Rising with Oman

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

AnnualReport 2009

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His Majesty Sultan Qaboos bin Said

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

TRA Vision

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

TRA Mission

Set up and implement a fair, flexible, efficient telecommunications regulatory framework that will:

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


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Glossary of Terms

3G	Third Generation
ADSL	Asymmetric Digital Subscriber Line
ARNET	Arab Regulators Network of Telecommunications & Information Technologies
ARPU	Average Revenue per User
BWA	Broadband Wireless Access
CEO	Chief Executive Officer
CS	Carrier Selection
DTT	Digital Terrestrial Television
DVB-T	Digital Video Broadcasting-Terrestrial
EOI	Expression of Interest
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GILF	Global ICT Industry Leader's Forum
GSM	Global System for Mobile Communications
GSR	Global Symposium Regulator
ICT	Information & Communication Technology
IOTs	Inter Operator Tariffs
ISP	Internet Service Provider
ISDN	Integrated Service Digital Network
ISO	International Organization for Standardization
ITU	International Telecommunications Union
KB/s	Kilo Bits/Second
KHz	Kilohertz; a frequency rate in units of thousands of radio waves, or cycles per second
KPIs	Key Performance Indicators
LLU	Local Loop Unbundling
MB/s	Mega Bits/Second
MHz	Megahertz: a frequency rate in units of one million radio waves, or cycles, per second
MMS	Multimedia Services
MPLS	Multiprotocol Label Switching
NBS	National Broadband Strategy
QoS	Quality of Service
RAO	Reference Access Offer
RFSM	Radio Frequency Spectrum Management
R-LAN	Radio- Local Area Network
SIM	Subscriber Identity Module
SME	Small and Medium-sized Enterprise
SMS	Short Messages Service
SMU	Spectrum Management Unit
SRR	Short Range Radars
TRA	Telecommunications Regulatory Authority
UMTS	Universal Mobile Telecommunications System
USO	Universal Service Obligation
VoIP	Voice over Internet Protocol
WAS	Wireless Access System
WLL	Wireless Local Loop
WRC	World Radio communication Conference

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Something exTRA
to speak about

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Chairman's Statement

> "TRA continued to make progress by promoting a culture of excellence"

I am pleased to present the Annual Report of the Telecommunications Regulatory Authority (TRA) of the Sultanate of Oman for the year of 2009. Undoubtedly, the year 2009 has been an extraordinary year with a number of events that TRA is proud to be part of. Nevertheless, TRA still has much to do in realizing its potential when compared to the most advanced markets.

TRA continued to make progress by promoting a culture of excellence and treated all challenges as opportunities, to further enhance our local market attractiveness and to develop strategic and prudent policies towards public resources like increasing radio spectrum availability for civil use. Some of TRA's achievements during the year were that the TRA successfully issued a second integrated public infrastructure based Class I licence, conducted a comprehensive review of the telecom policy, hosted the Middle East Spectrum Conference, released the Consumer Guidelines Booklet, granted a number of Class II licenses for mobile resellers.

The USO Policy document was approved by the Council of Ministers in June 2009. In line with that, the TRA also floated its first tender for the USO pilot project to connect and provide broadband access to the selected remote underserved and un-served areas of the Sultanate to support the Sultanate of Oman's e-Governance initiative during the year 2009.

Broadband services are beginning to reshape every sector of our economy and many aspects of our lives. Despite the successful launch of 3G services by the mobile operators in the country, improving the current infrastructure and issuing the second fixed line license, many areas of the Sultanate of Oman still lack the meaningful opportunity to benefit from broadband communications. As a regulator, we at TRA envision an ever-present and affordable broadband that can unlock boundless new opportunities, and will continue our efforts towards this goal. The TRA is therefore proactively studying and planning to carry out a comprehensive study for National Broadband Strategy as a key supporting and enabling infrastructure to realize the vision of Digital Oman (eOman) and increasing the competitiveness of the Oman economy to the international level. The Broadband roll out will aim to have a positive impact on economic growth and prosperity by generation of jobs.

TRA will continue to foster change and development by meeting stakeholder's expectations, increasing liberalization with fair competition, accelerating infrastructure expansion over the next five years, completing ISO certification for all units, developing a detailed plan for policy implementation and use of scarce resources, such as spectrum and Right of Way, with maximum economic efficiency.

I am confident that TRA will continue to protect consumer interests, promote fair competition, and adopt international best practices in tackling the future issues with confidence.

