INFORMATION AND COMMUNICATIONS TECHNOLOGY

24.1 INFORMATION AND COMMUNICATIONS TECHNOLOGY

24.1.1 Introduction

Information and Communications Technology (ICT) has become one of the key factors of development of societies in the modern era. It has both direct and indirect effects on the quantitative and qualitative performance of various sectors, including production and service sectors, since it stimulates productivity and enhances competitiveness. ICT is also an important means in moving towards a knowledge economy and an information society.

Under the Eighth Development Plan, the sector achieved significant progress, particularly in introducing competition in mobile-phone services and liberalizing fixed-line telephone services. Over the period, effectiveness of internet services increased with the introduction of broadband internet services, which will increase the dissemination of various electronic services. The National Communications and Information Technology Plan (NCITP) was also adopted. Moreover, the first phases of the e-Government Programme were started and work continued on development of the regulatory environment to safeguard security and privacy of electronic transactions and user interests.

The Ninth Development Plan will focus on completing the implementation of programmes and projects of NCITP. Efforts will continue to liberalize services, promote competition, develop infrastructure and make it available in all regions. Under the Plan, the infrastructure for e-government transactions will be completed and its services increased and disseminated at all levels; and work will continue towards achieving comprehensive broadband coverage, as well as on improving skills and building capacity.

This chapter reviews the current conditions of the ICT sector, including the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for ICT services, presents the future vision for the ICT sector and states the objectives, policies and targets identified under the Plan.

24.1.2 Current Conditions

24.1.2.1 The National Communications and Information Technology Plan (NCITP)

The NCITP was approved in 2007. The Plan consists of the long-term vision for the ICT sector and its role in economic, social and cultural development, as well as a set of long-term objectives, policies and programmes required for the development of telecommunications services, bridging the digital divides among various economic and social development segments in the Kingdom, and that between the Kingdom and other countries. The Plan also includes policies, programmes and projects needed to develop ICT applications, such as in e-commerce, e-Government, e-learning, and e-health; as well as policies for developing Arabic digital content (Box 24.1.1).

The Eighth Development Plan identified five main objectives for the ICT sector: building a national information technology industry that is competitive domestically and globally; raising productivity in all private and public sectors through intensive deployment of ICT applications; providing high-quality affordable services and communications networks in all regions; enabling community groups in all regions to deal with information in an effective and efficient manner and bridging the digital divides among regions; and providing well-trained, qualified ICT personnel. The following are the most important achievements under the Plan.

Box 24.1.1: The General Objectives of NCITP

- Raising the productivity of all sectors, dissemination of electronic governmental services in business, social and health, and encouragement of teleworking through the optimum utilization of ICT.
- Regulating the ICT sector in a form that guarantees impartiality, stimulation and attracts investment.
- Building a solid information industry that is locally and internationally competitive, through reliance on scientific research, innovation, development in strategic areas, regional and international cooperation, so that it becomes a major source of income.
- The optimum utilization of ICT at all levels of education and training.
- Enable all sections of the society in all parts of the country to deal with ICT easily and efficiently so as to bridge the digital divide.
- The optimum utilization of ICT in serving the Arabic language and consolidating the civilizational mission of Islam, patriotism and Arabic language.
- Provision of qualified, trained human capabilities, from both sexes, in the various specializations of ICT through the preparation of national manpower and the attraction of foreign expertise.

24.1.2.2 Communications and information services

The ICT market was liberalized. By the end of 2008, the Communications and Information Technology Commission (CITC) issued more than 300 licenses, including three for mobile-phone providers, four for fixed-line providers, and 43 for Internet providers. As a result, ICT services expanded rapidly and improved significantly.

The number of fixed-telephone lines increased from about 3.7 million in 2004 to about 4.1 million lines in 2008, representing an average annual growth rate of 2.7%. By the end of the plan, residential fixed-telephone lines constituted 73% of the total, and the penetration rate (number of lines per one hundred people) stabilized at about 16.4 lines (Table 24.1.1). Stability of the coverage rate for this service is attributed, not only in the Kingdom but in the rest of the world as well, to strong competition from mobile-phone services.

Table 24.1.1
Information and Communications Services
Eighth Development Plan*

Service	2004	2005	2006	2007	2008
Fixed-line phone service:					
- Total fixed lines	3700000	3844484	3951000	3996000	4123000
- Fixed lines per 100 population	16.2	16.5	16.5	16.3	16.4
- Residential fixed lines	2806804	2921692	2946166	2927556	2994616
- Residential fixed lines per 100 households	71.1	71.1	70.2	68.3	68.4
- Residential lines of total lines (%)	77.3	76.0	74.6	73.3	72.6
- Non-residential fixed lines	839196	922308	1004824	1068444	1128384
- Non-residential fixed lines of total lines (%)	22.7	24.0	25.4	26.7	27.4
Mobile phone service:					
- Total mobile phones	9200000	14100000	19700000	28400000	36000000
- Mobile lines per 100 population	40.3	60.3	82.4	116.1	143.5
- Mobile lines per 100 households	228.6	343.1	469.4	662.6	822.4
- Share of pre-paid cards (%)	53.3	67.4	76.6	83.1	84.7
Broadband internet service:					
- Total number of subscribers	35000	64000	218000	683000	1331000
- Subscribers per 100 population	0.2	0.3	0.9	2.8	5.3
- Residential subscribers		45202	151085	535790	931750
- Residential subscribers of total subscribers (%)		70.6	69.3	78.4	70.0
- Residential subscribers per 100 households		1.1	3.6	12.5	21.3
- Non-residential subscribers		18798	66915	147210	399250
- Non-residential subscribers of total subscribers (%)		29.4	30.7	21.6	30.0
Total internet:users:					
- Users	2360000	3000000	4710000	6320000	9096000
- Users per 100 population	10.3	12.8	19.7	25.8	36.3
- Users per 100 households	58.7	73	112.2	147.4	207.8

* Up to the end of the fourth year of the Eighth Development Plan.

