



Response to Petition for Reconsideration

Regarding the TRA's Decision

Termination of Inbound International Traffic Case Number IT/D/22Apr06/02

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1. The Proceedings

In accordance with the TRA's Interconnection Dispute Resolution (IDR) Procedures:

- 1.1. On 22 April 2006, EITC submitted a Direct Filing to the TRA requesting the TRA to intervene to resolve an Interconnection Dispute regarding 'Termination of Inbound International Traffic' between EITC and Etisalat.
- 1.2. On 20 June 2006, the TRA issued an Interim Decision in the Case.
- 1.3. On 26 December 2007, the TRA issued a Decision in the main Case.
- 1.4. On 6 January 2008, Etisalat filed a Petition for Reconsideration of the Decision in the main Case.

2. Etisalat Requests

In its Petition for Reconsideration, Etisalat requested the TRA to issue Orders whereby:

- "1. The TRA revokes the decision set out in Article 6.2 of the final decision issued by the TRA on 26 December 2007 concerning an interconnection dispute in the matter of Termination of Inbound International Traffic (Case Number IT/D/22Apr06/02)(the "Final Decision").
- 2. The TRA replaces the decision set out in Article 6.2 of the Final Decision with a decision which:
 - (a) denies, in their entirety, requests (2) and (3) made by Emirates Integrated Telecommunications Company PJSC ("EITC") in its Direct Filing submitted to the TRA on 22 April 2006 in relation to an interconnection dispute in the matter of termination of inbound international traffic (the "EITC Direct Filing");

and/or in the alternative

(b) orders that Etisalat terminate on its fixed and mobile public telecommunication network, telecommunication services (including telephone calls and SMS and MMS traffic) that





enter the United Arab Emirates through EITC's international gateway facility, at the same price, and on the same terms and conditions for each inbound traffic route, as Etisalat would currently terminate such traffic on behalf of Etisalat's international correspondent partners, if that traffic entered the United Arab Emirates through Etisalat's international gateway facility;

and/or in the alternative

(c) orders that Etisalat terminate on its fixed and mobile public telecommunication network, telecommunication services (including telephone calls and SMS and MMS traffic) that enter the United Arab Emirates through EITC's international gateway facility, at a single rate applicable to all routes calculated as a discount to the weighted average settlement rate that Etisalat currently receives from inbound international settlements.

and/or in the alternative

- (d) orders that both EITC and Etisalat must charge prices to international correspondent partners for the termination of inbound international traffic in the United Arab Emirates which are no lower that the stipulated price floors to be set by the TRA in accordance with Article 14(1) of Federal Law By Decree No. 3 of 2003.
- The TRA suspends the application of the decision set out in Article 6.2 of the Final Decision from the date of this Petition for Reconsideration until the TRA has either issued a Reviewed Final Decision or formally determined to maintain its Final Decision.
- 4. If the TRA does not order one or more of the above requests, then the TRA shall order whatever other measures it considers appropriate."

3. Implementation of "Price Floors"

3.1. In its initial review of Etisalat's Petition for Reconsideration, the TRA noted the addition of an alternative Request wherein Etisalat requested that the TRA establishes minimum prices applicable to both Etisalat and EITC which would require the Licensees to mutually adhere to a minimum price which





they could charge to their international partners for the termination of international traffic within the UAE.

- 3.2. Accordingly, Etisalat's Request 1(d) requests that the TRA:
 - "...orders that both EITC and Etisalat must charge prices to international correspondent partners for the termination of inbound international traffic in the United Arab Emirates which are no lower that the stipulated price floors to be set by the TRA in accordance with Article 14(1) of Federal Law By Decree No. 3 of 2003."
- 3.3. In this instance, the TRA notes that Article 14(1) of Federal Law by Decree No. 3 of 2003, as amended, empowers the TRA to issue regulations, orders, resolutions and procedures in respect to, "...tariff, charges and fees levied by Licensees as determined by the Supreme Committee..."
- 3.4. While the TRA recognizes that the aforementioned citation grants its discretionary power to regulate retail and wholesale prices, among other things, the TRA notes that Etisalat implies that this Article has been interpreted to include prices charged by Licensees to their international partners in other countries.
- 3.5. In fact, the TRA notes that this is the first reference to this position in any of Etisalat's Filings and finds that Etisalat should properly have introduced this position in either its Rebuttal or Response to Surrebuttal submissions so that EITC would have had the opportunity to challenge Etisalat's position and the TRA would have had the opportunity to consider the argument within the broader context of Etisalat and EITC's Filings which preceded the TRA's issuance of its Decision.
- 3.6. Accordingly, the TRA determines that Etisalat's submission of this position is untimely and is therefore irrelevant to a reconsideration of the TRA's Decision.