I express my profound gratitude to His Majesty Sultan Qaboos bin Said for his vision and leadership. I am thankful to my fellow members of the Authority, the TRA team and to all those who provided active support and help to achieve a number of milestones in 2009.

Mohammed Nasser Al Khasibi
Chairman

1 About TRA

The Telecommunications Regulatory Authority (TRA) of the Sultanate of Oman was established in 2002, to liberalize and promote the telecommunications services under the Telecommunications Act which was issued under Royal Decree No. 30/2002. The TRA is committed to develop the telecommunications sector in the Sultanate by regulating telecom services, promoting the interest of telecommunications services providers and beneficiaries, and ensuring that consumers receive world class telecommunications services, with a wide range of choices at affordable prices.

The Authority's policies and regulations aim at the development of infrastructure and increased private investment in the sector, which will benefit the Sultanate's economy and, in turn, its citizens.

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1.1 The Authority

The Authority comprises of three members, a Chairman and two full time members.

The Chairman

H.E. Mohammed Nasser Al Khasibi
is the TRA Chairman.
He also holds the position of Secretary General of the Ministry of National Economy with the rank of Minister.

Board Member

Eng. Naashiah Saud Al-Kharusi
is a full time TRA Member.

Board Member

Mohsin Alawi Al-Hafeedh
is a full time TRA Member.

1.2 Functions & Responsibilities of TRA

As per the Telecommunications Regulatory Act, the TRA has the following functions and responsibilities:

- To ensure provision of telecommunications services all over the Sultanate with reasonable prices primarily for the following services: emergency services, public payphone, directory service, operator assistance services, marine services and rural areas services
- To encourage the use of telecommunications services with the aim to facilitate the access to global markets and information
- To use telecommunications services with the aim of encouraging the visible and non-visible exports such as accountancy, auditing, engineering and consultancy services
- To ensure the optimal use of the frequency spectrum
- To safeguard the interests of beneficiaries and dealers with respect to the prices of equipment and the rates, quality and efficiency of telecommunication services
- To ascertain the financial capability of the licensees
- To promote entry into commercial activities in relation to telecommunications services and equipment and to facilitate entry into the markets thereof by providing suitable conditions and enabling new licensees to compete in order to establish an effective competitive environment
- To develop economic competence in the performance of licensees engaged in commercial activities related to telecommunications
- To prepare suitable conditions for competition among the licensees to ensure the provision of world class telecommunications services at reasonable costs and prices, and to take necessary actions to enable the service providers to compete abroad
- To encourage research and development in the telecommunications sector.

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2 Highlights of 2009

The year 2009 brought about a number of revolutionary changes in the telecom sector in the Sultanate, giving consumers more flexibility and options with respect to availability of services. The TRA held various consultations for the awareness of consumers, various projects were launched to meet the long term vision of Oman Digital Society (eOman), and to encourage investment in the ever growing Telecom Sector of the Sultanate. Following are the highlights:

- Launch of three Class II licences (Mobile re-sellers), and a new Class II licence was issued to Samatel in 2009.
- Nawras was issued with the Class I license for integrated fixed line services with broadband spectrum through Royal Decree in 2009.
- TRA Approved 137 Tariff Filings; 22 for fixed line services, 82 for mobile services and 33 for mobile resellers.
- Total of 2,914 new Radio Frequency licenses were issued.
- Five regulatory decisions were issued and four disputes were resolved.
- Mobile phone subscriber base grew more than 20% in 2009, reaching penetration rates as high as 138%.
- The current telecom policy framework was reviewed with the assistance of an international consultant.
- TRA sponsored the Middle East Spectrum Conference which focused on the use of spectrum for commercial services.
- TRA's continuous efforts to create consumer awareness resulted in the release of its first Consumer Guide booklet in 2009.
- The USO Pilot Project tender was floated for the selected underserved rural areas in the Sultanate.
- The TRA has floated a tender for developing a National Broadband Strategy.
- Carrier Selection Regulations were issued.
- Local Loop Unbundling (LLU) Regulations were issued.
- TRA staff participated in 104 national, regional and international events in 2009.
- The total TRA staff at the end of 2009 reached 98 employees.
- Five Consultation Papers were released.
- 20 Consumer Complaints were resolved in 2009.
- 22 Consultancy Projects were undertaken.

