هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

ANNUAL REPORT

2008

HIS MAJESTY SULTAN QABOOS BIN SAID

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GLOSSARY

3G: Third Generation

ADSL: Asymmetric Digital Subscriber Line

ARGNET: Arab Regulators Network

ARPU: Average Revenue per User

CEOs: Chief Executive Officers

CS: Carrier Selection

DMB: Digital Multimedia Broadcasting

DVB: Digital Video Broadcasting

EDGE: Enhanced Data Rates for GSM Evolution

FTA: Free Trade Agreement

GDP: Gross Domestic Product

GILF: Global ICT Industry Leader's Forum

GSM: Global System for Mobile Communications

GSMA: Global System for Mobile Communications Association

GSR: Global Symposium Regulator

ICT: Information & Communications Technologies

IDA: Information Development Authority

IOTs: Inter Operator Tariffs

IMT System: International Mobile Telecommunications

IP: Internet Protocol

ISDB: Integrated Services for Digital Broadcasting

ISDN: Integrated Service Digital Network

ISO: International Organization for Standardization

ITU: International Telecommunications Union

KHz: Kilohertz; a frequency rate in units of thousands of radio waves, or cycles per second

KPIs: Key Performance Indicators

LLU: Local Loop Unbundling

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

MoTC: Ministry of Transport & Communications

NCCD: National Committee for Civil Defense

NGN: Next Generation Networks

NNP: National Numbering Plan

NSPC: National Signaling Point Codes

NTP: National Transmission Plan

OMTC: Oman Mobile Telecommunications Company

PSTN: Public Switched Telephone Network

QoS: Quality of Services

RA: Radio Assembly

RAO: Reference Access Offer

SAG: Radiocommunication Advisory Group

SIP: Session Initiated Protocol

SMS: Short Messages Service

SRR: Short Range Radars

TRA: Telecommunications Regulatory Authority

USO: Universal Service Obligation

VoIP: Voice over Internet Protocol

W-CDMA: Wideband Code-Division Multiple Access

WLL: Wireless Local Loop

WRC: World Radiocommunication Conference

WTO: World Trade Organization

CHAIRMAN STATEMENT

H.E. Mohammed Bin Nasser Al-Khasibi
The Chairman of the TRA

On behalf of the Authority, I am pleased to present 5th Annual Report outlining its achievements for the year ending 31st December 2008. Under the visionary leadership of His Majesty, Sultan Qaboos Bin Said, the TRA has continued to strengthen its role as a sector regulator in the country. The TRA has collaborated with other entities to realize His Majesty's Vision for the telecommunication sector.

Through sheer dedication of TRA staff and deep interest shown by our other stakeholders, the TRA has streamlined its processes and procedures. The Authority this year has set a clear roadmap for the sector development through its work plan. The vision was translated into a clear mission statement which was further carved into comprehensive objectives that guided the work, we aspire to achieve. These are: accelerate expansion of telecommunication infrastructure, liberalize the sector by encouraging fair competition for all services by end 2009 , maintain an effective and well-defined regulatory regime and enunciate rules and regulations where required by end 2009, accelerate measures to achieve long term objectives of 90% household broadband penetration by 2015, achieve ISO certification for key processes and initiate Policy review to meet current and future challenges; especially convergence, liberalization and competition.

TRA's achievement during 2008 stands a clear indication of its persistent commitment to continue to march with confidence and dedications. The major achievement during the year was finalization of competitive process for selection of preferred bidder for second integrated public fixed telecommunications license, apart from issuance of five Class Two licenses for Re-sale of basic public mobile telecommunications services. A particular feature of 2008 has been the interaction of the TRA with its stakeholders through public consultation on more than 15 regulatory and policy issues.

There has been an increasing level of international interest in our activities and in our market. The telecom sector is now making a significant contribution to the economy, both by providing an increasing range of services for businesses and attracting foreign investment, and providing job opportunities to the people of the Sultanate. Another landmark of 2008 was growth of mobile sector by 36% as compared to last year where mobile subscribers reached the 3.2 million mark achieving the penetration rate of 117% by 31st December 2008.

With the commitment and support of our stakeholders, dedication and hard work by staff and guidance by members, we look forward to meet new challenges and opportunities in 2009 and later years. I would like to place my sincere appreciation to the members, the TRA staff and our investors and operators who were instrumental to the achievements of TRA. I wish all a prosperous and successful year.

Also, on behalf of the Authority, I would like to express my profound and sincere gratitude to His Majesty Sultan Qaboos Bin Said for His support and guidance and we pray to the Almighty to grant His Majesty health and strength to lead country in the strides of development.

TRA's VISION

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

TRA's MISSION

TRA's 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, and*
- *align with Vision 2020*

CHAPTER 1

HIGHLIGHTS OF 2008

The year 2008 focused on liberalization of the sector. The TRA took certain initiatives in respect of implementation of the liberalization Policy. A series of consultation papers were produced and many consultancy studies were undertaken. TRA continued its endeavors to provide a level playing field for telecom operators and remained busy in various issues relating to technical, legal, radio spectrum, tariff, interconnection, consumer affairs and numbering. Major highlights for the year 2008 are given below whereas details of on the issues are discussed in the succeeding parts of the report:

- Prepared TRA's vision, mission statement and corporate objectives;
- Approved bid application for award of preferred bidder for second integrated public fixed telecommunications license to Nawras Consortium;
- Issued five class two licenses for re-sale of basic public mobile telecommunications services;
- Attained ISO 9001:2000 certification for Spectrum Management Unit of TRA;
- Resolved outstanding issue of Mobile Number Portability (MNP) transit charges between the mobile operators;
- Prepared a feasibility study through consultant on introduction of the DVB-H (Digital Video Broadcasting-(Hand Held);
- Reviewed radio frequency spectrum pricing policy;
- Issued regulation organizing the registration and utilization of frequencies and radio equipment and their pricing;
- Performed frequency scanning for 18 areas;
- Conducted about 332 inspections for 224 radio equipment dealers and users including companies, operators and ships/boats and monitored frequency band allocated for the FM Radio services at 17 sites in the coastal areas.
- Performed Five (5) scanning in the border areas with United Arab Emirates (UAE) and one with Republic of Yemen.
- Revised national radio spectrum assignment plan;
- Issued tariff filing guidelines to the operators to streamline tariff approval process;
- Draft Policy proposal on Universal Services sent to MoTC for seeking the approval of the Council of Ministers;
- Completed a new LRIC study for Authority’s new determination on interconnection charges addressing revision in inter-operator termination charges for calls terminating in fixed and mobile networks;
- Issued a determination confirming international access service from Omantel’s priced at retail price minus 20%;
- Issued a decision on application fees and penalties for type approval equipment;
- Issued a regulation on promotion offers to safeguard the consumers against unfair competition in the telecoms sector;
- Issued rules and procedures for class three License applications for the provision of private telecommunications services not connected to the public network;
- Issued a revised Executive Regulation of the Telecommunication Regulatory Act.

Chapter 2

LOOKING TO THE FUTURE

During 2008, TRA set out its vision and mission statement. TRA vision provides the direction for telecom organisation to grow and become the most efficient and effective outfit in Oman. TRA aims to re-engineer and benchmark its work processes and policies against best practices (e.g. ISO standards for key processes). The objective is to deliver state of the art information and communication services to the general public at affordable prices. The Corporate Objectives (Goals) have been derived, by the TRA Members from the Vision, Mission, mandate of the Royal Decree and Vision 2020. Different units of TRA are translating these Objectives into their unit and department objectives, which serve as their Key Performance Indicators (KPIs).

TRA defines its priorities and program of Action for 2009 based on its long term objectives. The aim of the plan is to support the Vision 2020 of developing the Sultanate into the region's most modern communication's hub. The projects given in the Work Plan 2009 would enable TRA to enhance its effective role as a regulator by creating an environment for fair competition, attracting more investment, protecting consumer's rights and increasing availability of choices of telecom services in the market.

The TRA Work Plan has the following major areas to support TRA's corporate objectives;

1. Creating an environment for fair competition;
2. Increasing awareness among consumers about their rights and obligations;
3. Streamlining regulatory procedures for openness and transparency;
4. Ensuring best quality of services from service providers;
5. Facilitating telecom services to un-served and underserved areas through Universal Service Policy;
6. Reviewing the existing telecom policy and proposing changes to meet the future challenges;

CHAPTER 3

REVIEW OF TELECOMMUNICATIONS REGULATORY ACT AND EXECUTIVE REGULATION

The principal legislation governing the telecommunication sector in Oman is the Telecommunications Regulatory Act which was issued under Royal Decree No 30/2002. The Act came into effect in March 2002.

Telecommunications Act was amended twice in 2008 to meet the requirements of Free Trade Agreement (FTA) with the United States and Government of Oman. The first amendment was focused on four main Articles, i.e. Article (21), (33), (44) and (61).

The latest amendment on Article 21 stated that "Class One" license is issued by a Royal Decree based on a proposal by the Minister after the approval of the Authority and in the event of the Minister's disapproval of the license application, he shall notify the applicant and the Authority on which ground, he rejected the application within the specified period.

In addition, Article 61 amended by adding paragraph 3 and 4 as following " A punishment with imprisonment for a period not exceeding one year, and with a fine not exceeding one thousand Omani Riyals, or with one of these two penalties shall be imposed upon the following:

(61)3- Any person who knowingly sends, through telecommunications system, equipment or media, a message that is contrary to public order or good morals.

(61)4- Any natural or legal person owning, managing or supervising a website if he incites or agrees to the publication of the messages stated in item 3 of this article through the Telecommunications Network or assists in it by a positive or a negative act"

The second amendment was issued by the Royal Decree No. 134/2008. The Royal Decree amended the definition of the Provider of services on the Internet. Moreover, paragraphs (a) and (c) of Clause (6) of the Article (11) were amended by giving the Authority the power to determine the annual fee imposed on those licensed to provide telecommunications services at a percentage not exceeding 1% of the gross annual turnover, if there is a deficit in TRA's budget, it should be financed from the Public Treasury.

In addition, Article (16) stated that " The Authority’s resources shall consist of the following:

(i) Amounts collected in application of the provisions of this Act,

(ii) Any other resources decided by the Council of Ministers.

Furthermore, Article (17) impose an obligation on the Authority to deposit immediately the proceeds of initial fees, charged for issuing licenses for the first time, to the Public Treasury when net collected fees exceeds one hundred thousand Omani Rial.

Executive Regulation

The revised Executive Regulation was issued on 23rd November 2008 and it replaced the Executive Regulation which was earlier issued by the Ministerial Decision No. 10/2007. The new Executive Regulation was also drafted in accordance with amended Act. Several new provisions were adopted in the Executive Regulation such as Chapter Eight which address the use of telecom services. The Chapter dealt with the main issues and disputes which may arise between the beneficiaries and the operators for example problems and issues related to the licencee's obligations to activate any telecom services to the beneficiaries and some other issues relevant to telecommunications bills. In addition, it states the main rules which have to be followed by the beneficiaries when they use the telecom services. The right of way/ easement rights chapter gives the Authority the power to grant fair compensation, easement rights applicable to all licensees for performance under the licenses issued to them, over lands, installations and immoveable property and it discussed the details of such right. Furthermore, the Executive Regulation included a new chapter on interconnection and access. Besides that, most of the chapters were amended and several articles and clauses were added to address telecom sector related issues.

Chapter 4

TELECOM SECTOR AT A GLANCE

Telecommunications Licenses

The regulatory regime in the Sultanate of Oman specifies three classes of licenses;

Class One License is for establishment or operation of public telecommunications network, or international telecommunications infrastructure for offering public telecommunications services or provision of international infrastructure for 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 which grant licensee an exclusive rights. In the event of the Minister's disapproval of the license application, he shall notify the applicant and the Authority on which ground he rejected the application within the specified period.

Class Two License is for the provision of public telecommunications services that depend on exploitation of capacity of telecommunications network capacity of Class One license and for the provision of additional public telecommunications services which require exploiting the national resources (numbering), without requiring any natural resource of the Sultanate, shall be through Class Two license issued by a decision of the Minister based on a approval of the Authority. The decision shall determine the duration of the license which shall not exceed 10 years.

The Authority may renew these licenses under the same conditions for a period not exceeding two thirds of the original duration. If the period is more, the renewal shall be as per new conditions and by a Royal Decree for Class One license and by a decision of the Minister for Class Two license. The Authority may, by the same procedure, amend or reduce the duration of the license whenever public interest requires.

Class Three License is for establishing or operating private telecommunications networks or services for providing these services through establishing or operating an infrastructure of a private telecommunications network not connected to the public network or by exploiting the capacity of public telecommunications network, shall be through Class Three License issued by a decision of the Authority for a period not exceeding 5 years.

Up to end of year 2008, Omantel (SAOG), the public joint stock company, is the sole provider of fixed line telecommunications services. Omantel provides traditional local, domestic long-distance, international long distance, ISDN, leased lines, and internet dial up and Broadband services. In 2004, Omantel was awarded a Class One license for 25 years for fixed services and internet and for 15 years for public mobile services under Oman Mobile.

Nawras, a joint venture of Qtel, TDC and local Omani partners launched public mobile services in March 2005 after winning second mobile license of the country. Both Oman Mobile and Nawras are providing cellular mobile telecommunication services including voice and data through deployment of global standards for mobile systems of 2G and 3G.

Nawras has also won the 2nd public fixed services integrated license, which is under the award process and competitive fixed telecommunications services are likely, before the end of 2009.

