**TELECOMMUNICATIONS**

# Where the numbers add up

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**The Gulf, June 2010**



## Where the numbers add up

Zoran Vasiljev, managing director of consultancy Value Partners in Dubai says the opportunities for the Saudi telecoms sector are vast, supported by a young population and a pressing need to connect rural areas.

**As the GCC's largest telecoms market, Saudi Arabia is very attractive to operators. How easy is it to enter the market?**
If you exclude the incumbent operator, Saudi Telecom Company (STC), and look at mobile provider Etihad Etisalat (Mobily), it came at a time when the market was ready for competition and was welcomed by the consumer, and the regulators encouraged this. Then, with the introduction of Zain the real competition started. Saudi Arabia is too large to be covered even by the three existing mobile operators. There is a lot of growth left.

**So unlike other Gulf countries, Saudi Arabia is still many years away from saturation?**
If you look at urban areas, saturation will happen much faster. If you look at the segments in the rural areas, saturation will take some time. If we introduce additional competition and if the distribution models become more innovative and progressive, then we'll see wider penetration and extraction of more value.

**How effective is the regulatory system in Saudi?**
The regulator in Saudi is working overtime. They have encouraged new thinking and put new policies in place. But the roadmap is always an issue. There is always a pushback from existing players to accept new liberalisation. Therefore, it was healthy to see the launch of GO, as a Wimax and alternative fixed line operator.

**How is STC faring with this increasing competition?**
In any situation as an incumbent facing competition you are probably bleeding. But for those customers that are loyal and committed to your services, it's a matter of how you serve them better. STC has also made it clear that their international expansion is higher on their agenda.

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**There have been complaints against STC about infrastructure sharing? Is this still an issue?**
Infrastructure sharing is always a touchy subject for incumbents for the simple reason that they are the ones that have put up the most investment. It's an asset that they have sponsored from inception. But the realities of the industry and the market are that regulators and governments think of economic benefits overall, encouraging user-uptake and business growth. It would be suicide to force additional network infrastructure roll out. That would create uncompetitive and expensive offers. Therefore, network sharing is the way to go.

**How have revenues been impacted by new entrants?**
Saudi as a market has a very high average revenue per user (ARPU). And of course any new competition has an impact on ARPU levels. Voice revenues are definitely going down, but the data usage is on the rise. The proliferation of the smart phone is on the rise. The real winners will be the ones that get their data strategies and data pricing strategies correct.

**Where are the major opportunities for growth in the Saudi market?**
Bridging the gap between cities and rural areas is a huge opportunity, which calls for broadband. That's a major opportunity. It's also a very young country in terms of demographics, which means that anything that is 'in' will be popular. We will see more Arabic content, more entertainment related services, which can be imported onto devices which can bring additional revenue and value.

**Do plans for Saudi Arabia's economic cities provide opportunities for the telecoms sector?**
Economic and smart cities are huge undertakings. Telecoms have a big role to play, and as operators everybody has a part to play. There is no exclusivity. It's another way of creating competition, and competing in a totally different way with very different services.

**As a result of liberalisation, there are now better services and lower prices. What's the next stage in the development of the telecoms sector?**
If you look at competition everybody is waiting to see if there will be a stronger push into MVNO [mobile virtual network operators that lease network capacity]. It is ready from a pure numbers and business case perspective to really get moving in Saudi. That is the next stage where we could see some real competition. For liberalisation, it will be a good sign if that happens. We will have to wait and see now for the success of GO and Wimax. ■

*Zoran Vasiljev spoke with Rosamund de Sybel*