

ANNEX B: Pricing of MDS-A

Introduction

- 1.1 BNET's first proposal for the MDS – A service (a merger of the MBS and DS services), the April Proposal, included new prices compared to the current RO, a volume-based discount (applicable to new requests only), and the removal of some of the speeds which are currently used by LOs. The proposal would have resulted in LOs needing to change some of the speeds they currently use.
- 1.2 In a subsequent proposal, the October Proposal, all speeds were re-introduced but all discounts were removed.
- 1.3 In the Final Submission all current speeds have been retained and the discount scheme re-introduced with two modifications: (i) the discount would now be applicable to all circuits, instead of new requests only as per the April Proposal; and (ii) BNET proposed one threshold of 400 circuits¹ to qualify for the discount.
- 1.4 The volume discounts for the April Proposal, October Proposal, and Final Submission are summarised in Table 1 below. More details about the prices under the three proposals are presented in Table 2 to Table 5 below.

¹ BNET stated: "To qualify for this volume discount, the following conditions must be met:

1. The relevant Access Seeker has existing and active MDS-A Service Connection and/ or Service Orders placed for MDS-A Connection, which in total equal to or exceed 400 (as further described below) and this volume discount threshold of 400 in total must be maintained at all times; and
2. With the exception of MDS-A Service Orders placed after the date of approval of the current Reference Offer, only existing and active MDS-A Service Connections that are under a Minimum Service Period of 24 months qualify for the purpose of application of this volume discount. For avoidance of doubts, any existing and active MDS-A Service Connection that are not under a Minimum Service Period of 24 months, would not be taken into account.

Notwithstanding the provisions governing Minimum Service Period or Renewed Minimum Service Period, respectively, as set out in Schedule 6.3 (MDS-A), the Access Seeker may, within two weeks following the date of approval of the current Reference Offer (i) place Service Orders for new MDS-A Connection(s) and (ii) renew the Minimum Service Period for any existing and active MDS-A Service Connections in order for these Connections to be under a new Minimum Service Period of 24 months, in which case (i) all Service Orders for new MDS-A Connection(s) and (ii) all the existing and active MDS-A Service Connections for which the Access Seeker renewed their Minimum Service Period within these two weeks, would qualify for this volume discount, and the relevant Access Seeker will benefit from this volume discount from the date of the approval of the current Reference Offer. Such new (or renewed) Minimum Service Period will be considered as a 'Minimum Service Period' pursuant to Schedule 6.3 (MDS-A)."

Table 1: Overview of BNET's proposed volume discounts

| BNET April Proposal | | BNET October Proposal | BNET Final Submission | |
|---------------------------------|----------|-----------------------|-------------------------|----------|
| Volume | Discount | Discount | Volume | Discount |
| Less than 50 new circuits | n/a | n/a for any volume | Less than 400* circuits | n/a |
| Between 50 and 100 new circuits | -10% | n/a for any volume | Above 400* | -20% |
| Above 100 new circuits | -20% | n/a for any volume | | |

Source: BNET RO submissions

* See footnote 1

1.5 TRA analysis concludes that the prices in the BNET MDS-A Final Submission will benefit both MNOs and BNET:

- 1.5.1 It will provide MNOs with lower prices than those in the current RO;
- 1.5.2 It will support the take-up of MDS-A, which will benefit BNET;
- 1.5.3 It is non-discriminatory as it is offered on the same terms to all MNOs, who have the same ability to take advantage of the offer.

1.6 TRA considers both the prices and discount thresholds are reasonable.

TRA's views on BNET's submissions

1.7 TRA considered BNET's April Proposal to be problematic because it included discontinuing existing speeds and forcing BNET's customers to pay higher prices for higher speeds (if they wanted to continue getting at least as much as their existing speeds) when they might not necessarily need them. The proposal therefore had the potential to increase MNOs' costs, potentially resulting in higher prices for mobile services or prices not falling as fast as they might otherwise do. This would negatively impact consumers.²

1.8 BNET did offer volume discounts in the April Proposal, however the discounts only applied to new Service Orders. This meant that MNOs were denied the opportunity to potentially offset the additional costs that would have resulted from being forced to upgrade their

² For instance, under the April Proposal, MNOs who are currently on the 1500Mbps DS service and paying an MRC of BD/month 441 would have to upgrade to the 2500Mbps MDS-A speed at the non-discounted price of BD/month 585. This means a price increase.

existing circuits onto higher speeds at higher prices, with discounted prices for the volume of circuits they have.³