Source: Ministry of Communications and Information Technology (MCIT) and CICT.

Mobile-phone services grew rapidly, with the number of subscribers, including prepaid-card subscribers, rising from about 9.2 million in 2004 to about 36 million in 2008, an average annual rate of 40.6%, which meant that the penetration rate (number of subscribers per one hundred people) rose from 40.3 to 143.5.

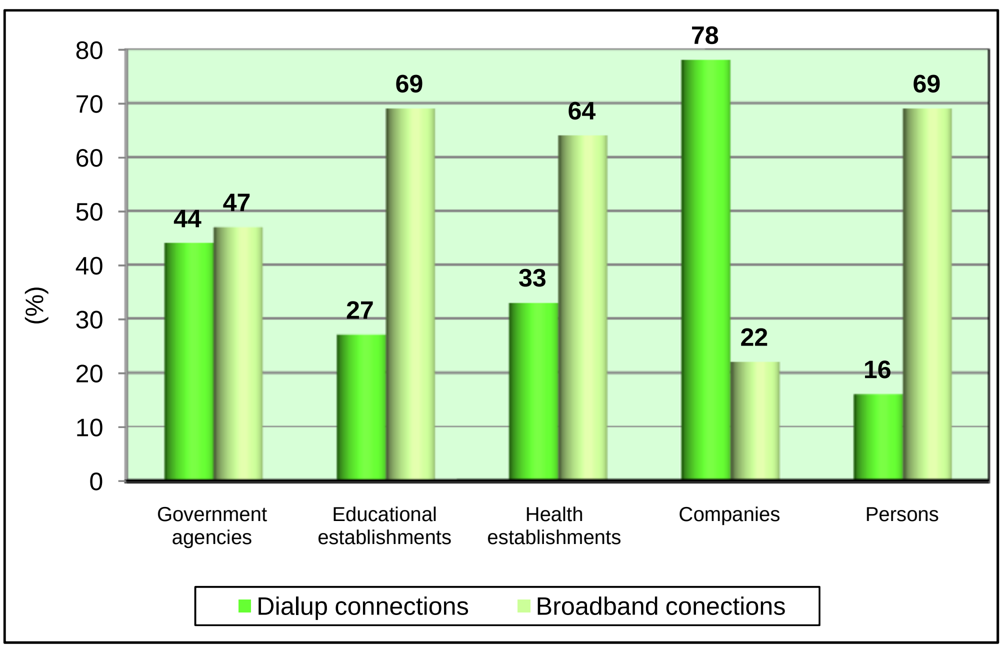
The number of internet users increased from 2.4 million in 2004 to 9.1 million users in 2008, an average annual growth rate of 40.1%. Hence, the penetration rate (number of users per one hundred people) went up from 10.3 to 36.3. Perhaps the most important development pertaining to internet services was the rapid dissemination of broadband services. This service allows access to various applications, e-commerce, e-government and e-social services, electronic communications, and video and audio communications over the internet. The number of subscribers of broadband services increased from only about 35 thousand in 2004 to about 1.3 million in 2008, an average annual growth rate of 148.3%. In view of these rates, the penetration rate rose over the same period from 0.2 to 5.3. Nonetheless, the penetration rate is still relatively low (Table 24.1.1).

In addition, the CITC approved the Universal Access and Universal Service Policy and draft a strategy for the Universal Service Fund.

Under the Eighth Development Plan, a number of initiatives designed to protect network users from harmful practices and SPAM was launched. The national Computer Emergency Response Team (CERT) was established to raise awareness of risks and also to respond to security emergencies in or threats to information networks. In 2007 the CITC launched an Anti-SPAM project in an effort to develop awareness among e-mail users on how to deal with SPAM. In addition, the Ministry of Communications and Information Technology introduced improvements to the Public Key Infrastructure (PKI).

