هيئة تنظيم الاتصالات

Telecommunications Regulatory Authority

ANNUAL REPORT

2007

His Majesty Sultan Qaboos Bin Said

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Chairman's Message

It is my privilege to present the fourth Annual Report of the Telecom Regulatory Authority of the Sultanate of Oman.

The year 2007 was characterized by many developments in the telecom sector including TRA initiatives in respect of implementation of the liberalization policy. A series of consultation papers were produced and many consultancy studies were undertaken in support of initiatives for opening up telecom sector which should form the basis for a successful telecom industry in Oman. This reflects Sultanate's firm commitment to liberalize the sector in line with strategic reforms and structural changes in all economic sectors planned by the government.

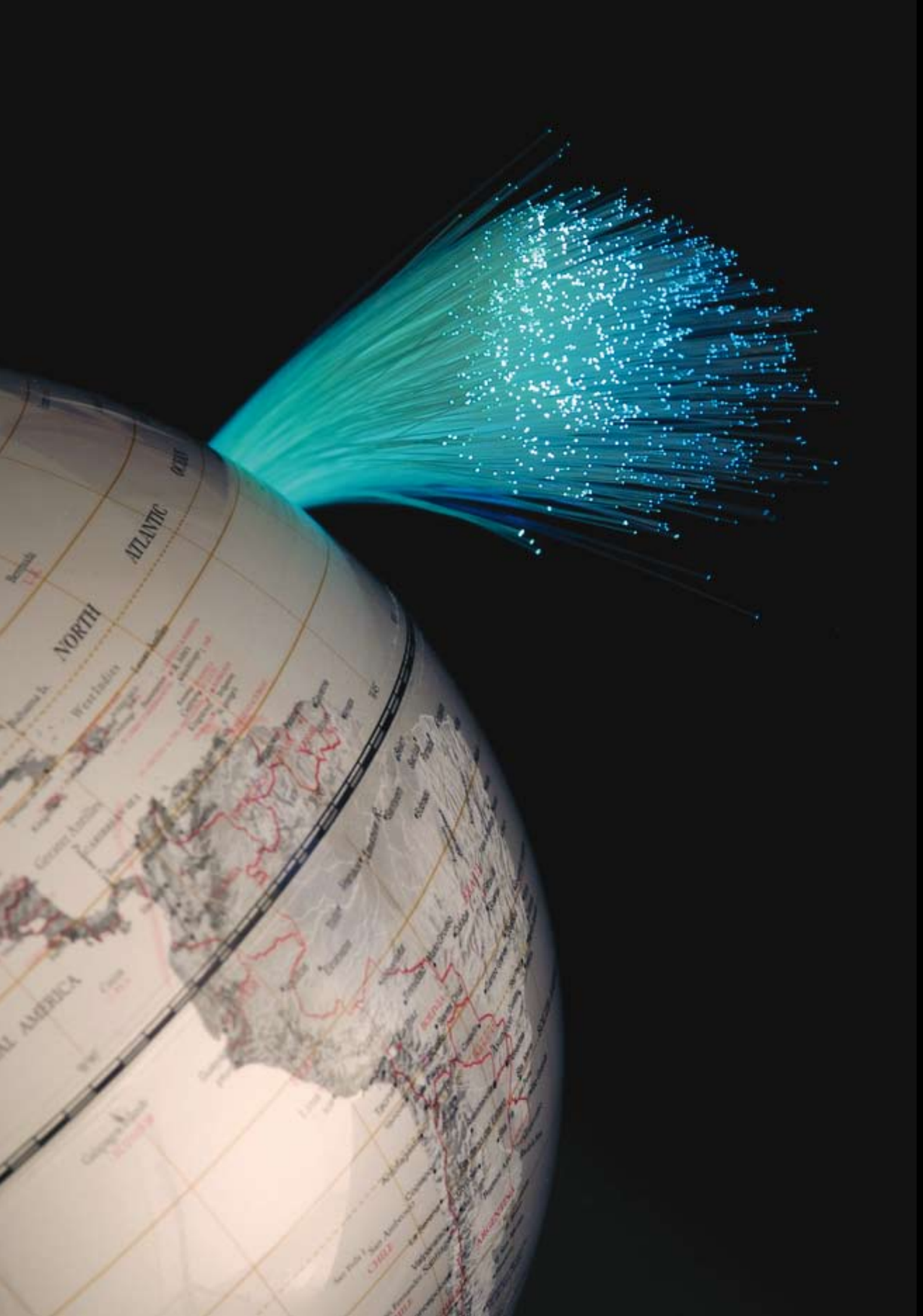
The mobile sector in Oman is fast growing. The sector witnessed a landmark of 2.5 million subscribers by end of year 2007. The introduction of the third generation (3G) mobile service in the Sultanate was another milestone for the country.

The Report contains an overview of the telecom sector and summary of key initiatives taken up by TRA on the regulatory issues with specific reference to the functions mandated to it under the Telecom Regulatory Act. The Audited Annual Statement of Accounts of TRA for year 2007 has also been included in the Report.

In presenting Annual Report, I would like to acknowledge the support given by Omantel, Oman Mobile, Nawras, and other stakeholders in the accomplishments of the objectives. I would personally like to thank my fellow Board Members and TRA employees for their active support, effective participation and their distinguished team efforts which have resulted in success of TRA achievements of its objectives.

In conclusion, I would like to recognize the leadership, vision and strong support extended by the His Majesty Sultan Qaboos Bin Said to the TRA for growth of telecom sector in the Sultanate.

Chairman
H.E. Mohammed bin Nasir Al Khasibi



Our Vision

To be the most efficient and effective organization in Oman, enabling the provision of world-class telecommunications services to all.

Our Mission

Is to set up and implement a fair, flexible, efficient telecommunications regulatory framework that will

- Develop the industry through a market-driven environment
- Ensure accessibility of all kinds of services within limits to all
- Balance the interests of all stakeholders
- Align with Vision 2020

Chapter 1

About The TRA

Telecommunications Regulatory ACT

The principal legislation governing the telecommunications sector in Oman is the Telecommunications Regulatory Act which was issued under Royal Decree No 30/2002. The Act came into effect from March 2002. The Act has been amended under the Royal Decree No 64/2007.

The Objectives of the Authority

The Telecommunications Regulatory Authority under the Telecom Regulatory Act has the following major objectives:

1. To ensure the provision of telecommunications services all over the Sultanate with reasonable prices.
2. To encourage the use of telecommunications services with the aim to facilitate the access to the global markets and information.
3. To use telecommunications services with the aim of encouraging the tangible and non-tangible exports such as accountancy, auditing, engineering and consultancy services.
4. To ensure the optimal use of frequency spectrum.
5. To safeguard the interests of beneficiaries and dealers with respect to the prices of equipment and the rates, quality and efficiency of telecommunication services.
6. To ascertain the financial capability of the licensees.
7. To promote entry into commercial activities in relation to telecommunications services and equipment and to facilitate entry into the markets there of via providing suitable conditions enabling new licensees to compete in order to establish an effective competitive environment.
8. To develop the economic competence in the performance of licensees engaged in the commercial activities related to telecommunications.
9. To prepare suitable conditions for competition among the licensees to ensure the provision of world standard telecommunications services at reasonable costs and prices, and to take necessary actions to enable the service providers to compete abroad.
10. To encourage research and development in the telecommunications sector. Secure the provision of telecommunication services for the entire Sultanate within reasonable limits and charges.

The Authority

As per amended Telecom Act under Royal Decree No.64/2007, the Authority shall comprise of odd number of Full Time Members, of not less than 3 but not more than 5 except the Chairperson who shall not be full time. They shall be appointed by a Royal Decree.

As on 31 December 2007, the Authority comprised the Chairman and two full time Members.

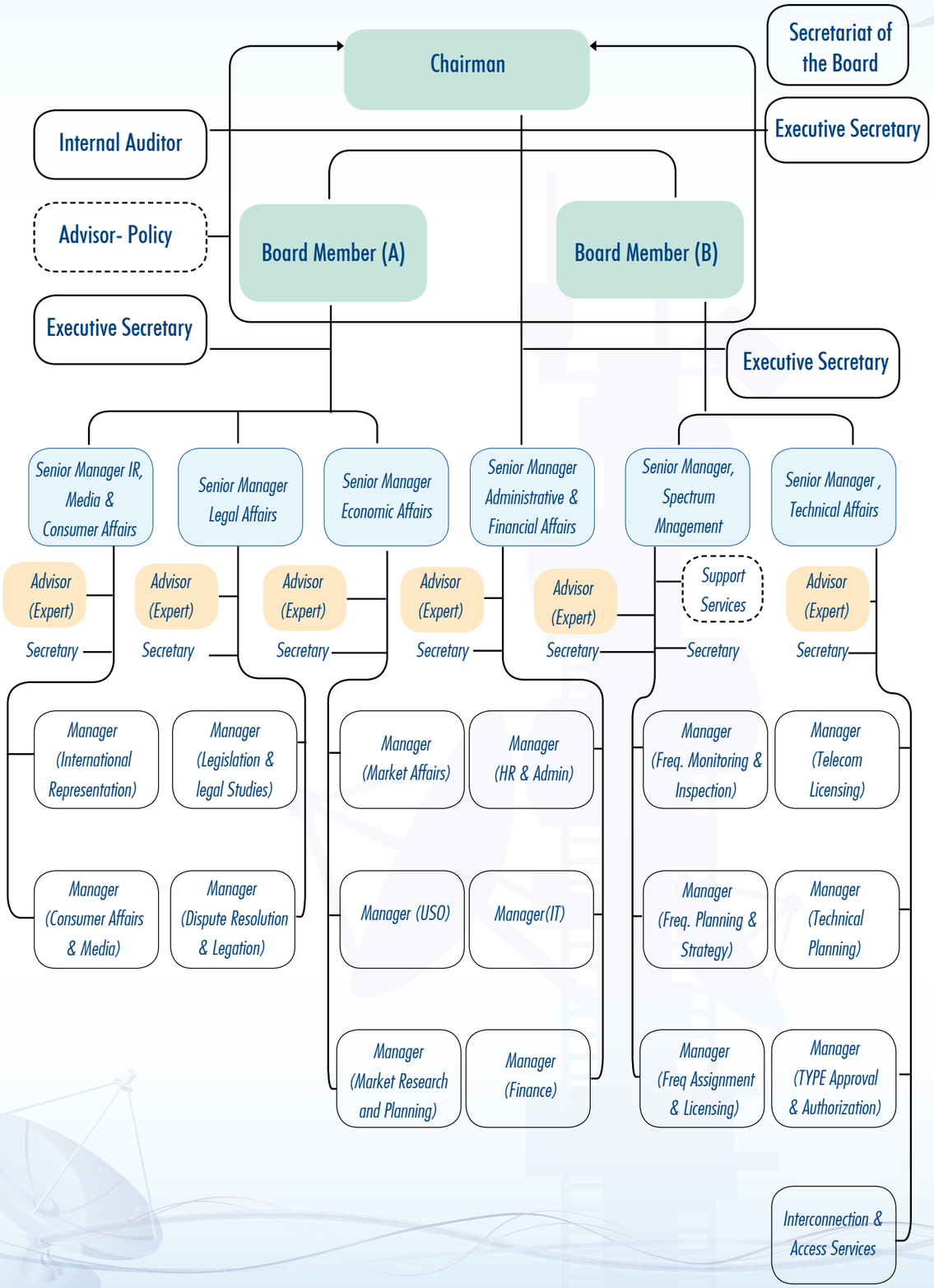
Organizational Structure

TRA's day to day activities are managed by the teams comprising professional staff divided into different units. All major regulatory decisions are taken by three Member Board headed by H.E the Chairman of TRA. Members supervise their respective senior managers. The Telecommunications Regulatory Authority

(TRA) took a number of initiatives during the year 2007 which related to the re-structuring of organization and appointed six senior managers to head six units supporting the Authority. The decisions came in line with the Authority's constant efforts to improve the overall departmental performance and productivity.

The TRA aims at recruiting and developing highly qualified personnel to carry out its mission and achieve its objectives. The total number of personnel in TRA as on 31st December 2007 was 78 out of which 73 are Omanis (93 % Omanization). The professionals (telecom engineers, IT, finance, economists, legal and HR) accounted for over 80 % of the total employees.

The New Organization Structure of the TRA



Presently there are six units in the organization structure. A brief description on the role of each unit is given below:

Technical Affairs

The Technical Affairs unit is responsible for providing all type of technical support to the Authority for its efficient and effective functioning in line with the requirements of the Telecom Act. Technical, regulatory, telecom licensing, standards, type approval, domain name, quality of service, interconnection, access services and other issues related to multi operator and multi service scenario in the Sultanate are addressed by the Technical Affairs unit. The unit has the following departments:

- Technical Planning
- Telecom Licensing
- Type Approval and Pricing
- Interconnection and Access Services

Spectrum Management

The Spectrum Management unit is responsible for effective management and planning of spectrum in the Sultanate to ensure efficient use of spectrum. The unit is responsible for spectrum monitoring and inspection and maintains coordination with International Telecommunications Union – Radiocommunication Sector (ITU-R) and other regional organizations. It issues licenses for the radio equipment users and ensures that licenses are maintained in a manner to control the use of available spectrum. The unit has the following departments;

- Frequency Planning and Strategy
- Frequency Assignment and Licensing
- Monitoring and Inspection

Legal Affairs

The Legal Affairs unit is responsible for proposing and amending legislation; regulations of the Authority and provide necessary legal advice to other departments. Other responsibilities include; taking part in the process of resolving disputes between the licensees, investigates the breach of laws and coordinates with public prosecution.

The Legal unit has two departments;

- Legislations & Legal Studies
- Dispute Resolution & Litigation.

Economic Affairs

The unit is responsible for activities relating to competition, pricing, universal service obligation, market research, planning, statistics and other economic aspects. It ensures fair competition in the telecommunication sector and takes measures to prevent anti competitive behavior by any licensee. It has the following departments;

- Market Affairs
- Universal Service Obligation (USO)
- Market Research, Planning and Statistics

International Relations, Media & Consumer Affairs

The unit is responsible for the coordination on all issues and activities related to international relations, as well as ensuring that the rights of telecommunication consumers in the Sultanate are protected. The unit ensures that these activities are executed within the purview of the Telecommunications Regulatory Act and in accordance with the strategic direction of the Authority.

The unit is also responsible for the representation and coordination of TRA participation in international telecommunications events with the aim of promoting the Authority's presence and interests. On the local level, it maintains relations with the local media in order to keep the public abreast with the developments in the telecom sector. It has the following departments;

- International Relations
- Media & Consumer Affairs

TRA signs 'Golden Book of Oman' sponsorship deal with Daleel LLC, 4th March 2008

TRA at its second participation at Khareef Salalah Festival & Exhibition 2007

Administrative and Financial Affairs

The unit is responsible for all activities relating to the Financial Management, IT requirements and HR development The unit has the following departments;

- Human Resources & Administration
- Financial Affairs
- Information Technology

TRA's Ramadhan evening for the year 2007

Chapter 2

TELECOMMUNICATIONS LIBERALIZATION POLICY

World over, the telecommunication industry is experiencing continuous growth and technology development. Telecom policy changes are also being witnessed globally resulting in an increasingly competitive and networked world. Two critical factors contributing to growth in the industry over the years are liberalization and competition, which have shown increased market responsiveness to high demand for ICTs, bring down prices, and optimize the entrepreneurial skills needed to increase innovative service deployment.

In line with the international trends, the government of Oman announced its Liberalization Policy in 2002 and to this end; it had set the following objectives for the sector;

(a) Increase choice of telecommunication services at competitive and affordable rates.

(b) Promote infrastructure development that will increase teledensity and spread of telecommunication services in all market segments (including voice, data and cellular).

(c) Increase private investment in the sector.

(d) Accelerate expansion of telecommunication infrastructure to extend telecommunication services to un-served and under-served areas.

(e) Encourage fair competition amongst service-providers.

(f) Maintain an effective and well defined regulatory regime that is consistent with international practices.

The basic instruments for liberalization of the sector in the Sultanate of Oman were the new legislation (Telecommunications Regulatory Act) and the establishment of the TRA. The government started implementing the policy of liberalization of the telecom sector in line with its WTO obligations to achieve the above mentioned objectives. As a first step, the Government awarded second cellular mobile license in 2005 and introduced competition in mobile sector. TRA is committed to introduce competition in many more segments including value added services; therefore, certain measures were taken. Studies were conducted through the consultants to understand the challenges of the competition. In order to understand licensing regime of Oman, we provide a brief abstract from the Telecom Act in the following section related to licensing categories.

Telecom Licensing Regime

In accordance to the Article 20 of the Telecom Act 2002 amended in 2007, no person is permitted to establish or operate a telecommunications system or provide telecommunication services unless after obtaining a license persuant to the provisions of this Act, unless it is decided to exempt him persuant to the regulations issued for this purpose.

There are three different classes of licenses that may be issued under the Telecom Regulatory Act.