- 1.9 Additionally, because of the removal of certain speeds, the April Proposal could also lead to significant differences in the way MNOs were impacted, depending on their mix of circuits, in particular for those circuits that BNET proposed to discontinue. It would mean that MNOs with a higher number of the discontinued speeds would be more impacted than other MNOs with less of those circuits.
- 1.10 The October Proposal remedied the removal of speeds issue. However, the proposal still remained problematic. The problem we identified is that MNOs are about to go through a period where they would be transitioning to BNET-provided fibre services, which would result in an increase in the number of circuits they purchase from BNET. TRA considers that volume discounts would support take-up of the MDS-A service (hence benefit BNET) while also enabling MNOs to continue to provide quality mobile services at competitive prices based on lower BNET wholesale prices.
- 1.11 As a general rule, it is problematic for a dominant wholesale operator subject to non-discrimination obligations to offer volume discounts. This is because such discounts might lead to discrimination between its customers and should only be used in particular circumstances to address particular market issues. For instance, it has been used in other jurisdictions to stimulate fibre take-up, for example in areas where customers might be satisfied with copper products.⁴
- 1.12 MNOs are in the process of transitioning to BNET-provided fibre services. This means that, following the transition, they will have to rely more on BNET's active RO products for services which they currently self-supply using their fibre assets. Offering discounts for the

³ For instance, under the April Proposal, MNOs who are currently on the 2000Mbps DS service and paying an MRC of BD/month 516.6 would have to upgrade to the 2500Mbps MDS-A speed at the non-discounted price of BD/month 585. This means a price increase. If the discount applied to existing circuits as well and the MNO qualified for the 20% discount (more than 100 circuits), it would have to pay the discounted price of BD/month 468, which is less than BD/month 516.6.

⁴ In the UK, for example, Ofcom approved Openreach's "Equinox 1 Offer" in September 2021 and is currently consulting on Openreach's "Equinox 2" proposal, which it characterises as a "supplemental offer to the Equinox 1 Offer". *"In essence, the Equinox 1 Offer gives ISPs cheaper prices for Openreach FTTP products, so long as they largely stop making new sales of legacy broadband products where Openreach FTTP is available, and switch to selling mainly FTTP products instead. In particular, ISPs pay discounted prices for Openreach's FTTP rental and connection services if they meet certain targets for the percentage of new orders they place which are FTTP (we refer to these as the 'Order Mix Targets' or 'OMTs') [...]* To qualify for rental discounts ISPs must achieve an Order Mix of at least 80%". Ofcom, *Openreach Proposed FTTP Offer starting 1 April 2023 Equinox 2*, Consultation, 3 February 2023, paragraphs 3.3 and 3.6.

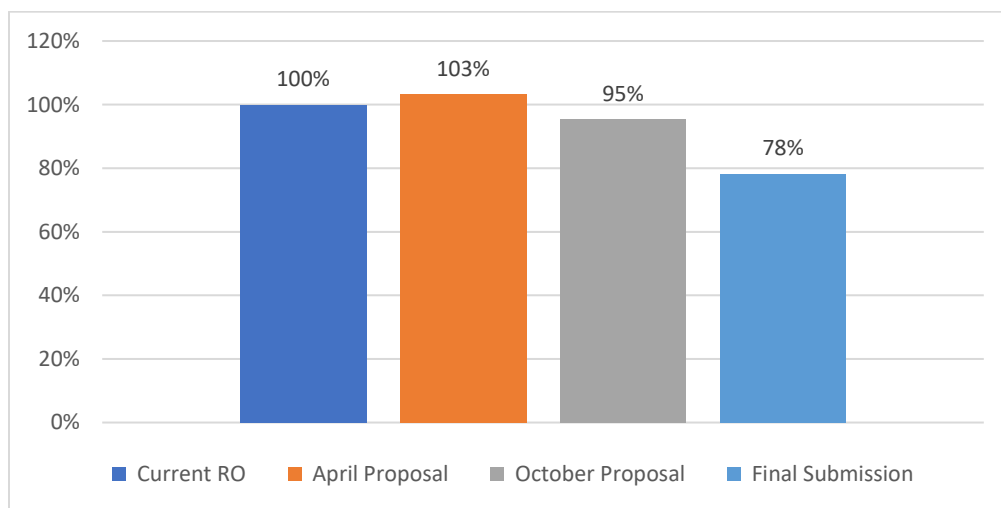
MDS-A service could incentivise MNOs to reach the qualifying targets and stimulate the take-up of MDS-A.