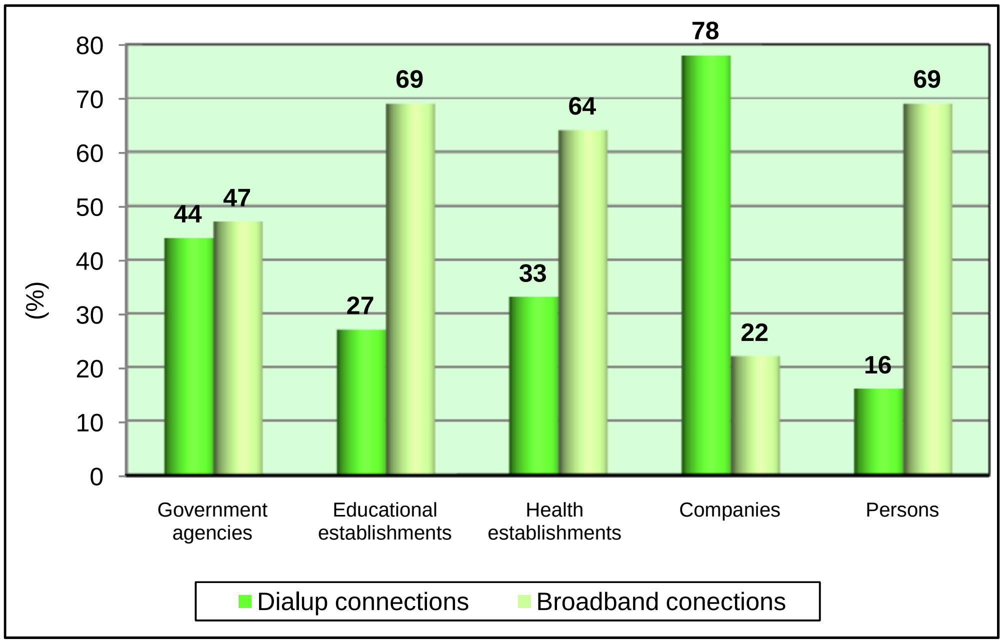
Under the Plan, efforts at developing the regulatory environment continued in the context of restructuring and liberalization of ICT services, which began with the issuing of Telecommunications Act and establishment of CITC in 2001. Standards for ICT were developed and best practices were identified, and these were being used increasingly by government agencies. The CITC issued Equipment Standards Specifications for ICT equipment and Quality of Service (QoS) standards; as well as the National Frequency Plan and the National Numbering Plan. The Ministry of Communications and Information Technology (MCIT) continues to enhance the YESSER e-government programme, in an effort to develop and raise the efficiency of e-government services; in addition to development and operation of the SADAD Payment System by SAMA, which is an electronic bill (public and private) payment system.

Figure 24.1.1
Type of Internet Connection by Activity
Eighth Development Plan



Source: CITC.

Figure 24.1.2
PCs and Internet Service Coverage
Eighth Development Plan



Source: CITC.

24.1.2.3 Bridging the digital divide

Efforts are continuing to narrow the digital divide among regions, both in the coverage rate of basic ICT infrastructure and the rate of Internet connectivity. Taking into account the relative weight of population in each region, the gaps narrowed over the period 2005-2008, particularly in internet services and broadband subscribers (Table 24.1.2).

Substantial spending on human resources development stimulated implementation of a number of ICT initiatives in education. More than five thousand computer laboratories were deployed in general-education schools, in addition to providing about 100 thousand PCs to students, and a number of ICT colleges were established. It is worth noting that some 43% of individuals in the Kingdom have PCs , and about 34% use the internet. About 57% use the internet more than once a day, and about 38% use it more than once a week.

Table 24.1.2
Information and Communication Services
by Region

Region	2005			2008		
	Number of Fixed Lines Per 100 Population	Internet Users to Total Population (%)	Broadband Subscribers to Total Population (%)	Number of Fixed Lines Per 100 Population	Internet Users to Total Population (%)	Broadband Subscribers to Total Population (%)
Riyadh	20	17.5	0.4	20	36	7
Makkah	17	13.9	0.3	17	39	6
Madinah	15	10.4	0.2	14	37	5
Qasim	14	10.1	0.2	14	32	4
Eastern Region	21	16.3	0.4	20	39	7
Asir	12	5.7	0.1	11	38	2
Tabuk	12	6.2	0.1	11	36	3
Hail	12	11.7	0.2	11	35	3
Northern Borders	10	12.2	0.2	9	34	3
Jazan	7	2.6	0.1	7	34	2
Najran	11	5.4	0.1	10	38	2
Baha	14	4.6	0.1	13	36	3
Jawf	13	10.3	0.2	12	39	3

Source: CITC.

24.1.2.4 Raising productivity of public and private sectors

Deployment of ICT applications to numerous activities in the public and private sectors expanded. Under the Plan, implementation of the YESSER e-Government Programme, continued. This programme aims at developing the common infrastructure required for enabling government agencies to implement various e-government applications and allow their use by customers. Methodologies and terms of references for these services were developed and approved by government agencies, and provision of these services is expected to accelerate over the next few years.

The statistics for 2008 indicate that about half the population is aware of the e-commerce, which includes the purchase and sales of goods and services through the internet, and that some 6% of these people have already used the internet for this purpose, especially to buy travel tickets, make hotel reservations, and pay for bills. The statistics also show that about 76% of companies operating in the Kingdom use PCs, and some 52% of them use the internet in executing their work. These percentages vary with company size.

In 2008, companies having websites constituted about 40% of the total, while companies that are engaged in e-commerce or that promote their services by advertising on the internet constituted about 10% of total companies. Under the Eighth Plan, electronic banking and investment services developed significantly, as reflected in the expansion of infrastructure and the improvement in the efficiency of services. The automated SADAD Payment System was approved in 2007 for online payment or through automated transaction points. The scope of the system is expected to expand in the near future to include payment of all government fees.

The e-health project was launched in 2008. This project seeks to provide e-health services, as well as through supplying health information and tele-cooperation among health centres locally and internationally. In addition, in 2006, the first phase of the National Centre for E-learning and Distance Learning was launched, which will serve as a national incubator for the development of national e-learning and its use in higher education institutions in the Kingdom.

Expansion of IT applications over the period of the Plan was also reflected in their use by numerous government and private agencies for uses such as digital surveying of land, remote sensing, geographic positioning (GPS), and international spatial information and others.

24.1.2.5 Building a national information industry

Building a national information industry is consistent with the aspiration of the development strategy to diversify the production base of the national economy, and is also compatible with the National Industrial Strategy approved in early 2009.