3 Telecom Market Performance in the Sultanate - Statistical Indicators

The telecom sector in Oman has come a long way after the liberalization policy was introduced in 2003. Till date, there are 2 integrated competitors in the mobile market; Omantel and Nawras. The latter was granted a Class I integrated license for fixed line services in 2009, and is expected to launch its services in 2010, encouraging further competition in the fixed line segment and broadband, in which Omantel had a monopoly so far.

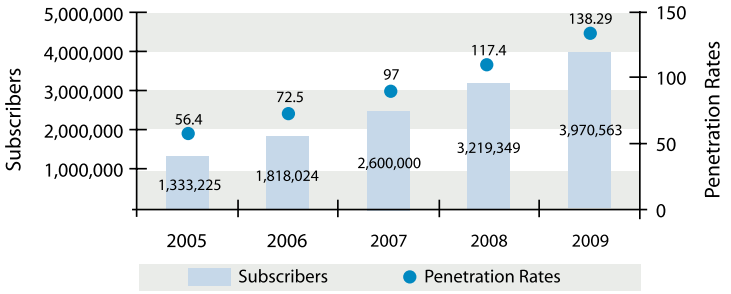
Competition in the mobile market gained pace in 2009, with the launch of three re-sellers of mobile services (Renna, Friendi and Mazoon). This boosted penetration rates in the segment, which reached as high as 138%, due to ownership of multiple SIM cards. As of the end of 2009, mobile services achieved a coverage of 95% of the population in the Sultanate.

3.1 Mobile

3.1.1 Subscribers and Penetration Rates

In contrast to the growth and penetration rates of fixed line services, there has been an unprecedented increase in the number of mobile phone subscribers.

Figure 1: Mobile Subscribers and Penetration Rates



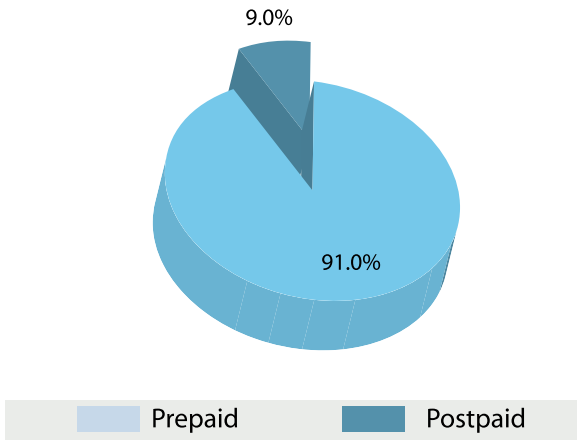
Source: Mobile Operators & Resellers

As shown in Figure 1 above, the number of mobile phone subscribers has increased significantly over a period of 5 years, demonstrating a growth of almost 197% since 2005. The number of mobile subscribers in 2009 has shown a 23% increase from 2008. The penetration rate at the end of 2009 is 138% as compared to 117% in 2008.

3.1.2 Mobile Segment Market Share

Figure 2 shows the market share of pre-paid and post-paid subscribers.

Figure 2: Mobile Market Segmentation

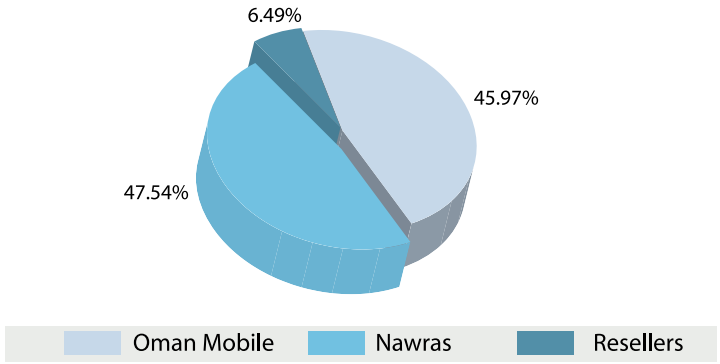


Source: Mobile Operators & Resellers

The pre-paid subscribers clearly form the bulk of users in the mobile segment, accounting for 91% of the subscriber base (3,611,819 pre-paid subscribers), and the rest being accounted for by post-paid connections of 358,744 subscribers. Customers find it more convenient to use pre-paid services since they have more control over their usage and spending.

Figure 3 gives us an indication of the market share (in terms of number of subscribers) of various mobile service providers in Oman.