Class I Licenses

The Establishment or operation of public telecommunications network, or international telecommunications infrastructure or offering public telecommunications services or international access services shall be by way of a "Class One" License issued by a Royal Decree based on a proposal by the Minister after the approval of the Authority. The Minister shall raise his proposal within two weeks of the Authority's

approval of the application. The Decree shall determine the duration of the license; the license shall not include any terms or conditions or grant a licensee exclusive rights.

Class II Licenses

The provision of public telecommunication services that depend on using the capacity of telecommunication network of Class I license and the provision of additional public telecommunication services which require exploiting the national resources (numbering), without exploiting any natural resource of the Sultanate shall be through Class II license issued by a decision of the Minister based on a proposal of the Auhtority after its approval. The decision shall determine the duration of the license which is not to exceed ten years. These services include, and not limited to the following services.

1. Internet access service
2. Audio text service
3. Resale of basic public mobile telecommunication services
4. Other additional public telecommunication services

Class III Licenses

Establishing or operating private telecommunication services or offering these services by establishing or operating an infrastructure of a private telecommunication network not connected to the public network or by exploiting the capacity of public telecommunication network shall be through Class III License issued by a decision of the Authority for a period not exceeding 5 years.

Performance Towards Policy Objectives

TRA was established in 2002 under Royal Decree No.30/2002. The TRA prepared Telecom Liberalization Policy and submitted to the Government for approval. The policy was approved by the Government in 2003 and set out policy objectives which were mentioned in preceding paragraphs.

TRA started implementing the said policy and as a result three Class I Licenses were granted. In February 2004, the Oman Telecommunications Company (Omantel) was awarded the first basic public fixed telecommunications service license as well as the first basic public mobile telecommunications service license. A year later, in March 2005, the industry witnessed competition in the cellular mobile sector through the licensing of 2nd mobile operators (Nawras).

With the introduction of competition in mobile sector, the government provides an opportunity to the people of Sultanate to have choice of mobile telecommunication service provider. Both the operators achieved tremendous success in catching up with the global telecommunications advancements in terms of providing a world class telecom services to their customers at competitive prices. The government's encouragement to the sector by opening it up for private players has given excellent results. Some of the results of the liberalization are as under;

- Reduction in call charges and activation charges in mobile sector
- Improvement of services and quality of services
- Introduction of new modern services
- Implementation of mobile number portability
- Expansion of network and wide geographical coverage as a result of roll out

The Government is committed to open the value added services (Class II) for competition and applications were invited for internet service providers during 2007. The competition would ultimately benefit both consumers as well as the society as a whole with lower tariffs and introduction of new and modern services. TRA has also invited applications for mobile re-sale services to introduce further levels of competition in mobile sector. The response is good and TRA expects to award a few class II licenses in the near future.

TRA is planning to award Class III licenses (leased line and private data networks) to encourage the use of telecommunication services by private entities who have capability of establishing their private networks. The TRA has taken further initiatives to introduce competition in other service segments also and the following studies were contracted out to the international consultants in year 2007.

- Consultancy services for licensing policy
- Consultancy services for submarine license and access regulations
- Consultancy services related to opening of the telecom market in Oman
- Preparation of VSAT licenses
- Preparation of VoIP regulatory framework.
- Encryption regulation

Furthermore, the TRA has issued a number of consultation papers which have been discussed in the succeeding section of the report. Further steps have been planned after finalization of the above mentioned studies.

Chapter 3

TELECOM MARKET OVERVIEW

Telecom Service Providers in Oman

There are three licensed operators providing telecom services in the Sultanate. A brief description of the companies is given below;

Omantel

Oman Telecommunication Company, (SAOG) is the only fixed lines service provider in Oman. It is a public joint stock company which was established in 1999 replacing the General Telecommunications Organization (GTO) and the government offered 30% of its stake (225 million shares) in Omantel to Omani investors in 2005. The company was awarded a 25 year Class I license in 2004 when it was restructured into a holding company (Oman Telecommunications Company) and two separate companies- fixed line and internet venture Omantel, and the Oman Mobile Telecommunication Company (OMTC), for cellular mobile services. Omantel provides traditional local, domestic long-distance, international services, ISDN, leased lines, dial up and ADSL

Oman Mobile

Oman Mobile Telecommunications Company (OMTC) was the first mobile operator in the Sultanate. It was awarded a 15 years Class I telecom license and installed a GPRS platform across the network. With over 1.483 million subscribers and 95% population coverage till December 2007, the company provides a range of services on the GSM system including SMS, MMS, roaming services and internet access. Oman mobile is leader of mobile market with a share of 59 percent at the end of 2007.

Nawras

In 2004, as a part of the liberalization policy, a new license was awarded. Nawras is a joint venture of Qtel, TDC and local Omani partners. Nawras launched a GSM service in March 2005. With 1.016 milliion subscribers and 94 % population coverage till December 2007, the Nawras has achieved 41% mobile market share. Through National Roaming arrangement with Oman Mobile, Nawras services are also available over Oman Mobile network to places where Nawras infrastructure does not reach. It provides voice and data services through its next generation mobile broadband network using EDGE (Enhanced Data Rates for GSM Evolution) technology.

Telecom Services

Fixed Line

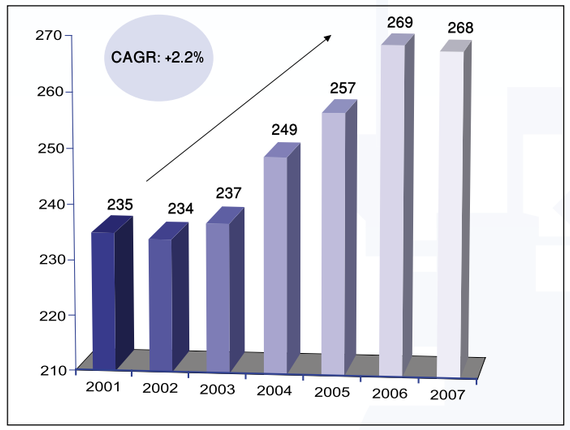
Telecommunication services play a key role in the growth of an economy because they promote efficiency and growth across a wide range of user industries in any country. Modern telecommunication infrastructure and high speed network facilities, internet penetration, cellular mobile subscription and spread of IT applications, spur productive efficiency in an economy.

Oman Telecommunications Company (Omantel) has been providing fixed line services over last three decades in the Sultanate. As of now, it is the sole licensed operator of public fixed line services, including international telecommunications, data and internet services.

Growth Trend

The fixed line growth from 2001 to 2007 is relatively slow, particularly compared to other ICTs services. Fixed lines, excluding PDO & MAM lines, in the Sultanate for last 6 years have grown by an average of 2.2 percent per annum as compared to world's average growth of 5 percent a year for the same period (Figure2). Several challenging trends in past years have contributed to overall slow development in the fixed line market. Most dominant among this is the phenomenal growth of mobile cellular sector, which has opened up the way for fixed to mobile substitution.

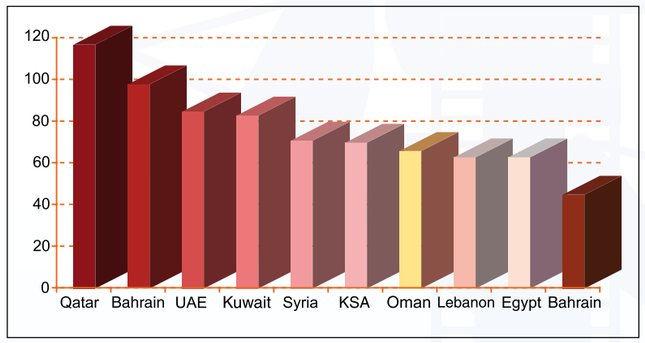
Figure 2: Total Fixed line Trend (2001-2007)



Source: Omantel/TRA

In most of the developed economies including Canada, France, Italy and Unites States of America, the number of fixed lines has been decreasing while in under-developed countries these are growing but at a slower pace. Fixed line household penetration in Oman stands at 66% which is lower than that in other Arab countries given in Figure 3.

Figure 3: Fixed Line Household Penetration (Country Comparison 2006)



Source: Arab Advisors Group, Pyramids Research, Operators annual report

Post paid & Pre paid

At the end of 2007, there were 268,050 telephone lines which were lower by 0.6% than the previous year. Fixed lines comprised of post paid, pre paid and payphones services with a share of 81.7%, 15.7 % and 2.6% respectively in 2007. There was positive growth of 5% in prepaid segment and 0.4% in the payphones but negative growth of 1.6% for post paid subscribers in 2007 as compared to 2006. Table 1 shows percentage change of fixed lines components in 2007 over 2006.

Table: 1 Fixed lines: Pre paid, Post paid and Pay phones

Services	2006	2007	% Change over 2006
Post paid*	222,809	219,128	(1.6)
Pre paid	40,061	42,079	5.0
Public Phones	6,830	6,858	0.4
Total	269,700	268,065	(0.6)

**Excludes* PDO & MAM Lines
Source: Omantel/TRA

Wireless Local Loop (WLL)

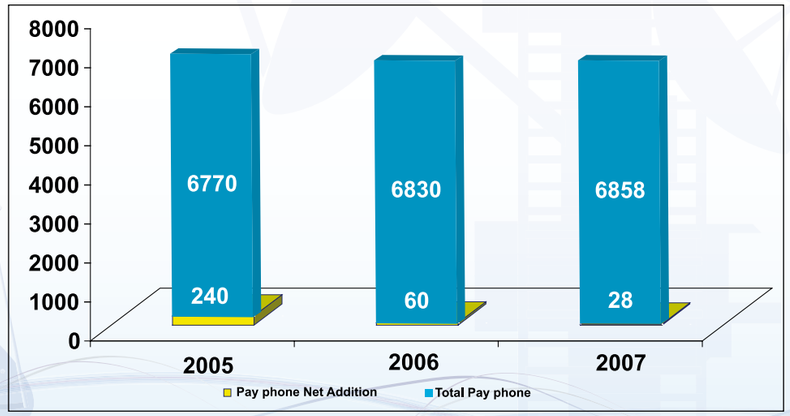
The Omani topography known for its high mountains, rocky earth and wadis besides scattered population over vast land areas constitutes one of the challenges in the efforts to spread telecommunication services in the Sultanate including telephone and internet. Moreover, there is significant gap between cities and rural areas, as over 40% of Sultanate's fixed lines are in Muscat, with the rest spread throughout the country. TRA and Omantel have been working hard over the past years to reduce this gap. It is one of the objectives of the TRA to enable every citizen to have a telecom service at affordable price although he is living in remote areas and bring them at a level so that he enjoys digital culture within the framework of digital society. Omantel initiated WLL project to fill up the gap and to cover rural villages those are un-served.

WLL services covered more than 200 rural villages in all the regions of the Sultanate. They had provided 19,950 phone lines by using the frequency band of 450-470 MHz to contribute to some extent to the spread of digital culture in these rural villages and help residents to acquire information. This played an important role in securing interaction between remote villages and cities and outside the world. TRA also planned a USO project to cover the rest of the villages in the Sultanate which will further help in enhancement of digital culture in the society within the framework of the efforts of the government to implement the e –government and digital society projects.

Public Pay Phones

Public pay phone is one of the basic services provided by Omantel since last three decades. Due to the growth of mobile services and its coverage, the demand for pay phone usage in terms of traffic has decreased although there was some expansion growth of around 1% in number of payphones installed during last three years. Figure 4 gives the numbers of payphones along with net addition in each year.

Figure 4: Pay Phones (2005-2007)



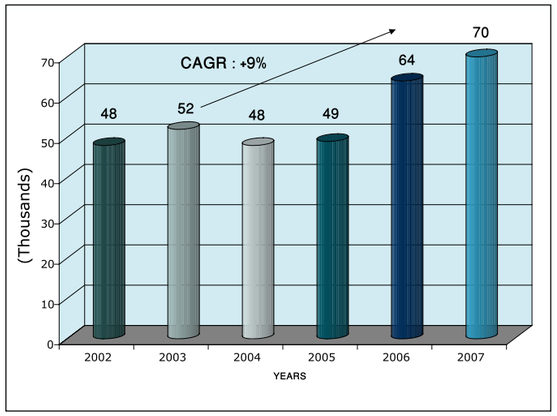
Source: Omantel/TRA

Internet

The internet a communications platform riding on network access technologies such as fixed line, mobile cellular, wireless terrestrial and satellite, has increasingly gained widespread recognition as a knowledge infrastructure. The internet dial up service was first introduced in 1996 and ADSL in 2004 in the Sultanate of Oman. A growth trend of internet subscribers from 2002 to 2007 is given in the Figure 5. There is an average annual growth of 9% during last five years mainly attributed by ADSL.

At the end of 2007, there were total 70,290 internet subscribers including dial up, ADSL, leased lines, and others but excluding prepaid subscribers which has been discussed in the following section. The subscriber base grew by 10% from 2006, representing a penetration rate of 2.7 per 100 inhabitants. The breakdown of subscribers at the end of 2007 was 70.8% dial up, 27% ADSL and 2.12 % leased lines as shown in Figure 6

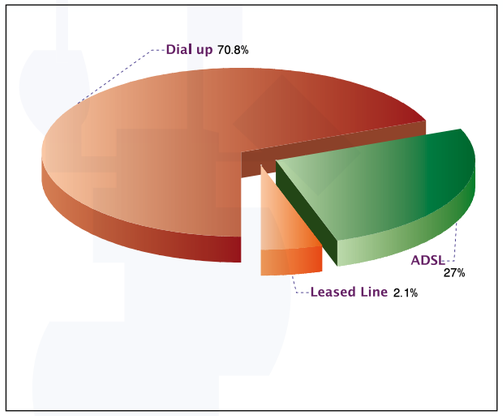
*Figure 5: Internet Subscribers Trend (2002-2007)**



**Excluded Prepaid Subscribers*

Source: Omantel/TRA

Figure 6: Internet Subscribers by Technology

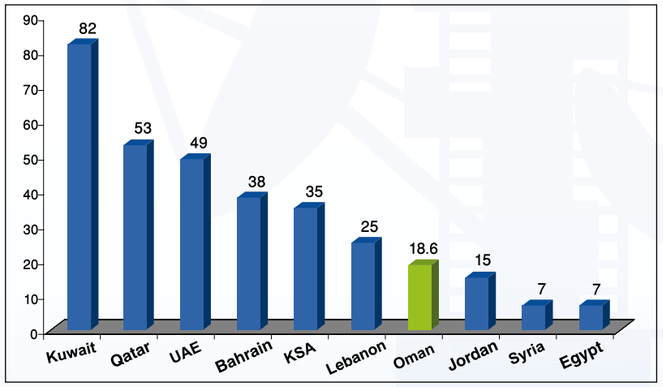


Source: Omantel/TRA

Practically every country in the world is now interconnected through IP networks and becomes on line. In a number of countries more than 50% population is using the internet. Oman is lagging behind in terms of internet subscribers having quite low penetration as compared to the world average and in the regional countries in terms of household penetration as shown in Figure 7

Figure 7: Internet Household Penetration

(Country Comparison: 2006)

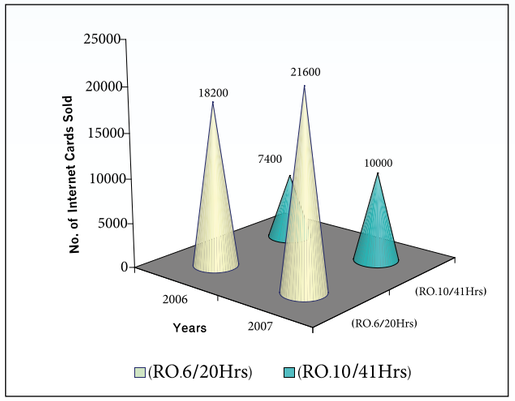


Source: Arab Advisors Group, Pyramids Research, Operators Annual Report

Internet Pre paid Cards and Cyber Cafe

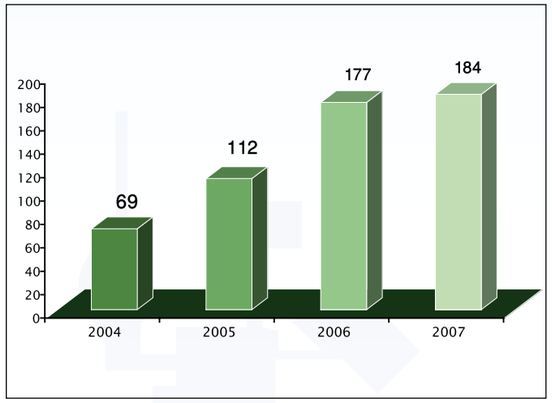
Internet prepaid cards and cyber cafes are also playing important role to increase the internet usage. Omantel's prepaid internet services allow customers to access the internet from any fixed connection and its demand is growing. Omantel sold 18.7 % more prepaid internet cards (Al-Ufuq) for the denomination of OR 6 and 35 % more cards for OR 10 during 2007 as compared to 2006. The demand for Cyber Cafes is also high due to low fixed line and personnel computer penetration rate. Figures.8 & 9 shows the growth in both pre paid cards and Cyber Cafes in the Sultanate.