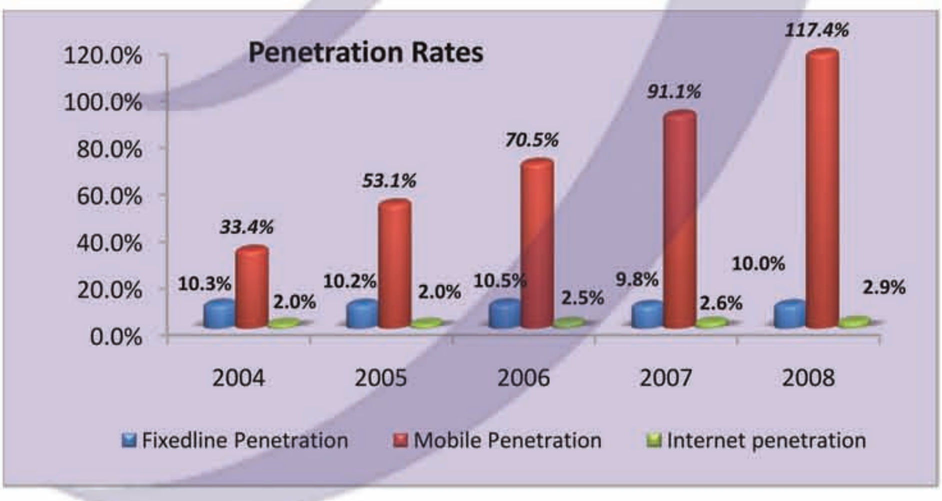
Penetration Rates

The telecom sector in Sultanate of Oman has transformed in the last decade like many other emerging markets through the mobile market led transformation. In 2004, there were 35 mobile phones for every 100 people in Oman. By the end of 2008, this figure rose to 117 for every 100.

With regard to fixed services, out of 100 people only 10 have the fixed line which is low compared to the neighbouring countries in the region.

Internet subscribers penetration is the lowest compared to the other telecom services in the Sultanate i.e. 2.9% in terms of individuals by the end of year 2008. With the aim of improving internet penetration in accordance with the Government Policies, TRA processed the selection of second integrated fixed service applications which included auction for the spectrum for Wireless broadband. The Figure 1 shows penetration rates of fixed, mobile and internet services from 2004 to 2008.

Figure 1: Penetration Rates



Source: TRA

Regional Comparison

Population

The population is important demographic information which is basis of many KPIs including penetration rate of various services of telecommunications in the report. The Table 2 shows population of examined countries for June 2008 according to the size of the population of the country. Egypt is most populous Arab country while Qatar and Bahrain have the smallest population. Oman is ranked at 17 with population of 2.743 by June 2008 in the countries given in the table below;

Table 1: Population of Arab Countries (June 2008)

Ranking	Country	Population (000s)
1	Egypt	74,795
2	Sudan	37,729
3	Algeria	34,610
4	Morocco	31,011
5	Iraq	28,187
6	Saudi Arabia	24,866
7	Yemen	21,848
8	Syria	19,402
9	Tunisia	10,276
10	Libya	6,189
11	Jordan	5,786
12	UAE	4,598
13	Lebanon	3,884
14	Palestine	3,824
15	Kuwait	3,510
16	Mauritania	3,108
17	**Oman**	2,743
18	Qatar	1,432
19	Bahrain	1,059
	Total	**318,797**

Table 2: GDP per Capita of Arab Countries (2007)

Ranking	Country	GDP per Capita Population (US$)
1	Qatar	47,659
2	UAE	42,303
3	Kuwait	32,979
4	Saudi Arabia	15,354
5	Bahrain	15,324
6	**Oman**	**15,241**
7	Libya	9,542
8	Lebanon	6,221
9	Tunisia	4,634
10	Algeria	3,671
11	Iraq	3,059
12	Jordan	2,763
13	Morocco	2,359
14	Syria	2,128
15	Egypt	1,639
16	Sudan	1,243
17	**Palestine**	**1,099**
18	Yemen	1,046
19	Mauritania	880

Source: Arab Advisors Group, 2008

GDP per Capita

GDP per capita is calculated by dividing Gross Domestic Product (GDP) of a country by its population. Qatar has the highest GDP per capita followed by UAE. Oman ranked at Number 6, while Mauritania has the lowest GDP per capita as per 2007 statistics.

Main Lines

By mid 2008, total Arab world main line subscribers reached at 34.832 million supplied by 28 operators in 19 countries. Egypt had 11.267 million fixed line subscribers, the largest fixed line subscriber base among the countries under comparison in the region, followed by Saudi Arabia with 4.11 million and the lowest is the Mauritania with 46,000 subscribers only. Oman ranked at number 16 in terms of subscribers with 274,000 subscribers and at number 14 in terms of penetration rate (10.4%) by end June 2008.

Table 3: Regional Mainlines and Penetration Rates (June 2008)

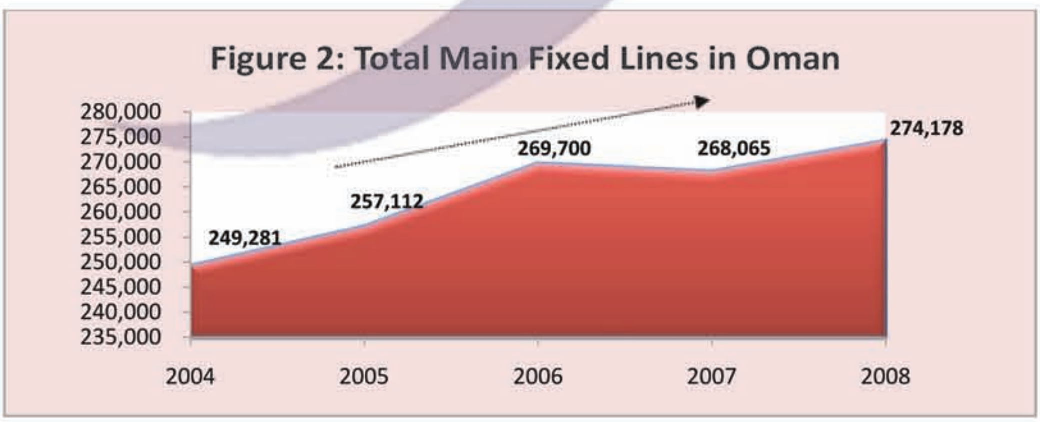
Ranking	Country	Population	H1, 2008 Mainlines (000s)	% of Total Main Lines	Penetration (%)
1	Egypt	74,795	11,267	32.3	15.1
2	Saudi Arabia	24,866	4,112	11.8	16.5
3	Syria	19,402	3,719	10.7	18.2
4	Algeria	34,610	3,525	10.1	10.8
5	Morocco	31,011	2,755	4.5	8.9
6	Iraq	28,187	1,583	4.1	5.6
7	UAE	4,598	1,350	3.9	29.4
8	Tunisia	10,276	1,250	3.8	12.2
9	Yemen	21,848	1,043	3.6	4.8
10	Libya	6,189	863	3.0	13.9
11	Lebanon	3,884	730	2.5	18.8
12	Kuwait	3,510	548	2.1	15.6
13	Jordan	5,786	529	1.6	9.1
14	Palestine	3,824	352	1.5	9.2
15	Sudan	37,729	420	1.0	1.1
16	**Oman**	**2,743**	**274**	**0.9**	10.4
17	Qatar	1,432	252	0.8	17.6
18	Bahrain	1,059	202	0.7	19.1
19	Mauritania	3,108	46	0.6	1.5
	Total	**318,857**	**34,832**	**100**	**10.6**

Source: Arab Advisors Group, 2008

The combined regional mainline penetration of 19 countries amounted 10.6 % by the end of June 2008. The highest fixed line penetration rate among selected countries in June 2008 was 29.4% for UAE, followed by Bahrain with 19.1% and Sudan was the lowest with 1.1%. Oman is very close to the average regional penetration rate with 10.4% penetration rate.

Fixed Line Services in Oman

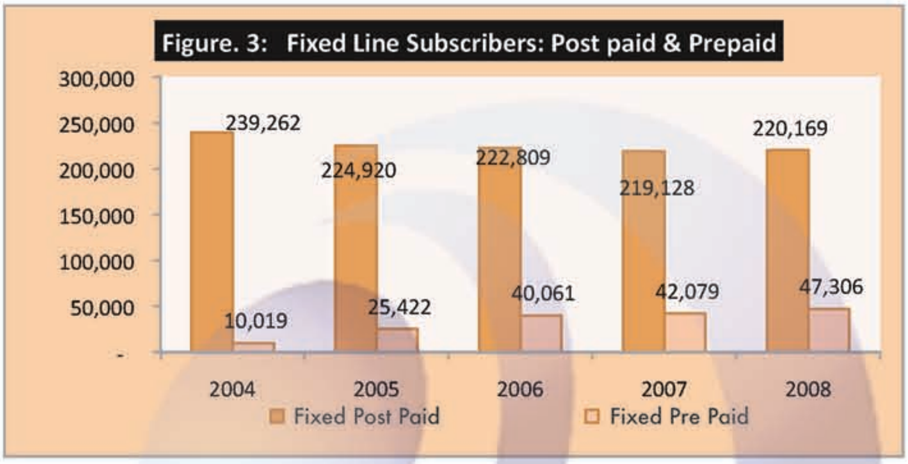
In Oman, fixed line telephony has not shown any -significant growth during last 5 years. Omantel still is the sole provider of fixed line services. The growth in fixed line is slow as compared to other telecom services with an average annual growth rate of 2% during the last four years. Total number of main fixed line in operation reached 274,178 including number of payphones by the end of 2008 as compared to 268,005 at the end of 2007, registering a growth of 2.2% over last year. The Figure.2 shows the trend of main fixed line from 2004 to 2008.



Source: TRA

Fixed Post paid /Pre paid

Fixed line service in Oman has two segments; post paid and pre paid as shown in Figure 3. The post paid segment increased by 0.5% in 2008, as compared to 2007, while the pre paid increased by 12% during the same period. Main fixed lines including (220,169 post paid, 47,306 pre-paid) by end December 2008. It shows a general preference of people for prepaid service even at higher cost.



Source: TRA

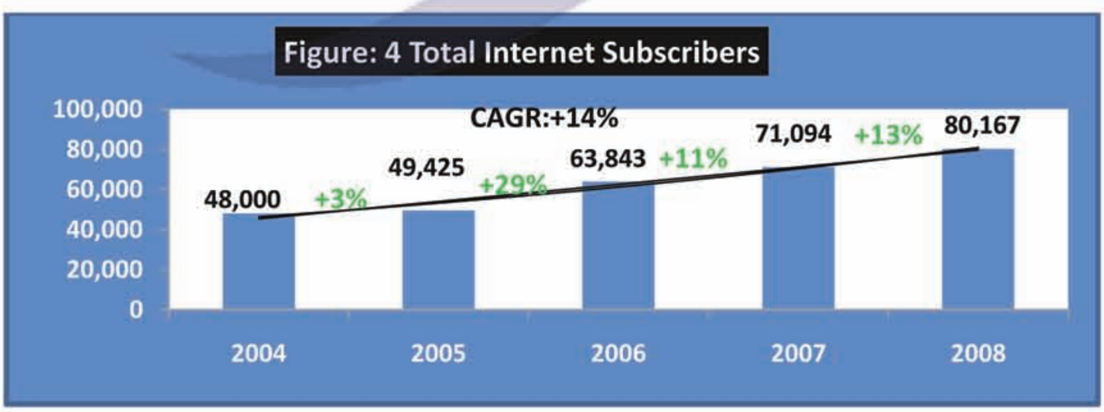
Public Payphones

The demand for payphone in Oman has decreased due to wide spread availability of mobile services. The average revenue per payphone per month also decreased from RO 109 in 2006 to RO 66 in 2007 and RO 24 in 2008. Due to reduced usage of payphone, there was a reduction of 155 payphones during 2008 and total number reached at 6,703 in 2008 as compared to 6,858 in 2007.

Internet Services

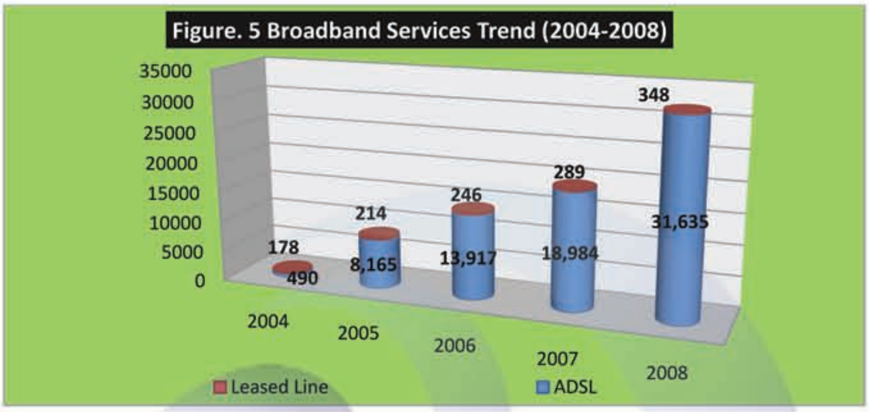
The internet market in Oman is particularly under developed. Omantel is the sole provider of fixed internet service including Dial up, ADSL and Leased line. Internet services were started in 1996. ISDN services were launched in 2001 and ADSL services were introduced in 2004.

By the end of 2008, there were 80,167 internet subscribers as compared to 71,094 in 2007 i.e. 13% more than the previous year representing a penetration rate of 2.9%. Total number of dialup subscribers were 79,819 (26,702 postpaid, 20,708 prepaid, 31,635 ADSL, and 774 Log and Surf) as all the ADSL subscribers are provided with dial up access as an additional feature.