Figure 3: Mobile Pre-paid Subscribers Market Share

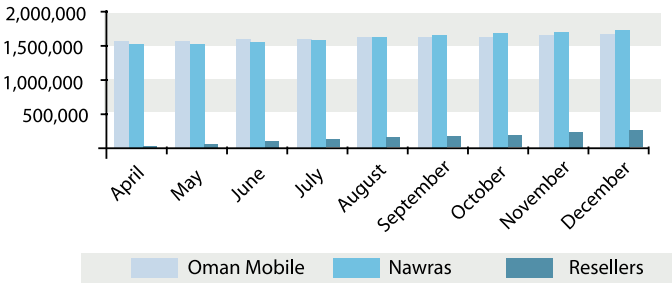


Source: TRA

Despite the introduction of mobile resellers in the market, Oman Mobile and Nawras still hold the dominant market share in Oman. It is however worthy to take note of the fact that resellers have been in the market for a little over six months, and have already captured a share of around 6.5%.

On the other hand, the market share gap between Nawras and Oman Mobile is closing, since Nawras' pre-paid subscribers are continuing to grow at a very fast pace. Resellers' subscriber base has increased rapidly from 3,586 to 234,054 subscribers during nine months, from April to December 2009.

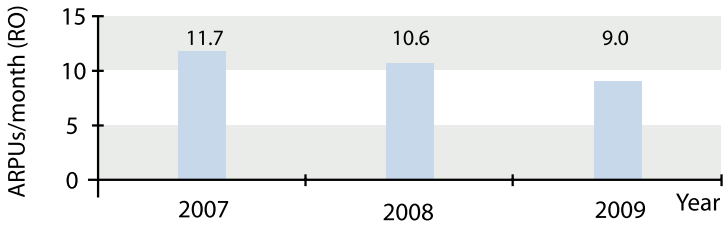
Figure 4: Mobile Pre-paid Subscribers, 2009



3.1.3 Mobile ARPUs

The ARPUs from mobile operations have declined around 15%, down to RO 9 per month in 2009, from RO 11.7 per month in 2007. Figure 5 shows the ARPUs for the mobile market over a period of 3 years.

Figure 5: Mobile ARPU



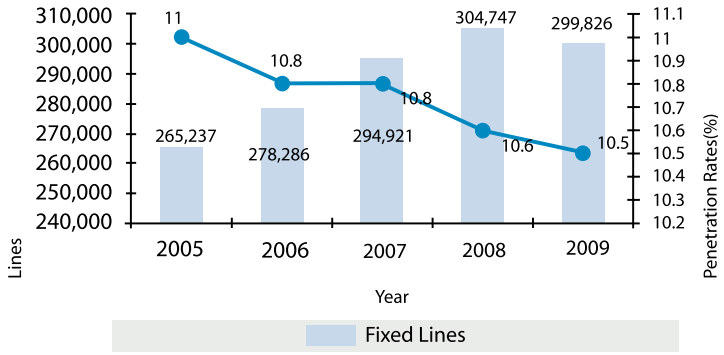
Source: TRA

3.2 Main Fixed Lines

3.2.1 Fixed Lines and Penetration Rates

In Oman, the number of fixed lines has not shown any consistent trend. There seems to be an alternating period of growth and decline over the last five years, as illustrated in Figure 6 below.

Figure 6: Fixed Lines - Subscription and Penetration Rates



Source: Omantel, (figures before 2007 do not include ISDN)

As of 31st December, 2009, the number of fixed lines stands at approximately 299,826, a drop of almost 1.6% from the previous year. Fixed line market is currently facing a declining trend.

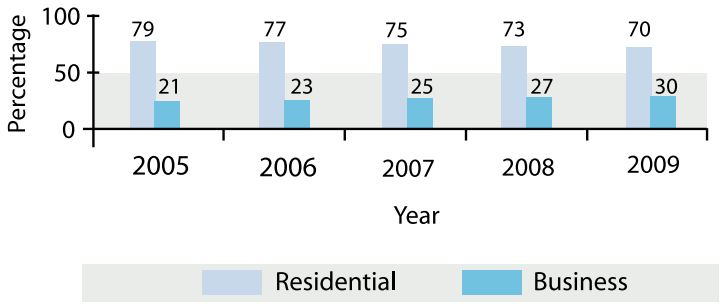
Penetration rates too have shown a constant declining trend, dropping from 11% in 2005 to 10.5% in 2009. This could be justified by the migration of customers from fixed lines to mobile phone services. SIM cards and mobile services prices have gone down over the years. The introduction of a second mobile operator in 2005, availability of the pre-paid option and lower SIM prices, enabled customers to shift to mobile services

without much inconvenience. It is expected that the entry of competition in fixed line by Nawras' launch of fixed line services shall boost the demand of fixed and broadband services.