Figure 8: Sales of Internet Prepaid Cards



Source: Omantel/TRA

Figure 9: No. of Cyber Cafes, (2004-2007)



Source: Omantel/TRA

The government is committed to expand the base of internet users in the Sultanate. In order to increase the number of internet subscribers, several measures have been adopted including significant investment by the government owned company, Omantel in various projects for infrastructure development, reduction in tariffs for special entities such as schools and other educational institutions etc, and decrease in leased line tariffs.

The effort exerted by the government over past years in the area of information technology and the internet reflects the growing importance of technology in modern world. TRA is aware of the role of internet in providing information and data and due importance is given for internet expansion throughout the country. It is also attractive proposition for the operators. Considering the importance and role of internet, Omantel had invested OR 7 million for the provision of broadband for ADSL to facilitate the roll out of 180,000 new ADSL lines in all parts of the Sultanate. It has introduced wireless internet service known as WiFi in commercial complexes, cafes, hotels and airport where frequenter can surf internet at high speed through prepaid cards.

On the other hand, the Sultanate is among the most important country in the world in the field of telecommunications, as it has become a main point of international telecommunications traffic and an international transit point for the internet through submarine fiber optic cables. The Sultanate has great potential to become a hub for international cables at Seeb and Khasab are suitable points for these cables. This can constitute a great shift in economic development process and a leap in telecommunications sector and information technology in the country.

International Traffic

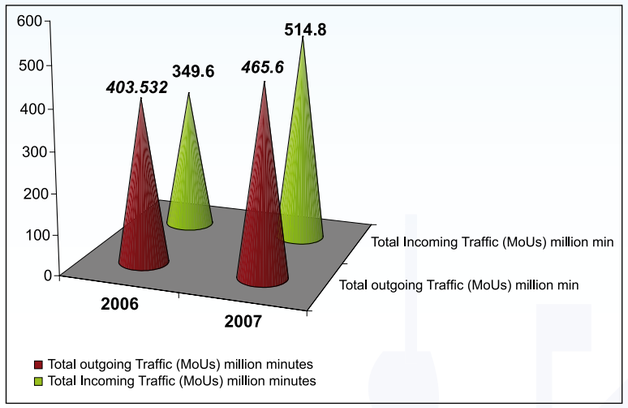
International traffic is routed through international gateway owned by Omantel which is the sole operator for carrying international traffic. Total outgoing international traffic reached at 465.6 million minutes in 2007 with 15% growth over the last year. Table 2 and Figure10 show total international outgoing & incoming traffic with a comparison over 2006.

Table 2: International Traffic (2006-2007)

Traffic (Million Minutes)			% Change over 2006
	2006	2007	
Total Outgoing International Traffic	403.5	465.6	15
Total Incoming International Traffic	349.6	514.8	47

Source: Omantel/TRA

Figure10: International Outgoing & Incoming Traffic (2006-2007)

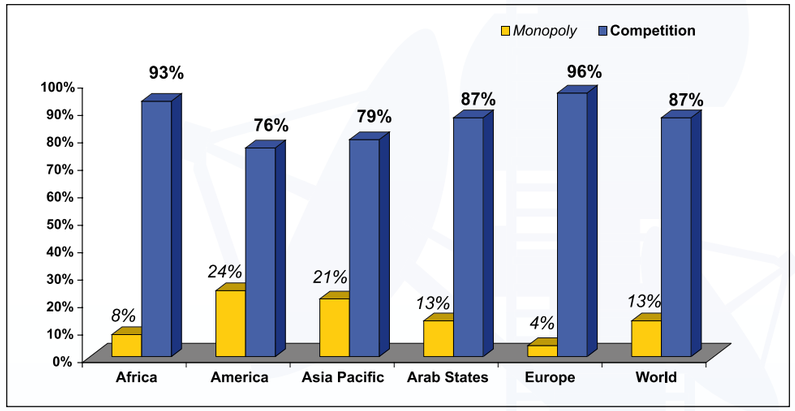


Source: Omantel/TRA

Cellular Mobile Sector

In contrast to the slow fixed line growth, the mobile cellular sector has shown phenomenal growth over the past three years, with the number of mobile cellular subscribers still increasing rapidly. The rapid growth trend for mobile subscribers is all around the world. The world counted some 2.7 billion mobile subscribers, or 42 % of the world population (ITU, 2006). The major factor contributing to the growth in sector was the introduction of competition in the sector. In the Arab States, more and more countries are opening up their cellular mobile services to competition. With 87 percent of the mobile market being competitive, the region has higher degree of competition than Asia Pacific and the Americas (Figure 11).

Figure 11: Level of Competition in Different Regions

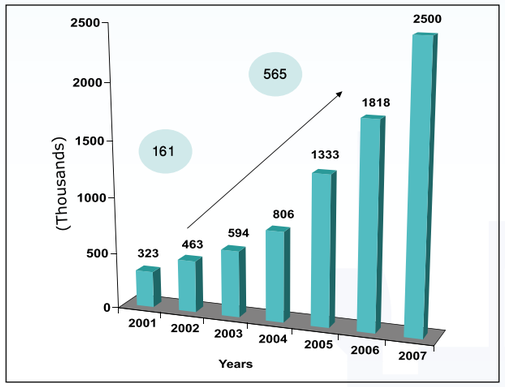


Source: ITU, World Telecommunications Development Report 2006

Mobile Growth Trend

Mobile market in Oman has shown tremendous growth over last three years. The mobile market crossed 2.5 million subscribers mark in December 2007 with a penetration rate of 95 percent. The mobile services were introduced in 1996 in the Sultanate and since then mobile subscribers are increasing. The award of 2nd mobile license in 2005 stimulated the competition in mobile cellular market. The mobile subscribers' growth trend can be divided into two periods' i.e pre-competition and post competition. During pre-competition period (2001-2004), average annual growth rate was 35% and on average 161,000 subscribers were added per annum, whereas 565,000 subscribers were added to the network after the introduction of competition in mobile market (2005-2007) with CAGR of 46 % per annum (Figure12).

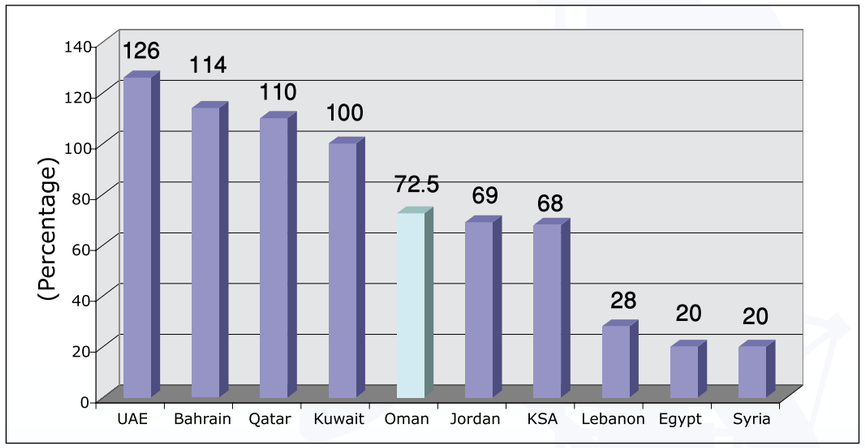
Figure 12: Mobile Subscribers Growth Trend (2001-2007)



Source: Omantel/TRA

The mobile penetration in Oman has jumped from 25% to 95% in just three yeas time period. This is considered a very high rate of growth compared to the region but mobile penetration rate is still lower than the other regional countries (Figure 13).

Figure 13: Mobile Penetration Rate
(Country Comparison: 2006)



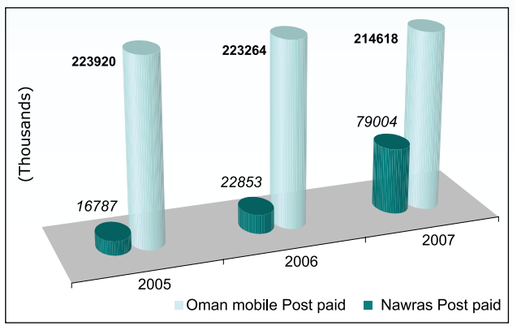
Source: Arab Advisors Group, Pyramids Research, Operators Annual Report

The reasons for remarkable growth in mobile sector have been the introduction of prepaid services, rapid network deployment, and competitive environment. The rapid rise of mobile cellular into an alternative platform for voice communications is also attributed to the drop in prices for mobile services and introduction of wide range of additional services.

The prepaid segment is more attracted by the customers as evident from its growth and the total number of pre paid subscribers growing faster than the post paid service. The prepaid subscribers increased from 1,080,113 in 2005 to 2,206,378 in December 2007, with a growth of 104% in 2 years. There were 293,622 post paid subscribers by end of 2007 as compared to 240,707 in 2005 with a growth of 22%

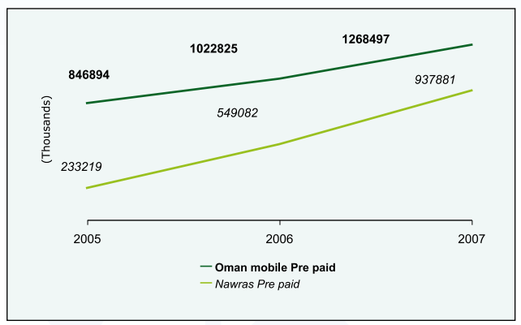
during the same period. The percentage share of post paid and prepaid subscribers was 11.7% and 88.3% respectively. Oman Mobile with a total number of subscribers of 1,483,115 is still market leader with a share of 59% as compared to Nawras which increased its share from 31% in 2006 to 41 % in 2007. Operator wise comparison for post paid and pre paid users is given in Figures 14&15.

Figures 14: Post paid Subscribers



Source: Oman Mobile/Nawras/TRA

Figure 15: Pre paid Subscribers



Source: Oman Mobile/Nawras/TRA

Mobile Traffic

During last three years, the total traffic on the mobile network grew mainly due to substantial increase in the mobile subscribers and introduction of promotional packages by the cellular mobile operators. The national as well as international incoming and outgoing minutes increased significantly. Total traffic by both mobile operators increased from 2,984 million minutes in 2006 to 4,202 million minutes in 2007 (41% increase). National outgoing minutes increased by 27% and reached at 2,814 million minutes. The traffic from mobile to fixed decreased by 8% with 119 million minutes. The outgoing mobile minutes to other mobile network (off net) increased by 63% as compared to the last year.

SMS

The world trend is now moving towards data traffic rather than voice. This shift although started in developed market few years back but in emerging market like Oman it is still a relevant phenomena. In 2006, the total number of SMS sent by all mobile subscribers was 1,884 million (86 SMS per subscriber per month), which grew to 3,007 million in 2007 giving an average of 100 SMS per subscriber per month. The growth of SMS per subscriber per month works out to be 16% over the last year.

International Roaming

Both mobile operators (Oman Mobile and Nawras) signed a number of roaming agreements to provide the widest possible mobile services to its customers allowing them to remain connected while on move outside the Sultanate. The operators intent is to widen its roaming coverage to even more international destinations and enable every single Omani mobile user any where in the world to roam without any restriction. Oman Mobile had roaming connections with 142 countries through 325 operators where as Nawras has roaming connections with 145 countries through 290 operators by the end of 2007. The operators are also providing international data roaming to its subscribers so that they can send SMS, MMS while roaming in other countries of the world.

Third Generation (3G)

Third Generation (3G) services, which allows higher transmission speeds and enhanced data services, have been offered by a number of operators since 2001 around the world. By the mid 2006, seventy five of the world economies were offering commercial 3G services. While 3G technologies promise a wide range of innovative applications for users and new source of revenues for operators. The majority of low income countries has not yet deployed Third Generation services. Nawras, who is the second mobile operator in the Sultanate was awarded license to operate GSM services as well as 3 G. Nawras tested 3 G service during Comex 2006 but they launched commercially in 2007. The customers are now able to make and receive video calls and browse the internet at high speed within Nawras network at selected coverage areas. This is expected to be provided across the networks in near future.

Telecom Financial Performance

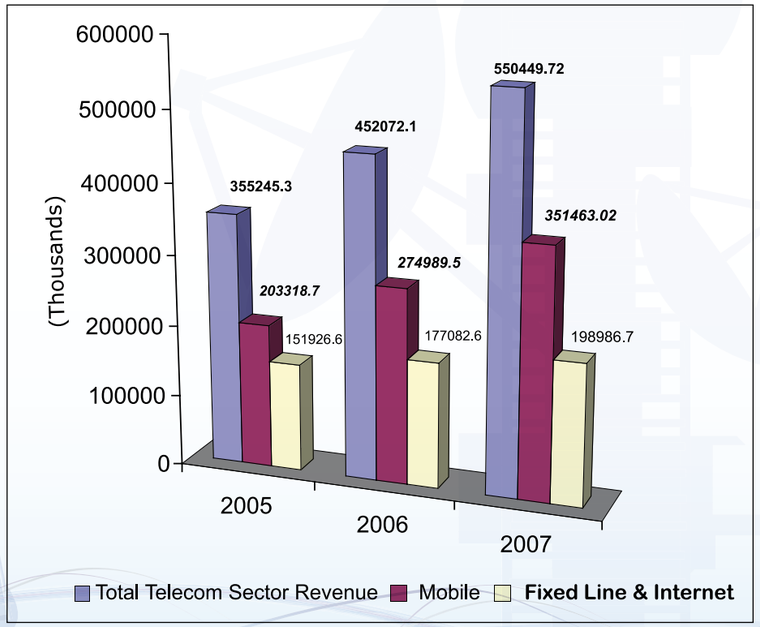
Due to increase in telecom traffic and additional mobile cellular subscribers, the revenues of telecom sector increased to OR. 550.449 million in 2007 while the ARPU has dropped. The total revenues of telecom sector in 2007 grew by 22% compared to the last year. However, this increase is 125% if we compare current revenues with the revenues of 2004 i.e before the introduction of competition in mobile sector. Cellular mobile sector share in the total telecom revenues was 64% in 2007. Total mobile sector revenues increased by 145% in just three years. The revenue break up is given in Table 3 and Figure 16.

Table 3: Total Telecom Sector Revenue (2005-2007)

Services	2005	2006	2007
Total Telecom Sector Revenue, (000 OR)	355,245.3	452,072.1	550,449.72
Fixed Line & Internet Services (OR 000)	151,926.6	177,082.6	198,986.7
Mobile Services (OR 000)	203,318.7	274,989.5	351,463.0
ARPU Fixed (OR)	21.2	18.6	17.4
ARPU Internet (OR)	32.9	29.3	31.1
ARPU Mobile (OR)	12.5	12.6	11.7

Source: Omantel/TRA

Figure 16: Telecom Revenues by Sectors (Thousand OR) (2005-2007)

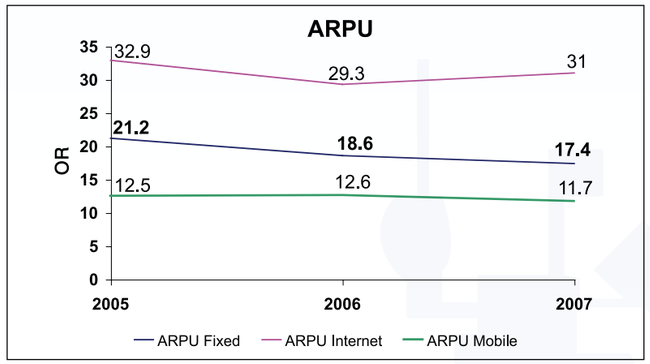


Source: Omantel/TRA

Average Revenue per User (ARPU)

Mobile sector blended ARPU per month has declined by 7.7% from OR 12.600 in 2006 to OR11.700 in 2007. The ARPU for fixed line services have shown a decline of 6.5% from OR 18.600 in 2006 to OR 17.500 in 2007. Increase in ARPU for internet and data services has been 5.8% from OR 29.300 in 2006 to OR 31.000 in 2007. The Figure.17 depicts the above trend in graphical form.

Figure 17: Mobile, Fixed line & Internet ARPU (2005-2007) (in OR)



Source: Omantel/TRA

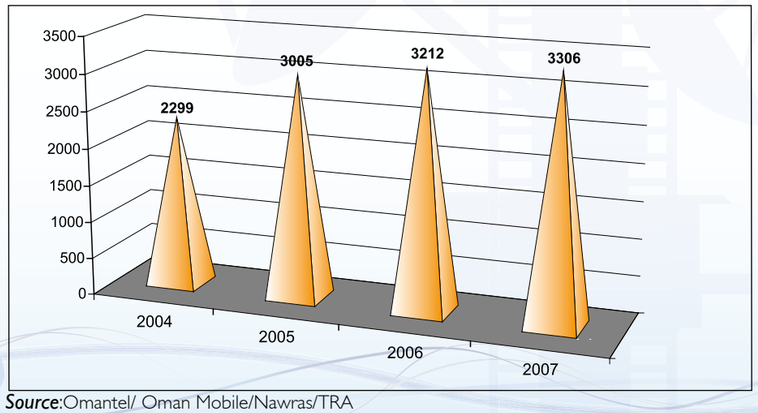
Employment in Telecommunications

There was a significant growth in employment in the telecommunication sector in Oman after liberalization of the sector. With the establishment of the TRA and split of Omantel into two separate entities and award of 2nd mobile license to Nawras created a lot of employment opportunities for Omani graduates. The total telecom employment (TRA and all three operators) increased from 2,299 in 2004 to 3,306 in 2007 with a growth rate of 44%. It has also created of lot of employment opportunities in other telecom related activities. Table 4 and Figure 18 show the growth trend in employment from 2004 to 2007.