Under the Eighth Development Plan, the Kingdom made considerable progress in creating an attractive environment for investment in general. The Kingdom was also able to enhance the competitiveness of the national economy, as indicated by its prominent rank of 13 worldwide in the 2009 Doing Business Report, published by the World Bank Group, and the rank of 27 in the 2008 Global Competitiveness

Index, published by the "World Economic Forum".

Nevertheless, most of medium- and high-technology investments are still oriented towards energy and chemical industries, with the information industry experiencing only insignificant growth over the period. Notably, the local information industry faces numerous challenges, mainly: the comparative advantage of investment in chemical industries, competition from imports, and other labour-market constraints. Hence, in an effort to support the national information industry and stimulate its growth, a number of initiatives have been developed under the Eighth Development Plan, such as science and technology parks and economic cities, including the Economic Knowledge City in Madinah. Implementation of these initiatives is being carried out in partnership with the private sector.

24.1.2.6 Institutional and organizational development

Under the Eighth Development Plan, the ICT sector, which is regulated and controlled by CICT, was restructured and liberalized. Within the framework of YESSER, IT leadership positions in various government agencies were adopted, along with establishment of administrative units responsible for tasks pertaining to electronic transactions and services.

In 2005, the affiliation of the National Centre for Digital Certification was transferred from King Abdul-Aziz City for Science and Technology to MCIT. The Centre, which carries out the management of the Public Key Infrastructure (PKI), consists of five documentation centres that provide a secure environment ensuring data confidentiality and privacy. Moreover, the Computer Emergency Response Team (CERT) was founded in 2006 to enhance security awareness and to respond to emergencies in the national information and communications system. In addition, the e-Crime Act and the e-Transactions Act were approved, as were a number of related regulations and resolutions.

ICT activities and efforts of other agencies are noteworthy. These agencies include: the National Committee for Information Society

(NCIS), which aims to enable all community groups to access and utilize information in an efficient manner; the Saudi Computer Society, which engages in several activities, such as organizing conferences and publishing studies in informatics; the Saudi Arabian General Investment Authority, which undertakes attracting ICT investments and establishing economic cities, including the Knowledge Economic City in Madinah; the Saudi Industrial Property Authority, which is responsible for developing industrial cities and zones.

24.1. 3 Issues and Challenges

24.1.3.1 Development of internet services

Under the Eighth Development Plan, internet services developed significantly, with fast increases of service coverage and usage. Nevertheless, more efforts are needed to reduce the digital divide between the Kingdom and other countries. Most of the time, access to the internet is still by dialup, precluding access to rich content. Hence, focus should be on expanding and developing the infrastructure to provide broadband network connectivity in all regions with high reliability and at affordable prices.

24.1.3.2 Infrastructure

Under the Eighth Development Plan, coverage of the fixed telephone network declined from about 71.1 lines per hundred households in 2004 to about 68.4 in 2008. This decline is attributable to several factors, the most important of which are: the network unavailability in certain areas; and more importantly, mobile phones replacing fixed lines. Moreover, new companies face procedural delays in obtaining approvals for establishing their own networks and high fees are imposed. Both factors delay provision of communication infrastructure in several regions. Hence, it is imperative to remove various constraints and give priority to extending the network, particularly that this will also extend broadband internet services.

24.1.3.3 Capacity building

Improvement of productivity by utilizing ICT services is essential for socioeconomic development, since it improves overall productivity and labour efficiency. Moreover, growth of ICT services depends largely on improvement of productivity. Continued reliance on unskilled, computer illiterate labour constitutes an obstacle to the improvement of the overall productivity of many Saudi companies, especially SMEs. In such a situation, investment in ICT becomes infeasible. Thus, companies remain in a vicious circle: decline in volume of activities and productivity along with inability to grow. This calls for skill building.

24.1.3.4 Applications of ICT

Spread of ICT applications in, among others, e-Government, e-commerce, and e-services (health, education and banks) depends on the availability of an infrastructure trusted by customers, particularly as regards data security, confidentiality of communications, protection of personal privacy, and ease of use and availability. It also depends on enforcement of deterrent penalties for e-crimes, an effective system for combating fraud in circulation of goods and services through public and private networks, and firmness in protecting intellectual property rights. Hence, providing a strong organizational structure and appropriate legislative measures is crucial, especially as it helps efforts to attract foreign investment in high technology, which will, in turn, lead to upgrading the national ICT system.

On the other hand, expansion of use of ICT by state institutions and large companies owned wholly or partly by the state, through use of e-commerce, will contribute greatly to the proliferation of electronic services in all sectors and various community groups.

24.1.4 Demand Forecasts

Meeting the demand of ICT services depends on three interrelated factors:

a. Infrastructure: including, the fixed-telephone network, mobile-phone services, and broadband services for data and information transfer, and digital certification and authentication.

b. Capacity-building: including individuals, government and private agencies.

c. Applications: including e-services in commerce, health and education and others.

Forecasts of demand for ICT services were based on a number of factors, including: demographic changes, economic growth and the evolution of economic restructuring and institutional development in various sectors, prices of ICT services, level of competition, integration of the national economy into the regional and global economies, and technological development.

Based on the forecasts made, the number of fixed telephone lines is expected to increase, under the Ninth Development Plan, at an average annual rate of 4.4% by one million new lines, from about 4.2 million lines in 2009 to approximately 5.2 million in 2014. Thus, the penetration rate of fixed-telephone services is expected to increase from 16.5 to 18.4 lines per one hundred people, and penetration rate of residential lines from about 69 lines to about 77.9 lines per one hundred households (Table 24.1.3).