3.2.2 Fixed Line Segments

Figure 7 provides the distribution of fixed lines amongst the business and residential segments.

Figure 7: Categories of Fixed Lines (%)



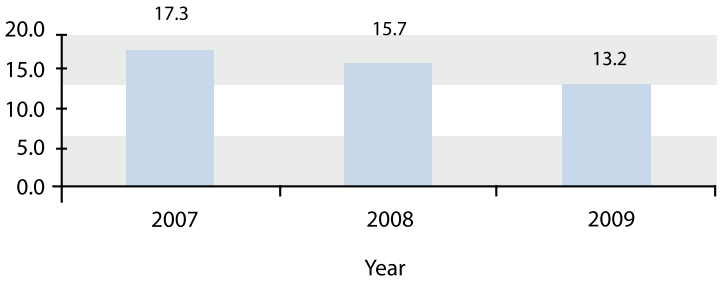
Source: Omantel

The percentage of residential lines has been on a constant decline over the past 5 years. In 2005, around 80% of fixed lines were residential. This figure declined to 70% at the end of 2009. The reverse has happened for fixed lines for businesses, which has shown a constant rise from 21% in 2005, to 30% in 2009. This could be attributed to the constant promotional offers, especially on corporate ADSL packages and tariff revisions on fixed services.

3.2.3 Fixed Line ARPUs

Figure 8 shows the ARPU from fixed line services.

Figure 8: Fixed Lines ARPU

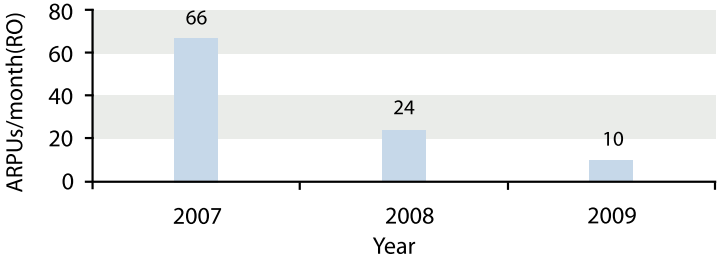


Source: TRA

The ARPU from fixed line services showed gradual decline over the past 3 years. Over year 2008, 16% decline was recorded for fixed line ARPU.

3.2.4 Payphone ARPU

Figure 9: Payphone ARPU



Source: TRA

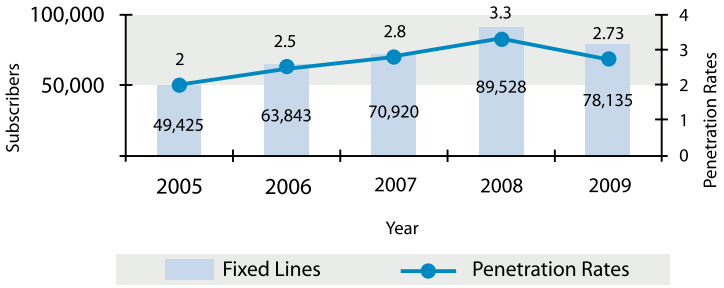
Figure 9 provides us the ARPU from payphones. This has shown a noticeable decline of more than 50% from the previous year, falling from around RO 24 per month in 2008 to RO 10 per month in 2009. Mobile services, especially the pre-paid segment, have contributed to the decline in the demand and use of payphones, due to their ease of availability throughout the Sultanate.

3.3 Internet

3.3.1 Fixed Internet Subscribers

As illustrated in Figure 10 below, 2009 witnessed a decrease in both the number of internet subscribers, as well as penetration rates, when compared to 2008 (until when a slight upward trend was seen).