Broadband Subscribers: ADSL

Total broadband subscribers reached at 31,983 by end of year 2008, 66% more than 2007 when there were 19,273 subscribers. Leased line subscribers reached 348 in 2008 as compared to 289 in 2007. A trend of ADSL and Leased Line subscribers from 2004 to 2008 is given in Figure 5.



Source: TRA

Regional Internet Subscribers

By end 2007, Total Arab world internet subscribers reached at 8.42 million including 3 million broadband subscribers in 19 countries. Egypt had 2.6 million total internet subscriber with 0.5 million broadband subscribers by end 2007, the largest total internet subscriber base among the countries under comparison (Table 4) in the region, followed by Saudi Arabia with 1.8 million total internet subscriber with 0.62 million broadband subscribers and the lowest is in Mauritania with 5,700 total internet subscriber and 4,000 broadband subscribers. Oman is ranked at number 15 among Arab countries under comparison.

Table 4: Regional Internet Subscribers 2007

Ranking	Country	Total internet Subscribers (000)	Broadband Subscribers (000)
1	Egypt	2,651.8	477.1
2	Saudi Arabia	1,800.0	623.1
3	UAE	904.0	379.8
4	Syria	694.5	7.0
5	Morocco	483.4	477.4
6	Lebanon	310.0	200.0
7	Kuwait	283.2	25.0
8	Tunisia	253.1	114.2
9	Jordan	225.2	86.0
10	Algeria	190.0	287.0
11	Yemen	155.8	0.72
12	Palestine	102.2	55.6
13	Qatar	87.0	70.3
14	Libya	82.5	9.6
15	**Oman**	**72.1**	**19.2**
16	Bahrain	68.9	68.3
17	Sudan	44.1	42.5
18	Iraq	14.9	86.0
19	Mauritania	5.7	4.0
	Total	**8,477.7**	**3,041.42**

Source: ITU. Oman TRA

Regional Internet Penetration Rate

By the end 2007, the UAE had the highest internet penetration rate of 20.6%, followed by Kuwait and Qatar had about 10% and the lowest with Iraq 0.05%. Oman ranked at number 10 in comparable 17 countries with 3.16% penetration rate by end 2007.

Table 5: Regional Internet penetration 2007

Ranking	Country	Internet Penetration, %	Broadband Penetration, %
1	UAE	20.64	8.67
2	Kuwait	10.54	2.52
3	Qatar	10.34	9.07
4	Bahrain	9.15	8.37
5	Lebanon	8.58	0.78
6	Saudi Arabia	7.14	0.16
7	Jordan	3.80	1.45
8	Egypt	3.51	0.93
9	Syria	3.49	0.85
10	***Oman**	2.90	**1.08**
11	Palestine	2.73	1.11
12	Tunisia	2.45	0.13
13	Morocco	1.55	1.45
14	Libya	1.38	0.63
15	Algeria	0.58	1.49
16	Mauritania	0.18	0.03
17	Iraq	0.05	4.88

Source: ITU, *TRA

International Voice Traffic

To date, all international Voice traffic in Oman is routed through Omantel international gateways. By end of year 2008, the total outgoing and incoming international traffic was 542 and 664 million minutes respectively.

Mobile Sector

Mobile subscribers in Oman have shown a growth of 28% with 3,219,349 subscribers by the end of 2008 as compared to 2,500,000 subscribers in 2007. The mobile pre paid services are preferred choice of the customers as compared to the post paid services. Pre-paid subscriber base share rose to 90% of the total mobile subscribers with 2,894537 subscribers, whereas post paid subscribers were 324,812 by end of year 2008.

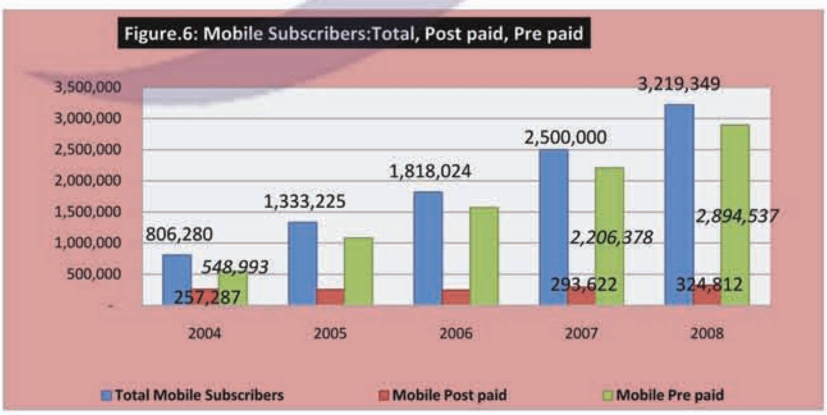


Figure.6: Mobile Subscribers:Total, Post paid, Pre paid

Source: TRA

Regional Mobile Market Share

Qatar is the only country in the region where the mobile market has still monopoly. In December 2007, Qatar's telecom regulator announced the selection of Vodafone and Qatar Foundation Consortium as the winner of the second mobile license in Qatar which is expected to start its operation in 2009. (Arab Advisor Group 2008 Report).

By mid 2008, the total number of mobile subscribers in Arab region was 194.778 million. Egypt had the highest number of mobile subscribers (35.7 million) followed by Saudi Arabia with 30.65 million, Algeria (28.9 million) and Morocco (21.4 million). Bahrain had the lowest 1.25 million whereas Oman is ranked at 14 with 2.88 million subscribers by mid 2008.

Table 6: Regional Mobile Subscribers and Percentage of Total Arab Mobile Subscribers (June 2008)

Ranking	Country	H1, 2008 Mobile Subscribers (000s)	% of Total Arab Mobile Subscribers
1	Egypt	35,768	18.4%
2	Saudi Arabia	30,651	15.7%
3	Algeria	28,918	14.8%
4	Morocco	21,412	11.0%
5	Iraq	14,743	7.6%
6	Sudan	9,306	4.8%
7	UAE	9,130	4.7%
8	Tunisia	8,122	4.2%
9	Syria	6,848	3.5%
10	Libya	6,451	3.3%
11	Yemen	5,520	2.8%
12	Jordan	5,001	2.6%
13	Kuwait	2,937	1.5%
14	**Oman**	**2,887**	**1.5%**
15	Mauritania	1,655	0.8%
16	Qatar	1,452	0.7%
17	Palestine	1,441	0.7%
18	Lebanon	1,286	0.7%
19	Bahrain	1,250	0.6%
	Total	**194,778**	**100%**

Source: Arab Advisors Group, 2008

Mobile Penetration Rate

By the mid 2008, a average regional mobile penetration rate was 61.1% which is well ahead of fixed line market (10.6%). UAE was at the top of all countries with a penetration of about 200%, the Saudi Arabia and Bahrain ranked second and third with mobile penetration of 123.3% and 118% respectively. Sultanate of Oman is ranked fourth amongst the countries by June 2008 with mobile penetration of 112% after Bahrain. Yemen and Sudan have the lowest penetration rates among the selected countries with 25.3% and 24.7% penetration rate respectively.

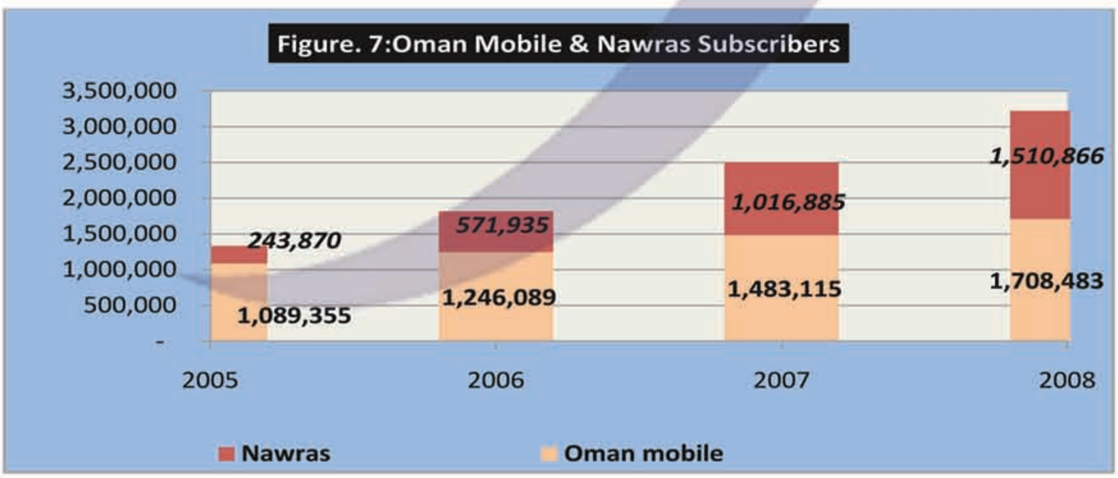
Table 7: Regional Mobile Penetration Rates (June 2008)

Ranking	Country	Penetration Rate (%)
1	UAE	198.6%
2	Saudi Arabia	123.3%
3	Bahrain	118.0%
4	**Oman**	**112.0%**
5	Libya	104.2%
6	Qatar	101.4%
7	Jordan	86.6%
8	Kuwait	83.7%
9	Algeria	83.7%
10	Tunisia	79.0%
11	Morocco	69.0%
12	Mauritania	53.3%
13	Iraq	52.3%
14	Egypt	47.8%
15	Palestine	37.7%
16	Syria	35.3%
17	Lebanon	33.1%
18	Yemen	25.3%
19	Sudan	24.7%
	Total Combined Penetration Rate	**61.1%**

Source: Arab Advisors Group, 2008

Mobile Market

The Oman Mobile subscribers as shown in chart are 1,708,483 with a market share of 53 % and Nawras with1, 510,855 subscribers has a market share of 47 % as on 31st December 2008.



Source: TRA

Mobile Traffic

Total national voice traffic of mobile sector has increased by 20% with 3,379 million minutes in 2008 as compared to 2007. However, traffic per subscriber per month has decreased by 21% in the period of comparison.

Table:8 Mobile Traffic/ (Million Minutes)	2008	2007	% changes
Total national outgoing mobile minutes	**3,379**	**2,814**	**20%**
On Net Minutes	2,207	1,916	15%
Off Net Minutes	1,059	779	36%
Mobile to Fixed	113	119	-5%
Traffic/ subs / month (Minutes)	**110**	**140**	**-21%**

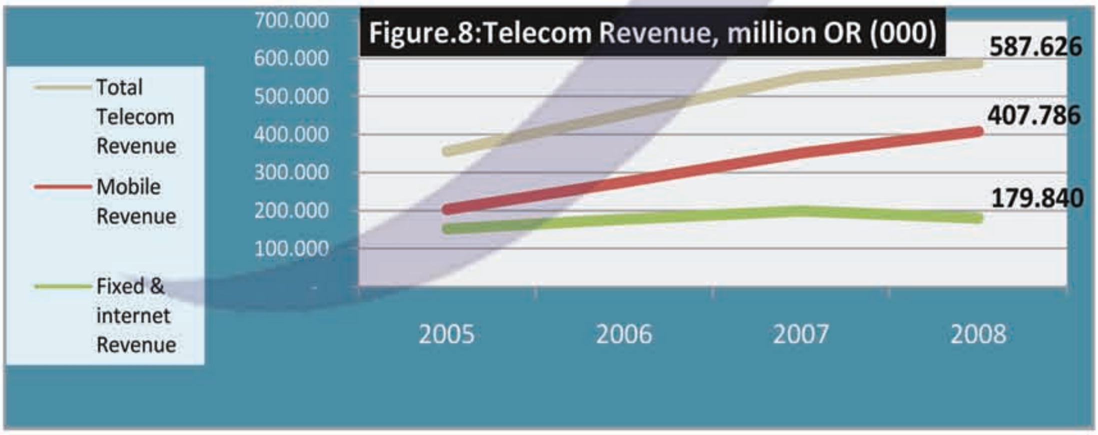
Source: TRA

The national outgoing minutes from one mobile network to another mobile network (Off net) increased by 36%, while to the same network (On net) 15% during the period of comparison. The outgoing minutes from mobile network to fixed network decreased by 5% over the same period which shows a shift in calling pattern.

Telecom Revenue and ARPU

By end of year 2008, telecom sector generated total revenue of RO. 587.626 million, 6.7% higher than the 2007. The revenue for last four years is shown in the Figure 8. Mobile sector earned revenue of RO. 407.786 million, 16% higher than the revenue of 2007, whereas Omantel (Fixed and Internet) earned revenue of RO.179.840 million, 10% lower than the year 2007.

Figure.8:Telecom Revenue, million OR (000)



Source: TRA

The below Table 9 summarizes telecom ARPU of the telecom services for 2007 and 2008. All services showed that ARPU has decreased when compared to the previous year reflecting reduction in prices and growth of users.

Table 9: Telecom Services Revenues and ARPUs

	Revenue, (O.R)		ARPU/month (O.R)		% change ARPU
	2007	2008	2007	2008	(2008/2007)
Fixed Line	55,908,732	50,367,551	10	9	-10%
Dial up	5,432,683	5,377,572	9	8	-11%
ADSL	5,946,737	8,994,194	26	24	-8%
Mobile	351,463,020	407,786,158	12	11	-9%

Omanisation Policy and Telecom Employment

In Oman, the percentage of youth (10-30 age groups) is above 50 % of the population. The Government has given emphasis to providing basic requirements through education, health and social services to its citizens. The Government is also aware of its role to provide jobs for its nationals and therefore started Omanisation Policy since 1988 to replace the expatriate workforce with trained Omani's in different sectors of the economy. The Government has planned certain targets to boost the Omani's participation in different professional fields. The main steps taken have been the number of new projects intended to assist diversification and to provide more job opportunities for the young. The Government is planning to develop Omani workforce through upgrading education, providing intensive technical and vocational training and providing access to higher education to the citizens.

