusionary Bundle Test**

The Exclusionary Bundle Test is designed to demonstrate that the proposed tariff of a Bundle, which includes a Service for which the applicant is DSP and cannot be replicated by one or more competitors in the market, is above the cost and does not unfairly render unbundled purchase of component Services unattractive to consumers.

The following form is to be submitted by service providers pursuant to the requirements set out in the relevant Tariff Approval and Notification processes.

For the Exclusionary Bundle Test, the applicant must demonstrate, in particular, that each of the incremental prices of the component Services is above its respective price floor.

Furthermore, the DSP must certify that the component Services for which it is designated dominant are available on a stand-alone basis.

The Exclusionary Bundle Test will be determined on the same basis as the Price Floor Test and/or Imputation Test, making use of Cost Proxies and mark-ups in the absence of Approved Costs, where relevant, as discussed in respect to those two tests.

# Exclusionary Bundle Test Form

## 1. Description of Tariff

Please provide a short description of the Service and the proposed pricing.

Please ensure that component Services in the Bundle are listed.

## 2. Price components

Please list each of the Service Price components and the accompanying Price element necessary to calculate the effective price of the Bundle.

## 3. Cost components

Identify those Services which have wholesale components for which the applicant has been designated dominant (“imputation test Services”) and those for which the applicant has not been designated dominant do not (“price floor Services”).

For imputation test Services:

- Please list each of the Wholesale Services a) which are used in the provision of the tariff approval Service and b) for which the applicant has been designated dominant.
- Please list the all the Price elements for each Wholesale Service necessary to calculate the effective price of the Wholesale Service.
- Please list each of the retail cost components and the accompanying costs necessary to calculate the cost of the imputation test Service.
- Where Approved Costs are available for deriving the retail costs, please attached accompanying references to the specific CITC-approved model, spreadsheet and cell of the costs.
- Where Approved Costs are not available for deriving the retail costs, confirm that the mark-up of 20% over the effective price of the wholesale input was used. Also identify any relevant outpayment made to another service provider.

For price floor test Services:

- Please list each of the cost components and the accompanying costs necessary to calculate the total cost of the Service.
- Where the Approved Costs used, please attached accompanying references to the specific model version, spreadsheet and cell of the cost.
- Where the costs are derived on the basis of Cost Proxies, please refer to the specific Cost Proxy from Annex E of these Tariff Procedures.

#### **4. Volume information**

Please supply specific information and evidence on how the volumes in the calculation were derived. Justification why the particular volume information used in the calculation is representative or otherwise appropriate for the Test and details of any elasticity information should be included.

#### **5. Confirmation of Bundle type**

Confirm that there is no active licensee in the Kingdom that may legally provide all the Services in the Bundle

Please confirm whether the Tariff Approval Services in the Bundle are available on a stand-alone basis.

#### **6. Incremental Prices of Stand-alone Services**

Calculate the incremental prices of each of the Services by subtracting the sum of the stand-alone prices of all other Services in the Bundle from the bundle price.

#### **7. Calculation**

Please supply the detailed calculations of the price floor test or imputation test for each of the Services.

Indicate whether all of the incremental prices are at or above the respective price floor.

Please mark confidential information with # # and submit both confidential and non-confidential versions of the test.

# Exclusionary Bundle Test Example

The following is a worked example of the Exclusionary Bundle Test using illustrative data. The example is for a fictional Bundle combining residential access, a ADSL Service and 3G mobile internet access. In this example, it is assumed that no CITC-approved cost model exists and the applicant has had to rely on Annex E Cost Proxies or mark-ups over the underlying wholesale price.

## 1. Description of Tariff

*This service offers the customer a bundle include a residential access line, 1 Meg ADSL service and a 3G SIM-based internet access card for the bundle price of SAR 320 per month.*

## 2. Price components

*The Price component is the bundle price of SAR 320 per month.*

## 3. Cost components

*The service in the bundle that qualifies as “imputation test services” is the ADSL service.*

*The services in the bundle that qualify as “price floor services” are:*

- *Fixed access line; and*
- *3G SIM-based internet access card.*

*For the price floor test services, the costs are derived on the basis of Cost Proxies from Annex E. In particular, for:*

- *Fixed access line, the retail price of SAR 30 is used; and*
- *For the 3G SIM-based internet access card, a non-DSP service, retail minus 20% is used, which is SAR 100x80% or SAR 80.*

*For the imputation test service, the relevant wholesale service is bitstream access. The relevant Cost Proxy is the 1 Mbps bitstream access price plus 20% for the 1 Meg bitstream access, i.e., SAR 144.*

#### 4. Volume information

*The calculation is conducted on the basis of a single access line so no additional volume information is required.*

#### 5. Confirmation of Bundle type

*No other service provider in the Kingdom is currently licensed to offer both fixed internet and mobile internet services.*

*We confirm that each of the Tariff Approval services in the bundle is available on a stand alone basis.*

#### 6. Incremental Prices of component Services

The incremental prices (in SAR) of the component services are as follows:

<b>Components</b>	<b>Stand-alone price</b>	<b>Bundle price</b>	<b>Sum of other stand-alone prices</b>	<b>Incremental price</b>
Residential access	30	320	311	9
1 Meg Internet access	211	320	130	190
3G Mobile Internet access	100	320	241	79

#### 7. Calculation

*The price floor for each of the bundle services are as follows:*

- Residential access: SAR 30*
- 1 Meg Internet access: SAR 144*
- 3G Mobile Internet access: SAR 80*

*The price floor of two of the three services, residential access and 3G Mobile Internet access, are above their respective incremental price. So, the test is not passed.*