Over the same period, the number of mobile phone subscribers is expected to increase from about 42 million to about 55.2 million, an average annual growth rate of 5.6%. Thus, the penetration rate will increase from about 164 to about 194 lines per one hundred of population.

Also over the same period, demand for broadband service is expected to increase greatly, at an annual average rate of about 10.1%, with the number of subscribers increasing from around two million to about 3.25 million. Residential subscribers will constitute 72.5%, with the remainder divided among institutions, companies, and public and private sectors agencies. Thus, coverage of broadband services will go up from 7.8 to 11.4 per hundred of population, against an increase in residential coverage from 31.5 to 47.4 subscribers for every one hundred households.

Table 24.1.3
Forecast of Demand for ICT services
Ninth Development Plan

Service	2009	2010	2011	2012	2013	2014	Average Annual Growth Rate (%)
Fixed-line telephone							
- Total fixed lines	4238000	4365418	4540663	4768355	5007465	5246776	**4.4**
- Fixed lines per 00 of population	16.5	16.6	17.0	17.4	17.9	18.4	**2.2**
- Residential fixed lines	3080732	3178024	3314684	3495204	3685494	3872121	**4.7**
- Residential fixed lines per 100 households	68.9	69.6	71.1	73.4	75.7	78	**2.5**
- Residential lines of total lines (%)	72.7	72.8	73.0	73.3	73.6	73.8	**0.3**
- Non-residential fixed lines	1157268	1187394	1225979	1273151	1321971	1374655	**3.5**
- Non-residential fixed lines to total lines (%)	27.3	27.2	27.0	26.7	26.4	26.2	**-0.8**
Mobile telephone							
- Total mobile lines	42000000	45900000	48900000	51100000	53300000	55200000	**5.6**
- Mobile lines per 100 of population	163.7	175.1	182.6	186.8	191.0	193.9	**3.4**
- Mobile lines per 100 households	939.5	1005.0	1048.3	1072.5	1095.1	1110.3	**3.4**
- Share of prepaid cards (%)	85.7	86.3	86.7	86.9	87.1	87.3	
Broadband internet							
- Total Subscribers	2010000	2420375	2626991	2834321	3042341	3251034	**10.1**
- Subscribers per 100 0f population	7.8	9.2	9.8	10.4	10.9	11.4	**7.9**
- Residential subscribers	1406948	1706364	1865164	2026540	2190486	2357000	**10.9**
- Residential subscribers to total subscribers (%)	70.0	70.5	71.0	71.5	72.0	72.5	**0.7**
- Residential subscribers per 100 households	31.5	37.4	40.0	42.5	45.0	47.4	**8.5**
- Non-residential subscribers	603052	714011	761827	807781	851855	894034	**8.2**
- Non-residential subscribers to total subscribers (%)	30.0	29.5	29.0	28.5	28.0	27.5	**-1.7**
Total internet users							
- Users	10386000	11593000	12625000	13567000	14439000	15253000	**8.0**
- Users per 100 of population	40.5	44.2	47.1	49.6	51.7	53.6	**5.8**
- Users per 100 households	232.3	253.8	270.6	284.7	296.7	306.8	**5.7**

Source: CICT.

Under the Ninth Development Plan, ICT services are expected to be extended significantly in the regions and disparities among them are expected to decline, especially when the Universal Service Fund starts operating. The Fund aims to provide universal service and access in the areas to which the market does not provide ICT services (Tables 24.1.4 and 24.1.5).

Table 24.1.4
ICT Services per 100 People by Administrative Region
Ninth Development Plan

Region	2009			2014		
	Fixed Lines per Total Population (%)	Internet Users per Total Population (%)	Broadband Subscribers per Total Population (%)	Fixed Lines per Total Population (%)	Internet Users per Total Population (%)	Broadband Subscribers per Total Population (%)
Riyadh	19.5	40.4	10.0	18.5	51.9	13.8
Makkah	18.5	44.6	9.5	22.4	58.3	14.4
Madinah	14.6	41.6	6.6	17.4	53.5	9.3
Qasim	14.5	35.6	6.2	16.8	46.3	9.1
Eastern Region	19.2	43.7	9.6	17.6	57.0	13.4
Asir	11.8	42.1	3.3	17.2	54.8	5.5
Tabuk	11.4	39.1	5.1	16.8	50.2	8.0
Hail	11.3	38.6	3.7	13.4	50.1	4.9
Northern Borders	9.8	38.4	4.3	13.1	50.0	6.1
Jazan	7.9	18.3	2.4	14.1	40.0	4.1
Najran	10.8	41.0	4.0	15.5	52.3	7.6
Baha	13.7	40.2	4.2	17.1	52.9	7.4
Jawf	11.4	42.9	4.5	12.3	55.4	5.8

Source: CITC and Ministry of Economy and Planning.

Table 24.1.5
Coverage of ICT Services by Administrative Region
Ninth Development Plan

Region	2009			2014		
	Fixed Lines per Total Households (%)	Internet Users per Total Households (%)	Broadband Subscribers per Total Households (%)	Fixed Lines per Total Households (%)	Internet Users per Total Households (%)	Broadband Subscribers per Total Households (%)
Riyadh	82	40	40	78	52	57
Makkah	65	45	32	78	58	49
Madinah	62	42	27	78	53	41
Qasim	66	36	27	78	46	41
Eastern Region	86	44	41	79	57	59
Asir	51	42	14	78	55	25
Tabuk	51	39	22	78	50	36
Hail	60	45	19	78	58	28
Northern Borders	55	43	23	78	55	36
Jazan	41	18	12	75	40	21
Najran	50	41	18	75	52	36
Baha	59	40	17	78	53	33
Jawf	67	43	26	78	55	37
Kingdom Average	**69**	**41**	**31**	**78**	**54**	**47**

Source: CITC and Ministry of Economy and Planning.