There were 3,612 employees on the payroll of Omantel, Oman mobile , Nawras and TRA by the end of 2008 as compared to 3,306, (9%) more than the December 2007. After liberalization of the telecom sector, these organizations added 1,313 employees, (57% growth) in last four years.

Chapter 5

TOWARDS COMPETITIVE MARKET

World over, the telecom sector has undergone far reaching changes as a result of competition and technological advancements. Competition is the chief motivating factor for diversification of telecommunications technologies. Free and fair competition has benefitted not only individuals but also societies by lowering prices, introducing new and better services, and expanding consumer choices.

TRA press conference to announce the commencement of the process to award an integrated Fixed Public Telecommunication license in Oman - August 2008

During 2008 in Oman, the potential investors have shown keen interest to invest in the telecom sector. This is very encouraging that the potential investors can see the vital business cases and opportunities in the Omani telecom market. Through establishing a fair competitive market, the regulatory framework delivers better results for consumers, providers and the economy. To move towards competitive environment, the TRA has taken several measures including introducing regulations in support of market developments in the telecom industry. The following steps were taken by TRA during 2008 to accelerate the pace of competition in the sector.

Competition in Public Fixed Telecommunications (Class One License)

To increase competition, more licenses need to be awarded. During 2008, the TRA has announced opening of fixed line segment for award of additional licenses. The TRA has approved Nawras Consortium for award of public fixed telecommunications license including wireless broad band in Oman based on selection process. The approved licensee shall fulfill all obligations specified in the Information Memorandum. The license shall be granted for a period of twenty-five (25) years and is renewable as per the Telecommunications Regulatory Act. The right of spectrum shall be granted for fifteen years subject to payment of spectrum annual utilization fees applicable as per TRA decisions. TRA envisages that the new operator shall offer a full range of fixed telecommunications services, both voice and data, paving the way for significant boost in penetration in fixed voice including international services and broadband.

Competition in Re-Sale of Public Mobile Telecommunication Services (Class Two Licenses)

During 2008, TRA has issued five Class Two licenses for the provision of re-sale of basic public mobile telecommunications services to the following companies;

- Kalaam Telecom L.L.C
- Majan Telecom L.L.C
- Injaz International Telecoms L.L.C
- Connect Arabia L.L.C
- Mazoon National Telecommunication Co.L.L.C

Mobile resellers can resell basic mobile services through purchasing of airtime minutes from Class One mobile operators at wholesale rates in accordance with resale agreements with the operators of Class One licensees and approved by TRA. These services can then be re-branded and offered to subscribers at retail rates. The licensees have the option of programming and issuing their own branded SIM cards or relying on the host operators to provide their programmed SIMs. Billing and invoicing may also be independently handled by the licensee or they may lease this service from the host operator.

The entry of 5 re-sellers into the market is expected to create a healthy competitive retail environment and bring benefits to the consumers in terms of price, customer care and increase in availability through increase of distribution channels.

Radio Licensing

TRA issues radio licensing as per the Telecom Act. The number of new licenses issued during the year 2008 was (8481) while the number of those which renewed were (9670) added up to a total number of (18,151) licenses. The total number of licenses cancelled during 2008 was (1484).

On the other hand, the number of frequencies assigned for Micro Wave links service was (889) pairs of Duplex frequencies. The number of frequencies assigned for VSAT service was (148) pairs of duplex frequencies, and the number of assigned frequencies for other services were (524).

National Numbering Plan

Timely allocation of the numbering resources as per requirements of competitive market is very important especially at a time when new players enter into the market and offer new set of competitive and innovative services. TRA provided the required support for competitive multi-operator multi-service scenario including necessary plans preparing for carrier selection for multi carrier scenario and also for the entry of second fixed line operator in coming months.

Domain Name Framework

Domain Names are used to provide symbolic representations and recognizable names to numerically addressed Internet resources (IP addresses). The Sultanate of Oman had been assigned the "(.om)" top level domain names, for all the Omani websites represented in the internet world with domain names ending with the two characters "(.om)". TRA is responsible for regulating the Domain names in the Sultanate. TRA has initiated the process of consultation so that regulations for domain name could be taken up for finalization in coming months.

Spectrum Pricing Policy

TRA has developed different policies and regulations for the use of frequencies within the Sultanate of Oman. Pricing policy currently implemented was developed under Ministerial Decision No. 46/2003 and issued on 22nd September 2003. Subsequently the policy was amended on 1st January 2007 under Ministerial Decision No. 01/2006. In order to achieve the goals of liberalization of the sector by providing the telecom services at reasonable and affordable cost and in order to utilize the frequency spectrum efficiently ,TRA issued a tender for a consultancy services for frequency Spectrum Pricing Policy to develop a new pricing policy based on the Omani market situation, economic aspects of spectrum management and also world benchmarks, trends to balance the interest of different categories of user’s requirements and to support fair and reasonable allocation of spectrum. The new frequency spectrum pricing policy will be implemented starting from 1st of January 2009 as per TRA Decision 133/2008.

Interconnection

The success of a Multi-Operator Multi-Service competitive scenario in any country can be possible only if Regulatory environment actively supports cost based Interconnection services. TRA has ensured that Reference Interconnection Offers and Reference Access Offers from incumbent Omantel are available for the new competitive licensees. A key issue for effective competition is to ensure that competing telecommunications operators can interconnect their networks at designated Points of Interconnections with capacities consistent with traffic requirements within permissible time frames while ensuring the delivery of the Inter-operator services to the end users through their network. In the absence of interconnection arrangement, telecommunications service beneficiaries will not be able to communicate across network. Termination charges are usually the most sensitive element in interconnection relationship 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). In this regard, TRA has carried out a network cost analysis by using LRIC model for a wide range of interconnection services. The task was undertaken in order to perform the following:

- Review LRIC models submitted by Class One licensees.
- Compare the LRIC results from different operators with TRA's LRIC Model with a common set of modeling parameters.
- Provide termination cost for fixed and mobile networks as part of TRA's determination on termination rates.

A detailed TRA's LRIC Study, concluded that Cost based termination charges needed a reduction in Mobile Termination Rates while slight increase was required for Fixed Termination Rates. TRA is in final stages of issuing a new determination based on LRIC studies that suggests a revision of termination and SMS charges for implementation in a phased manner with first change implementation from 1st July 2008 and the second one from 1st January 2009. Cost based termination charges should facilitate reduction in Off-net tariffs also in coming months. TRA's first determination was issued on 11th December 2007 and second one was finally issued on 13/01/2009. [Note: Though TRA determination was issued in January 2009, as the decision is applicable from 1.7.2008, it is being included in this Annual Report.]

Table 10: New Termination Charges

S. No.	Traffic Stream (Terminating Traffic)	Termination Rates Bz/ Min from 1/1/2008	Termination Rates Bz/ Min from 1/7/2008	Termination Rates Bz/ Min from 1/1/2009
1	Mobile to Fixed (PSTN Single Segment)	3.28	4.00	5.30
2	Mobile to Fixed (PSTN Double Segment)	4.40	5.00	6.20
3	Mobile to Fixed (PSTN Double Long Segment)	4.66	5.50	6.90
4	Fixed to Mobile	20.9	17.0	15.0
		Per SMS message from 1/1/2008	Per SMS message from 1/7/2008	Per SMS message from 1/1/2009
5.	SMS message	0.5	0.4	0.3

Network Access

International access is the wholesale international outbound call service provided by Class I fixed licensees with an international gateway to other service providers. Under current circumstances, this means it is a service provided by Omantel to Oman Mobile and Nawras. It is covered under Article 6 of Omantel's Reference Interconnection Offer. Mobile licensees are required to use Omantel's international gateway for both international outbound calls originated on its network and international inbound calls terminated on its network. The international access service was reviewed and TRA through a new determination confirmed the pricing of international access service at Omantel's retail price minus 20%. The 20% represents Omantel's avoidable costs of providing the service on a wholesale basis.

TRA for the sake of transparency and level playing considerations would like to further confirm that 20% discount represents a fair value based on avoidable cost considerations through a consultancy mission.

Facilitating Competition

The promotion of a sustainable and fair competitive environment is a major objective of the Authority. As market liberalization progresses, establishing and maintaining competition safeguards acquires higher importance. In order to attract investments and encourage innovations in the telecom market, the TRA endeavors to promote market entry and create a level playing field in the telecom market.

The dynamic nature of the telecommunications industry mandates flexibility and continuous review of regulatory framework in order to safeguard against un-due regulatory burden or the risk of impeding the competitive process.

The Authority exercises a mix of the two types of regulatory interventions based on need and adequacy.

Ex-ante regulation involves pre-defined rules, regulations and obligations to which market players adhere to minimize the potential harms to competitors or other undesirable market outcomes. *Ex-post regulation*, on the other hand, addresses specific allegations of firms' misconduct against competitors or beneficiaries through utilizing corrective measures such as official warnings, fines or penalties.

The year 2008 was a very busy and productive year on the front of promoting competition. The main achievements are listed below:

The issuance of the procedures and rules regulating promotional activities was a regulatory initiative that was deemed necessary in view of the competitive developments in the telecommunications market in the Sultanate and especially the mobile market, where advertising and promotional offers have been playing an increasingly important role in product differentiation and consumer information. This being the case, it was evident to the Authority that malpractices in advertising can harm competition and mislead consumers. In order to be able to closely monitor the promotional schemes offered by operators, marketing campaigns and advertising practices, the said regulation was issued in September 2008.

The regulation obliges licensees among other things, to adhere to certain conditions in launching advertisements and promotional offers, to refrain from engaging in anti-competitive behavior such as attempting to undermine or defame competitors, or giving special discounts/offers to subscribers of competitors. The regulation grants the Authority the right to decide on disputes arising between licensees or between licensees and consumers in respect of promotional offers.

In line with the above regulation, the TRA proactively directed a licensee to amend an advertisement that was deemed potentially misleading to a large number of users who do not have technical knowledge about network and service features.

During 2008, the Authority received about 10 complaints raised by licensees against competitors. All the complaints were addressed and resolved in a timely manner through the following internally developed mechanism.

1. Upon receipt, the complaint is first preliminarily assessed to determine whether it is reasonably acceptable.
2. The complaint is then forwarded to the defendant to clarify their position and state their views.
3. The defendant’s feedback is then forwarded to the plaintiff to provide an opportunity for the plaintiff to re-assess its position and provide further support to its case if desired.
4. Upon gathering the case details, relevant legal and regulatory tools are consulted, the case is analyzed and decision is issued.
5. The decision is communicated to the concerned parties.

Most of the complaints addressed and resolved in 2008 were related to advertising and media material. A number of advertisements were contested as being anti-competitive and/or misleading to consumers. In the event that the Authority found the case tenable, licensees were directed to amend or withdraw their advertisements and refrain from the use of potentially harmful communication such as superlative words unless it is possible to substantiate these superiority claims.

The Authority took a stronger regulatory measure in a case where an operator published a press release regarding network quality which was found anti-competitive. In addition to warning the party at fault not to repeat such misleading press releases in the future, the Authority took the initiative of publishing a press release on its decision for the information of the general public.

In line with the Authority’s continuous endeavourers to safeguard the competitive process and sustain a fair and attractive business environment in the Omani telecom sector, a number of important initiatives are planned for 2009 among which are, the issuance of the Accounting Separation, Regulatory Accounting and Reporting requirements framework, the development of criteria of determining dominance in a market, which will be used in designated dominant licensees that will be subject to more stringent regulation in view of their dominance to prevent the potential abuse of their market power/ dominant position in addition to developing competition rules.

Omantel Tariff Re-balancing

In order to safeguard the sustainability of competition, it is important that operators are allowed to recover costs of service provision. Traditionally, in Oman and in the world, telecommunications services were provided by Government owned monopoly operators, where line rentals and local calls were provided below cost and were subsidized by the high tariffs of national long distance and international call rates.

It is well known that Omantel has built the telecommunications infrastructure covering all regions of the Sultanate, continued to provide the access services throughout the country including areas with dispersed small population settlements and remote and difficult geographical terrains. Due to the difficult topography of the country, fixed operators have to incur high capital costs for fixed access networks deployment (i.e. the costs of access to the fixed line). These high costs with low rental tariffs result in an access deficit for providing access services. However, in the monopoly era, before rebalancing the tariff, this deficit was generally recovered from the high tariffs of international calls. However, it is expected that by introducing competition in the fixed service segment, the international call rates and tariffs of other high-yield services would come down. If Omantel prices are not rebalanced before competition, Omantel may not be able to recover the access deficit.

At this stage, tariff rebalancing (i.e. aligning tariffs with costs of service), becomes a necessity to enable competition on a level playing field. TRA approved Omantel's tariff rebalancing proposal after extensive deliberations. The revised tariff is discussed in the following section.

Fixed Line New Tariffs

In August 2008, Omantel was allowed to rebalance its tariffs gradually in order to be able to sustain competition and remain financially viable. As a first step, Omantel has reviewed its tariffs whereby line rent and local call charges were increased and national long distance and international call charges were reduced to bring them close to their costs.