4. Basis for Examining EITC's Claim

4.1. In its Petition for Reconsideration, Etisalat took the position that the TRA's, "...conclusion as to its jurisdiction to proceed with an examination of this case is incorrect."

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¹ Etisalat Filing, 6 January 2008, Page 9





- 4.2. Etisalat proceeded to contextualize its arguments by referring to Article 5.2.2 of the TRA's Interconnection Dispute Resolution Procedures, Version 1.0, which requires that the TRA must specifically authorize any modifications to increase or decrease the scope of the Filing.
- 4.3. In this regard, Etisalat adopted a position which was merely a repetition of the arguments which it originally presented in its Response to EITC's Surrebuttal.
- 4.4. Specifically, Etisalat reiterated that, in its Direct Filing, EITC claimed that Etisalat had "refused" to supply the interconnection service in question, and that in its Surrebuttal Filing, EITC divergently contended that Etisalat had "effectively refused" to supply the service and in so doing, expanded the scope of EITC's Direct Filing.
- 4.5. In its Petition for Reconsideration, Etisalat argued that because the TRA never authorized an expansion of the scope of the Dispute, EITC's qualification of the refusal as "effective" represents an expansion of the original basis of EITC's Direct Filing, and subsequently, represents a critical defect in EITC's Filings.
- 4.6. In the opinion of the TRA, the "effective refusal" language which was employed in EITC's Surrebuttal was an illumination of its original position and not a substantive expansion of the foundation of EITC's Direct Filing.
- 4.7. Additionally, the TRA takes note that Etisalat supported its position of an expansion of the Direct Filing by mentioning that, "In Article 5.1.5 of the Final Decision, the TRA refers to the fact that EITC has, in its Surrebuttal...attempted to remedy this procedural defect..."²
- 4.8. With respect to Etisalat's argument in this regard, the TRA finds that Etisalat has profoundly mischaracterized this portion of the TRA's Decision.
- 4.9. In fact, in Article 5.1.5 of the TRA's Decision, the TRA merely cited EITC's argument that, "...the alternative proposals amount to an effective refusal to supply, and du has raised the dispute accordingly." 3
- 4.10. Therefore, the TRA takes exception to Etisalat's argument that, "the TRA refers to the fact", as the proposition raises the suggestion that in its Decision, the TRA acknowledged that EITC had actually attempted to remedy a procedural defect.

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² Etisalat Filing, 6 January 2008, Page 9

³ TRA Decision IT/D/22Apr06/02, 26 December 2007, Page 12





- 4.11. Furthermore, to restate the TRA's position with regard to this issue, the TRA would refer to Article 5.1.6 of the Decision wherein the TRA concluded that, "Despite the practical deviation in the Parties' respective interpretation of the term 'refusal', the TRA is satisfied that there is sufficient disagreement between the Parties to warrant consideration of the associated substantive arguments presented by EITC and Etisalat, respectively, and proceed with an examination of the Case."
- 4.12. Ultimately, in the view of the TRA, EITC did not require specific TRA authorization to submit its derivative arguments. Accordingly, the TRA finds that its examination of the Parties' arguments was proper and that the arguments presented by EITC in its Surrebuttal were not indicative of a procedural defect.