Figure 10: Fixed Internet Subscribers and Penetration Rates



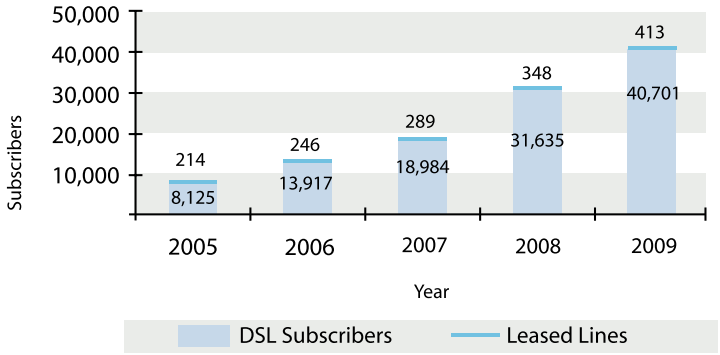
Source: Omantel

The number of fixed line internet subscribers fell by almost 13% in 2009 to 78,135 as compared to corresponding figures in 2008. Penetration rates remained low and showed a marginal decline over the past year, dropping from 3.3% in 2008 to 2.73% in 2009.

3.3.2 Fixed Broadband – Subscribers and Penetration Rates

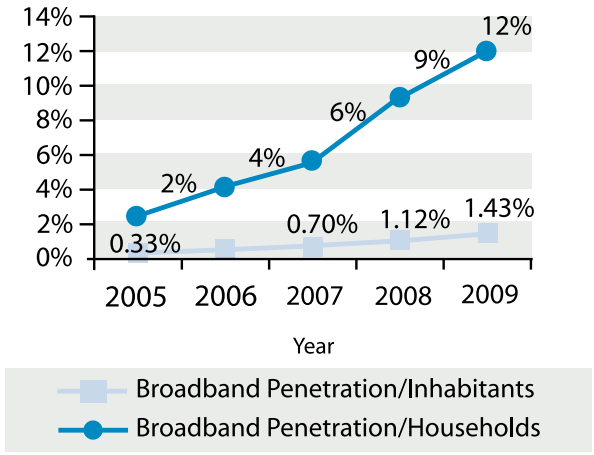
Figures 11&12 provide us with details of fixed broadband subscriptions and penetration rates in Oman.

Figure.11: Fixed Broadband Subscribers



Source: Operators & Resellers

Figure.12: Fixed Broadband Penetrations



Source: Operators & Resellers

Fixed broadband penetration per household was growing by an average growth rate of 50% during the last five years. By the end of year 2009, there were 12 households out of 100 having fixed broadband connections. This also can be clearly represented by the growth in the number of broadband subscribers during the last five years. By 2009, DSL subscribers were 40,701, registering a growth rate of 28.7% as compared to year 2008.

The number of leased line subscribers stands at 413 at the end of 2009, exhibiting a growth rate of approximately 18% each year, over the past 5 years. This is mainly fuelled due to the demand created by the increase and growth of corporations as well as government institutions and various e-government initiatives.

3.3.3 Mobile Broadband - Subscribers and Penetration rates

Mobile internet services have been successfully launched by both Nawras in 2008 and Oman Mobile in 2009. TRA calculated this indicator using the assumptions that all the mobile subscribers having 3G supported handsets are considered mobile broadband subscribers.

By December 2009, both the operators had total of 1,226,356 mobile broadband subscriptions, registering 43% penetration rate per inhabitant. The actual mobile broadband internet users during the reported period were counted at a total of 377,563 users.

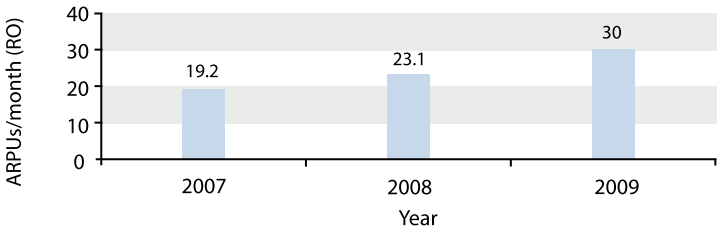
3.3.4 Estimated Internet Users and Penetration Rate

By the end of 2009, there was a total of 1,236,658 estimated internet users, including 453,183 fixed internet users and 783,475 mobile internet users. Fixed internet users were estimated by using the multiplying factor of 5.8 which indicates the average households' internet users in the Sultanate from age 5 years and above. The penetration rate of total internet users in the Sultanate registered 43% by December 2009.

3.3.5 Fixed Internet ARPUs

Figure 13 throws some light on the ARPUs/month from internet operations.