Table 4: Telecom Sector Employment

	Omantel	Oman Mobile	Nawras	TRA	Total Sector
2004	1,985	261	0	53	2,299
2005	2,049	586	309	61	3,005
2006	2,053	611	478	70	3,212
2007	2,046	689	493	78	3,306

Figure 18: Telecom Sector Employment (2004-2007)



Source:Omantel/ Oman Mobile/Nawras/TRA

Chapter 4
THE FREQUENCY SPECTRUM

The Radio Spectrum is the band of frequencies in the electromagnetic spectrum used by wireless communications such as broadcasting, fixed or mobile radio, public safety services, satellite and aviation services etc. The spectrum is vital for national security, public safety, research and commercial ventures. This natural non-renewable and finite resource is equally shared with the world. Finite because the same part of the spectrum can be used again and limited because the spectrum is non-renewable. The spectrum management derives its statutory mandate from the Telecommunications Regulatory Act. This law provides the basis for managing Oman's radio spectrum by the TRA and establishing the policy and regulatory framework for telecommunication services, particularly wireless communications.

TRA Policy Approach

The radio spectrum is a natural resource of significant economic and social importance to the country. TRA's broad objective in managing the spectrum is to facilitate the development and use of world-class telecommunications infrastructure, technologies and services to enhance Oman's competitiveness, economic growth and quality of life. Telecommunication industry is moving forward due to introduction of new advanced products and services every day. The ability to communicate anywhere, anytime, is the conceptual engine of electronic telecommunications sector worldwide. Consequently, researchers are creating new approaches and developing new telecommunication mechanisms which shape modern wireless networks to meet the growing needs. TRA is trying to facilitate development of modern multimedia and basic applications, which are strongly desired by business sector and public. Following are the important measures which were taken during 2007 for the benefit of the operators and the general public at large. These policy initiatives are briefly stated in the following section.

Approval of WAS/RLANs Regulation

As per new regulations which were issued under Decision No.198/2007, the users of WAS/RLANs (Wireless Access Systems/Radio Local Area Networks) are exempted from radio licensing and payments. This will facilitate the use of these specific frequencies for specific purpose.

Draft Policy for Short Range Devices (SRDs)

Regulatory and technical requirements for Short Range Devices (SRDs) were prepared in accordance with the Articles 8 and 9 of the Telecommunications Regulatory Act. This will provide benefit to the general public and the users of SRDs by exempting them from individual licensing procedures and the fees prescribed in the earlier Decision No. 46/2003. This has been done due to their low interference potentials to licensed radio systems and to make the use of these devices simple and trouble free.

Draft Policy for Automotive Short Range Radars (SRR)

A Policy for Automotive Short Range Radars (SRR) was prepared to exempt automotive SRR from individual licensing procedures and fees as prescribed in the Decision No. 46/2003. This decision has been taken to facilitate the users of these equipment due to low interference potential to other licensed radio systems.

International Framework

The spectrum is shared by all nations in accordance with the ITU recommendations. As the demand for frequency spectrum is increasing, the congestion of radio spectrum usage is growing accordingly. Hosting more radio signals in the same bands will raise the harmful interference probability if no particular adoption

was employed. Careless transmission of radio signals in same frequency bands, time and geographical locations by independent networks will indeed produce interference. Frequency management, in case of long range communications in air and international waters, such as aeronautical and maritime communications, is much more sensitive and complicated task compared to short-range national applications. Therefore, coordination of spectrum utilization around the national border-line is another issue which needs special care.

From the market perspective, economic delivery of radio communication services and international roaming possibility cannot be achieved except by harmonized utilization of spectrum. Regulating internationally harmonized bands inside the country in a different way not only causes a massive loss of national resources but also delays introduction of popular telecommunication services inside the national market. Assignment of the frequency bands in accordance with the Radio Regulations and global trends is essential and is complied by TRA to speed up introduction of new services in the country and to minimize the risk of interference.

At the international level, ITU (International Telecommunication Union) assist member countries on harmonization of telecommunication related activities. At the national level, Telecommunications Regulatory Authority is responsible to interact with other administrations through ITU to customize international radio regulations for achieving national interests as well as tracking international trends.

Also as a treaty signatory, TRA represents Oman and takes active role in the ITU in order to ensure that international policies are consistent with Oman's regulatory frameworks and that Sultanates' interests are adequately protected. In line with the above objectives, the TRA actively participated in ITU forums during 2007. The most important events were WRC and Radio Assembly which are discussed in the chapter of international relations.

National Frequency Table

National Frequency allocation table is a document for regulating the frequency allocations in the Sultanate of Oman. All legal and physical entities which are engaged in development and purchase of radio-electronic installations (REI) are obliged to follow the table. The table was published in 2006 to ensure efficient management and usage of spectrum. The table, however, does not give any right for a frequency band use (or a specific frequency) for development, production, import and operation of the REI without authorization by the Telecommunications Regulatory Authority Oman.

Migration Plan

Within the context of strengthening frequency assignment procedures, Telecommunications Regulatory Authority (TRA), with the assistance of ITU experts, prepared the national frequency allocations table in 2006. The TRA needs to change the frequency of these existing individual radio communication applicants, which are not consistent with the national frequency allocations table. The migration of inconsistent frequency assignments is inevitable and may be performed by consensus on specific plan among individual applicants and the TRA.Inconsistent frequency assignments can be extracted through comparison of application categories and type of radio communication services of about 7,000 existing registered assignments. This is being done with the help of a data base of application categories and allowed radio communication services under each sub band of frequency.

Evacuation of GSM bands

Depending on the nature of inconsistency between actual frequency assignment and national allocations table, frequency assignment must be migrated to one of the suitable frequency band. The Frequency Spectrum Allocation Committee agreed in its third meeting held on 12 May, 2007 that all parties using GSM bands shall submit their migration plan within six months from the date of the meeting. In this regard, PDO and Occidental have evacuated their inconsistent assignments from the GSM bands.

Frequency Monitoring and Inspection

In order to ensure the proper usage of radio equipment and protect the licensed users from interference problems, TRA has conducted frequencies scanning in many areas in the country. The output of this scan is presented in Table 5.

Table 5: Frequency Monitoring

SQ	Governorate/Region/Area	No of Licensed Frequencies monitored	No of unlicensed frequencies
1	Muscat	73	15, usage of 2.4 MHz band
2	Al-Batinah	75	9, usage of 2.4 MHz & 450-470 MHz band
3	Salalah	33	2
4	Sur	15	-
5	Ibra	7	-
6	Nizwa	5	-
7	Ibri	4	-

Source: TRA

Additionally, TRA has worked to solve four cases of interference that were reported in the year 2007. Furthermore, two tasks were carried out to investigate the usage of certain frequencies.

TRA has carried out around 209 inspections for about 155 users/ corporate/ship during 2007. The inspection process has resulted in finding 30 unlicensed users. As a result, unlicensed equipment were seized and penalties imposed.

Radio Licensing

TRA issues radio licenses as per the Telecom Act and receives and processes all such applications/requests. As on 31 December 2007, TRA has issued 9,288 radio licenses. A brief comparison over 2006 is given in Table 6:

Table 6: No. Radio Licenses Issued

Radio Licenses Issued	2006	2007
No of New Licenses	1,756	2,736
No of Renewed Licenses	7,907	6,552
Total Licenses	9,663	9,288

Source: TRA

Chapter 5

TELECOMMUNICATIONS NUMBERING

Telecommunication industry requires national numbering resources for different types of communications services to the consumers. TRA has a responsibility to develop numbering policy so that sufficient numbering resources are available to meet the market demand and same is administered and allocated in line with the international numbering standards.

Numbering Plan Administration

TRA manages the numbering plan, which sets out the framework of the numbering of different services in the Sultanate and use of numbers in connection with the supply of telecom services. TRA is also responsible for managing the existing numbering resource and planning for new numbering schemes in the country.

Special Numbers

TRA has made new regulations regarding special numbers. Numbers can not be traded or transferred between users. The transfer is only permitted between relatives of first degree and can only be made against a fee of OR 20 and with proper documentation or proof of the first degree relationship. TRA has also directed the licensed operators to make all special numbers available to their customers for allocation to be made on first come first served basis without any discrimination.

Utilization Criteria

TRA has developed new utilization criterion for operators requesting new numbers. Operators are required to utilize at least 70% of the numbers blocks assigned to them before any new requests for numbers is submitted to TRA. This has been done in order to stop operators from stock piling of number series.

Type of Telecom Numbers & Short Codes & Codes in Oman

TRA manages the numbering plan which sets out the framework for various types of telecom numbers and short codes. These numbers are allocated in connection with the supply of the service. The national numbering plan consists of the following;

- Public Numbers: They are 8-digit numbers.
- Toll Free/ Premium Numbers: These numbers with 800 and 900 pre-fix are used for toll free and premium rate services are respectively.
- Short-code Numbers: They are 4 digit numbers and used by the network operators for public services like emergency services.
- International Signaling Point Codes (ISPC): They are numbers used to identify network elements connected to the international signaling network.
- National Signaling Point Codes (NSPC): They are numbers used to identify network elements connected to the national signaling network.
- Mobile Network Codes: They are numbers used to identify the original network of the users.
- SMS Short-codes: SMS short codes are also available for services which are generally used by many subscribers. They fall into two categories i.e premium rate and non premium rate services and follow the format 90 xxx and 80 xxx.

Numbers Issued in 2007

TRA has made the following number allocations as demanded by the operators during 2007:

Table 7: Numbers Issued During (2007)

Toll Free Numbers	62
Fixed Numbers	50,000
Mobile Numbers	880,000

Source: TRA

Chapter 6

Type Approval of Telecommunications Equipment

In order to facilitate competition in the supply of radio and telecommunications equipment and to stimulate the availability of a wide variety of equipment at affordable prices, a type approval policy was developed to avoid unnecessary burden on manufacturers and suppliers prior to permitting access to the market in Oman. Since Oman has no significant local manufacturing of telecommunication equipment and the networks of the operators are based on European Standards, As a result, this approach allowed all large manufacturers worldwide to have easy access to the Omani market also.

Type Approval introduced by the TRA for the purpose of approving all telecommunications equipment that are used in the Sultanate was designed to facilitate availability of wide variety of equipment choices for the consumers, and to maintain consumer rights on the quality and safety of the equipment.

All telecommunication suppliers/importers are required to register with TRA. The responsibility for issuing Type Approval Certificates and Release certificates for all type of imported radio and terminal telecommunications equipment rests with the TRA.

The type approvals regime covers all telecommunication equipment which are broadly categorized as under:

- **Telecommunications Terminal Equipment (TTE):** Beneficiary's private telecommunication equipment that enables him to communicate either through a public or a private telecommunication network.
- **Radio Communications Equipment (RCE):** Equipment, apparatus or accessories used or prepared to be used in radio telecommunications.

Type Approval and Registrations with TRA

Registered local telecommunications equipment dealers who request type approvals for the telecommunication equipment need to comply with the basic type approval requirements of the TRA. All companies intending to have telecom activities must register with the TRA before registering the activities with the Ministry of Commerce and Industry. The registration with the TRA is a pre-requisite for telecom equipment dealers before applying for type approval. It is mandatory for all importers and retailers of telecom equipment also.

All types of telecommunications equipment, prior to import, must have an approval certificate issued by the TRA. A telecom equipment approval is based on its conformity to the International Standards. Table 8 below shows the total approvals granted during the year 2007.

Table 8: Type Approvals Granted in 2007

Type of Telecommunications Equipment	Number of Approvals
GSM Hand sets	87
Terminal Equipment	34
Radio Equipment	254
Total	375

Source: TRA

Further to the type approval procedures as explained earlier, all telecom equipment importers require obtaining a release certificate from the TRA. Table 9 below shows the total number of imported telecommunication equipment and number of release certificates during 2007.

Table 9: Number of Release Certificates Issued in 2007

Terminal Equipment	Radio Equipment	Total Number of Releases
18,652	3,188	21,840

Source: TRA

Chapter 7

REGULATING THE COMPETITION

Competition has become the defining feature of present day telecommunications industry. It is the chief motivating factor for diversification of telecommunications technologies. TRA is committed to maintain a level playing field for all telecom operators.

Therefore, the Authority continues its endeavors to encourage healthy competition with an aim to achieve benefits for the society in terms of lowering prices, new and better services and expanding customer choices.

Tariff

In markets where competition is still developing, effective price regulation aims at achieving the results of the competitive markets. Price regulation generally promotes efficiency in service provision and resources utilization. Additionally, price regulation aims at achieving equity in benefit distribution by ensuring that a share of benefits of improved technologies are passed on to the users through lower prices, more choice and better services.

In Oman, the Authority adopts two approaches for regulating the fixed and mobile market players according to the level of competition in each market segment.

Fixed telecommunications services includes local, long distance, international calls services and leased lines which are regulated using a price cap regime. The price cap determines the maximum allowable price increase for the regulated services for a specified number of years.

While the formula is designed to allow the operator to recover unavoidable cost increases such as inflation. It is not designed to allow the operator to recover all its costs, rather the operator is expected to reduce prices regularly to reflect productivity increases expected from an efficient operator.

For mobile services, on the other hand, the market mechanism is expected to take care of reducing prices and improving service quality. Thus in this case, the regulatory approach is more flexible. Prior to approving price proposals, an analysis is carried out to ensure that it is satisfactory from a consumer interest perspective and from competition safeguard perspective.

The TRA is also actively participating in regional initiatives aiming at reducing the international prices between the Arab States. In this regard, it would be pertinent to mention that TRA is participating in deliberations of Arab Regulators Network for reducing international roaming charges and the Arab and GCC operations and tariff committee for lowering accounting rates between the Arab Countries.

During 2007, Telecommunications Regulatory Authority continued to work in order to achieve the goals of liberalization policy. TRA approves the tariff proposals of telecom operators after detailed analysis. These approvals can be classified into three categories:

- Tariff for new services
- Tariff revisions
- Promotions

Table 10 below shows tariff proposals introduced during 2007. The consumers generally benefit from having more choices of telecom services at competitive and affordable prices through promotional offers campaigns and introduction of new services.

Table 10: Tariff Approval by Operator

Operator	No. of Tariff Revisions	No. of New Services	No. of Promotions
Omantel	-	3	10
Oman mobile	1	11	25
Nawras	2	11	21
Total	3	25	56

Source: TRA

Promotional Offers

With the development of competition in the telecom market in the Sultanate, operators are increasingly resorting to promotional offers to increase the uptake of their services against those of their competitors. Theses promotional offers vary in their design depending on the goals such as expanding customer base, pushing a new product into the market, reviving the growth of a stagnant product, or increasing the usage of a particular service, etc. Types and number of promotions by operator offered during 2007 are given in the Table 11.

Table 11: Promotional Offers

Type of Promotion	Oman Mobile	Nawras	Omantel
New Connection	9	10	4
Subscription (Monthly fee)	4	0	2
Call charges	1	1	
Data service	0	1	3
3G	0	1	
SMS/MMS & others	11	8	1
Total	25	21	10

Source: TRA

The TRA oversees these offers under the price regulation regime, to ensure that both effective competition and consumer interests are protected. It may be pertinent to mention here that a few cases on potentially anti-competitive or against the consumer interest were investigated where regulatory due processes were carried out and the concerned operators were instructed accordingly.

In order to streamline the tariff approval process, the TRA has framed tariff filing guidelines which were issued to operators in May 2007; to provide guidance on what should tariff proposals include for facilitating quicker processing of tariff approvals. The guidelines contained a section for filing promotional offers also. This exercise has helped the operators and TRA to carry out the approval process in the shorter possible time.

Further, the Authority is in the process of finalizing marketing guidelines, which will help in streamlining the issues related to marketing, promotional offers and some of the anticompetitive conduct issues.

Internet Rates for Special Groups

Since the introduction of the broadband ADSL services in the Sultanate, the tariff plans were revised a number of times to improve accessibility and affordability of different market segments. For instance, the market witnessed a change from an initial 3 speed based slabs of services to more targeted tariffs in 2004, where residential beneficiaries were offered the ADSL service with a cap on usage fees to increase

penetration and stimulate usage in the household segment. Another initiative to encourage internet access among the youth was to offer the ADSL service to government schools at a flat monthly rate with zero incremental charges for usage.

Later on, special needs organizations were included in the discounted package offered to government schools, and new packages were introduced for other governmental organizations, private schools and non governmental organizations. In addition, three different slabs for business users were developed to cater for varying levels of demand.

In order to expand internet services to specialized government educational institutions, the TRA, after consulting with Omantel, developed a set of criteria for the eligibility of a school to avail the special tariffs for the government schools. Omantel is applying these criteria to provide internet service to those institutions, which qualify.