5. Analysis of the Regulatory Framework

- 5.1. In its Petition for Reconsideration, Etisalat argued that the TRA's "...conclusions as to the appropriate interpretation of the Interconnection Instructions as they apply to the Inbound International Termination Service are incorrect."
- 5.2. However, despite its assertions that the TRA erroneously interpreted the Regulatory Framework, Etisalat failed to provide any definitive substantiation for its claim that the TRA's conclusions are incorrect; instead, Etisalat merely offered two alternative interpretations.
- 5.3. Etisalat's first alternative relied on Etisalat's contention that, "...the Inbound International Termination Service is more appropriately characterized as an International Interconnection Service covered by Article 3.8 of the Interconnection Instructions...".
- 5.4. As the basis of its argument, Etisalat cited Article 3.8 of the TRA's Interconnection Instructions, Version 1.2, asserting that the International Interconnection Service is the appropriate categorization of the traffic at issue in this Dispute, "...because the service allows EITC to connect to [emphasis added] international destinations..."

⁶ Etisalat Filing, 6 January 2008, Page 10

⁴ TRA Decision IT/D/22Apr06/02, 26 December 2007, Page 12

⁵ Etisalat Filing, 6 January 2008, Page 10

⁷ Etisalat Filing, 6 January 2008, Page 11





- 5.5. However, in reality, the calls in question in this Case are being connected **from** international destinations and not **to** international destinations. Accordingly, the "destination" of the calls is in the UAE and not, as Etisalat states, international destinations. Therefore, Etisalat's interpretation of the Interconnection Instructions is factually incorrect.
- 5.6. Additionally, Etisalat made the argument that, ,"...because the service allows EITC to connect to international destinations, in the case where the <u>customer</u> [emphasis added] to whom the connection relates is connected to an Etisalat network."
- 5.7. In this respect, however, the TRA finds that Etisalat's reference to a "customer" is inaccurate due to the fact that the customer in an incoming international call scenario is the customer who places the outgoing call from a location in another country. As such, the customer in this case is not, as Etisalat claims, an Etisalat customer.
- 5.8. Accordingly, the TRA determines that Etisalat has, in fact, misinterpreted the TRA's Interconnection Instructions and that the traffic in question is not analogous to the International Interconnection Service as specified in Article 3.8 of the TRA's Interconnection Instructions, Version 1.2.
- 5.9. Notwithstanding the substantive flaws in Etisalat's argument, the TRA notes that this is the first reference to this argument in any of Etisalat's Filings and finds that Etisalat should properly have introduced this argument in either its Rebuttal or Response to Surrebuttal submissions so that EITC would have had the opportunity to challenge Etisalat's position.
- 5.10. As such, the TRA determines that the introduction of this argument in Etisalat's Petition for Reconsideration effectively denied EITC the right to be heard on this matter.
- 5.11. Accordingly, the TRA determines that Etisalat's submission of this argument is untimely and irrelevant to a reconsideration of the TRA's Decision.
- 5.12. Etisalat's second alternative interpretation of the TRA's Interconnection Instructions assumed that "...if the Inbound International Termination Service is a Terminating Call Conveyance Service covered by Article 3.3 of the Interconnection Instructions, then it can and should be distinguished from the other, basic, Terminating Services set out in Article 3.3.1 of the Interconnection Instructions."9

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⁸ Etisalat Filing, 6 January 2008, Page 11

⁹ Etisalat Filing, 6 January 2008, Page 11





- 5.13. With respect to Etisalat's arguments regarding Article 3.3 of the Interconnection Instructions, the TRA determines that they are merely a restatement of arguments presented in Etisalat's Filings and as such, were already considered in the TRA's analysis which formed the basis of its Decision.
- 5.14. In summary, despite its contention that the TRA's conclusion in this matter was "incorrect", Etisalat failed to affirmatively substantiate its claim. Instead, Etisalat inappropriately presented a new argument and restated an argument that was previously discredited in the Decision.