Demand for internet services is expected to grow rapidly in all regions, as adequate infrastructure becomes available, and use of e-applications in the government and the private sector expands. Third-generation (3G) wireless services are also expected to spread widely, especially with increased usage of mobile broadband services. At the same time, it is expected that fourth-generation (4G) wireless services will begin to be introduced.

24.1.5 Development Strategy

24.1.5.1 Future vision

The transformation into an information society and digital economy so as to increase productivity and provide communications and IT services for all sectors of the society in all parts of the country and build a solid information industry that becomes a major source of income.

24.1.5.2 Objectives

- Providing ICT services infrastructure of high quality, security, and reliability, at reasonable prices, in all regions and to all segments of society.
- Ensuring and safeguarding security of information of ICT services users.
- ICT capacity building.
- Building a national ICT industry that will meet the demand for goods and services effectively.

24.1.5.3 Policies

- Continuing efforts and programmes for liberalization and regulation of the ICT sector.
- Deploying broadband networks in all regions.
- Employing Universal Service Fund resources to provide services in areas most in need.
- Extending broadband networks to all schools, universities, hospitals, government agencies and civil-society institutions.
- Managing spectrum frequency efficiently, enhancing its capacity, and accelerating implementation of the National Frequency Plan.
- Completing establishment of the Public Key Infrastructure (PKI).

- Continuing development and upgrading of ICT standards.
- Expanding provision of e-government services and e-Transactions services provided by the State or shared with the private sector.
- Providing various incentives for attracting foreign direct investment (FDI) in the IT industry.
- Developing the capacity of companies and enterprises and increasing their usage of ICT.
- Promoting e-learning and supporting the trend towards tele-working.
- Supporting Arabic content on the Internet.

24.1.6 Financial Requirements

The financial allocations to government agencies in the ICT sector (Ministry of Communications and Information Technology) under the Ninth Development Plan amount to SR896 million.

24.2 POSTAL SECTOR

24.2.1 Introduction

The postal sector plays a vital role in advanced societies as a key part of the communications infrastructure. The sector's organizational and institutional development of the sector, which started under the Seventh Development Plan, was continued under the Eighth Development Plan, with emphasis on diversification of services offered to clients, and raising their efficiency through enhanced application of new technologies; all in an effort to support other sectors, especially in view of expanding application of e-services in many agencies.

Under the Ninth Development Plan, work will continue on developing postal services and offering them at a level commensurate with international standards. In addition, efforts will be made to introduce new services to satisfy market needs; strengthen competitiveness;

complete organizational, operational, and financial development of the sector, and make it productive and profitable.

This part of the chapter reviews the current conditions of the postal sector and the developments that took place under the Eighth Development Plan. It also reviews key issues and challenges that need to be addressed under the Ninth Development Plan, assesses projected demand for postal services, presents the future vision for the sector and reviews the objectives, policies and targets set for the sector under the Ninth Plan.

24.2.2 CURRENT CONDITIONS

24.2.2.1 Postal facilities

The Saudi Post Corporation provides services through more than six thousand postal outlets distributed around major cities, governorates and centres. Table 24.2.1 shows the growth of postal facilities by the end of 2008, the fourth year of the Eighth development Plan, compared with the end of the Seventh Development Plan, while Table 24.2.2 presents the size of the postal service network by region by the end 2008.

Table 24.2.1
Postal-Service Facilities
Eighth Development Plan(*)

Description	2004	2008
Number of main post offices	478	470
Number of branch post Offices	190	146
Number of express mail centres	119	185
Number of post agents	770	769
Number of postal agencies (private post offices)	81	83
Number of villages served by surface mail services	648	647
Number of villages served by roaming post services	4227	3985
Number of subscribers' post office boxes	525838	595998
Number of street post boxes	2687	2490

(*) Up to the end of the fourth year of the Eighth Development Plan.
Source: Saudi Post Corporation.

Table 24.2.2
Postal Services Network by Administrative Region
2008

Region	Main Post offices	Branch Post Offices	Express Mail Centres	Post Agents	Postal Agencies (Private Post Offices)	Villages Served by Surface Mail Services	Villages Served by Roaming Post Services	Subscribers' Post Office Boxes	Postal Box Halls	Postal complexes
Riyadh	93	16	49	139	36	90	935	194658	4	1
Makkah	53	24	34	71	20	77	525	130192	3	1
Madinah	23	12	17	32	5	40	258	27697	0	1
Qasim	35	27	12	89	3	55	230	34266	0	1
Eastern Region	60	27	20	52	16	98	131	108702	1	1
Asir	82	11	13	119	3	84	789	32700	0	1
Tabuk	15	3	7	15	0	29	91	12235	0	0
Hail	12	5	5	61	0	58	399	14050	0	0
Northern Borders	16	0	4	10	0	18	32	5700	0	0
Jazan	31	2	4	69	0	25	412	11100	0	1
Najran	16	6	3	15	0	27	128	7600	0	0
Baha	18	8	8	81	0	28	18	7700	0	0
Jawf	16	5	9	16	0	18	37	9398	0	
Total	**470**	**146**	**185**	**769**	**83**	**647**	**3985**	**595998**	**8**	**7**

Source: Saudi Post Corporation.