Leased Lines Tariffs

Leased line is a dedicated private line used to link two locations together; sometimes it is called "Private Circuit" or "Data Line" and is used for telephone, data and internet services. The main difference between a leased line and conventional PSTN (Public Switched Telephone Network) is that it doesn't have a telephone number; each side of the line is connected permanently to the other for an annual fixed fee. Operators usually offer leased lines on wholesale basis to large business enterprises as well as other telecom service providers who want to offer internet service to its customers.

In the Sultanate, the incumbent operator, Omantel is the sole provider of leased lines. Prior to 2007, Omantel offered internet and national leased line services to large businesses, and mobile operators on retail basis. Since there were some concerns regarding prices from the users of the leased lines especially the mobile operators, the TRA asked Omantel to review and rationalize the prices. Recently with the increased demand for the circuits, Omantel looked at this segment to make it attractive for the existing mobile operators and potential new users. Omantel tariffs for wholesale leased lines are 40% to 50% lower than the retail prices. Omantel continues to examine the prices for further reduction to induce higher take up and usage.

Any customer leasing circuits from Omantel needs to peer with one of the Omantel Regional Internet POP's which also mean that content filtering; cashing and legal interception will be applied to the customer on this level. Omantel also provides customers with IP address based on customer demand.

Omantel has proposed reduction in the leased line charges for different capacities. This initiative can be seen as a first step towards rationalization of prices and making infrastructure usage more attractive.

The Authority is aiming at inviting more players in provision of alternate transmission and backbone facilities in the Sultanate.

International Roaming Charges

International roaming tariffs have been a major concern for telecommunications regulators around the world for the last few years and they have been deliberating on the issue in different forums to evolve a strategy for combating the trend of increasing prices. The high level of roaming charges between Arab countries has been a key issue on the agenda of the Arab Telecommunications and Information Council of Ministers, which in 2005 requested Arab administrations/ regulators to study this phenomenon and find appropriate solutions.

The first initiative of the Arab Regulators Networks (ARGNET) in this direction was to provide tariff information to the roaming customers. Pursuant to this initiative, in April 2007, the TRA has made it mandatory for mobile operators, to send an SMS to the roaming subscribers upon arrival in all GCC countries. Oman was the first GCC country to introduce this vital service that is aimed at improving the consumer awareness about roaming prices. Now when a customer roam outside Oman, he receives a free SMS, which provides him tariff for calling home country, making local calls and receiving calls from home.

The TRA has been working closely with the operators, to ensure that roaming rates are as reflective of costs as possible, keeping in view business sustainability parameters. In November 2007, the TRA issued a framework for international roaming tariffs whereby a ceiling is to be observed by operators for charges applied to voice and data roaming rates. This would ease out the requirement of seeking approval of tariff for every change in the roaming tariffs, which are quite frequent. The operator can work out the tariff according to the tariff framework and notify to the Authority for its information.

The Arab Telecommunications and Information Council of Ministers has also entrusted the Arab Regulators Network of Telecommunications and Information Technologies (ARGNET) with developing a framework for roaming rates between Arab countries. The TRA as a member of ARGNET is actively participating in this initiative in the best interest of all Arab subscribers and in particular to safeguard the interest of roaming Omani subscribers. We expect this initiative of ARGNET would help promoting tourism and traveling in the region.

Interconnection Regime in Oman

Interconnection of telecommunications networks is a vital enabler for the survival of new operators in the competitive markets. In the absence of interconnection arrangements, telecommunications service beneficiaries will not be able to communicate across networks. Interconnection management involves a multi set of technical, commercial, logistical and operational arrangements. These are detailed in bilateral agreements between operators. Interconnection charges are usually the most sensitive element in interconnection relationships and in line with best international practice, the regulatory framework in the Sultanate stipulates that interconnection charges are to be derived using the long run incremental cost principle (LRIC). This costing method ensures that operators' charges are forward looking, efficient and do not burden the competitors and the beneficiaries with internal inefficiencies or irrelevant historical costs of the incumbent operators.

Determinations

One of the most important functions of the Authority is to determine on conflicts or disputes between the operators regarding telecommunications services. This is particularly essential in case of interconnection issues as each operator tries to obtain most favorable rates. The operators try to resolve the disputes first between themselves but if no solution emerges, the dispute needs TRA intervention and thus ends up with the Authority. The Authority has to ensure that interconnection rates shall be cost oriented and fully justified. Such charges need to be calculated based on reasonable assessment of the cost associated with establishing interconnection and providing the telecommunications services requested by the public telecommunications operators.

During 2007, the Authority issued the following two determinations

- LIRIC cost based Interconnection Charges
- Review Application of Nawras on Asymmetric Interconnection Charges

A brief description of each determination is given as below;

LRIC Based Interconnection Charges

Nawras did not agree to the terms and conditions of the interconnection agreement with Omantel and Oman Mobile and signed interim agreements with both the incumbent operators. It was brought out in the said interim agreements that the operators shall submit the matter of dispute to TRA for determination. Nawras had referred the dispute to TRA for determination.

The TRA conducted extensive consultations on the issue with the stakeholders. It had examined the issue through LRIC consultancy. Further, the models of the operators made available to TRA and through

internal deliberations additional inputs were used by the Authority as part of decision making process. Based on this due diligence, the Authority has come to the conclusion that the cost estimates worked out under the incumbent operators' models can be implemented at least for major interconnection services i.e. termination charges as interim interconnection rates till a review exercise is undertaken by TRA.

The Authority approved the interconnection charges as listed in the following Tables12 &13 as interim interconnection rates for six months. These charges are based on 2006 data contained in the incumbent LRIC models.

Table 12: LRIC Based Interconnection Rates for Fixed Network

	Service Name	Units	LRIC
1	Mobile - PSTN Single Segment	RO/Min	0.00328
2	Mobile - PSTN Double Segment	RO/Min	0.00440
3	Mobile - PSTN Double Long Segment	RO/Min	0.00466

Source: TRA

The fixed interconnection charges are exclusive of "access deficit" if any that is being recovered by Omantel implicitly through international long distance services or other services.

Table 13: LRIC based Interconnection Rates for Mobile Networks

	Interconnection Service	Unit	Cost
1	Call Termination (weighted Average)	Bz/ minute	20.9
2	Termination charge per SMS/MMS	Bz/ message	0.50

Source: TRA

These interconnection charges, applicable to all class I licensees, shall take effect from 1st January 2008.

These charges shall continue to be effective for six months unless the Authority feels that an earlier review is imminent due to technical, commercial, legal or any other circumstances.

Review Application of Nawras regarding Asymmetric Interconnection Charges

Nawras was not satisfied with TRA's determination on Asymmetric Interconnection charges and made a review application under Article 24 of the draft Dispute Resolution Regulations. Review on the decision can be taken up provided that:

- A new fact has come to light, which was not available at the time when the determination was issue
- The new fact is of material importance and could have impact on the determination of the Authority
- A material issue, legal or factual, was overlooked (to rely on this ground the applicant has to substantiate its statement)

After detailed deliberations and careful examination of the written and oral pleadings of the parties, the TRA had noticed that Nawras failed to bring any new evidence, fact or argument, which could have any material impact on the decision of the Authority. All submissions made by the parties through the original application or under the review application were duly considered and Authority was fully satisfied that no material issue was overlooked in its earlier determination and rejected the review application of Nawras on Asymmetric Interconnection Charges.

Number Portability

In the context of traditional circuit-switched telecommunications networks, number portability is the ability of end users to retain their telephone numbers when changing service providers, service type, or location. It is believed that when fully and nationally implemented by both wire line and wireless service providers' number portability will remove one of the most significant costs for consumers and will encourage competition in the telecommunications industry. At present number portability implementation addresses all mobile service providers in the Sultanate.

Number portability improves opportunities for telecommunications competition by enabling customers to retain the existing telephone number without impairment of quality, reliability, or convenience when changing to another cellular mobile service provider. TRA has successfully implemented the Mobile Number Portability in the Sultanate in 2006. This allowed the subscribers to port their mobile number from one cellular operator to other. Since the implementation of MNP about 24,000 subscribers have been ported out between cellular operators. TRA is actively overseeing the process and resolving the complaints of subscribers as well dispute between operators.

Chapter 8

Universal Service Obligations

Simply defined, Universal Service Obligation (USO) is extending basic telecommunications services to the uncovered areas based on subsides that the Government pays to private telecoms operators to provide telecom services. The concept behind Universal Service (USO) lies in the principal that every single person should have access to telecom services. It is believed that telecommunications have the capability to create knowledge, improve living standards, provide speedy delivery of humanitarian aid and healthcare, educate people and disseminate information. As the world is dynamically transforming into a digital society, where Information and Communication Technologies (ICT) is reshaping the way countries conduct their economy, business practices, run governments and engage politically, the impact of telecommunication on country's development is becoming increasingly important. Universal Service Obligation is a mechanism that aims at bridging the gap between rural and urban areas to cater the economics and social developments of any society.

USO Policy and Strategy

Sultanate of Oman as one of the many countries moving towards a digital society has set a vision 'Oman 2020' that envisages diversification from the oil-based economy into a knowledge-based economy influenced by ICTs usage and access. One of the many visions of the country is transforming the country into an advanced, world-class E-Government by integrating all ministries and government entities to provide online faster and more effective public services. E-government is an essential element for a successful digital society and requires resources, incentives, and knowledge of citizens and business to benefit from such 'E' services

The Telecommunications Regulatory Authority (TRA) has recognized the importance of access in facilitating the government to achieve its goals. One of the main objectives of the Authority under Article (7) of the Telecommunication Act is to ensure the provision of telecommunications services for the entire Sultanate within reasonable limits and charges.

Based on this principal, the Authority is required to make a number of policy decisions and developments such as further liberalization in the telecom market, providing an open access network, and providing universal service access in order to ensure that the country's vision can actually be delivered. Such policies will not only promote infrastructure and increase teledensity, but will ensure changes in areas of education, culture and business as the country embraces ICTs and make them available.

As to obligations of providing universal service Article 38 of the Telecom Act states that the Minister, "after presentation to the Counsel of Ministers shall decide the following:

"1. To expand the telecommunications services and networks in defined areas according to their geographical location, or number of inhabitants; and to establish public telecommunications centers including the installation of public payphones in these areas.

"2. To specify the basic public telecommunications services which the licensee is obliged to provide to any requesting beneficiary at a reasonable price as decided by the Authority in the service areas.

"3. To provide maritime telecommunications services.

"4. To provide telecommunications services to persons with special needs.

"The Authority shall be notified of the requirements of the universal service specified in this clause, which shall be funded by the Public Treasury pursuant to the provisions of the last paragraph of Article (39) of this Act:

"Article (39): The Authority shall float the services and works stated in Article (38) of this Act in a public tender to be handled according to the same terms and regulations issued by the Authority. If no one bids for the tender, the Authority shall delegate the provision of the services or the implementation of the works mentioned above to the company. In this case, the Public Treasury shall pay the Company the net cost of providing the services or implementing the works, plus a return calculated on the basis of the yield to redemption of medium term Government bonds plus an additional 2%."

Although the introduction of competition in the fixed line and access segments of the market are main mechanisms to rapidly increase the variety and availability of services, full market liberalization will need to be accompanied by universal service policy in order to meet its full objectives. Universal Service Policy will able to deliver the Digital Oman Vision and further support the transition process by ensuring that communications service are made available in unconnected regions.

The private entrepreneurs (operators) cannot be expected to venture into economically unattractive areas to develop telecom networks and provide telecommunication services and therefore, many areas in different regions remain uncovered. The Authority recognizes that the main concern is related to the need of network infrastructure expansion. Until some support and initiative is provided by the State, many settlements will remain uncovered. It is therefore the responsibility of the Authority under Article (38) and (39) of the Telecom Act to develop Universal Service Obligation Policy and Implementation Strategy.

As a matter of fact, the TRA has taken firm measures to ensure the provision of telecom services as part of the universal service access. Omantel under condition II.3 is obliged to provide universal service, defined as follows:

3.1 "The Licensee shall provide to every person on request and at an affordable price agreed by the Regulatory Authority Basic Voice Services and Public Data Services".

3.2 "The Licensee shall not be entitled to any subsidy in relation to universal service or system expansion if these fall within its geographic coverage of the Basic Voice Service in the Licensed Area, including the expansions made in fulfillment of the System Expansion Requirements or the expansions made voluntarily as service areas."

Although the Authority has placed access obligations on operators, to date, a decision in relation to the expansion of communications services on the basis of Article 38 of the Act has not been taken. The Authority has received a great number of requests from the public for telecom services in areas in which services are not available and each request has been taken into consideration and surveys have been conducted in these areas to assess the number of population, the terrain, the demand for services, and whether telecom services can be provided on commercial basis or as part of USO.

Current Coverage

The TRA has also placed an obligation under Omantel's license to "install and connect telephone lines in 200 specified villages. This Village Target counts towards the total Rollout Target. Omantel confirmed that all 200 villages specified are now covered. The second mobile operator, Nawras has also an obligation under Article (2) Part II and Annex (C) of its License to roll-out its network in specified settlements in different phases. It is also required to achieve a target of 41.5 percent geographical area and 96 percent of population by the end of five years of its starting of operation in 2005.

USO Project

The Authority is currently in the process of formulating USO Policy and strategic plan for implementing the Policy through a consultancy project. The final Policy document is to be approved by the Ministerial Cabinet and will contain the rules/regulations for implementing Universal Services, the principal objectives and quantifiable targets, criteria for selecting areas, USO fund, services to be provided under USO, etc. The Authority is working on formulating a Universal Service Policy that will include not only Basic Voice Telephony services, but also dial-up internet and broadband services to be provided at least to institutions such as schools, hospitals, Wali offices, government offices, post offices and police.

The Authority realizes the need to take a bold approach in defining USO in Oman and the set of services to be provided under it. We believe that in order to harmonize with the Government's initiatives for an E-Government society, Internet related services shall be included as part of USO services. The electronic voice and data communication, and internet access are seen as a key factor in the strategy for the economic and social development of the country.

In the coming period, the Authority anticipates the Policy document for Universal Service Obligation to be finalized and approved by the Ministerial Cabinet. Later in Mid 2008, the Authority will conduct a pilot project to assess and evaluate the implementation of the policy. The Authority anticipates that the projects for connecting un-served and under-served settlements will take place in early 2009, under the said Universal Service Policy being framed.

Chapter 9

CONSUMER SAFEGUARDS

Consumer protection is one of the main responsibilities of the Telecommunications Regulatory Authority. The TRA is committed in ensuring consumers enjoy choice and satisfactory level of services at affordable prices, benefit from getting telecommunications services throughout the Sultanate and effectively handling of their complaints. TRA has always been vigilant about the complaints lodged by consumers against service providers and always takes necessary action for ratification of the problems faced by the telecom users.

Complaints

The Telecommunications Act requires the TRA to investigate the complaints filed by the beneficiaries or licensees or any other person, and take necessary measures to redress those complaints or resolve the dispute among the parties. Pursuant to the requirements of the Act, the TRA has issued the procedure to handle the complaints of the beneficiaries filed against the operators or service providers.

During 2007, TRA received a total of 19 complaints from consumers relating to the matters which they were not able to sort out with the service providers. The issues were related to billing disputes, quality of service, mobile number portability and disconnection of services. Most of these complaints were resolved amicably between the consumers and operators. The number and type of complaints are given in the Table14 below:

Table 14: Number and Type of Complaints by Operator 2007

Operator	Billing	Disconnection	Quality of Service	Mobile Number Portability
Omantel	4	2	1	-
Oman mobile	2	-	1	7
Nawras	1	-	1	7
Total	7	2	3	7

Source: TRA

Quality of Service

Telecommunications Regulatory Authority (TRA) has always been trying to promote and protect the interest of the users of telecommunication services in the Sultanate and to provide them better quality of service. To achieve this, the TRA:

- Monitor the quality of services of the operators to ensure that they are meeting their targets and license obligations
- Provide information through newspaper advertisements to consumers regarding the quality of services offered by the licensees so that they can compare services between competitors.
- Improve the QoS targets for operators to make it at par with the international best practice.

In order to accomplish the above mentioned tasks, the Authority is actively engaged with the operators and gets periodic reports on quality of service from all three operators to monitor their QoS targets. In case the licensee does not meet their target as per license obligations, TRA investigates the issues and directs the concerned operator for remedial measures.

During 2007, the TRA concluded a study through a consultancy firm and prepared a quality of service framework as well as new Key Performance Indicators for various telecommunications services. KPI's were forwarded to the operators for their comments. A billing accuracy audit also was carried out with the help

of an international consultancy to ensure that consumers' interests are being protected and they are not overcharged.

Consumer Awareness

One of the prime responsibilities of TRA is to keep the consumers well aware about the telecom products and services available to them and to ensure that industry and consumers are informed about their telecommunications rights and obligations. To fulfill its responsibility, the TRA has issued various press releases and launched media campaign on various issues concerned to the general public like hoax international calls, illegal use of VoIP and transfer of special mobile numbers etc from time to time. These issues are briefly discussed in the following section.