6. Analysis of Cost Differentials

- 6.1. In its Decision in the main Case the TRA concluded that, "Based on the facts at hand, the TRA finds that the cost of providing terminating interconnection service for calls terminating in the UAE and originating either in the UAE or internationally is fundamentally indistinguishable." 10
- 6.2. In the context of this conclusion, in its Decision the TRA had taken particular notice of the fact that, "...throughout Etisalat's Filings, there is no mention, or even suggestion, of any additional costs which Etisalat incurs in relation to the termination of traffic which originates abroad compared with traffic which originates domestically."¹¹
- 6.3. In its Petition for Reconsideration, Etisalat claimed that the TRA should have narrowly tailored its examination and conclusions to exclude the cost of provisioning the Interconnection Service in its Decision because, according to Etisalat, "...the only legitimate issue for the TRA to determine is whether or not Etisalat has refused to terminate on its network inbound international traffic entering the UAE through EITC's international gateway...". 12
- 6.4. Accordingly, Etisalat concluded that it, "...did not consider it appropriate in its Rebuttal and Surrebuttal to make detailed submissions regarding the appropriate charges that should apply for the provision of this service and/or the relevant costs underpinning those charges..." 13

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¹⁰ TRA DecisionIT/D/22Apr06/02, Page 17

¹¹ TRA Decision IT/D/22Apr06/02, 26 December 2007, Page 17

¹² Etisalat Filing, 6 January 2008, Page 13

¹³ Etisalat Filing, 6 January 2008, Page 13





- 6.5. In consideration of Etisalat's argument, the TRA refers to EITC's Direct Filing, wherein EITC argued that the, "...cost of providing the termination service for international traffic is the same as the cost for providing the service with respect to domestic traffic..."¹⁴
- 6.6. Similarly, in its Surrebuttal, EITC argued that the, "...price of an interconnection service should reflect the underlying costs of providing such a service..." 15
- 6.7. Therefore, the TRA affirms that cost considerations were unambiguously presented by EITC as fundamental evidence to support its Request that the, "...TRA orders that Etisalat provide the international termination service, and at the same price, and on the same terms and conditions..." 16
- 6.8. As such, the TRA finds that Etisalat has attempted to unilaterally modify the scope of the Dispute by arbitrarily excluding arguments and evidence submitted by EITC in its respective Filings based on Etisalat's subjective assessment of their relative importance.
- 6.9. Accordingly, the TRA rejects Etisalat's argument that the only "legitimate issues" for TRA consideration in this instance are in respect to evaluating Etisalat's "refusal" to provide the respective interconnection service to EITC.
- 6.10. Furthermore, the TRA determines that EITC's cost arguments were rightfully considered by the TRA and Etisalat's failure to rebut these arguments are not determinative of their relevance to the Case.

7. Analysis of International Best Practice

- 7.1. In its Decision, the TRA took the position that, "...in the context of international best practice, countries that use cost based interconnection typically [emphasis added] do not make a distinction between calls originating either domestically or internationally." 17
- 7.2. However, in its Petition for Reconsideration, Etisalat argued that the TRA's conclusion was "factually incorrect".

¹⁴ EITC Filing, 22 April 2006, Page 11

¹⁵ EITC Filing, 10 June 2006, Page 8

¹⁶ EITC Filing, 22 April 2006, Page 3

¹⁷ TRA Decision IT/D/22Apr06/02, 26 December 2007, Page 17





- 7.3. Accordingly, Etisalat argued that, "...this finding is both incorrect in relation to and out of line with international best practice countries in the Arab region which use cost based interconnection such as Bahrain...". 18
- 7.4. In support of this position, Etisalat cited the Bahraini Regulator's, "...Reference Interconnection Offer Approval Notice issued on 7 February 2007...". 19
- 7.5. Notably, the TRA observes from Etisalat's excerptions that the Bahraini Regulator determined that, "...the maintenance of higher international inbound and in-payment rates by Batelco may allow it to use the additional funds to support loss making activities across its networks...".20
- 7.6. Accordingly, the TRA finds that the Bahraini Regulator considered, and in fact relied upon, non-cost elements in its treatment of this issue and, by Etisalat's own admission, does not anticipate applying cost-based principles prior to 2010.
- 7.7. Notwithstanding, the TRA would remind Etisalat that the TRA's assertion was in relation to "typical" tendencies in cost-based countries and that isolated exceptions to the trend do not support the conclusion that the TRA was "factually incorrect".
- 7.8. In its further examination of international best practice, Etisalat also introduced a graphical analysis with the following title wherein it presented various international markets as support for its revenue protection position:

"IT IS COMMON THAT INTERNATIONAL INCOMING TRAFFIC REVENUE OF THE INCUMBENT ARE PROTECTED."²¹

- 7.9. In particular, the TRA takes note of the fact that Etisalat puts forth a comparison of prices in certain countries such as Moldova, Albania and Ukraine where, at least according to Etisalat, the revenue stream of incumbents is protected.
- 7.10. Furthermore, the TRA takes note that in its submission, Etisalat marked the above referenced graph as "Confidential" and in so doing, requested that any public reference to the material be withheld.

¹⁸ Etisalat Filing, 6 January 2008, Page 16

¹⁹ Etisalat Filing, 6 January 2008, Page 18

Etisalat Filing, 6 January 2008, Page 19

²¹ Etisalat Filing, 6 January 2008, Page 17





- 7.11. In accordance with the Interconnection Dispute Procedures, the TRA examined the material to verify Etisalat's claim of confidentiality and directed a series of inquiries to Etisalat requesting specific clarification of several items.
- 7.12. The data presented in the graph was a comparison of so-called "national termination rates" and so-called "international incoming rates". In as much as the title of the graph related to revenue protection schemes by the incumbents in the countries mentioned, the TRA notes Etisalat's supposition that in-country competitive operators in those countries are required to pay the incumbent operators a higher price to terminate traffic originated abroad than for traffic originated domestically.
- 7.13. In fact, this conclusion coincides with Etisalat's request that the in-country competitive operator, EITC, be made to pay more to terminate traffic on Etisalat's network for calls originated abroad than for calls originated in the UAE.
- 7.14. In response to the TRA's inquiries regarding the confidential nature of the material, Etisalat furnished an explanation in which it stated that the so-called "inbound international termination rates" in question referred to actual settlement rates paid by Etisalat to a global resale company to terminate traffic in the countries depicted in the graph.
- 7.15. For the purposes of the Case at hand, the TRA determines that the actual prices are confidential and will be treated accordingly.
- 7.16. However, the TRA notes that an identification of the prices Etisalat pays to a global reseller to terminate traffic in the countries specified, compared to terminating interconnection rates in those countries, does not provide evidence that in-country competitive operators in those countries are required to pay incumbent operators a higher price to terminate traffic which originated abroad than for traffic which originated domestically.
- 7.17. Accordingly, the TRA finds that the graphical analysis which Etisalat presented is entirely incompatible with the incumbent revenue protection position which it is intended to substantiate.
- 7.18. Ultimately, the TRA finds that Etisalat has failed to demonstrate that the TRA's determinations in its Decision were factually incorrect.





8. Analysis of Economic Issues

- 8.1. In its Decision in the main Case, the TRA concluded that, "...if a higher price is demanded by Etisalat to terminate traffic originating internationally versus domestically, then the maximum economic benefits expected to be derived from a competitive telecommunication sector would be jeopardized."²²
- 8.2. However, in its Petition for Reconsideration, Etisalat argued that, "...the TRA's Final Decision reaches certain critical conclusions regarding the analysis of the economic issues applicable to this matter that are flawed."²³
- 8.3. Accordingly, Etisalat asserted that, "The TRA's Final Decision WILL inevitably lead to a price war over international settlement rates in the UAE."²⁴
- 8.4. In this regard, the TRA is of the opinion that there are numerous economic forces that may cause a downward effect on the rates which Etisalat charges to its international partners for the termination of traffic in the UAE.
- 8.5. Specifically, the TRA notes that historical asymmetries, the natural effects of the introduction of competition, the global trend in price and cost reduction for telecommunications services and numerous other factors may directly and/or indirectly contribute to a reduction in Etisalat's prices to its international correspondents.
- 8.6. As evidence of its price war scenario, Etisalat argued that it has, "...been forced to reduce inbound international termination rates for certain European carriers without any compensating reduction on the outbound termination of Etisalat's traffic to Europe."²⁵
- 8.7. However, the TRA notes that Etisalat did not identify the relevant countries that allegedly forced Etisalat to lower its prices without a reciprocal reduction, nor did Etisalat contextualize these reductions in comparison to their other prices or submit any conclusive evidence that these reductions were the direct result of a price war with EITC as opposed to any other possible reason for a price reduction.
- 8.8. In the TRA's Decision, the TRA also posited that, "In addition to the generic benefits of competition such as increased consumer choice and increased