TRA realizes that users with high local call volumes will face an increase in the effective price; however there are a number of positive aspects of the new tariff plans. First aspect is the simplicity of the new tariff. There is a unified flat tariff of 15 Bz per minute for local and national long distance calls in peak times with 50% discounted rate of 7.5 Bz per min during off peak hours. The line rental includes free usage time and the new call charges apply after the free bundled minutes are consumed. For calls from fixed to mobile, the new tariffs are also more transparent and uniform. Previously, there was different tariff for calls from Omantel to Nawras and Oman Mobile. Further, calls to Oman Mobile were distance based, which meant that the calling party would face a higher or cheaper price depending on where the called party is located which means that the end price would not be known to the caller as the mobile called party may be anywhere in the Sultanate.

This step was taken to ensure fair competitive price and in anticipation of future positive developments in the telecom market, where future competition is expected to result in lower prices and better services. The following tables provide a summary of fixed tariff before and after rebalancing:

Table 11: Rates before Tariff Re-Balancing

Band	Distance	To Fixed Duration in Seconds for 25 Bz		To Oman Mobile Duration in Seconds for 25 Bz		To Nawras Duration in Seconds for 33 Bz	
		Peak	Off-peak	Peak	Off-peak	Peak	Off-peak
2	0-21Km	540	540	60	120	60	60
3	21-100Km	120	240	18	36	60	60
4	100+Km	37.5	60	15	30	60	60
		Equivalent Charge Bz/3 Minutes		Equivalent Charge Bz/3 Minutes		Equivalent Charge Bz/3 Minutes	
2	0-21Km	25	25	75	50	99	99
3	21-100Km	50	50	250	125	99	99
4	100+Km	125	75	300	150	99	99

Source: TRA

Table 12: Rates After Tariff Re-Balancing

		Monthly Rent (RO)	Free Minutes	Price per Minute Thereafter (Bz) (Peak)	Price per Minute Thereafter (Bz) (off-Peak)
Post paid	Fixed 1	4.9	75	15	7.5
	Fixed 2	7.9	300	15	7.5
	Fixed 3	9.9	450	15	7.5
Prep aid	Sahl	4.0	-	20	10

Source: TRA

Note:

1 - Calls from fixed postpaid (i.e. Fixed 1, 2 or 3) to Mobile cost 33 Bz per Minute.

2 - Calls from fixed prepaid (Sahl, Jebreen or Almultaqa) to Mobile cost 40 Bz per Minute

Chapter 6

INTERNATIONAL ROAMING

International Roaming is perceived as an important service, which operators offer to their customers. It simply provides the opportunity for users to be connected when travelling overseas and enjoy the same set of mobile services as offered in home country, such as voice, SMS, MMS, internet browsing and video calling.

Roaming between international mobile operators occurs only when commercial aspects of roaming are negotiated between the roaming partners and are stipulated in an agreement. The GSM Association (GSMA) with members from approximately 219 mobile operators under its membership umbrella is the focal association that outlines the content of roaming agreements between roaming partners. The roaming agreements between roaming GSM networks, offer the convenience of a single phone number, and a single bill with worldwide access to mobile operators. Coordination of billing is also made possible through roaming agreements, in which the wholesale rates are determined. The wholesale rates also known as Inter Operator Tariffs (IOTs) are specified in the agreement and may change from time to time subject to negotiations between the network operators. IOTs play a significant role in retail international mobile roaming pricing.

In un-regulated international roaming markets, there are significant gains on the wholesale level that are not passed on to the retail level and average retail charges remaining high with margins in some cases well above 500 per cent over local retail rates, resulting in excessive pricing for roaming services. One way to ensure reasonable roaming pricing is to employ roaming regulation to ensure price control.

Regulating International Roaming in Oman

As it is the case in many other countries, mobile users in Oman were charged excessively for roaming, and these rates were not reflected to their costs and roamers ended up paying quite high charges. This was proven in a general study conducted by GSMA which has shown that roamers pay up to 6 times more for calls to their home country, up to 14 times more for local calls in visited country, and up to 4 times more for calls received (compared to users calling from home country to the visited one). High tariffs charged by the home country operators' force roamers to switch to a local SIM card on local mobile networks in visited countries to be able to enjoy lower rates while making or receiving calls. To reduce roaming tariffs to reasonable rates, regulators and operators have attempted to adopt certain approaches to reduce international roaming prices.

This has been a key issue on the agenda of the Arab Telecommunications and Information Council of Ministers, which in 2005 requested the Arab Regulators' Network (ARGNET) to study this issue and find appropriate solutions. In 2006 Resolution No. 187 of the Arab Telecommunications and Information Council of Ministers was passed to implement roaming regulation as well as transparency policies for roaming tariffs notification of roaming tariffs of the networks visited via SMS. The ARGNET in April 2008 recommended regulating both the wholesale roaming rates and the retail part of the roaming prices, and they are in the process of developing the principles of regulatory model. Based on the GSMA analysis on implication of international roaming regulation, ARGNET showed that there will be more than 36% decrease in roaming rates in the 2nd year of implementation of price roaming regulation, more than US$ 115 million savings per annum for Arab consumers, and 14% increase in roaming traffic growth.

The Telecommunications Regulatory Authority of Oman as an active member of the ARGNET has always been supportive to the recommendations of the working group on roaming. The TRA has realized the importance of taking measures and policies to regulate international roaming rates in an effective and transparent manner. The TRA in addition to the implementation of information on roaming tariffs via SMS in 2007, took an initiative to conduct national level reviews of the inter?operator tariffs charged by mobile operators and has developed a framework to regulate international roaming rates in November 2007.

The international roaming framework mainly deals with regulating the retail prices of international roaming. It sets the caps for the mark-up allowed on top of the wholesale charges. The Authority decided to allow operators to earn a mark-up of 15% in addition to any Royalty. It also specifies the applicable scenarios in which retail roaming rates are applied. The Authority realizes that in the absence of corresponding wholesale regulation, retail regulation alone is likely to benefit larger operators already enjoying lower-than-average IOTs, and would not address the problems faced by smaller players.

Chapter 7

ISO CERTIFICATION

Introduction

ISO 9000 generally refers to a set of three standards (ISO 9000, ISO 9001, and ISO 9004), which refers to quality management system standards, which are governed by the ISO (the International Organization for Standardization). ISO 9000 discusses definitions and terminology and is used to clarify the concepts used by the ISO 9001 and ISO 9004 standards. ISO 9001 contains requirements and is often used for certification purposes while ISO 9004 presents a set of guidelines and is used to develop quality management systems that go beyond ISO 9001. The ISO 9000 standards apply to all types of organizations in all kinds of areas (ranging from manufacturing, processing, servicing, printing, petrochemicals, telecommunications, forestry, electronics, steel, computing, legal services, financial services, banking, accounting, consulting and so on).

The Telecommunications Regulatory Authority awarding ceremony of 2008 ISO-9001:2000 Certificate (Total Quality)

ISO 9001-2000 Certificate for Spectrum Management Unit (SMU), TRA

As part of its continuous efforts to develop and upgrade its performance, the Authority decided to obtain the ISO certification for SMU to help implement the Authority's policy in managing the radio spectrum, The SMU was selected due to its economic and social importance. Thus, the Spectrum Management Unit (SMU) took the initiative and carried out the steps to establish the Quality Management System as per the standard ISO 9001:2000 requirements, with the purpose of providing a systematic control of the Unit's key activities and processes to ensure that the needs and expectations of customers are met. After meeting all requirements, the Unit was granted ISO 9001:2000 certificate in September 2008, by the Vinçotte International which is a leading international certification body with Head Office in Brussels, Belgium.

TRA also plans to obtain ISO certificates for other key processes of rest of the units during 2009.

Chapter 8

UNIVERSAL SERVICE OBLIGATIONS - POLICY AND IMPLEMENTATION STRATEGY

Introduction

From a welfare and economic efficiency perspective, optimal results and resource allocations are normally achieved when the provision, pricing and consumption of goods are left to market forces. However, what is economically optimal may not coincide with what is socially desirable. In the context of the provision of communications services, it may not be economically optimal, for instance, to supply telephony services to certain high cost low demand areas but it may be socially desirable to ensure that citizens in these areas are provided, at least with a minimal set of communications services.

The term ‘universal service policy’ has been used to describe measures and policies that are employed to bridge the gap between commercially feasible and socially desirable levels of communications services availability. As such provision tends to generate losses due to high costs and low demand for services. Governments and regulators concerned will have to decide whether, and to what extent, to make arrangements with a view to ensuring that the implied funding requirements are met.

In the Sultanate of Oman, through the liberalization process and market reforms, the TRA aims at expanding telecommunications access networks to cover a wider proportion of the population and geographical areas of the country. However, due to economic reasons, the telecom service providers are not expected to venture into economically unattractive areas to develop telecom networks and provide telecommunication services. Thus, many rural and remote areas in the Sultanate may continue to lack telecommunications access for some time until some support and initiative is provided by the Government.

The telecom sector liberalization policy acknowledged that there is actual need to connect the uncovered rural settlements with basic telecom services and also to meet the demand in covered areas. Many of the applications in the rural uncovered settlements have not been met and the incumbent operator could not establish the necessary infrastructure in these areas to increase telecom penetration due to commercial reasons. Therefore, the general policy recommended the following;

1. Omantel shall not be obliged to cover all the rural areas and shall continue to accomplish the national expansion plans;
2. To create a separate program for projects in rural area;
3. The USO program shall be funded by allocating a percentage of the Royalty, based on TRA’s cost estimations.

Universal Services Policy

The TRA has carried out a study with the help of a consultant to develop Universal Service Policy and Implementation Strategy. The policy sets out how the Authority plans to implement the Universal Service projects in Oman. The Phase I of the assignment was finalized, which is about the proposed policy, while Phase II of the assignment is yet to start, which is a pilot project for the USO policy implementation.

A public consultation was carried out in 2008 to seek the public views and comments on the USO draft policy. After receiving the comments from the interested parties, the TRA published its views and responses in TRA web-site in order to clarify the issues raised during the consultation process.

The draft policy was sent to the Ministry of Transport and Communications (MoTC) for submission to the Council of Ministers for their approval in accordance with the Article (38) of the Telecommunications Regulatory Act. The Ministry of Finance has also agreed to allocate the required budget for the USO pilot project. In order to handle the USO projects the TRA has approved the establishment of USO Unit to handle all universal service issues.

TRA plans to float public tenders to provide universal services in the un-served and under-served areas around the Sultanate. The draft USO Policy document serves as a guideline on how the obligations set out in the Article (38) are met and to ensure the increased availability of the set of telecom services in Oman.

As per the proposed Policy, the scope of universal services in Oman includes the following;

- Basic telephony services (voice);
- Functional internet access: minimum 28 Kbits/s and Broadband will reach 512Kbits/s after 3 years:
- Broadband for Government institutions with minimum speed of 2MB/s (schools, hospitals, police stations etc.);
- Operator services (Free): Directory and fault reporting;
- Emergency service access (Free);
- Public call boxes;
- Tele-centers;
- Maritime services;

The above list of services reflects the objectives of the TRA, the ITA, the MoTC and other Government stakeholders; in implementing the 'Digital Oman' strategy which will require wide spread of internet access across the country.

Chapter 9

WORKING WITH CONSUMERS

Consumer's Complaints

The Telecommunications Regulatory 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 disputes among the parties. Pursuant to the requirements of the Act, the TRA is committed in ensuring consumers enjoy choice and satisfactory level of services at reasonable 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.

TRA conducted a study during 2008 on the number and nature of inquiries and complaints received from the beneficiaries of the telecommunications services in the Sultanate. The detail of number of complaints received from telecom users and resolved during 2008 is given in the Table 13.

The numbers of complaints filed in last six months of the year 2008 against the three operators were 17; Omantel (8), Nawras (3) and Oman Mobile (6). Out of these 17 complaints, 13 were resolved and 4 were under process by the end 2008.

The nature of the complaints is shown in the table below; Statistics reflects that the major share of the complaints relating to technical problems of internet and fixed line services followed by number portability.

Table 13: Nature of the Complaints

Complaint's Nature per Operator	Technical	Internet	Portabilit y	Billing	Networ k	Others	Total
OmanTel	3	3	-	-	1	1	8
Oman Mobile		1	3	-	1	1	6
Nawras	1	-	-	1	-	1	3
No of Complaints	4	4	3	1	2	3	17
Percentage	32.50%	32.50%	17.60%	5.80%	11.70%	17.60%	100
Status	3 closed 1 in process	3 closed 1 in process	closed	in process	Closed	2 closed 1 in proces s	13 closed 4 in proces s

Media Campaign

One of the prime responsibilities of the TRA is to keep the consumers well aware of the telecom products and services available to them and to ensure that, the industry and consumers are informed about their telecommunications rights and obligations. To fulfill its responsibility, during 2008 the TRA has participated in a number of national events including the IT, Telecom & Technology Show COMEX 2008, and Salalah Tourism Festival whose detail is given below:

COMEX , IT, Telecom & Technology Exhibition 2008

The Authority participates at local exhibitions with an objective of enhancing the communication channels with users and investors of the telecommunications sector, as well as to respond to their inquiries directly. The first exhibition in which the Authority participated during 2008 was COMEX, the largest annual IT, telecom & technology show in the Sultanate of Oman. The event attracts local and international companies as well as contractors working in the communications and IT sector. Annually, the event provides promotional and marketing platform for all; consequently, the Authority believes that the annual event is a good opportunity for the Authority and companies working in the field of telecommunications to hold direct communications, with the public through direct discussions.