- 1.13 TRA considers both the MDS-A prices and qualifying threshold for the discounts to be reasonable. Furthermore, under BNET's Final Submission, the 400 threshold will be taken as the total number of circuits (i.e. existing circuits plus new orders), as opposed to new orders only as per BNET's April Proposal. This, and the fact that the discount would apply to the total number mean MNOs may have a greater incentive to reach that threshold. TRA also notes that applying the discount to all orders is in line with international practice.⁵

TRA's views on BNET's Final Submission

- 1.14 TRA has analysed the difference between the Final Submission and current RO pricing and also the April Proposal and the Final Submission.
- 1.15 Figure 1 shows the MNOs total costs for MDS-A given their current circuits counts and mix.

Figure 1: Percentage Total wholesale costs for MNOs for MDS-A under the various proposals- at current count and mix of circuits - expressed as a percentage of the total costs under the current RO prices⁶



Source: TRA analysis

Comparing BNET's Final Submission to the current RO

⁵ In the case of the Openreach "Equinox 1 Offer", for example, "the discounted rental prices apply to all the FTTP lines that the ISP purchases from Openreach (not just the orders placed in that quarter)." *Ibid*, para 3.6.

⁶ This is based on TRA's assessment of the likely actions of the MNOs in response to the proposals.

- 1.16 Currently, MBS and DS are both offered in speeds of 500, 1,000, 1,500, 2,000, 2,500, 5,000, and 10,000 Mbps. In its Final Submission, BNET has retained these speeds. The current prices of the MBS and DS and the proposed price of MDS-A as per the Final Submission are presented in Table 2 to Table 4 below.
- 1.17 As can be seen from these tables, for each speed (excluding the aggregation links), the price of the MDS – A in BNET's Final Submission is either the same or lower than the lowest of the prices of MBS and DS in the current RO. For 1,000Mbps the price decreases by 17%⁷. BNET's Final Submission results in savings for all MNOs, based on their current number of circuits and speed mix, compared to the existing RO prices.

⁷ The 1,000Mbps tier comprises a significant portion of circuits subscribed to by MNOs.

Table 2: BNET Final Submission Mobile Data Services – A

| Bandwidth (Mbit/s) | MDS-A Connection Monthly Recurring Charge (BD) | Monthly Recurring Charge (BD) Volume Discount (above 400 MDS-A Connections) |
|-------------------------------------|---|--|
| 500 | 252.00 | 201.6 |
| 1,000 | 290.00 | 232 |
| 1,500 | 441.00 | 352.8 |
| 2,000 | 516.60 | 413.28 |
| 2,500 | 585.00 | 468 |
| 5,000 | 750.00 | 600 |
| 10,000 | 850.00 | 680 |
| 10Gbit/s aggregation link | 4x aggregations free of cost and additional aggregations will be charged according to the defined charges for 10 Gbit/s | |
| 10Gbit/s aggregation link (above 4) | 450.00 | |
| 100 Gbit/s aggregation link | 718.15 | |

Source: BNET Final Submission

Table 3: BNET Mobile Backhaul Service (MBS) as per the 2019 RO

| Bandwidth (Mbit/s) | MBS Connection Monthly Recurring Charge (BD) | Monthly Recurring Charge (BD) Volume Discount (50-99 MBS connections) | Monthly Recurring Charge (BD) Volume Discount (100+ MBS connections) |
|----------------------------|---|--|---|
| 500 | 378.00 | 340.20 | 302.40 |
| 1,000 | 540.00 | 486.00 | 432.00 |
| 1,500 | 684.00 | 615.60 | 547.20 |
| 2,000 | 805.50 | 725.40 | 644.40 |
| 2,500 | 913.50 | 822.60 | 730.80 |
| 5,000 | 1368.00 | 1231.20 | 1094.40 |
| 10,000 | 2088.00 | 1879.20 | 1670.40 |
| 10Gbit/s aggregation link | Included in MRC | | |
| 100Gbit/s aggregation link | 1,141.17 | | |

Source: BNET 2019 RO

Table 4: BNET Data Services (DS) as per 2019 RO

| Bandwidth (Mbit/s) | DS Connection Monthly Recurring Charge (BD) |
|-----------------------------|--|
| 500 | 252.00 |
| 1,000 | 351.00 |
| 1,500 | 441.00 |
| 2,000 | 516.60 |
| 2,500 | 585.00 |
| 5,000 | 867.60 |
| 10,000 | 1,314.00 |
| 10 Gbit/s aggregation link | Included in MRC |
| 100 Gbit/s aggregation link | 718.15 |