Warning against Hoax Calls

In September 2007, in line with the Authority's goal to protect consumers of the telecommunications services in the Sultanate and in response to a number of complaints received from telecom subscribers regarding mysterious calls from abroad, a cautionary notice was published in prominent newspaper of the country to bring to the public attention and to inform the general public about such hoax calls. These Haox calls aimed at defrauding people through telephone. The notice also advised the general public to be careful in responding such calls and do not reveal any banking or personal information to the mysterious callers. They were also advised to be careful in case of such e-mails, which also lure people for huge financial awards if they can cooperate in certain dubious transactions. In December 2007, the Authority received similar complaints again and the public notice was published for the second time to all prominent newspapers as well as posted on the TRA website.

Special Numbers

TRA issued public notice in local newspapers to bring to the public attention that the Authority has observed a rise in the number of complaints regarding the short messages or local calls being made by individuals to holders of special mobile phone numbers offering to buy their numbers, thus unnecessarily embarrassing and annoying such beneficiaries. The Authority stressed that such actions contravenes with Article 61 of the Telecommunications Regulatory Act which states: 'Any person who sends, by means of a telecommunications system, a message that violates public order or public morals, or that is untrue to the best of his knowledge, or that aims to disturb others, shall be punished by imprisonment for a period not exceeding one year, and with a fine not exceeding one thousand Omani Rials, or with one of these two penalties'. The TRA requested the public to comply with the provisions of the Telecom Act to preserve public order and avoid such offences that are punishable by law. The general public was also informed that such mobile phone numbers are considered to be the property of the State and are assigned to the beneficiaries to enable them avail of the services rendered and as such, these numbers may not be relinquished or sold to others as this is deemed illegal pursuant to the provisions of the Article 3 of the Ministerial Resolution No.4/2005.

Public Consultation

Public consultation is one of the key regulatory tools that are commonly used to enhance transparency, efficiency and effectiveness of regulation. It is a process through which the public is informed about an upcoming regulatory proposals or decision. Views and inputs are openly sought allowing various stakeholders (e.g. market players, consumers, interest groups, etc) to express their concerns and contribute to the decision making process.

In the event that the Authority decides that a public consultation is to be conducted on a particular topic / document, the first step is to prepare the consultation paper with sufficient information allowing study and analysis of the topic under consultation. The consultation document is posted on the TRA website and simultaneously a notice is published in daily news papers to draw the public attention to the same. Furthermore, it is possible that key stakeholders are contacted directly to seek their views. A deadline for receiving contributions is clearly stated after which contribution are compiled and analyzed. The Authority does consider the inputs received via the public consultation, yet, ultimately final decisions are made keeping in view the TRA's policies and strategies for the telecom sector in the Sultanate. The following public consultation documents were posted on TRA website and published in the newspapers during 2007:

- Annexes of Class II license to provide resale of basic public mobile telecommunication services.
- Class III license (for the provision of private network) and VSAT
- Public consultation on Gateway Gulf Oman (Electronia Application)
- Domain Name: www.search.om
- Network standardization framework and network standard plan
- Quality of service measurement and improvement
- Omantel Reference Access Offer (RAO)

The Website Development

Having a dynamic web site is not only a decisive step into the future, but a necessary move to stay competitive in this fast paced world. The website is a major source of information for the sector. Thus, during year 2007, the Arabic version of the Authority's website **www.tra.gov.om** was launched to provide direct and dynamic information to the operators, users and investors of the telecommunications sector and the general public. The project to re-design the existing website is in progress and is expected to be officially launched in the first quarter of year 2008.

Chapter 10

International Representation

TRA plays an active and dynamic role at the international and regional level for the development of the telecom sector. TRA continues to develop ties with its fellow regulators, and builds on strengthening bilateral relationships with the regional authorities as well as other related bodies. This ongoing interaction with other regional partners enables TRA to learn from international experiences so that the TRA is best placed to meet the regulatory challenges of a dynamic telecommunications environment.

International Telecommunications Union (ITU)

The ITU is a specialized agency of the United Nations for information and communications technologies. The ITU's role in helping the world communities spans three core sectors: radiocommunication, telecommunication standardization and telecommunication development. TRA has been a sector member of the ITU since 2004, and actively participates in telecommunications events and forums organized by the ITU.

ITU/BDT Arab Regional Workshop on "IP Based Regulations Awareness"
19th and 21st May 2007

Arab Regulators Network of Telecommunication & Information Technologies (ARNET)

The Arab Regulators Network of Telecommunication & Information Technologies (ARNET) is a forum comprising of 22 Arab member states which actively meet to discuss and recommend best practice guidelines and procedures for the development of telecommunications in the Arab Region. TRA has been a member of ARNET since 2004.

ITU Arab Center of Excellence

As a result of the ITU's General Assembly Meeting of the Center of Excellence for the Arab Region held in Cairo in March 2005, the Sultanate committed to host the Coordination Unit of the Arab Center of Excellence (CoE) for a period of three years. TRA, in coordination with the Ministry of Manpower's Higher College of Technology, has been providing all the required logistical facilities for the operation of the CoE Coordination Unit, along with a substantial annual financial contribution.

Participation in International Events

The Authority participates in many international events as per the relevance and importance of the topics under discussion. The vast majority of TRA international events fall under the auspices of the International Telecommunication Union, of which it is a member in all 3 sectors (the Radiocommunications Bureau, the Standardization Bureau and the Development Bureau.

In addition, TRA participates in other forums of which it has a regional interest, including but not limited to telecommunication meetings of the Arab League, the Gulf Cooperation Council, as well meetings of the Arab Regulators Network of Telecommunication & Information Technologies (ARNET).

World Radiocommunication Conference 2007 (WRC-07)

World Radiocommunication Conferences (WRC) are held every four years by the International Telecommunication Union (ITU). The WRC reviews, and, if necessary, revise the radio regulations, the international treaty governing the use of radio frequency spectrum and the geostationary-satellite and non-geostationary-satellite orbits. Revisions are made on the basis of an agenda determined by the ITU Council, which takes into account recommendations made by radiocommunications conferences.

TRA's Spectrum Management Unit actively participated in the World Radiocommunication Conference 2007 held in Geneva, Switzerland from 22 October to 16 November 2007. The WRC-07 addressed some 30 agenda items related to almost all terrestrial and space radio services and applications. These included future generations of mobile telephony, aeronautical telemetry and telecomm and systems, satellite services, mobile communications, maritime distress and safety signals, digital broadcasting, satellites for meteorology and the prediction and detection of natural disasters.

TRA presented a number of proposals during the Conference on the following issues:

- The identification and allocation of new frequency bands for International Mobile Telecommunications (IMT) systems.
- The provision of full protection for current and future terrestrial services in the whole band of 2500-2690 MHz.
- The secondary allocation for amateur services in the band 135.7-137.8 KHz.

All proposals submitted by TRA to the WRC-07 were adopted.

Global Symposium for Regulators

The International Telecommunication Union's 7th Annual Global Symposium for Regulators (GSR) was held in Dubai, from 5-7 February 2007, and brought together regulatory authorities from all around the world with the aim of identifying best practice guidelines needed to facilitate the migration of Next Generation Networks (NGN). The 38-point roadmap is designed to encourage regulatory frameworks that foster innovation, investment and affordable access to NGN.

The best practice guidelines underscored the importance of embracing the principles of a clear and transparent regulatory process including the adoption and enforcement of rules; technology-neutral and competitive network provision under a coherent approach that addresses the issues raised by convergence. The best practice guidelines cover all aspects of service provision including authorization, access, interconnection and interoperability, numbering and NGN identification systems, universal access, quality of service, consumer awareness, security and protection.

Radiocommunication Assembly 2007 (RA-07)

Radio Assemblies (RA) are responsible for the structure, program and approval of radio communication studies. They are convened every four years and may be associated in time and place with the World

Radio Communication Conference (WRC). TRA participated in the Radiocommunication Assembly 2007 that was held in Geneva, Switzerland from 15-19 October 2007.

Key highlights of RA-07:

- Expansion of the IMT-2000 3G radio interface family with OFDMA technology by approving the 7th revision of Recommendation ITU-R M.1457.
- Establishing a generic term IMT to describe both terms IMT-2000 and IMT-Advanced.
- The election of a TRA official, Engineer Yousuf Al-Balushi (Senior Manager, Frequency Management) as Vice-Chairman of the Radio Advisory Group (RAG). The main duties of the RAG are, inter alia, to review priorities, programs, operations, financial matters and strategies related to Radiocommunication Assemblies, study groups and the preparation for radiocommunication conferences, and any specific matters directed by a Conference of the Union, Radiocommunication Assembly or the Council. The RAG recommends measures to foster cooperation and coordination with other standards bodies, with the Telecommunication Standardization Sector, the Telecommunication Development Sector and the General Secretariat.

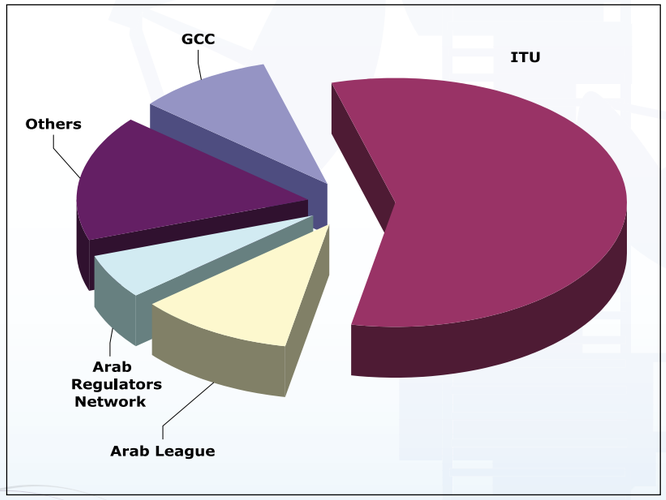
TRA Participation in Other Events

Apart from the above mentioned major international events, TRA participated in various events organized by the ITU and other regional bodies. Participating in local and international events has a tremendous impact on TRA performance and employee development. The benefits and insights gained are two-fold:

- Initiates and directs the development and articulation of international telecommunications policies, consistent with Oman's Telecommunication Regulatory Act and the strategic plan of TRA
- Coordinates the Sultanate's position with relevant regional and international regulatory authorities and other international organizations in the radio, standardization and development telecommunication sector
- Capacity building of TRA employees

More than 85 events were attended by the TRA staff in 2007. The following diagram shows the level of participation of the TRA's employees in international events organized by various international and regional bodies.

Figure 19: International Events



Source: TRA

Events Hosted by the Authority

TRA remains firms in its commitment to develop and aid in the capacity-building of the Omani telecom sector. In 2007, two major international events were hosted by TRA:

World Trade Organization GATS Seminar on Telecom

A specialized seminar on the General Agreement on Trade in Services (GATS) in Telecom was held in May 2007. The objective of the seminar was to enable telecommunications professionals to better understand the implications of the WTO and to improve their skills and techniques for its implementation. The seminar focused on interactive exercises and case studies in which participants took an active role. Participants included representatives from TRA, local telecom operators, the Information Technology Authority (ITA), the Ministry of Legal Affairs and the Ministry of Commerce and Industry.

World Trade Organization GATS Telecom Seminar 13-15 May 2007

Regional Workshop on IP-Based Regulation

TRA hosted a regional workshop on IP-Based Regulation from 19-21 May 2007. The main objective of the workshop was to provide a profound understanding as well as comparative views on IP-based regulations and to create awareness for regulators and operators in order to meet their requirements. Participants included representatives from TRA, local telecom operators, the Information Technology Authority (ITA), the Ministry of Legal Affairs, the Attorney General, the Ministry of Justice as well as stakeholders from the Arab Region.

Arab Telsat Conference & Exhibition October 28 – 30, 2007

Visits

In 2007 one official visit was made by H.E. the Chairman and the TRA members to the Information Development Authority (IDA) of Singapore during the month of November 2007. During the three day visit discussions covered methods of exchanging technical visits between the staff of the Authorities with the aim of capacity building and the development of expertise and knowledge through the sharing of experiences. It is worth mentioning that Oman and Singapore aim at boosting the platform of cooperation between the two countries in various fields, especially those related to trade, investment and ICT sectors. In December 2007 the IDA paid the Authority a courtesy one-day visit to further develop the ties between the two organizations.

TRA's Chairman and his Delegation - Visit to Singapore 26-28 November 2007

Chapter 11

Studies and Consultancies

TRA continued to carry out studies through international consultants to meet its broad objectives. These studies help to understand the challenges of the competition. The following studies were completed in 2007;

Development of Network Standards and Quality of Services Framework

The Sultanate is presently engaged in addressing issues for multi operators and multi service scenario competitive regime. TRA also oversees the various telecommunication networks installed in the country, and monitors the consistency and quality of the services offered by different telecommunication operators so that consumers get the best quality of services at competitive tariffs. In this regards, a study was awarded to an international consultancy firm in 2007. The scope of the study also included a related project namely, Billing System Audit for consistency of customer billing. The project was successfully completed in the fourth quarter 2007. The consultant carried out a public consultation on three subjects as mentioned below:

a) Quality of service measurement and improvement.

b) Network standardization framework.

c) National network standards and plans.

The consultant developed a comprehensive blue print on Quality of services. He also defined the Key Performance Indicators (KPIs) and their respective benchmarks for each telecommunications services with clear definitions and measuring methods. The following were the deliverables:

i. National transmission plan

ii. Oman QoS framework

iii. Cabling guidelines

iv. National network standards and plans

v. Network standardization framework

vi. QoS implications for NGN report

vii. Billing systems audit report

Licensing Policy

TRA conducted another study on licensing policy. The objective of the study was to assist the Authority in assessing the market size, optimum number of players in different segments, appropriate fee structure and suitable service bundling of services. The primary focus was on the following systems and services:

(i) Facility based international gateway

(ii) Non-facility based international gateway

(iii) Wireless broadband access network

(iv) Country-wide backbone transmission network

The consultant assessed segment wise market size of various telecom services. They further examined the possibility of bundling of different services under various categories of licenses, into a unified license. Assessment of optimum number of licenses in each category based on market potential and long term

sustainability, financial viability of fixed service licenses with wire lines, issues related to access deficit charges, broadband services, entry fee levels, review of license terms and conditions etc were also addressed. The consultant also provided financial models for assessment of license fee calculations for fixed, mobile, national, international and broadband services.

Chapter 12

NEW TECHNOLOGY TRENDS

The market for information and communications technologies (ICT) is currently undergoing major structural change. The recent growth in competition, new requirements for the market and technological developments changed the total attitude of the telecommunications industry. The present industry is characterized by the rapid growth of broadband connections, the convergence processes of various networks technologies and the emergence of IP standards of individual and mass communications.

Traditional telecommunications operators find themselves confronted with a host of new challenges. In particular, their previously successful fixed network business is coming increasingly under pressure. New communication possibilities, such as telephoning via the internet, and also growing market share in mobile telephony are causing a great deal of concern.

To counteract these challenges, the network operators are investing more in growth drivers like broadband. The bundling of phone, data and televisions – known in the telecommunications industry as Triple Play services- has moved into the limelight a set of different business models. The traditionally familiar market boundaries between fixed networks, mobile telephony and data networks are disappearing more and more quickly. This gives customer the advantage that he can interact through a wide range of services, regardless of his technology.

In order to promote the use of new technologies in the field of telecommunications, TRA has been working in various studies so that it would be ready for the future. Some of the trends are discussed below;

Next Generation Network (NGN)

Telecommunication development requires an infrastructure beyond the existing subordinated networks- a core network for all the access networks. This new network is called the Next Generation Network (NGN). The internet protocol is the most significant integration factor because it is available globally and, at least in principle, it can use almost all the services and applications in all the networks. The ITU dedicated to technical aspects of telecommunications- regards NGN technology to support new services with greater operational flexibility on IP communications platform with soft switches. The service functions provided are independent from basic transmission functions and are based on the Internet Protocol (IP). The advantage of IP networks is their flexibility and the simple integration for new applications. Many operators around the world are investing in next generation network technology.

Wi-Fi

Wi-Fi enables the user to connect to the internet without wires or cables. One of the benefits of Wi-Fi technology is its ability to have a wireless connection for laptop to the Internet and corporate network when away from the office. Many cafes, coffee shops, libraries, airports, and other public places offer Wi-Fi Access Points for general public. These public Wi-Fi Access Points are often called Wireless Hot Spots.

In order to get connected the user simply needs a Wi-Fi enabled device and a Wireless Internet Service Provider (WISP) account.

Voice over IP

The telecom world is rapidly migrating from circuit switching to packet switching. Many international service providers around the world have deployed Voice over IP services in their networks. As opposed to traditional Public Switch Telephony Network (PSTN) where voice is transported using dedicated

circuits, VoIP service architecture exploits processing calls by transporting packets of data that contain voice without having to dedicate a circuit for every call.

Voice over IP technology has evolved over the time, VoIP will be an area of high priority for TRA and developing and articulating a long term view of VoIP and increased liberalization in light of global developments. The TRA is in the process of developing rules and regulations that will create the right environment for operators to deploy their VoIP services.

ITU/BDT Arab Regional Workshop on "IP Based Regulations Awareness" 19th and 21st May 2007 Organized by the Authority.