TRA participation at COMEX 2008

Salalah Tourism Festival 2008

The second local exhibition attended by the Authority during year 2008 was Khareef Salalah Festival which is an annual event and attracted a high record of visitors from the Sultanate and the region. TRA also hosted a daily electronic competition aimed at increasing the public's awareness of the Authority's role and services. Participants were asked questions about TRA's services through its official website. The TRA held a daily draw and distributed exciting prizes of mobile telephones to the winners.

TRA participation at Salalah Tourism Festival 2008

CHAPTER 10

LIAISON WITH THE TELECOMMUNICATIONS WORLD

TRA plays an active and dynamic role at the international and regional level in telecommunications development. 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 it is best placed to meet the regulatory challenges of dynamic telecommunications environment.

The International Telecommunications Union (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. It actively participates in telecommunications events and forums organized by the ITU.

The Arab Regulators Network of Telecommunication & Information Technologies (ARNET) is a forum comprising of 22 Arab member states which frequently meet to discuss and recommend best practice regulations to attract investment in the Arab Region. TRA has been a member of ARNET since 2004.

The TRA participated in various international events some of which are mentioned below;

ITU’s Global ICT Industry Leaders Forum (GILF)

In March 2008, H.E. Mohammed bin Nasser Al Khasibi, the TRA Chairman, led a high-level delegation along with the TRA Members to the ITU Global ICT Industry Leaders Forum (GILF) in Pattaya, Thailand. This event was organized as a result of the recommendations of the 2007 meeting of the ITU Telecommunications Development Advisory Group and in response to the World Telecommunication Development Conference’s Resolution 29.

The purpose of the GILF was to provide a high-level forum for CEOs and other industry leaders to share their views and make proposals regarding key regulatory and policy issues affecting their businesses and the ICT/telecommunications industry more broadly as part of an interactive exchange with regulators and policy-makers.

The agenda of GILF 2008 covered regulatory and policy issues related to universal access/rural connectivity, emergency telecommunications and stimulating business investment and expansion.

Global Symposium for Regulators (GSR)

The International Telecommunication Union's 8th Annual Global Symposium for Regulators (GSR) was held in Pattaya, Thailand from 11-13 March 2008. The GSR is an annual event bringing together heads of national regulatory authorities from both developed and developing countries and has the reputation as the global venue for regulators to share their views and experiences as part of the worldwide community of regulators. The meeting fosters an open dialogue between regulators and key ICT stakeholders; the private sector, investors and consumers. The first day of the GSR was open to regulators, policy makers, ITU-D Sector Members and other invited guests. The last two days were restricted to regulators and policy makers.

The theme of the 8th Annual GSR was “Six Degrees of Sharing: Innovative infrastructure sharing and open access strategies to promote affordable access for all.” Participants discussed a range of sharing strategies, specifically active and passive infrastructure sharing, functional/operational separation, international and domestic mobile roaming regulation, international gateway liberalization, sharing of end devices and innovative applications, regulatory/policy harmonization and universal access.

TRA’s participation in the GSR consisted of a high-level delegation headed by the TRA Chairman and Members.

World Radiocommunication Seminar (WRS-08)

The International Telecommunication Union's World Radiocommunication Seminar was held in Geneva, Switzerland from 8-12 December 2008. The meeting dealt with international regulations on the use of the radio-frequency spectrum and satellite orbits. Discussions centered on the application of the ITU Radio Regulations, the treaty which regulates international wireless communications. The Seminar also examined the activities of the ITU Radiocommunication Study Groups and focused on the use of ICT in emergency situations and as a solution to combat climate change.

WRS-08 provided an opportunity to gain deeper insight into the technical, procedural and operational aspects of the revisions made to the ITU Radio Regulations which were undertaken by the ITU World Radiocommunication Conference (WRC-07), particularly the substantive revisions made by WRC-07 to the Fixed-satellite Service Plan. Based on the latest technological advances, the Plan is now more effective and facilitates satellite systems to gain access to the radio-frequency spectrum.

WRS-08 also provided participants with essential technical and regulatory background information to assist them in preparing for the next ITU World Radiocommunication Conference to be held in 2011. The delegation was headed by the Senior Manager of the Spectrum Management Unit of 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 three-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 radiocommunication, telecommunication standardization and telecommunication development sectors;
- capacity building of TRA employees.

TRA staff participated in 108 events in 2008. The frequency of staff participation in such events is reflected in the number of man days spent at these forums as well as in their recurrent participation. The following table gives an indication of the various international forums participated in during 2008:

Table 14: TRA Participation in International & Regional Events

International Forum	No. of Events	No. of Participants	Man Days
ITU	38	83	352
GCC	17	33	116
Arab League	12	18	75
ARNET	7	20	64
Others	34	57	254

CHAPTER 11

HUMAN RESOURCE MANAGEMENT

Introduction

TRA management approach is focused on signifying the strategic role of human resource management in the overall contribution toward its success. In addition to its emphasis on developing its employees, TRA has undergone, in 2008, a strategic change in introducing an Objective Based Performance Appraisal System. This change pours directly into TRA efforts to achieve its vision to be the most efficient and effective organization in Oman.

Employment statistics

In 2008, TRA has recruited 21 employees in various grades out of which 20 were Omani nationals. TRA total workforce by end of 2008 has reached a total of 97 employees. The following tables show the Omanization rate:

Omani Employees	Non- Omani Employees	Total Employees	Omanization Rate%
89	8	97	**91.75**

Capacity Building

TRA is fully committed to play its role towards the development of the telecom sector in the country by a well prepared, technically equipped and dedicated team. To update the skills and knowledge of its employees, TRA enrolls its employees in international world renowned institutions to participate in training courses, workshops, and seminars. TRA prepares a training plan each year and encourages its employees to exchange experiences and ideas with people from various parts of the world. A brief sketch of the participation of TRA employees in international training courses and workshops is given in the table below;

Table 15: Participation of TRA Employees in International Training Courses, Workshops and Seminars

S. No	Nature of the event	No. of Events	Number of Participants
1	Training Courses	52	75
2	Workshops/Seminars	7	18
3	**Total**	**59**	**93**

In addition to the above, TRA also has arranged In-house training programs, on the following topics, where different level of the employees participated;

Project Management Training Course

The aim of this training program was to help employees from various departments and levels to manage and handle the projects in a more efficient and effective way. During the training course, various aspects of the project including project management framework, project management process and different tools and techniques of project management were discussed. The course was attended by 22 participants from the TRA with 3 days duration.

Advanced Management Course

The main purpose of this course was to enhance the management skills which enable the TRA's employees to work in a more effective and efficient environment. The 3 days training course covered different workable motivational theories and guidelines for delegations. The 18 employees at senior level from TRA actively participated in the course.

Advanced Management Course - December 2008

Regulatory Master Class

This course provided an in-depth knowledge of the principles of regulations and regulatory models before examining key issues such as licensing regimes, interconnection, cost allocation, tariff structure, numbering, spectrum management and universal service. About 32 participants from different background from all units of the TRA attended the 4 days course.

Performance Management System

TRA has taken a strategic decision to further enhance its performance by introducing and implementing a new performance appraisal system. The new appraisal system is an objective based system in which each individual staff's objectives, performance and development plans were aligned with the TRA’s Vision and Corporate Objectives.

The performance appraisal system is developed to build and enhance the performance culture in TRA. Through annual work plan, corporate-level objectives are cascaded down to each individual staff. The performance of each individual staff and team is measured in terms of completion of KPIs/objectives.

TRA Social Events

Internal social gatherings are organized annually for the staff and their families to encourage a social and open culture in the organization. An entertainment evening full of games and quizzes along with spectacular gifts and raffles draws was organized during Ramadan beside an Iftar dinner.

TRA Ramadhan Evening - September 2008

Chapter 12

PUBLIC CONSULTATION

TRA has always ensured that its procedures are open and transparent. All regulatory measures go through a process of public consultation. Responses are taken into account before any final decision is made.

During 2008, TRA have carried out public consultation through press and TRA's website on different issues, which are discussed in the following section:

Carrier Selection

During 2008, TRA sought the views of all the stake holders on implementation of Carrier Selection.

The carrier selection is the process whereby a subscriber may access an operator other than his access operator for the provision of calls. Carrier Selection implementation is proposed in two stages. Call by Call Carrier Selection is generally implemented to start with. In this process any fixed or mobile subscriber may access an operator other than his access on a call by call basis by adding a short access code to the front of a dialed number either manually by the subscriber during the dialing process or automatically by terminal equipment such as an auto-dialer. Subsequently, the users shall have the choice of carrier pre-selection also in addition to call by call carrier selection. In coming months, with multiple operators offering international long distance services, subscriber may use different carriers (operators) for calls to different countries after consideration of the tariffs offered by the operators (carriers) for these countries. The customers will get advantage of best possible tariffs. Thus carrier selection gives a new entrant operator the ability to receive calls for termination in distant countries even from the subscribers who are hosted by another access network. Thus carrier selection is a measure to promote competition. After completing the consultation process on this issue, TRA issued a decision No: 146/2008 and sent to Ministry of Legal Affairs for notification in the official gazette.

All current Class One licensees of fixed or mobile services are required to offer CS and add to their Reference Interconnection Offer within three months from the publication of these regulations. The licensees shall make available CS within three months from the publication of these regulations or from the date of launch of their operations in the Sultanate, whichever is earlier. All licensed operators supporting carrier selection may place their orders with access operator only if they are licensed to carry calls involving carrier selection. It is expected that this initiative will foster competition in long distance and international call market segment.

Local Loop Unbundling

The other important issue on which TRA had sought public opinion was the local loop unbundling. Local loop unbundling is a facility by which one operator may use the local loop of another operator to provide services to its subscriber. The purpose of local loop unbundling is to enable an operator with more limited infrastructure to offer services to subscribers that it cannot reach directly because of the high cost of investing in the access infrastructure. Thus local loop unbundling promotes competition by increasing the choice of operator available to the subscribers. Local loop unbundling also enables the society to make greater use of the available infrastructure.

Broadband is the primary service offered using unbundling but physical unbundling also enables an operator without its own local loop to offer telephony. The major aim of the TRA is to promote the availability of broadband at affordable prices throughout Oman. Although the term “local loop unbundling” may be understood by some to refer only to physical unbundling, this process also takes into account the bit stream services.

Draft regulation on Local Loop Unbundling has been finalized after taking a consideration the feedback from the stakeholders and is likely to be issued during the first half of 2009.

Voice over Internet Protocol (VOIP)

VoIP is a technology that provides voice communications services over the Internet protocol. These services have grown fairly rapidly in the last few years in other parts of the world and they are competing with the traditional circuit switched telecommunications services.

VoIP based services use some of the same technology as NGNs provides but they operate on the Internet with the voice service commonly being separate from the provision of Internet access. This means that they can be launched more easily and at lower cost than the traditional telephone service. These services may or may not provide interconnection to the public telephony services for out-going or incoming calls.

This consultation was an effort as to what should be the basic framework for these services.

After receiving comments from operators, draft regulations have been prepared and are planned for issue in year 2009.

License to Establish and Operate an Internet Exchange In the Sultanate of Oman

TRA had shown its intention to initiate the process for issuance of Class two licenses for establishing and operating an Internet Exchange and invited interested parties, in particular operators and potential investors to offer their comments on the issue through a consultation paper. The internet exchange would offer a network access point (NAP). It would enable Internet Service Providers (ISPs) to link to the global Internet backbones by aggregating their traffic before sending it via leased circuits to the Internet backbones, thus reducing the need for each ISP to set up its own direct peering which will result in reducing ISP's costs and prices. The Internet Exchange will also act as a connection point for the exchange of local traffic between ISP's in Oman. The internet exchange is further expected to reduce international bandwidth requirement, reduce latency for domestic traffic and cost savings. Further better Quality of Service and reduced end users tariffs are also possible through such arrangements and cost effective solutions.

After the public consultation, TRA is in the process of formulating the license conditions, regulations and guidelines for this license and planned to be announced in 2009.

Short Range Devices and Automotive Short Range Radars

TRA had shown its intention to initiate the process of adopting the regulatory and technical requirements for operation of Short Range Devices (SRD) and automotive Short Range Radars (SRR) in the territory of the Sultanate. The aim of these regulations is to exempt SRD and SRR from individual licensing procedures and the fees prescribed in the Ministerial Decision No 46/2003 due to their low interference potentials to licensed radio systems if they meet requirements given in the draft regulations. Before implementation of the process TRA invited comments from interested parties through consultation paper published in August 2008. These regulations have been incorporated in TRA Decision No: 133/2008 dated 15th November 2008.

Regulating Passive Infrastructure

TRA has sought comments from all stake holders through public consultation on regulating the establishment and sharing of passive infrastructure in the Sultanate of Oman. In general, sharing the passive infrastructure is considered to be of vital importance in the effective growth of the telecom sector both economically and technically. In addition, it has a positive effect on the environmental and urban planning factors. The consultation paper was published on 3rd December 2008 and awaited for comments. The consultation process is likely to be concluded in the first quarter of 2009.