The private sector provides postal services by postal agencies (private post offices), which have contributed to the expansion of services in major cities, through contractual agreements with the Saudi Post Corporation, as well as by private companies providing competitive courier services.

24.2.2.2 Volume of postal services

In 2008, the volume of postal services was 571 million mail items, compared with 441.4 million items in 2004; an increase of 29.4%. External mail represents 48% of the entire mail traffic. The quantity of handled mail was 810.8 million items in 2008, compared with about 936.5 million items in 2004 (Table 24.2.3).

Table 24.2.3
Development of Postal Services
Eighth Development Plan(*)

000 items

Mail Type	2004	2005	2006	2007	2008
Internal	271643	318684	375712	354201	302770
Incoming	115686	131846	121608	227771	239916
Outgoing	52027	40131	28544	32625	25154
Express Mail	1511	2051	1619	2238	2686
Outgoing Parcels	247	403	235	276	290
Incoming Parcels	327	309	254	257	270
Total Service Volume	441441	493424	527992	617368	571086
Handled Items	936513	858063	849258	825995	810788

(*) Up to the end of the fourth year of the Eighth Development Plan.

Source: Saudi Post Corporation.

24.2.2.3 Postal service performance

Under the Eighth Development Plan, productivity and quality of postal services improved. In 2008, 99% of mail was delivered within 48 hours of deposit, compared with 91% in 2004. Over the same period, the number of staff per one thousand people improved from 0.40 to 0.42. Revenue grew from SR442.7 million in 2004 to SR551.9 million in 2008.

The Saudi Post Corporation has developed a mail addressing that assigns an exclusive reference to each residential, commercial, industrial, service and government unit in all parts of the Kingdom. Saudi Post continues its efforts to promote the use of this system by beneficiaries of its services.

The Corporation also signed a number of agreements with local and international public and private agencies covering a range of purposes, such as address verification and use of digital maps in various applications.

Those developments required raising the efficiency of postal operations by re-engineering mail processing methods, developing distribution methods, improving express mail, parcel services and transport operations, developing the IT infrastructure through use of geographical information systems, connecting postal offices with a computer network, designing a distribution system, and providing a number of postal services through the electronic portal.

24.2.2.4 Institutional and organizational development

Under the Eighth Development Plan, institutional and organizational development of the postal sector, which began under the Seventh Development Plan, continued. Upon commencing its work, the financial regulations of the Saudi Post Corporation were approved. However, its organisational regulations were not enforced after being enacted, since Royal Decree No. 5464 /m b of 2005 stipulated that agencies, institutions and public funds, including the Saudi Post Corporation, should function in accordance with the regulations of the General Organization for Social Insurance, pending issuance of consolidated operational regulations covering the work of all these entities.

Postal act is under preparation, in coordination with a specialist consulting firm, to substitute for the current act that has been in force since 1986. The new regulations would aim to regulate the postal market, define and determine the scope and terms of universal service, identify monopolized and open-to-competition postal services, determine license fees for companies and private institutions operating in the market, and develop provisions related to mail confidentiality, violations and sanctions, and rights and duties of various parties.

Upon its establishment, the Saudi Post Corporation embarked upon reforming the existing organizational structure in line with transformation from a government agency to an autonomous, flexible and independent agency operating on a commercial basis. The temporary organizational structure was changed from being functional to one that combines functionality with market and service orientation.

The new structure includes administrative units focusing on marketing, sales and mail licensing, and business service units, such as express mail, parcels and distribution. A final organizational structure is being drawn up by a specialist consulting firm.

24.2.3 Issues and Challenges

24.2.3.1 Lengthy administrative procedures

The Saudi Post Corporation was not able to start offering some of the new services targeted in the plan, including financial services, as the issue is still under consideration by its Board of Directors. The same applies to promotional mail services, through establishment of a joint company with one of the national specialized firms.

24.2.3.2 Competition and technological developments

Competition and technological developments in the communications sector are a major challenge to the postal sector. The most important of those challenges are:

- Some national companies provide postal services, such as mail and postal parcels that should be provided exclusively by the Saudi Post Corporation. Despite the imposition of fees and asking official bodies to stop companies operating without a license, they are still operating, which affects the share of Saudi Post of the communications and postal market.
- Implementation of project WASSEL encountered the problem of destruction of service boxes installed at customers' premises, which led to delays in project implementation.
- Reduction of the volume of the traditional mail, due to lower demand resulting from development of other communication services, which are tough competitors.
- Foreign companies are strong competitor in express-mail services, despite improvements being carried out by the Corporation.

The Corporation is addressing these issues and challenges through:

- Intensifying liaison with the Ministry of Finance to overcome the obstacles facing approval of the financial services and the promotional mail projects.
- Addressing the relevant authorities compel companies operating mail and parcel services to comply with the terms of their licenses, which limit their activity to non-postal parcels, in addition to enhancing control over the activities of these companies, in coordination with official regulatory agencies.
- Continuing to develop existing services and raise their efficiency, in particular, express mail; and to offer a range of support services to attract customers, including enhancing the tracking of mail items, speeding delivery of mail by accelerating mail processing, delivering mail at various times during the day, expanding implementation of the mailing-address system, and developing the use of the WASSEL Service.