²⁴ Etisalat Filing, 6 January 2008, Page 21

²² TRA Decision IT/D/22Apr06/02, 26 December 2007, Page 22

²³ Etisalat Filing, 6 January 2008, Page 21

²⁵ Etisalat Filing, 6 January 2008, Page 21





innovation, the TRA would expect settlement rates to exert downward pressure on the retail prices of outbound international call services from the UAE, thus benefiting UAE consumers and businesses.²⁶

- 8.9. In its Petition for Reconsideration, Etisalat argued that the foregoing, "...conclusions by the TRA are lacking in any factual basis and are manifestly flawed."²⁷
- 8.10. Additionally, Etisalat contended that, "...the TRA's conclusion that lower prices for inbound international termination will exert downward pressure on the retail prices of outbound international call services from the UAE is illogical."²⁸
- 8.11. Accordingly, Etisalat contended that, "...there is no logical connection between lower international termination prices in the UAE and Etisalat and/or EITC being able to negotiate lower international terminated prices for their outbound traffic which issue is entirely dependent on the regulatory protections in place and other circumstances in the relevant overseas destinations."²⁹
- 8.12. However, Etisalat again neglected to provide any definitive evidence of "regulatory protections" or the nature and/or extent of the "other circumstances" which Etisalat claims are the true determinants of the prices which Etisalat is charged for the termination of traffic abroad.
- 8.13. Additionally, in its Petition for Reconsideration, Etisalat argued that, "...lower inbound international termination prices in the UAE might even reasonably be concluded to have the opposite effect of encouraging overseas operators to maintain or increase their inbound international termination prices, so as to encourage a net traffic flow out of their countries and into the UAE, where they would stand to make a higher level of profit as a result of the TRA's Final Decision."³⁰
- 8.14. As evidence of this assertion, Etisalat contended that this scenario, "...has been witnessed to date with Indian traffic where lower inbound rates have resulted in a call back phenomenon."³¹

²⁶ TRA Decision IT/D/22Apr06/02, 26 December 2007, Page 21

²⁷ Etisalat Filing, 6 January 2008, Page 22

Etisalat Filing, 6 January 2008, Page 23

²⁹ Etisalat Filing, 6 January 2008, Page 23

³⁰ Etisalat Filing, 6 January 2008, Page 23

³¹ Etisalat Filing, 6 January 2008, Page 23





- 8.15. With respect to Etisalat's arguments in this regard, the TRA notes that Etisalat neglected to provide any definitive evidence of the actual existence of a "call back phenomenon" in India, or any direct causal link to termination rates which would conclusively support the application of such an example to the UAE.
- 8.16. Taken as a whole, the TRA finds that the arguments which Etisalat submitted in its Petition for Reconsideration merely represent a restatement of the arguments presented in its earlier Filings with the addition of the unsubstantiated claims referenced above.
- 8.17. Accordingly, the TRA finds no merit in Etisalat's assertion that the analysis and conclusions presented in the Decision are manifestly flawed.

9. Conclusion

- 9.1. In its Response to Etisalat's Petition for Reconsideration, the TRA has evaluated the arguments and evidence presented in Etisalat's Petition for Reconsideration.
- 9.2. Accordingly, the TRA finds that Etisalat has neither submitted arguments nor presented evidence which identifies any error with respect to the TRA's Decision.
- 9.3. As such, the TRA determines that there is no material basis for Etisalat's request that the TRA reconsiders its Decision.
- 9.4. Therefore, the TRA discharges Etisalat's Petition from further deliberation and affirmatively sustains its Decision in Case IT/D/22Apr06/02 issued on 26 December 2007.