Accounting Separation, Regulatory Accounting and Reporting Requirements

Over the recent years the telecommunications market in the Sultanate of Oman has been expanding due to the privatization of the national incumbent and the introduction of new players in the market. The success of competition in a country however depends, to a great extent upon the regulatory and licensing framework in place. As part of setting up regulatory framework required for the development of competition, one needs to ensure that dominant operators treat new entrants fairly and that the Telecommunications Regulatory Authority obtains the information needed to carry out its duties in the right format and in the right detail. Taking into account its duties as set out in the Telecommunications Law and the conditions in the individual License Agreements (Part II – Conditions) of the service providers the TRA decided to set up and implement “Accounting Separation, Regulatory Accounting and Reporting Requirements” framework suited to the Sultanate's environment. A consultation paper outlining the framework was issued. The proposed paper sought comments from all stake holders on “Accounting Separation & Regulatory Accounting & Reporting Requirements” framework in September 2008 to ensure, among other things, that the services provided by the different licensees to their downstream affiliate companies are provided on similar terms to other competitive licensees. This framework would also enable the TRA to analyze and ascertain if any of the Licensees acts in an anti-competitive manner in certain cases. These Regulations once finalized would also aim at providing a framework for preparing Separated Regulatory Accounts to be submitted periodically to the TRA to meet obligations under the Telecommunications Act including to monitor the compliance of the licensees with their license conditions. The operators have provided their feedback and TRA in finalizing the regulations and Accounting Separation framework to be notified soon.

Re-evaluating the Need of Telegram Services

TRA is in the process of re-evaluating the need for continuing the telegram services in the Sultanate of Oman. In general, the telegram services are becoming less popular or even extinct on the arrival of internet and email systems readily displacing the necessity of such services, where the cost of providing the telegram service is exceeding its revenues. Taking into account the decline in the number of people and entities using this service, the TRA needs to look into issue and permit the operators to discontinue this service.

TRA issued public consultation paper for comments from interested parties, network operators and the public. TRA would finalise its decision after careful consideration of the stake holder inputs through the consultation process.

International Submarine Cable Infrastructure and International Landing Station Facility Licenses

As per the Policy, the telecommunications market is open for the provision of International telecommunications Infrastructure. The objective is to stimulate growth of the market, and facilitate investment in the infrastructure.

TRA intends to issue Class One License(s) for the establishment and operation of the international submarine cable infrastructure and cable landing station facilities based on technical and financial eligibility criteria and other licensing conditions. Inputs received from the stake holders as part of the consultation process will be used to finalize the framework and necessary terms and conditions.

This consultation paper was issued in March 2008. It provided background for the submarine cable and landing station license. It covers the general licensing for International facilities and services that are applicable to Oman.

It also attempted to consider the licensing framework and the general provisions within the Telecommunications Act and Executive Regulations as they could apply to such a license. The input received through consultation paper was utilized in preparing the license for Class One category.

Class Three License

The TRA had posted a public consultation on Class Three license for the provision of private telecommunications services not connected to the public network on its website. It had finalized Class Three license document, rules and regulation after consultation process and placed at TRA's website.

The TRA had already announced its intention for receiving Class Three License applications for the provision of private telecommunications services not connected to the public network. There is no limit on the number of such licenses. Any one who meets the given criteria and conditions of the requested service shall be awarded with the license category.

CHAPTER 13

TELECOM POLICY REVIEW

The first telecom policy in Oman was set up for five years beginning of 1st issuance of Omantel license. During the period 2003-2008 TRA established working rules and procedures to enable opening up of the market and setting guidelines for participation by new entrants in the sector. The licensing regime with classification of the licenses was also approved and put in place. Omantel was issued a license one endowed with fixed lines (local, long distance, international and internet provisioning) and the other for mobile business. The second mobile license was issued to Nawras in the year 2005 and the competition saw the rapid expansion of mobile penetration in the market. Number of value added licenses also have been issued though there are no functioning service providers arising out of the same as of end of 2008. The TRA recently approved Nawras Consortium for award of second integrated fixed public telecommunications license with broadband and spectrum paving way for perfect competition in the backbone network of the telecom sector.

The cabinet also made an observation while approving the Telecom Act and the Policy in 2003 that the policy set forth in the form of the Act and guidelines shall be reviewed after five years from 1st issuance of Omantel license to evaluate the efficacy of the policy in terms of its impact on the telecom sector and economy as a whole; thus the review process is due now. A new policy framework to address the requirements of the emerging new technologies, convergence of mobile and fixed services, broadcasting with communications, strengthening of the backbone infrastructure fit for working under challenging situations is currently under development. The new policy development fundamentally will be based on review of the existing policy and the performance scorecard of the sector to direct and orient the development of the sector based on the agreed missions and objectives.

Telecommunications is the key infrastructure for the knowledge economy and as such the Sultanate would need to ensure that the telecom sector i.e the transport network of electronic system as well as the regulator has clear mandates that are aligned with the overall policy of liberalization and diversification policies of the national economy. A performance score card prepared evaluating the performance of TRA so far, would help the Government to chart out its future polices for the telecom sector and directions in a meaningful and focused manner. An evaluation exercise would help to assess the beneficial impact of competition in lowering of prices for the telecom services and also the future scope of further reductions. The perception of beneficiaries and business entities on the role and functioning of TRA would be helpful to make corrective actions while shaping up future policies. The role of TRA in facilitating a competitive environment and also playing a catalytic role in removing barriers of entry needs to be ascertained and evaluated. The Government would be equipped with accurate and relevant information by carrying out an evaluation of the performance of TRA and document the lessons learnt for future policy setting. Aspects relating to speed in decision making, clarity in determinations and focus on customer requirements would be studied during the performance evaluation study.

CHAPTER 14

FUTURE TECHNOLOGIES

Next Generation Network (NGN)

Intense competition is expected in the information networking arena over the next 5-10 years. As the competition increases, it will be essential for companies to position themselves appropriately to take advantage of their core competencies and to prepare for the emerging telecommunications environment. In this competitive environment, mergers, alliances, and the onslaught of new entrants into the market have service providers struggling to find innovative ways to retain and/or attract the subscribers. Today's service providers are striving to differentiate themselves within this expanding competitive landscape by searching for ways to brand and bundle new services, achieve operational cost reductions, and strategically position themselves in relation to their competition. Many service providers are looking to Next Generation Network (NGN) services as a means to attract and/or retain the most customers.

From a user's perspective, today's networks have come a long way in fulfilling their purpose of enabling people and their machines to communicate at a distance. However, a key critical success factor (among many) is focused telecommunications industry attention on NGN service concepts and how these concepts can be realized in an NGN environment, from the edges to the core of the network. This focus is lacking today, with most of the attention on specific NGN technology issues. For example, what type of access will be supported (e.g., Hybrid Fiber Coax [HFC], Asymmetric Digital Subscriber Loop [ADSL], wireless, others)? How will the backbone transport network be designed (e.g., based on Internet Protocol [IP], Asynchronous Transfer Mode [ATM], others)? How will operations and management be handled in this new environment? Although these are all critical questions, TRA believe the most important issues to be addressed are relate to NGN services and how they can be realized in an NGN environment. Common industry understanding of an NGN services vision will help crystallize the requirements for each of the technology issues, as well as identify areas where industry cooperation is needed. In order to promote the use of new technologies such as NGN in the field of telecommunications, TRA has been working on various studies including formulation of the regulations so that it would be ready for the future challenges.

Mobile TV

Many analysts see a strong market for mobile TV, provided that it is packaged and priced properly. Mobile TV broadcasts have already started in South Korea, Japan, and the United States, with a number of other trials taking place around the world.

A number of vendors are preparing for mobile digital TV solutions. It is already becoming a standards war. The following standards are being promoted in different places around the world:

- Digital Multimedia Broadcasting (DMB)
- Digital Video Broadcasting Handhelds (DVB-H)
- Integrated Services Digital Broadcasting (ISDB)
- Media FLO

Which of these standards lives to dominate remains to be seen. Other issues need to be addressed, including potential regulatory issues, spectrum planning, and network and access capacity.

TV plays a significant role in the lives of people worldwide. In addition, mobile subscriber penetration has reached, if not surpassed, what is statistically a very high level of saturation in many markets. TRA is in the process of producing a report on Mobile TV with recommendation on possible regulations for this service. Necessary consultation process would be initiated to get the stakeholders views on the issues involved before finalizing regulations on this subject.

In order to, develop regulations for mobile broadcasting service in the country; TRA issued a consultation paper on digital Video broadcasting-Handheld (DVB-H). The backing of a single technical standard such as DVB-H seems to be at odds with the principle of technology neutrality. However In the countries that deploy DVB-T, there are natural arguments for using DVB-H as the mobile TV standard. The most important arguments are that:

- DVB-H is backwards compatible with DVB-T, and therefore synergy can be gained in the development process;
- DVB-H uses the same frequency spectrum as DVB-T, and therefore in the post-analogue era the released resources (the digital dividend) can easily be allocated to DVB-H

After receiving feedback from stakeholders, TRA will be preparing regulations for introduction of this technology in the Sultanate.

ANNEX I - BASIC INDICATORS (2002 - 2008)

	Basic Telecom Indicators	2002	2003	2004	2005	2006	2007	2008
General	Population(million)	2,538,000	2,341,000	2,416,000	2,509,000	2,577,000	2,577,000	2,743,000
	GDP per Capita (OR)	3,079.20	3,577.96	3,942.47	4,738.94	5,331.01	5,693.44	
	Telecom Revenue, Mill(OR)	198.51	206.7	244,857.86	355,245.30	452,072.10	550,449.72	587,626.54
	Total Telephone Lines :Fixed + Mobile	***697,000***	***831,000***	***1,055,561***	***1,598,462***	***2,087,724***	***2,768,065***	***3,493,527***
	Telephone lines (Fixed+ Mobile)per 100 inhabitants:	27%	35%	44%	64%	81%	107%	127%
Fixed	***Main Telephone Lines***	***234,000***	***237,000***	***249,281***	***265,237***	***269,700***	***268,065***	***274,178***
	Main Lines per 100 inhabitants	9%	10%	10%	11%	10%	10%	10%
	Main Lines Growth (%)	-1%	1%	5%	6%	2%	-1%	2.3%
Mobile	***Mobile Subscribers***	***463,000***	***594,000***	***806,280***	***1,333,225***	***1,818,024***	***2,500,000***	***3,219,349***
	Cellular Subscribers per 100 inhabitants	18%	25%	33%	53%	71%	97%	117%
	Cellular Prepaid Subscribers	243,000	358,000	548,993	1,080,113	1,571,907	2,206,378	2,894,537
	Prepaid Subscribers per 100 inhabitants	10%	15%	23%	43%	61%	86%	105%
	Total Mobile Growth	43%	28%	36%	65%	36%	38%	29%
Internet	***Total Internet* Subscribers***	***48,232***	***51,769***	***48,657***	***49,425***	***63,843***	***71,094***	***80,167***
	Internet Subscribers per 100 inhabitants	2%	2%	2%	2%	2%	2.7%	2.9%
	Internet Growth	19%	7%	-6%	2%	29%	10%	14%
	Broadband Subscribers (ADSL)	N/A	N/A	490	8,125	13,917	18,984	31,635
	Broadband Subscribers per 100 inhabitants	N/A	N/A	0.02%	0.32%	1%	1%	1%
	Broadband Growth	N/A	N/A	N/A	1558%	71%	36%	67%

** From 2002 - 2007, total internet subscribers do not include internet pre-paid subscribers.*

TELECOMMUNICATIONS REGULATORY AUTHORITY

Report and financial statements for the year ended 31 December 2008

TELECOMMUNICATIONS REGULATORY AUTHORITY

Report and financial statements
for the year ended 31 December 2008

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 2008 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.

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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 March 2009

TELECOMMUNICATIONS REGULATORY AUTHORITY

Balance sheet
as at 31 December 2008

	Notes	2008	2007
ASSETS		**RO**	RO
Non-current assets			
Property and equipment	**6**	**679,031**	801,690
Current assets			
Telecom frequency fees receivable	**7**	**798,349**	308,150
Advances and other receivables	**8**	**331,263**	67,559
Fixed deposits	**9**	**32,000,000**	7,000,000
Cash and cash equivalents	**10**	**3,762,719**	3,631,508
Total current assets		**36,892,331**	11,007,217
Total assets		**37,571,362**	11,808,907
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		**26,096,745**	6,702,202
Non-current liabilities			
Deferred Government contributions	**12**	**3,114,640**	969,559
End of service benefits	**13**	**339,748**	205,818
Total non-current liabilities		**3,454,388**	1,175,377
Current liabilities			
Trade and other payables	**14**	**8,020,229**	3,931,328
Total liabilities		**11,474,617**	5,106,705
Total equity and liabilities		**37,571,362**	11,808,907

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Chairman Member

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

TELECOMMUNICATIONS REGULATORY AUTHORITY

Income statement
for the year ended 31 December 2008

	Notes	2008 RO	2007 RO
Income			
Radio spectrum income	**15**	**15,864,262**	12,540,023
Annual telecom licenses	**16**	**2,713,352**	1,331,545
Income from issuing numbers		**1,072,312**	328,386
Telecom equipment type approval income	**17**	**95,256**	86,335
Fees from Class II license		**19,000**	2,500
		19,764,182	**14,288,789**
Operating expenses			
Salaries and related costs	**18**	**(2,477,371)**	(1,705,407)
General and administrative expenses	**19**	**(625,330)**	(435,289)
Consultancy fees		**(647,939)**	(390,724)
Monitoring station costs	**20**	**(377,344)**	(472,000)
Full time Members' remuneration	**24**	**(120,000)**	(70,097)
Depreciation	**6**	**(335,020)**	(358,996)
Provision for impairment of receivables – release / (charge)	**7**	**9,757,077**	(4,956,208)
		5,174,073	(8,388,721)
Operating income		**24,938,255**	5,900,068
Government contributions	**12**	**465,743**	350,526
Interest income	**21**	**687,489**	430,171
Other income		**5,258**	21,437
Surplus for the year		**26,096,745**	6,702,202