Figure 13: Fixed Internet ARPU



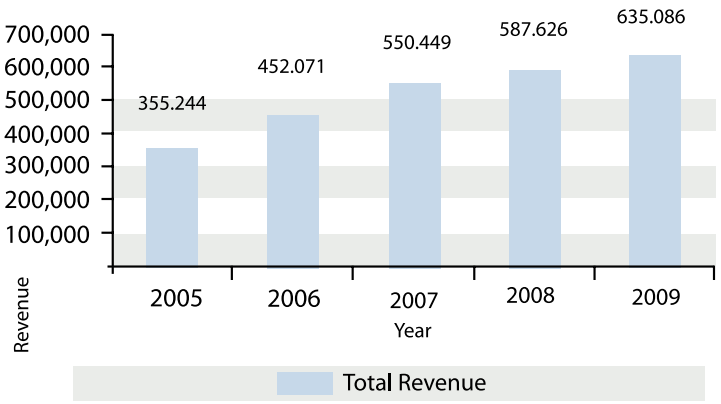
Source: TRA (Note: ARPU is calculated based on number of subscribers not users).

Even though the internet penetration levels have been low, the ARPUs from internet services have been on the rise. It has increased from RO 19.2 per month in 2007 to RO 30 per month in 2009.

3.4 Telecom Sector Revenues

Figure 14 gives a look at the total revenues earned by the telecom sector in Oman, over the past 5 years,

Figure 14: Telecom Sector Revenue (RO Million)



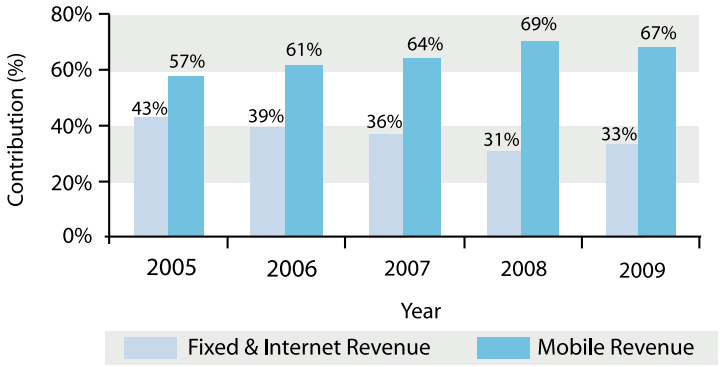
Source: TRA

There was a total of RO 635.086 million revenue generated by the telecom sector with a growth of 8% in the current year as compared to the previous year.

Contribution to Telecom Sector Revenues

Figure 15 shows the contribution of fixed lines, internet services and mobile services to total Telecom Sector Revenues over the past 5 years.

Figure.15: Contribution to Telecom Sector Revenues



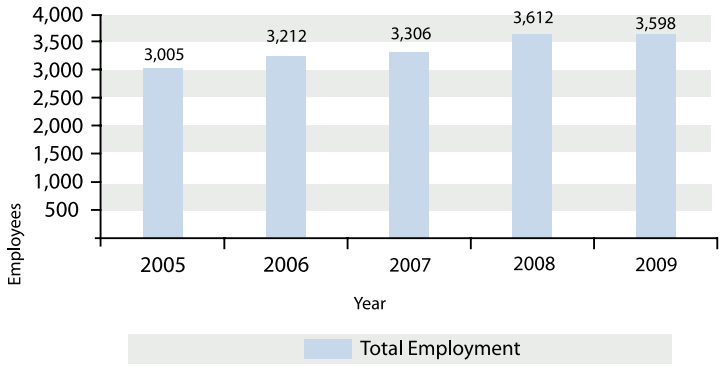
Source: TRA

The contribution of revenue from fixed line and internet services has declined over the past 5 years. On the other hand, the share of revenues from mobile services has increased from 57% in 2005 to a 67% contribution in 2009. This can be attributed to the exceptional increase in the subscriber base in the mobile phone market.

3.5 Employment in the Telecom Sector

Figure 16 shows the overall employment for the telecom licensees and TRA of the Sultanate since 2005.

Figure 16: Employment in the Telecom Sector



Source: TRA, Resellers & Operators

The workforce in the telecom sector has increased by 20% since 2005. Currently, Omanisation percentage is at around 90% for the sector (which includes Omantel, Oman Mobile, Nawras, Friendi, Renna and TRA).

4 Regulatory Environment

The following sections outline some of the developments made by the TRA in the year 2009, with respect to its regulatory functions.