24.2.4 Demand Forecasts

Economic, social and technological factors affect demand for postal services. The econometric models of the Universal Postal Union suggest that demand for postal services is affected by changes in GDP, rate of inflation and population growth. Additional factors include: high rates of education and lower illiteracy rates, and the availability of other forms of communications. However, improvement in the quality of services does increase demand. Hence, under the Ninth Development Plan, efforts will be made to improve quality by improving efficiency of mail processing and delivery times, as well as by introducing a tracking system for express mail and extending it to cover registered and official mail. Improvements will also include a computerized system for logging registered and official mail, and there will be continued efforts to measure service effectiveness and improve promotional mail services. Additional improvements include introduction of new services, such as hybrid mail, supplies mail, and money-transfer services.

The postal service faces tough competition from other communications services, as well as from other service providers. Competition in the communications market in general, and postal services in particular, is not expected to slacken over the course of the Ninth Development Plan. In addition, membership of the WTO and eventual adoption of an open-market policy will encourage competition.

The trend towards use of promotional mail as a service to businessmen and continued reliance on diversified mail services, such as e-mail, e-commerce, hybrid mail and supplies mail, will positively affect the volume of mail under the Ninth Development Plan. However, the postal service may lose market share due to the introduction of high-quality internet and email services. The impact of socio-economic factors on demand for mail services in general, and letter services in particular, is likely to be very strong. Nevertheless, positive effects are expected to outweigh negative ones. Calculating the overall impact of these factors, using the standard model of the Universal Postal Union , points to a growth in demand for postal services at an average annual rate of 2.5% over the period of the Ninth Development Plan.

Meeting potential demand for postal services requires improving the quality and diversification of existing services, benefiting from the flexible, autonomous managerial environment of the Saudi Post Corporation.

Under the Ninth Development Plan, emphasis will be placed on introducing new products and services. These include: payment of bills; government services; financial services, such as express domestic and international money transfer services, through agreements with appropriate agencies; hybrid mail services, through arrangements with utility companies such as telecom, water, electricity and banks; value-added services, such as printing and packaging; using WASSEL addresses in distribution; and e-commerce supporting services, through distribution of electronically ordered goods and parcels.

24.2.5 Development Strategy

24.2.5.1 Future vision

Comprehensive, integrated postal services covering all regions, at affordable prices and with a world-class quality, under the supervision of an efficient and capable corporation, in order to contribute to economic and social development, and meet the requirements of a knowledge society.

24.2.5.2 Objectives

- Improving quality of postal services.
- Diversifying postal services and products.
- Expanding mail infrastructure.
- Developing and making optimum use of human resources.
- Developing the institutional framework of the postal sector.
- Improving the financial position of the postal sector.
- Developing and applying a management and operations model.

24.2.5.3 Policies

- Continuing to equip counters, sales outlets and processing points with modern technologies.
- Continuing to link all post offices by an electronic network to provide a rapid, easy-to-use service; along with tighter control, monitoring and tracking of postal items.
- Managing and operating all facilities of the Corporation at the required level of efficiency.
- Improving registered and official mail and parcels services, using a mail-tracking system and electronic records for registration of materials and parcels.
- Developing express mail services to international standards.
- Focusing on quality of all postal services, measuring it regularly, and providing transparency and clarity by advertising fees and

length of delivery times to customers.

- Providing government and public services by post-office counters to enable agencies to implement e-government and electronic commerce programmes.
- Continuing to establish an infrastructure for distribution, through the WASSEL service, to all residential, commercial, industrial units, and make the postal address part of the identity of every person.
- Designing and constructing buildings to meet all requirements of providing postal services to clients optimally.
- Ensuring that all cities, villages and governorates are covered by surface and roaming postal services, through the carrier company, NAQEL.
- Transforming the Saudi Post Corporation into a holding company, owning a number of postal-services operating companies.
- Concluding the provision of express mail, parcel, financial, promotional mail, marketing, counter, and distribution and logistics services, through strategic partnerships with the private sector.
- Continuing to encourage private sector participation in the provision of postal services.
- Determining the conditions of universal service, its standards and scope throughout the Kingdom.
- Developing postal act and regulating postal market practices, through separation of the functions of the legislator, from those of the regulator and the operator, in order to create an organised operational postal environment.
- Developing manpower by vocational, technical, administrative, and financial training and granting scholarships to personnel with distinguished competencies to study abroad.
- Recruiting qualified national manpower to vocational, technical, administrative, and financial posts.

- Enhancing mail revenues through development of marketing plans for all the postal services and products offered by the Corporation, and enhancing collection of official mail revenues.
- Laying down the appropriate basis for accounting of final expenditures within the framework of postal agreements with other countries, in order to augment resources.
- Developing the administrative and financial support system, by continuing to develop executive regulations, applying cost accounting, and upgrading statistical information systems.
- Creating leadership capable of managing and operating all postal sectors.

24.2.5.4 Targets

- Equipping counter offices, retail outlets and processing points with modern technologies.
- Connecting 600 post offices with automated computer networks.
- Continuing to improve and develop express mail, parcel, registered and official mail services.
- Developing strategic partnerships with the private sector, to offer promotional mail, and financial and hybrid mail services.
- Providing government and public counter services.
- Completing the infrastructure for the distribution of mail to residences (the WASSEL Service) and expanding provision of mailboxes at residences.
- Establishing 10 central buildings and 20 branch offices buildings.
- Conducting studies to transform the Saudi Post Corporation into a holding company and the service sectors into operating subsidiaries.
- Developing the postal system.
- Training 13,845 employees and sending 10 employees on scholarships abroad.

24.2.6 Financial Requirements

The financial allocations for government agencies in the postal sector (Saudi Post Corporation) under the Ninth Development Plan amount to SR8.7 billion.