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

TELECOMMUNICATIONS REGULATORY AUTHORITY

Statement of changes in equity
for the year ended 31 December 2008

	Accumulated surplus RO
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 1 January 2008	6,702,202
Surplus transferred to Ministry of Finance (MoF) (Note 11)	(6,702,202)
Surplus for the year	26,096,745
Balance at 31 December 2008	**26,096,745**

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

TELECOMMUNICATIONS REGULATORY AUTHORITY

Cash flow statement
for the year ended 31 December 2008

	2008 RO	2007 RO
Operating activities		
Surplus for the year	**26,096,745**	6,702,202
Adjustments for:		
Depreciation	**335,020**	358,996
Provision for impairment of receivables	**479,207**	6,202,367
Release of provision for impairment of receivables	**(10,236,284)**	(1,246,159)
Net transfer to end of service benefits	**133,930**	87,904
Government contributions	**(465,743)**	(350,526)
Interest income	**(687,489)**	(430,171)
Gain on disposal of property and equipment	**(391)**	(703)
Net adjustment of monitoring station cost	**37,978**	-
Operating profit before changes in working capital:	**15,692,973**	11,323,910
Working capital changes:		
Telecom frequency fees receivable	**9,266,878**	(4,800,718)
Advances and other receivables	**(94,736)**	703,158
Trade and other payables	**4,090,267**	(1,895,403)
Cash generated from operations	**28,955,382**	5,330,947
Interest received	**518,521**	388,767
Net cash from operating activities	**29,473,903**	5,719,714
Investing activities		
Fixed deposits	**(25,000,000)**	(1,000,000)
Purchase of property and equipment	**(250,403)**	(48,608)
Proceeds from disposal of property and equipment	**455**	4,285
Net cash used in investing activities	**(25,249,948)**	(1,044,323)
Financing activities		
Surplus transferred to MoF	**(6,702,202)**	(12,039,258)
Government contributions received	**2,609,458**	290,000
Net cash used in financing activities	**(4,092,744)**	(11,749,258)
Net change in cash and cash equivalents	**131,211**	(7,073,867)
Cash and cash equivalents at the beginning of the year	**3,631,508**	10,705,375
Cash and cash equivalents at the end of the year (Note 10)	**3,762,719**	3,631,508

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

Notes to the financial statements for the year ended 31 December 2008

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 costs that are 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 property and equipment is recognized in the carrying amount of that asset 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 property 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 license 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 income statement in the period in which the license 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.

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 2008, 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 2008.

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 on or after
IFRIC 13 : Customer Loyalty Programmes	1 July 2008
IFRIC 16 : Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 15 : Agreements for the Construction of Real Estate	1 January 2009
IFRS 1 : (Revised) First-time adoption of International Financial Reporting Standards	1 January 2009
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 16 : (Revised) Property, Plant and Equipment	1 January 2009
IAS 19 : (Revised) Employee Benefits	1 January 2009
IAS 20 : (Revised) Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 23 : (Revised) Borrowing Costs	1 January 2009
IAS 29 : (Revised) Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 32 : (Revised) Financial Instruments : Presentation	1 January 2009
IAS 36 : (Revised) Impairment of Assets	1 January 2009
IAS 38 : (Revised) Intangible Assets	1 January 2009
IAS 40 : (Revised) Investment Property	1 January 2009
IAS 41 : (Revised) Agriculture	1 January 2009
IFRS 3 : (Revised) Business Combinations	1 July 2009
IFRS 5 : (Revised) Non-Current Assets held for Sale and Discontinued Operations	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
IAS 39 : (Revised) Financial Instruments: Recognition and Measurement	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.

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 (continued)

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 sufficient cash balance is maintained to cover its outstanding liabilities.

(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.

Notes to the financial statements for the year ended 31 December 2008 (continued)

6. Property and equipment

	Monitoring station RO	Motor vehicles RO	Office equipment, furniture and fittings RO	Computer equipment RO	Capital work in progress RO	Total RO
Cost						
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)
1 January 2008	1,686,092	18,550	213,507	169,917	8,514	2,096,580
Additions	-	22,000	41,165	144,250	42,988	250,403
Transfers	-	-	28,752	-	(28,752)	-
Disposals	-	-	(8,045)	(52,940)	-	(60,985)
Adjustment	(199,257)	-	-	-	-	(199,257)
31 December 2008	**1,486,835**	**40,550**	**275,379**	**261,227**	**22,750**	**2,086,741**
Depreciation						
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)
1 January 2008	974,199	11,153	199,592	109,946	-	1,294,890
Charge for the year	266,271	7,344	19,521	41,884	-	335,020
Disposals	-	-	(8,045)	(52,876)	-	(60,921)
Adjustment	(161,279)	-	-	-	-	(161,279)
31 December 2008	**1,079,191**	**18,497**	**211,068**	**98,954**	**-**	**1,407,710**
Net book value						
31 December 2008	**407,644**	**22,053**	**64,311**	**162,273**	**22,750**	**679,031**
31 December 2007	711,893	7,397	13,915	59,971	8,514	801,690

During the year, there was a downward adjustment to the cost of monitoring station due to unfulfilled conditions attached to the related government contribution. Accordingly, cost of RO 199,257, accumulated depreciation of RO 161,279 and related amortisation of deferred government grant of RO 161,279 were reversed (Note 12).

Notes to the financial statements for the year ended 31 December 2008 (continued)

7. Telecom frequency fees receivable

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

	2008 RO	2007 RO
Fees and penalties receivable	**2,043,538**	17,328,152
Less: Provision for impairment of receivables	**(1,245,189)**	(17,020,002)
	798,349	308,150

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

	2008 RO	2007 RO
At 1 January	**17,020,002**	12,109,871
Add: Charge during the year	**479,207**	6,202,367
Less: Provision released during the year	**(10,236,284)**	(1,246,159)
Provision written off during the year	**(6,017,736)**	(46,077)
At 31 December	**1,245,189**	17,020,002

The bulk of the provision for impairment of 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.

During the year, with the intervention of the Ministry of Finance (MoF), the matter regarding the fees and penalty receivable from the Authority's largest customer, Petroleum Development Oman (PDO) was resolved. A collection was made from PDO amounting to RO 10,021,457 which resulted in release of provision for the same amount. Its remaining balance after the above collection, amounting to RO 6,012,135 was written off as directed by MoF.

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.

Notes to the financial statements
for the year ended 31 December 2008 (continued)

8. Advances and other receivables

	2008 RO	2007 RO
Advances to suppliers	**83,870**	-
Prepayments	**18,296**	15,543
Other receivables	**229,097**	52,016
	331,263	67,559

9. Fixed deposits

The fixed deposits of RO 32 million (2007: RO 7 million) represent deposits made with local banks for a period of four months and carry interest of 4.97% to 6.01% (2007: 3.25% to 3.5%) per annum.

10. Cash and cash equivalents

	2008 RO	2007 RO
Cash on hand	**500**	300
Cash at bank	**3,762,219**	3,631,208
	3,762,719	3,631,508

11. Surplus for the year

In accordance with Article 18 of Royal Decree 30/2002 and its amendments, the surplus for the year is to be transferred to the Government. During 2008, Royal Decree 134/2008 was issued approving the amendments made in the Telecommunications Act stating that the surplus amount as per Article 11(6c) shall be the amount transferable to the Government (represented by Ministry of Finance).

12. Deferred Government contributions

	2008 RO	2007 RO
Balance brought forward	**969,559**	1,030,085
Funds received from Government	**2,609,458**	290,000
Amortised as income during the year	**(300,623)**	(318,803)
Recognised as income during the year	**(165,120)**	(31,723)
Amount to be returned to the Government	**(159,913)**	-
Adjustment on grant related to property and equipment (Note 6)	**161,279**	-
Balance carried forward	**3,114,640**	969,559

a) During 2008, the Authority received fund amounting to RO 2,609,458 which is intended to be utilized for the acquisition of property and equipment.

b) 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 300,623 (2007: RO 318,803).

c) As expenditure arises from the grant allocated to operating costs, income is recognized in the income statement. The income recognized during the year amounted to RO 165,120 (2007: RO 31,723).

d) During the year, there was a downward adjustment to the cost of monitoring station due to unfulfilled conditions attached to the related government contribution. Accordingly, cost of RO 199,257, accumulated depreciation of RO 161,279 and related amortisation of deferred government grant of RO 161,279 were reversed (Note 6).

13. End of service benefits

	2008 RO	2007 RO
Balance brought forward	**205,818**	117,914
Charge for the year (Note 18)	**149,073**	91,189
Payments made	**(15,143)**	(3,285)
Balance carried forward	**339,748**	205,818

Notes to the financial statements for the year ended 31 December 2008 (continued)

14. Trade and other payables

	2008 RO	2007 RO
Accounts payable	**3,854,472**	532,892
Unearned income	**3,404,420**	2,673,761
Provision for consultancy	**400,466**	257,119
Accrued expenses	**312,140**	404,634
Other payables	**48,731**	62,922
	8,020,229	3,931,328

Unearned income relates to the license fees and registration fees received by the Authority in advance.

15. Radio spectrum income

	2008 RO	2007 RO
Licensing fee for use of frequency spectra	**10,771,953**	7,110,051
Penalties and other charges	**4,697,493**	5,061,303
Frequency registration fees	**312,661**	304,534
Cancellation fees	**53,050**	33,475
Amendment fees	**21,555**	21,585
Equipment retention fees	**5,150**	6,675
Survey fees	**2,400**	2,400
	15,864,262	12,540,023

16. Annual telecom licenses

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 2.713 million (2007: RO 1.331 million) towards the running costs and expenses incurred by the Authority in respect of the telecommunication expenses for the year ended 31 December 2008 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.

Notes to the financial statements for the year ended 31 December 2008 (continued)

17. Telecom equipment type approval income

	2008 RO	2007 RO
Import permit	**16,560**	24,565
Radio equipment	**31,210**	33,400
GSM equipment	**9,500**	8,700
Other terminal equipment	**14,250**	8,300
Registration fees	**12,041**	5,830
Others	**11,695**	5,540
	95,256	86,335

18. Salaries and related costs

Wages and salaries	**1,589,116**	1,132,854
Bonus	**272,354**	155,618
Other benefits	**73,626**	46,170
Social insurance	**162,295**	115,988
End of service benefits (Note 13)	**149,073**	91,189
Staff training and development	**230,907**	163,588
	2,477,371	1,705,407

19. General and administrative expenses

Travel expenses	**176,000**	188,544
Advertisement and publications	**110,347**	52,690
Rent	**101,600**	61,601
Repairs and maintenances	**42,385**	11,042
Communications	**38,445**	9,497
Membership fee	**26,405**	27,259
Printing and stationary	**25,545**	23,325
Subscription for books and periodicals	**16,479**	3,470
Donations	**15,000**	-
Utilities	**13,488**	8,390
Recruitment charges	**11,828**	9,394
Professional services	**7,750**	6,450
Miscellaneous expenses	**40,058**	33,627
	625,330	435,289

Notes to the financial statements
for the year ended 31 December 2008 (continued)

20. Monitoring station costs

	2008 RO	2007 RO
Training and maintenance	**39,344**	122,000
Management fees	**338,000**	350,000
	377,344	472,000

21. Interest income

Interest on bank current accounts	**84,778**	89,280
Interest on fixed deposits	**602,711**	340,891
	687,489	430,171

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

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

	2008 RO	2007 RO
Contracted for	**1,411,524**	50,582
Operational commitments		
Letters of credit	**275,488**	-

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:

	2008 RO	2007 RO
Remuneration to members		
Full time Members' remuneration	**120,000**	70,097
Key management compensation		
Basic salaries and allowances	**354,669**	258,832
Other benefits and expenses	**35,030**	34,979
Social security costs	**27,788**	24,766
End of service benefits	**24,785**	22,740
	442,272	341,317

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:

	2008 RO	2007 RO
Telecom frequency fees receivable	**2,043,538**	17,328,152
Advances and other receivables	**331,263**	67,559
Fixed deposits	**32,000,000**	7,000,000
Cash at bank	**3,762,219**	3,631,208
	38,137,020	28,026,919

Notes to the financial statements for the year ended 31 December 2008 (continued)

25. Credit risk (continued)

Exposure to credit risk (continued)

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

	2008 RO	2007 RO
Government customers	**1,587,024**	675,010
Nawras	**33,197**	181,806
Omantel	**16,282**	36,909
PDO	**11,220**	16,049,123
Other customers	**395,815**	385,304
	2,043,538	17,328,152

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

	2008 Gross RO	2008 Impairment RO	2007 Gross RO	2007 Impairment RO
Not past due	**675,272**	**-**	188,229	-
Past due 0 – 1 year	**586,598**	**463,521**	6,267,737	6,147,816
1 - 2 years	**275,770**	**275,770**	10,564,630	10,564,630
More than 2 years	**505,898**	**505,898**	307,556	307,556
	2,043,538	**1,245,189**	17,328,152	17,020,002

Notes to the financial statements for the year ended 31 December 2008 (continued)

26. Liquidity risk

The following are the maturities of the financial liabilities:

31 December 2008

	Carrying amount RO	6 months or less RO	6 - 12 Months RO
Accounts payable	**3,854,472**	**3,832,772**	**21,700**
Accruals and other payables	**761,337**	**699,587**	**61,750**
	4,615,809	**4,532,359**	**83,450**

31 December 2007

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

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:

	2008 RO	2007 RO
Fixed rate instruments		
Financial assets	**32,000,000**	7,000,000

28. Comparative figures

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

29. Approval of financial statements

The financial statements were approved by the members and authorised for issue on 22 March 2009.