

STC Response to ITU Public Consultation
On PUBLIC POLICY CONSIDERATIONS FOR OTTs

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Introduction

STC welcomes the opportunity to comment on and contribute to ITU Public Consultation on public policy considerations for OTTs. At the very outset, STC fully supports ITU's efforts to undertake this Public Consultation on public policy considerations for OTTs.

STC duly concurs with the ITU position that it is probably the time to discuss the "public policy considerations for OTTs" as this step is necessary as the technology and markets in Saudi-Arabia have been developing at a rapid pace and it is equally important that the regulatory framework needs to advance in order to keep pace with the evolution.

Dynamic Telecom industry has been witnessing a continuously evolving commercial and technology environment over the past few decades. Since its start with the telegraph and early voice-call companies, the industry has evolved long way ahead. Operators today are investing huge amount of money to provide seamless and high quality voice, data and multimedia services in a multi-device, mobile environment. Traditionally the principal revenue streams for telecom operators have been voice and messaging (SMS) with data coming in at a far third till recently. STC looks seriously at the "Over-The-Top" (OTT) service providers who deliver audio, video and other media over the internet and bypass the operator's network. As OTT players do not require any business or technology affiliations with network operators for providing such services.

These OTT players, enabled by technology advances such as smartphones, super-fast IP networks, open source platforms, innovative services, cutting edge functionalities and shift in consumer preferences towards their "freemium" based business models are seeing an ever increasing adoption rate. Though they utilize the telecom operators' network and infrastructure, necessitating continuous capital investments, they do not contribute directly to the STC' revenue however OTT service usage require subscription of sata packages thus driving the data revenue. But what's most worrying for the STC is the fact that these OTT players offer services that are close substitute to their own offerings and are beginning to pose a credible and measurable threat to their revenues. The wide variety of applications and services

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offered by OTT players is luring the customers away from the STC restricted, relatively more expensive and severely limited array of services.

The growing impact of OTT services on STC' voice and messaging revenue is a recognized reality. Their impact on mobile data traffic and STC data revenue are also areas that have been acknowledged as critical points for consideration. This response attempts to link these issues to shift in consumer preferences and identify the underlying factors thereof because we believe that any attempt by STC to respond to the changing scenario would have its roots in understanding what is primarily driving users towards OTT services.

STC sets out its detailed comments, reflecting its own views, in the following.

Question #	Description	STC Response
Public Consultation		
ITU – Q - 1	What are the opportunities and implications associated with OTT?	<p>The sudden emergence and presence of OTT services and applications has changed the digital ecosystem world-wide affecting the global economy as well. The main issue, and as SAMENA reported said “is one of competition between partners within the same ecosystem on an uneven playing field”.</p> <p>The local telcos have many restrictions in terms of</p> <ul style="list-style-type: none"> ✓ Entry conditions and licenses to operate within specific geographic locations along with gaining access to scarce national resources (spectrum, numbering, and licenses).

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		<p>✓ The high costs of rolling out nationwide network and adoption of latest technology solutions.</p> <p>- Operating according to countries telecom acts (regulations and rules):</p> <ul style="list-style-type: none"> • national competition frameworks • privacy and security regulations • consumer protection regulation • telecommunications access and interconnection regulations • net neutrality regulation • retail tariff and wholesale • Non-discrimination regulation • Recurring taxes, fees and charges <p>OTT providers are not liable to any of these and they are not facing any such obligations. OTT does not have to build any local setup or even small server, that's why they are relaxed</p>

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		<p>and not bothered by the high barriers to entry. Moreover, they enjoy freely the instant access to an established customer base.</p> <p>Way Forward. Operators are starting to realize that partnering with OTT players is the most beneficial way forward. This approach offers advantages to both parties and provides an opportunity for combined future growth.</p> <p>Partnership: 70 per cent of mobile operators believe that over-the-top service providers present an opportunity for partnership, rather than a threat. Furthermore, 64 per cent of operators acknowledge that OTT players bring innovation to the industry, although 42 per cent of them claim they could offer any service an OTT player can deliver, but better.</p> <p>Impact of OTT Services on Telco Revenues: There are many organizations which have studied the impact of Over The Top (OTT) services on telecom operator. However, very few have shown how shift in consumer preferences & technology trends have led to this state. The impact of OTT services on operators revenue has been fully apprehended by all the stakeholders in the telecommunication industry worldwide.</p> <p>Impact of OTT Players on Data Traffic The impact of OTT players is not just limited to Telco's voice and messaging services but has led to an exponential increase in their data traffic causing</p>

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		severe congestion problems in their telecom network. A major contributor to the increased data traffic is the growing consumer appetite for more video.
ITU – Q - 2	What are the policy and regulatory matters associated with OTT?	<p>The most important policy challenge associated with OTTs is that they operate and make revenues riding directly the local operator’s network without being subject or liable to the any of the market regulations they are working in, moreover, they do not incur the associated costs (fees, taxes, licenses...etc)</p> <p>In addition most of the OTT services and applications are typically in competition with licensed operators services. OTT services and applications sit outside the radar of telecom regulators .</p> <p>OTT in general do not guarantee the Cyber Security for users and do not follow any local country cyber security policy – if exists- while it is good to mention that up to date a clear cyber security policy in KSA does not exist.</p> <p>Network Security and Resilience; as the OTT plays a larger part in people’s daily lives, secure and reliable networks and data storage will become increasingly important.</p> <p>Network Addressing; OTT services will likely use bespoke addressing systems or addresses based on the internet standard known as IPv6, the latest version of the Internet Protocol which is able to support connections between a significantly greater number of devices.</p>