Source: BNET 2019 RO

Comparing BNET's Final Submission to the April Proposal

1.18 BNET's April Proposal prices for MDS are presented in Table 5 below.

1.19 As can be seen from comparing Table 2 and Table 5, the prices in the Final Submission result in savings for all MNOs, compared to the April Proposal, based on their current number of circuits and speed mix. This is because:

1.19.1 Firstly, the discounts in the April Proposal apply only to new requests, meaning that no MNO would get a discount on their current circuits under the April Proposal. The prices that would apply to their current circuits, for those speeds that would continue to be provided under the April Proposal, are therefore the non-discounted prices.

1.19.2 Secondly, for existing speeds that BNET proposed to discontinue under the April Proposal, MNOs would have had to upgrade to higher speeds at higher prices.⁸

1.20 Therefore, MNOs would, under the April Proposal, pay either the same or higher prices than in the Final Submission. This conclusion holds true irrespective of whether MNOs qualify for the discount under the Final Submission in term of their current number and mix

⁸ Under the April Proposal, MNOs could also downgrade some circuits to lower speeds at lower prices. This does not, however, affect the comparison with the Final Submission prices, because MNOs can also make the same downgrades under the Final Submission.

of circuits. Furthermore, the 20% discount may incentivise MNOs to order more circuits, enabling them to reach the qualifying threshold of 400 circuits. This will make the Final Submission even (and significantly) better than the April Proposal.

Table 5: BNET April Proposal for Mobile Data Services – A

| Bandwidth (Mbit/s) | MDS-A Connection Monthly Recurring Charge (BD) | Monthly Recurring Charge (BD) Volume Discount (from 50 to 100 MDS-A new connections) | Monthly Recurring Charge (BD) Volume Discount (above 101 MDS-A new connections) |
|--------------------------------------|---|---|--|
| 500 | removed | | |
| 1,000 | 290.00 | 261 | 232 |
| 1,500 | removed | | |
| 2,000 | removed | | |
| 2,500 | 585.00 | 526.5 | 468 |
| 5,000 | 750.00 | 675 | 600 |
| 10,000 | 850.00 | 765 | 680 |
| 10 Gbit/s aggregation link | 4x aggregations links free of cost. Additional links to be charged according to the below charges for 10 Gbit/s | | |
| 10 Gbit/s aggregation link (above 4) | 450.00 | | |
| 100 Gbit/s aggregation link | 1,200.00 | | |

Source: BNET April 2022 RO submission

The Final Submission is non-discriminatory and the prices and discount threshold are reasonable

1.21 Table 6 below presents the current count of MBS plus DS circuits by MNO, as well as their mobile cell site count. This shows that, given their cell site count, all MNOs can reasonably reach the qualifying discount for the threshold. For this to happen, they need to use BNET's MDS-A product for just above half of their cell sites ($\lceil \frac{S}{2} \rceil$). Given their count of BNET's MDS-A circuits (i.e. once their existing MBS and DS circuits will be migrated to the new MDS-A), $\lceil \frac{S}{2} \rceil$ will reach the threshold when they order $\lceil \frac{S}{2} \rceil$ and $\lceil \frac{S}{2} \rceil$ circuits respectively. These MNOs can reasonably be expected to qualify for the discounts.

Table 1: MNOs' count for MBS and DS circuits and mobile cell sites

| | Total MBS+DS circuits | Mobile cell sites |
|--|------------------------------|--------------------------|
| | | |

| | | |
|---------|-----|-----|
| Batelco | [<] | [<] |
| stc | [<] | [<] |
| Zain | [<] | [<] |

Source: MNOs data

- 1.22 TRA also considers the MDS-A prices themselves to be fair. International comparisons for the MDS-A are not feasible. Firstly, the geography and terrain, which are important factors in the cost of networks and connections to mobile cell sites can vary significantly across comparable jurisdictions.⁹ Finally, the unique situation of BNET makes it not feasible to directly compare the prices of wholesale products used by LOs for their networks across different jurisdictions.
- 1.23 TRA has therefore used, as a benchmark, BNET's current RO prices. As Figure 1 shows, the total MNOs' payment to BNET for the current mix of circuits will reduce by 22% compared to what they would be under the current RO prices. The actual amount an individual operator pays and discount they would achieve will depend on the number of circuits and the mix of speeds they commit to.

⁹ Bahrain's size, mostly flat terrain and density may differ significantly from comparable jurisdictions.