Broadband Wireless Technologies

Broadband refers to services that provide high speed communications, usually to access the internet. Broadband is fairly new trend that provides high speed wireless internet and data network access over world wide area. Recent wireless broadband trends exhibits speeds roughly equivalent to wired broadband access, such as that of ADSL or cable modem. They allow transfer large amount of data- such as email attachments, video or digital music- far more quickly than using a standard modem and phone line or even ISDN.

Various wireless broadband technologies are rapidly growing throughout the world. The choice of technology solely depends upon the operator's commercial decision. Some commonly used technologies include CDMA 2000, W-CDMA, Wi-Max and Media flow.

Chapter 13

SUPPLEMENTARY INFORMATION

Legal Issues

The legal Affairs unit performed various tasks during 2007. The most important was the amendment in the Telecommunications Regulatory Act. Telecommunications technology has been changing exceptionally fast. Furthermore, modern trends to regulations and international development such as a W.T.O and Free Trade Agreement necessitated amendment in the Act. Thus amendments to the Act were made and a Royal Decree NO (64/2007) was issued on 12th March 2007.

Ministerial Decision & Regulations

The Executive Regulation, which were pending since long time, were issued by the Ministerial Decision No.10/2007 and notified in the official Gazette on 24th of April 2007. There were nine notified decisions, as mentioned below, in addition to regulations which are in the process of going through formalities. The decisions are:

1. Decision No. (17/2007) regarding Rules and Conditions of Class II for Providing of Additional Public Telecommunications Services.
2. Decision No. (18/2007) regarding Rules and Procedures for Class II License Application for Providing Additional Public Telecommunications Services.
3. Decision No. (69/2007) regarding Delaying in Issuing Billing
4. Decision No. (81/2007) regarding Determining the Fees on Telecommunications Numbers.
5. Decision No. (82/2007) regarding Determining the Fees on Telecommunications Codes.
6. Decision No. (83/2007) regarding Determining the Fees on Short Codes on SMS.
7. Decision No. (166/2007) regarding Operating the Provision of Internet Services in Commercial Centers and Public Markets.
8. Decision No. (198/2007) regarding Regulating the Exemption of WAS/RLANS from Radio Licensing.
9. Decision No. (200/2007) regarding Amending some Provision of Authority
10. Decision No 81/2007 on Fees of Telecommunication Numbers.

Court Cases:

The Legal Affairs unit took up 9 complaints cases and filed them to the public prosecution for their actions. The most of the complaints were related to the breaches of the Telecom Act such as using VoIP, establishing VSAT system and using radio equipment without license. In addition, 5 cases have been settled out of the court according to the Article (51 Repeated).

Contracts:

TRA ensures that contracts of service by the operators are fair & just and no unfair burden is passed on to the consumer directly or indirectly. Thus it vets all contracts of telecom service which the operators intend to provide to the consumers utilizing expertise or system. The legal Affairs unit reviewed 27 contracts between the operators and other parties or between the operators themselves during 2007.

Complaint Handling Procedure

Scope:

This procedure shall be applicable to the complaints filed by the Beneficiaries of the Telecommunications Licensees operating or providing telecommunications services in the Sultanate of Oman.

This procedure shall not cover the dispute between the operators, between the operators and service providers or between service providers.

Recourse:

The complaints shall be required to file their complaints in the first instance to the concerned operator or service provider and the operator or service provider shall resolve the complaint at its own level as per their published "Complaint Handling Procedure" approved by TRA.

In case the operator or service provider fails to redress the complaint or resolve the dispute; or the complainant is not satisfied with the out come of the dispute resolution, the complainant shall have right to file the complaint to the TRA for its intervention.

All complaints have to be filed in writing or electronically filed to TRA giving complete contact details of the complainant. Anonymous complaints or complaints lacking the contact details shall not be registered for further action.

Acceptance and Acknowledgement:

All complaints received by TRA shall be forwarded to the Consumer Affairs Department. The department shall register the complaint in the Complaint Register and allocate a complaint number to the complaint. This shall serve as the control number and all subsequent correspondence with the operators or service providers and with the complainant shall quote this number for reference.

The department shall acknowledge receipt of complaints to the complainant within three working days from receipt of the complaint. The complaint shall be forwarded to the operator for their investigation and feedback simultaneously.

Handling the Complaints by the operators/Service provider:

The operator/service provider is expected to carry out required investigation and submit report to the Authority within a time period not exceeding 30 days form the date of receipt of the complaint in operator's office.

Any operator may seek extension before the expiry of the original time period. The request for extension in time period shall be in writing and duly supported with the detailed justification for the requested extension. Decision to extend due dates are made at the sole discretion of TRA. In order to ensure timely redress of complaints, requests to extend due dates shall not normally be granted, except under exceptional circumstances.

Decisions:

The TRA shall issue a decision on the outcome of the investigation, within five (10) working days after receipt of report from the operator.

The TRA may publish the decision if it is considered for the public interest.

The TRA may make an interim decision at its own discretion or if it is requested by the complainant. TRA shall clearly identify and set forth the specific grounds supporting the request for interim relief pending the final redress of the complaint.

As a standard, the following points must be substantiated and proven before an interim decision is considered:

(a) The issue is urgent, and

(b) The complainant will be at a permanent disadvantage, which cannot be redressed later.

The interim decision shall remain effective until the final decision is made or the interim decision is revoked by the Authority.

All decisions on complaints including the interim decision shall take effect on time and date as specified in the decision including retroactive effect.

Language:

All complaints and submissions must be either in Arabic or English. The decision of TRA shall be either in Arabic and English translation shall be available if required.

Standard Customer Agreement:

Standard Customer Agreement is a comprehensive contract that highlights the rights of a telecom operator and consumers and their responsibilities including various services, customer handling procedures, suspension of services, contract termination conditions and disputes procedures.

As per operators license condition, under customer obligation, the licensee shall submit to the Regulatory Authority for its approval a form of Standard Customer Agreement containing the terms and conditions for the provision of licenses services to customers. The Standard Customer Agreement form shall become effective if the Regulatory Authority did not object to it within thirty (30) days of its receipt or of a later date specified for its execution.

All telecommunication services offered by the operators are subject to the terms and conditions duly approved by TRA contained in the following:

- Terms of service in the Standard as per Customer Agreement
- Applicable provisions of the tariffs; and
- The terms and conditions Applicable Form of the customer

Reference Access Offer (RAO)

Upon the liberalization of the telecommunications sector and opening it to competition, new service providers licensed for providing additional telecommunications services (i.e. value added services) such as internet services, international calling cards services by way of a class II license are expected to enter the market soon. Considering that class II licensees will depend in their service provision on public infrastructure networks owned and operated by facility based operators, it is vital for class II licensees to gain access to public infrastructure networks at reasonable terms and conditions including reasonable charges for this access. Since Omantel's network is the main public infrastructure network to which new service providers would be seeking access, best regulatory practice recommends for the major facility based operator, develop a Reference Access Offer (RAO) which is intended as a starting negotiating point with access seekers to reach an agreement over the terms, conditions and charges of access.

In 2007, Omantel has issued the first version of its reference access offer (RAO) document. The TRA has requested it to be placed on Omantel's and announced the same to bring it the attention of potential investors. The TRA has received comments from a number of interested investors, simultaneously; Omantel has been receiving clarifications and interacting directly with investors who are investigating the feasibility of market entry opportunities. Currently, the Authority is engaged in review process of the RAO in cooperation with Omantel aiming at improving its terms and conditions and charges in a bid to make it a more investor friendly offer with fair and reasonable terms.

Basic Telecom Indicators

Basic Telecom Indicators		2002	2003	2004	2005	2006	2007
General	**Total Telephone Subscribers : Fixed + Mobile**	**697,000**	**831,000**	**1,055,561**	**1,598,462**	**2,087,724**	**2,768,065**
	Telephone Subscribers (Fixed+ Mobile)per 100 inhabitants:	27%	35%	44%	64%	81%	107%
Fixed*	**Main Telephone Lines**	**234,000**	**237,000**	**249,281**	**265,237**	**269,700**	**268,065**
	Main Lines per 100 inhabitants	9%	10%	10%	11%	10%	10%
Mobile	**Mobile Subscribers**	**463,000**	**594,000**	**806,280**	**1,333,225**	**1,818,024**	**2,500,000**
	Cellular Subscribers per 100 inhabitants	18%	25%	33%	53%	71%	97%
	Cellular Prepaid Subscribers	**243,000**	**358,000**	**548,993**	**1,080,113**	**1,571,907**	**2,206,378**
	Prepaid Subscribers per 100 inhabitants	10%	15%	23%	43%	61%	86%
Internet **	**Total Internet Subscribers**	**48,232**	**51,769**	**48,657**	**49,425**	**63,843**	**70,290**
	Internet Subscribers per 100 inhabitants	2%	2%	2%	2%	2%	3%
	Broadband Subscribers ***			490	8,125	13,917	18,984
	Broadband Subscribers per 100 inhabitants			0.02%	0.32%	1%	1%

*Exclude PDO & MAM

**Exclude internet pre paid cards

***These Services started in 2004

Glossary

3G	*Third Generation*
ADSL	*Asymmetric Digital Subscriber Line*
ARGNET	*Arab Regulators Network*
ARPU	*Average Revenue per User*
ATM	*Asynchronous Transfer Mode*
CAGR	*Cumulative Average Growth Rate*
CoE	*Center of Excellence*
EDGE	*Enhanced Data Rates for GSM Evolution*
GATS	*General Agreement on Trade and Services*
GCC	*Gulf Cooperation Council*
GPRS	*General Packet Radio Service*
GSM	*Global System for Mobile Communications*
GSR	*Global Symposium Regulator*
ICT	*Information & Communication Technologies*
IDA	*Information Development Authority*
IMT	*International Mobile Telecommunication*
IP	*Internet Protocol*
ISDN	*Integrated Service Digital Network*
ISPC	*International Signaling Point Codes*
ITA	*Information Technology Authority*
ITU	*International Telecommunications Union*
KHz	*Kilohertz; a frequency rate in units of thousands of radio waves, or cycles per second*
KPIs	*Key Performance Indicators*
LRIC	*Long Run Incremental Cost*
MHz	*Megahertz: a frequency rate in units of one million radio waves, or cycles, per second*
MMS	*Multimedia Services*
MNP	*Mobile Number Portability*
NCCD	*National Committee for Civil Defense*
NGN	*Next Generation Networks*
NSPC	*National Signaling Point Codes*
NTP	*National Transfer Mission Plan*
PDO	*Petroleum Development of Oman*
PSTN	*Public Switched Telephone Network*
QoS	*Quality of Services*
RAG	*Radiocommunication Advisory Group*
RAO	*Reference Access Offer*
RCE	*Radio Communication Equipment*
REI	*Radio-Electronic Installations*
SIP	*Session Initiated Protocol*
SMS	*Short Messages Service*
SRR	*Short Range Radars*
TRA	*Telecommunication Regulatory Authority*
TTE	*Telecom Terminal Equipment*
USO	*Universal Service Obligation*
VoIP	*Voice over Internet Protocol*
W-CDMA	*Wideband Code-Division Multiple Access: is a type of 3G cellular network*
Wi-Max	*Worldwide Interpretability of Microwave Access*
WISP	*Wireless Internet Service Provider*
WRC	*World Radiocommunication Conference*

Report and Financial Statements
for the year ended
31 December 2007

Report and financial statements
for the year ended 31 December 2007

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Independent auditor's report to the members of Telecommunications Regulatory Authority

Report on the financial statements

We have audited the accompanying financial statements of **Telecommunications Regulatory Authority**, which comprise of the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 24. The financial statements of the Authority for the year ended 31 December 2006 were audited by another auditor whose report dated 4 April 2007 expressed an unqualified opinion thereon.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of Telecommunications Regulatory Authority (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Telecommunications Regulatory Authority** as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 7 to the financial statements. The Authority is in dispute with certain entities over fees and penalties charged of approximately RO 17 million (2006 – RO 12 million). Whilst the Authority believes that the amounts are fully recoverable, it has established full provision in respect of the disputed amounts because the ultimate outcome of the disputes cannot presently be determined. Accordingly, there is uncertainty regarding the amount of provisions that may be required.

Deloitte & Touche (M.E.)
Muscat, Sultanate of Oman
18 March 2008

TELECOMMUNICATIONS REGULATORY AUTHORITY

Balance sheet as at 31 December 2007

	Notes	2007 RO	2006 RO
ASSETS			
Non-current assets			
Property and equipment	6	**801,690**	1,115,660
Current assets			
Telecom frequency fees receivable	7	**308,150**	463,640
Advances	8	**16,113**	719,664
Other receivables		**51,446**	9,649
Fixed deposits	9	**7,000,000**	6,000,000
Cash and cash equivalents	10	**3,631,508**	10,705,375
Total current assets		**11,007,217**	17,898,328
Total assets		**11,808,907**	19,013,988
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		**6,702,202**	12,039,258
Non-current liabilities			
Deferred government contributions	12	**969,559**	1,030,085
End of service benefits	13	**205,818**	117,914
Total non-current liabilities		**1,175,377**	1,147,999
Current liabilities			
Trade and other payables	14	**3,931,328**	5,826,731
Total liabilities		**5,106,705**	6,974,730
Total equity and liabilities		**11,808,907**	19,013,988

Chairman

Member

The accompanying notes form an integral part of these financial statements.

Income statement
for the year ended 31 December 2007

	Notes	2007	2006
		RO	RO
Income			
Radio spectrum income	15	**12,540,023**	16,012,639
Telecom equipment type approval income	16	**86,335**	56,390
Annual telecom licences	17	**1,331,545**	1,510,000
Income from issuing numbers		**328,386**	247,430
Fees from Class II licence - internet		**2,500**	-
		14,288,789	17,826,459
Operating expenses			
Salaries and related costs	18	**(1,705,407)**	(1,290,834)
General and administrative expenses	19	**(435,289)**	(381,485)
Consultancy fees		**(390,724)**	(30,012)
Monitoring station costs	20	(472,000)	(539,000)
Members' remuneration		**(70,097)**	(36,000)
Depreciation	6	**(358,996)**	(548,389)
Provision for impairment of receivables	7	**(4,956,208)**	(10,121,392)
		(8,388,721)	(12,947,112)
Other operating income		5,900,068	4,879,347
Government contributions	12	**350,526**	607,627
Finance income	21	**430,171**	416,014
Other income		**21,437**	5,852
Surplus for the year		**6,702,202**	5,908,840

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2007

	Accumulated surplus RO
Balance at 1 January 2006	6,130,418
Surplus for the year	5,908,840
Balance at 1 January 2007	12,039,258
Surplus transferred to Ministry of Finance (MoF) (Note 11)	(12,039,258)
Surplus for the year	6,702,202
Balance at 31 December 2007	6,702,202

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2007

	2007	2006
	RO	RO
Operating activities		
Surplus for the year	**6,702,202**	5,908,840
Adjustments for:		
Depreciation	**358,996**	548,389
Provision for impairment of receivables	**4,956,208**	10,121,392
Provision for impairment of receivables written off	**(46,077)**	(11,521)
Net transfer to end of service benefits	**87,904**	41,239
Government contributions	**(350,526)**	(607,627)
Interest income	**(430,171)**	(416,014)
Gain on disposal of property and equipment	**(703)**	(120)
Adjustment of monitoring station cost	**-**	98,000
Operating profit before changes in working capital:	**11,277,833**	15,682,578
Working capital changes:		
Telecom frequency fees receivable	**(4,754,641)**	(10,518,983)
Advances	**703,551**	(1,990)
Other receivables	**(393)**	2,434
Trade and other payables	**(1,895,403)**	3,002,894
Cash generated from operations	**5,330,947**	8,166,933
Interest received	**388,767**	407,753
Net cash flow from operating activities	**5,719,714**	8,574,686
Cash flows from investing activities		
Fixed deposits	**(1,000,000)**	(6,000,000)
Purchase of property and equipment	**(48,608)**	(49,959)
Proceeds from disposal of property and equipment	**4,285**	120
Net cash used in investing activities	**(1,044,323)**	(6,049,839)
Cash flow from financing activities		
Surplus transferred to MoF	**(12,039,258)**	-
Government contributions received	**290,000**	-
Net cash used in financing activities	**(11,749,258)**	-
Net change in cash and cash equivalents	**(7,073,867)**	2,524,847
Cash and cash equivalents at the beginning of the year	**10,705,375**	8,180,528
Cash and cash equivalents at the end of the year (Note 10)	**3,631,508**	10,705,375

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2007

1. Legal status and principal activities

Telecommunications Regulatory Authority ("the Authority") was established on 1 May 2002 in the Sultanate of Oman in accordance with Royal Decree 30 / 2002 as a telecom and frequency regulatory authority. The Authority commenced operations effective from 1 January 2003 and is responsible for regulating Telecommunications Services in the Sultanate of Oman. The Authority has taken over certain functions previously carried out by the Ministry of Transportation and Communications and Oman Telecommunications Company SAOG (Omantel). The principal activities of the Authority comprise:

- Regulating the telecommunications sector
- Issuance of radio licenses
- Assignment and allocation of frequency spectra
- Issuance of licenses to telecom operators and service providers
- Certification and type approval of telecommunication equipment
- Registration of telecommunications dealers
- Issuing permits for importing telecommunications equipment.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Basis of measurement

The financial statements have been prepared on the historical cost basis modified by certain financial instruments stated at fair value.

c) Functional currency

These financial statements are presented in Riyal Omani (RO), which is the Authority's functional currency.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by Management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include provisions for impairment of receivables.