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		<p>Customer Data Privacy; Protection of individuals' personal information is a key part of the development of the OTT and will be covered under existing legislation, However, traditional approaches to data privacy may have limitations in the context of the OTT.</p> <p>Personal data shall be processed fairly and lawfully. Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes. Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed. Personal data shall be accurate and, where necessary, kept up to date. Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes.</p> <p>Personal data shall be processed in accordance with the rights of data subjects</p> <p>Appropriate technical and organizational measures shall be taken against unauthorized or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.</p> <p>Personal data shall not be transferred to a country or territory outside the KSA unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.</p>

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		<p>Briefly we can summarize the below to address in this regard:</p> <ul style="list-style-type: none"> ✓ Unbalancing regulation ✓ Responsibility in case of network (QoS) ✓ OTT services and applications sit outside the scope of telecom sector regulations (for example in relation to licensing, emergency calls, taxes, consumer rights, data privacy, legal interception, USO contribution and quality of service). ✓ OTTs do not have a license hence are not allowed to provide such services. But this protectionist approach is becoming increasingly disconnected from the reality of OTT services in SAMENA markets. This is evidenced by declining SMS revenues, as well as the emergence of alternative technology means to bypass the blocking of OTT services from operators. ✓ Most licenses and regulatory frameworks do not currently allow a centralized production model to emerge. ✓ The lack of a comprehensive cross-border data protection framework ✓ National security : the country hosting the data centers must be able to guarantee the confidentiality, integrity and availability of the information and ICT infrastructures hosted.
ITU – Q - 3	How do the OTT players and other stakeholders offering app services contribute in aspects related to security, safety and privacy of the consumer?	<p>End-users demand to trust service providers which means to trust the reassurance on privacy and protection of personal data. If no trust is there, end users will terminate the service and will connect to another service providers.</p> <p>As a fact available OTT service providers in the market do not have or even have the intention to comply with country's local regulations in terms of security, privacy, integrity, lawful intercept and liability.</p> <p>The advances technologies of encryption, browser proxies, VPN,..etc made it even close to</p>

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		<p>impossible for operators be able to control.</p> <p>OTT encryption might prevent Operators from monitoring, controlling or blocking OTT applications like for example the wasted efforts from regulators and operators to stop some apps but no luck. Moreover, the ability of network operators to track malware and other technical intrusions might be affected.</p> <p>Personal data collection, processing, storage and protection are crucial issues for all digital services, (as well as digital or sensitized devices in the wake of the IoT), and there is a need for cross-border / global regulation and law enforcement for cross-border / global services and data movements, given the global reach of the Internet. Therefore, it is essential for governments to set standards, police compliance, and implement solutions across companies, networks and countries. There is therefore a need for global baseline requirements for security and privacy, also in relation to the IoT.</p> <p>OTT services typically do not have to comply with national public authorities' requirements in terms of security, privacy, integrity, lawful intercept and liability.</p> <p>Keep the traffic locally by investing on local Data center. Cross border data responsibility</p>

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ITU – Q - 4	What approaches might be considered regarding OTT to help the creation of environment in which all stakeholders are able to prosper and thrive?	<p>In general, it is very vital to create a thriving environment in which operators, governments and regulators work together to ensure end users are receiving advances service with high quality of service and the operators investments are protected. This could be based on ensuring market transparency, fair competition, and fair market regulation for all parties, which will in its turn foster economic growth.</p> <p>Key factors of such enabling environment could be:</p> <ul style="list-style-type: none"> - Smart economic model - Regulations applicable to all players (Operators & OTTs) - Encompassing consumer protection, personal data protection and privacy, commercial contracts, lawful interception, competition and taxes. <p>It is important that policies and regulations pay attention to the convergence between telecom and OTT apps and the blurring boundaries between telecom and OTT services in a 5G / cloud environment (supply-side). These trends are driving the market rapidly, that’s why policies are needed to regulate these changes</p> <p>It is a fact that OTTs are the sole innovators with currently a symbiotic relationship between OTTs and network operators, in a 5G environment this symbiosis may be softened to produce benefits for OTTs only, with network operators being left with their physical assets but no control over what and how content and services run on them. Briefly it is recommended to:</p> <ul style="list-style-type: none"> ✓ Suitable collaboration with all the ecosystem (Stakeholders, MNOs, Policymakers ...) ✓ Define a clear prospective of revenue sharing of OTTs. ✓ Guidelines and rules for all the parties ✓ OTT services typically do not have to comply with national public authorities’ requirements in terms of security, privacy, integrity, lawful intercept and liability

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ITU – Q – 5	How can OTT players and operators best cooperate at local and international level? Are there model partnership agreements that could be developed?"	<p>Operators are focusing now on enhancing both QoS & QoE for their customers . Partnering OTT service providers and collaboration with them might give an opportunity to achieve this. OTT service providers are evolving, they need to fulfill their investors expectations, which is a big driver for them to collaborate with local operators.</p> <p>From business point of view, regulatory restrictions and technology maturity limit considerably the possibility of cooperation between operators and OTTs. This will be in change when 5G is operational, where OTTs will potentially become providers of Virtual Network Functions, and network operators will expose their network capabilities to OTTs through APIs.</p> <p>With the future 5G environment, where OTTs will potentially become providers of Virtual Network Functions, and network operators will expose their network capabilities to OTTs through APIs. It is important for all MNOs to develop their own OTT services or collaborate with them to let their business sustainable/</p>