3. Significant accounting policies

The accounting policies set out below are consistent with those used in the previous year.

(a) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses [see note 3 (k)].

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognized in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of the property and equipment. The estimated useful lives for the current and comparative periods are as follows:

Years	
Monitoring station	3 to 7
Motor vehicles	4
Office equipment	3
Furniture and fittings	4
Computer equipment	3

Capital work-in-progress is not depreciated.

Management annually reassess the useful lives, residual values and depreciation methods of property and equipment.

3. Significant accounting policies (continued)

(b) Telecom frequency fees receivable

Receivables in respect of telecom frequency fees are stated at amortised cost less impairment losses [refer note (k)]

(c) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and bank balances maturing within three months from the date of placement.

(d) Trade and other payables

Trade and other payables are stated at amortised cost.

(e) End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Authority's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to defined contribution retirement plan for Omani employees, in accordance with Oman Social Insurance Scheme, are recognised as an expense in the income statement as incurred.

(f) Income recognition

Equipment licence fees, frequency registration fees and other fees are recognised, on accrual basis, in the income statement when the right to receive them is established. No revenue is recognised if there are significant uncertainties regarding recovery of the fees due, associated costs or the possible refund of the amount.

License issuance fees from Telecom Operators are recognized in the statement of income and expenditure in the period in which the licence is issued.

Penalties for late payment of license fees are recognised in the income statement in the period in which the advice for payment is issued, and are calculated from the date on which the license fee is due.

Contributions from Telecom Operators are recognized in the income statement in the period in which the related expenditure is incurred.

3. Significant accounting policies (continued)

(g) Government contributions

Government contributions are recognised when there is reasonable assurance that the Authority will comply with the relevant conditions and the contributions will be received. They are recognised as income on a systematic basis to match them with the related costs that they are intended to compensate.

Contributions made to reimburse costs previously incurred or to provide immediate assistance are recognised in the income statement in the year they become receivable.

Contributions that relate to the acquisition of an asset are recognised in the income statement over the useful economic live of the asset involved. These contributions are recognised as deferred income that is amortised as the related asset is depreciated or amortised.

(h) Finance income / charges

Finance income comprises interest income on bank deposits. Finance charges comprise bank interest and bank charges. Interest income and charges are recognized in the income statement on the accrual basis.

(i) Provisions

A provision is recognised in the balance sheet when the Authority has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Foreign currencies

Transactions denominated in foreign currencies are translated into Rials Omani and recorded using rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Rials Omani at market rates of exchange prevailing on the balance sheet date. Foreign exchange differences arising on translations are recognised in the income statement.

Notes to the financial statements
for the year ended 31 December 2007

3. Significant accounting policies (continued)

(k) Impairment

The carrying amounts of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses in respect of assets are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognised.

4. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2007, the Authority has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2007.

The adoption of these revised standards and interpretations has not resulted in changes to the Authority's accounting policies and has not affected the amounts reported for the current period.

4. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective for annual period beginning or after
IFRIC 11 : IFRS 2: Group and Treasury Share Transactions	1 March 2007
IFRIC 12 : Service Concession Arrangements	1 January 2008
IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
IFRIC 13 : Customer Loyalty Programmes	1 July 2008
IFRS 2 : (Revised) Share-based Payment	1 January 2009
IFRS 8 : Operating Segments	1 January 2009
IAS 1 : (Revised) Presentation of Financial Statements	1 January 2009
IAS 23 : (Revised) Borrowing Costs	1 January 2009
IAS 32 : (Revised) Financial Instruments Presentation	1 January 2009
IFRS 3 : (Revised) Business Combinations	1 July 2009
IAS 27 : (Revised) Consolidated and Separate Financial Statements	1 July 2009
IAS 28 : (Revised) Investment in Associates	1 July 2009
IAS 31 : (Revised) Interests in Joint Ventures	1 July 2009

The management anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Authority.

5. Financial risk management

Financial instruments carried on the balance sheet comprise cash and cash equivalents, bank deposits, trade and other receivables and trade and other payables.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

5. Financial risk management (continued)

Overview

The Authority has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance.

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's receivables from customers**.**

Trade and other receivables

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Authority has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

In monitoring customer credit risk, customers are segmented according to their credit characteristics in the following categories:

- Private individual customers
- Corporate customers
- Government customers
- Other customers

The potential risk in respect of amounts receivables is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

5. Financial risk management (continued)

Trade and other receivables

The Authority establishes a provision for impairment that represents its estimate of potential losses in respect of trade and other receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

Typically the Authority ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The Government guarantees payment of the Authority's obligations on due dates. Further, the Authority ensures that its cash balance maintained is in excess of its payable balance.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Authority's functional and presentation currency is Rial Omani and the Authority's performance is substantially independent of changes in foreign currency rates. There are no significant financial instruments denominated in foreign currency and consequently, foreign currency risk is not significant.

Interest rate risk

The Authority has bank deposits, which are interest bearing and exposed to changes in market interest rates.

Fair value

In the opinion of the management, carrying value of the financial instruments as stated in the balance sheet approximates their fair value.

6. Property and equipment

	Monitoring station	Motor Vehicles	Office equipment, furniture & fittings	Computer equipment	Capital work in progress	Total
	RO	RO	RO	RO	RO	RO
Cost						
1 January 2006	1,604,866	18,300	198,188	102,733	179,226	2,103,313
Additions	-	-	10,261	7,298	32,400	49,959
Disposals	(98,000)	-	(2,300)	-	-	(100,300)
Transfers	179,226	-	-	-	(179,226)	-
1 January 2007	1,686,092	18,300	206,149	110,031	32,400	2,052,972
Additions	-	5,250	7,358	27,486	8,514	48,608
Transfers	-	-	-	32,400	(32,400)	-
Disposals	-	(5,000)	-	-	-	(5,000)
31 December 2007	1,686,092	18,550	213,507	169,917	8,514	2,096,580
Depreciation						
1 January 2006	204,556	3,512	115,214	67,941	-	391,223
Charge for the year	471,103	4,574	51,698	21,014	-	548,389
Disposals	-	-	(2,300)	-	-	(2,300)
1 January 2007	675,659	8,086	164,612	88,955	-	937,312
Charge for the year	298,540	4,485	34,980	20,991	-	358,996
Disposals	-	(1,418)	-	-	-	(1,418)
31 December 2007	974,199	11,153	199,592	109,946	-	1,294,890
Net book value						
31 December 2007	711,893	7,397	13,915	59,971	8,514	801,690
31 December 2006	1,010,433	10,214	41,537	21,076	32,400	1,115,660

7. Telecom frequency fees receivable

Telecom frequency fee receivables represent amounts due from customers in respect of equipment licence fees, frequency registration fees and other fees together with penalties for delays in payment of licence fees.

	2007	2006
	RO	RO
Fees and penalties receivable	17,328,152	12,573,511
Less: Provision for impairment of receivables	(17,020,002)	(12,109,871)
	308,150	463,640

(a) The movement in allowance for impairment of receivables is as follows:

	2007	2006
	RO	RO
At 1 January	**12,109,871**	2,000,000
Add: Charge during the year	**6,202,367**	10,364,694
Less: Provision released during the year	**(1,246,159)**	(243,302)
Provision written off during the year	**(46,077)**	(11,521)
Balance at 31 December	**17,020,002**	12,109,871

The bulk of the provision for doubtful receivables is in respect of amounts due from certain entities who have disputed the basis and the amounts of fees and penalties charged to them by the Authority. Whilst the Authority believes that the amounts are fully recoverable, it has established full provision in respect of the disputed amounts because the ultimate outcome of the disputes cannot presently be determined.

The Authority has requested the Ministry of Finance (MoF) to resolve the matter regarding the fees and penalty receivable from its largest customer, Petroleum Development Oman (PDO).

The allowance account in respect of trade receivables is used to record impairment losses unless the Authority is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against allowance account.

8. Advances

	2007	2006
	RO	RO
Advances to Ministry of Finance	-	705,912
Rent advances	10,696	-
Other advances	5,417	13,752
	16,113	**719,664**

9. Fixed deposits

The fixed deposits of RO 7 million (2006: RO 6 million) represent deposits made with local banks for a period of four months which will mature on 29 April 2008 and carry interest of 3.25% to 3.5% (2006: 4.75%) per annum.

10. Cash and cash equivalents

	2007	**2006**
	RO	RO
Cash on hand	300	300
Cash at bank	3,631,208	10,705,075
	3,631,508	**10,705,375**

11. Surplus for the year

In accordance with Article 18 of Royal Decree 30/2002 and its amendments, the surplus for the year is credited to the Ministry of Finance.

12. Deferred Government contributions

	2007	2006
	RO	RO
Balance brought forward	**1,030,085**	1,637,712
Funds received from Government	**290,000**	-
Amortised as income during the year	**(318,803)**	(607,627)
Recognised as income during the year	**(31,723)**	-
Balance carried forward	**969,559**	1,030,085

a) In 2003, the Authority received funds in the amounts of RO 500,000 and RO 84,446 from the Ministry of Finance and the Ministry of Transport and Telecommunication respectively. The funds were extended as contributions towards the cost of establishing the Authority as a regulatory body to take over certain functions previously carried out by the Ministry of Transport and Telecommunication and Oman Telecommunications Company SAOG. Out of the total funds of RO 584,446 received during 2003, the Authority spent an amount of RO 206,242 on the purchase of fixed assets. The balance amount of RO 378,204 was used as a contribution towards the Authority's operating costs for the year ended 31 December 2003.

In 2005, the Authority received additional Government funds in the amount of RO 1,782,849 from the Ministry of Finance as contributions towards the costs of constructing a Monitoring Station.

b) During 2007, the Authority received fund from the Government in the amount of RO 290,000. This amount is intended to finance the consultancy services for the development of Universal Service Policy and Implementation Strategy for the Sultanate of Oman in order to provide basic access to the un-served areas. As the expenditure arises for the said consultancy services, income is recognized in the income statement. The income recognised during the year from this fund amounted to RO 31,723.

c) The Government contributions towards the acquisition of assets are initially recognised as deferred income and are credited to the income statement over the estimated useful economic lives of the assets involved. The income amortised during the year related to the assets amounted to RO 318,803.

13. End of service benefits

	2007	2006
	RO	RO
Balance brought forward	**117,914**	76,675
Charge for the year (Note 18)	**91,189**	41,239
Payments made	**(3,285)**	-
Balance carried forward	**205,818**	117,914

14. Trade and other payables

	2007	2006
	RO	RO
Accounts payable	**532,892**	914,185
Provision for consultancy	**257,119**	44,419
Accrued expenses	**404,634**	168,213
Penalty payments received	**-**	1,246,159
Unearned income	**2,673,761**	1,956,030
Royalties payable	**-**	1,456,958
Other payables	**62,922**	40,767
	3,931,328	5,826,731

The royalty payable relates to royalties collected by the Authority from licensed operators on behalf of the Government of the Sultanate of Oman. These amounts do not form part of the Authority's income.

In 2006, Omantel paid the Authority RO 1.247 million for the penalty while Ministerial Decision is still underway. In 2007, the Authority reversed this amount as the Ministry of Legal Affairs returned this matter to the Authority since it is under its specialization.

Unearned income relates to the license fees and registration fees for 2008 which the Authority received in 2007.

15. Radio spectrum income

	2007	2006
	RO	RO
Licensing fee for use of frequency spectra	**7,110,051**	7,928,368
Penalties and other charges	**5,061,303**	7,739,829
Frequency registration fees	**304,534**	261,427
Equipment retention fees	**6,675**	34,400
Cancellation fees	**33,475**	37,825
Amendment fees	**21,585**	10,440
Survey fees	**2,400**	350
	12,540,023	16,012,639

16. Telecom equipment type approval income

	2007	2006
	RO	RO
Import permit	**24,565**	16,605
Radio equipment	**33,400**	16,000
GSM equipment	**8,700**	9,700
Other terminal equipment	**8,300**	5,500
Registration fees	**5,830**	6,470
Others	**5,540**	2,115
	86,335	56,390

17. Annual telecom licences

In accordance with Article 11 of Royal Decree No 30/2002, the Authority has charged Omantel, Oman Mobile and Omani Qatari Telecommunication Co. (Nawras) an amount of RO 1.331 million (2006: RO 1.510 million) towards the running costs and expenses incurred by the Authority in respect of the telecommunication expenses for the year ended 31 December 2007 in performing its function as a regulatory body. The charge is determined by Management based on the Authority's budget for the year as approved by the Council of Ministers.

18. Salaries and related costs

	2007	2006
	RO	RO
Wages and salaries	**1,132,854**	859,231
Bonus	**155,618**	104,747
Other benefits	**46,170**	26,123
Social insurance	**115,988**	84,155
Gratuity	**91,189**	41,239
Staff training and development	**163,588**	175,339
	1,705,407	1,290,834

19. General and administrative expenses

	2007	2006
	RO	RO
Travel expenses	**188,544**	139,292
Advertisement and publications	**52,690**	62,759
Rent	**61,601**	53,124
Membership fee	**27,259**	35,999
Communications	**9,497**	11,298
Printing and stationary	**23,325**	11,004
Recruitment charges	**9,394**	10,548
Utilities	**8,390**	10,511
Professional services	**6,450**	6,900
Repairs and maintenances	**11,042**	5,118
Subscription for books and periodicals	**3,470**	2,679
Miscellaneous expenses	**33,627**	32,253
	435,289	381,485

20. Monitoring station costs

Training and maintenance	**122,000**	220,000
Management fees	**350,000**	319,000
	472,000	539,000

21. Finance income

Interest on bank current accounts	**89,280**	89,081
Interest on fixed deposits	**340,891**	326,933
	430,171	416,014

22. Taxation

In accordance with Article 19 of Royal Decree 30/2002, the Authority's assets and income are exempt from taxes in the Sultanate of Oman.

23. Commitments

Maintenance service commitments

Commitments, for which no provision has been made in these financial statements, are in respect of the property and equipment, as follows:

	2007	2006
	RO	RO
Contracted for	**50,582**	-

24. Related parties

Related parties comprise the members, key management personnel and entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Authority maintains balances with these related parties which the Management consider to be comparable with those adopted for arm's length transactions with third parties.

The following is a summary of significant transactions with related parties which are included in the financial statements:

	2007	2006
	RO	RO
Remuneration to members		
Members' remuneration	**78,263**	36,000
Key management compensation		
Basic salaries and allowances	258,832	184,984
Other benefits and expenses	34,979	23,581
Social security costs	24,766	16,555
End of service benefits	22,740	11,051
	341,317	236,171

25. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the balance sheet date was on account of:

	2007	2006
	RO	RO
Telecom frequency fees receivable	**17,328,152**	12,573,511
Advances and other receivables	**67,559**	729,313
Fixed deposits	**7,000,000**	6,000,000
Cash and cash equivalents	**3,631,508**	10,705,375
	28,027,219	30,008,199

The exposure to credit risk for trade receivables at the balance sheet date by type of customer was:

	2007	2006
	RO	RO
PDO	**16,049,123**	10,222,789
Omantel	**36,909**	1,273,263
Oman Mobile	**61,070**	133,038
Nawras	**181,806**	177,132
Government customers	**675,010**	447,458
Other customers	**324,234**	319,831
	17,328,152	12,573,511

The age of trade receivables and related impairment loss at the balance sheet date was:

	2007		2006	
	Gross	**Impairment**	Gross	Impairment
	RO	**RO**	RO	RO
Not past due	**188,229**	**-**	309,385	-
Past due 0 – 1 year	**6,267,737**	**6,147,816**	10,642,062	10,487,807
1 - 2 years	**10,564,630**	**10,564,630**	1,533,364	1,533,364
More than 2 years	**307,556**	**307,556**	88,700	88,700
	17,328,152	17,020,002	12,573,511	12,109,871

26. Liquidity risk

The following are the maturities of the financial liabilities:

31 December 2007

	Carrying amount	**6 months or less**	6 - 12 months
	RO	**RO**	RO
Accounts payable	**532,892**	**524,692**	8,200
Accruals and other payables	**724,675**	**407,369**	317,306
	1,257,567	**932,061**	**325,506**

31 December 2006

Accounts payable	914,185	914,185	-
Accruals and other payables	253,399	151,616	101,783
	1,167,584	1,065,801	101,783

The Government guarantees payment of the Authority's obligations on due dates. The Authority ensures that sufficient cash is maintained to cover its outstanding liabilities.

27. Interest rate risk

At the balance sheet date the interest rate profile of the Authority's interest bearing financial instruments was:

	2007	2006
	RO	RO
Fixed rate instruments		
Financial assets	**7,000,000**	6,000,000

28. Approval of financial statements

The financial statements were approved by the members and authorised for issue on 18 March 2008.

29. Comparative figures

Certain previous year figures have been reclassified to conform to the presentation in the current year.