4.1 Policy Development

The decision to liberalize telecommunications was made in the Sultanate in 2002 and considerable progress has been achieved in all areas – but most notably in mobile telecommunication. Prior to the programme of liberalization; public telecommunications services were provided exclusively by a state-owned entity. This meant that innovations were relatively scant, prices relatively high (at least for international services) and efficiency low. The pressure to liberalize telecommunications had become greater, with the economy growing significantly in recent years. This is because substantial investments were needed to meet the growing demand. Success has largely been in the mobile sector that has experienced competition since 2005. In contrast, there has been no public fixed service infrastructure competition until June 2009 when a second integrated public Fixed Service License was granted. Internet services, especially broadband services, still lack widespread availability and penetration.

4.1.1 Overall Assessment of the policy review process

While framing TRA's policy guidelines in line with the Telecommunications Act, 2002, and approving the sector policy, the government indicated that the TRA would need to review the policy after a suitable interval of time to make it current and workable at all times. During 2009, the TRA commissioned the advisory services of a U.K. based advisory firm. With a team comprising of former regulators, the main objective was to undertake a comprehensive review of the existing policy framework, achievements made till date, identification of shortcomings and finally recommendation of a new policy framework.

The draft findings of the report were discussed in a structured workshop with all concerned stakeholders (government institutions, telecommunication operators and consumer associations). The consultants also held individual meetings with key ministries and licensed operators to obtain their views on the current policy framework and expectations to shape the sector with changes in technology, competition and social development. The TRA followed the principles of transparency and neutrality while carrying out this important exercise to allow independent evaluation of the sector and pave the way for development of a new policy framework.

4.1.2 Key Challenges in the current policy framework

In spite of making developments in the telecommunication market, the telecom policy still has the following limitations:

i. Lack of effective competition to ensure affordable prices and high quality of services; there is duopoly in the provision of mobile services and monopoly (until recently) in the provision of fixed line services

ii. Lack of availability of suitable spectrum to allocate for public commercial mobile telecommunication use – this is also an identified bottleneck for allocation of a license to a third public mobile infrastructure operator and the expansion of 3G services

iii. Low levels of internet penetration – currently there is no target or commitment set in the license for the incumbent operator to provide internet services

iv. There is a noticeable difference of penetration level between cities and rural areas, with over 40% of the Sultanate's fixed lines concentrated in Muscat, and the remainder spread throughout the country. However, it is observed that this is in line with the spread of population (Muscat accounts for 31% of the country's population) and concentration of commercial activities in Muscat and Batinah region. Universal Services Obligations'(USO's) initiatives are yet to be implemented

v. High tariffs – especially for international calls and broadband services

vi. Lack of flexibility in the existing licensing framework to enable exploitation of underutilized self-provided private fiber networks. The policy that was adopted was transitional and meant for review after five years.

4.1.3 New Policy Framework

The policy review process has identified the urgent need to formulate a new policy framework in view of emerging market conditions, technological advancements, convergence of electronic transport network for information and communication content and the growing demand for broadband connections by all classes of the society.

The policy initiatives have been arrived at to deliver the overall objective of increasing the quality of service, reducing the digital divide and provision of affordable services. The new policy framework is designed to be investor friendly, consumer friendly and at the same time providing regulatory certainty to existing and new operators to encourage further investment and adoption of latest technologies. The key initiatives proposed are:

i. Increasing the fixed internet penetration level from where it stands presently (2009), at 3%, to 25% by the year 2012. The main area of focus will be broadband access and roll out, with minimum internet downlink speed of 1 mbps

ii. Increasing the level of competition in the provision of telecommunications services and infrastructure

iii. Encourage investment, both in infrastructure and service based telecommunications through a sound legal framework that delivers and facilitates government and municipal approvals for infrastructural development

iv. Continue to provide a full range of telecommunications services to remote and rural areas of the Sultanate.

4.2 Developments in Tariffs

Unlike the previous years, 2009 witnessed a plethora of tariff promotions. This can be attributed to the following factors:

- **Introduction of resellers in the market:** Three mobile service re-sellers launched their services during 2009, namely;
  - Majan Telecom, under the brand name "Renna"
  - Connect Arabia, under the brand name "Friendi"
  - Mazoon Mobile.

Renna and Friendi are hosted by Oman Mobile, whereas Mazoon is hosted by Nawras. Introduction of the above three mobiles service re-sellers in the market has slightly reduced local calling rates; however the international calling rates witnessed a noteworthy reduction.

- **Issuance of a Class-I license to provide fixed line services:**

In 2009, Nawras was granted an integrated Class – I licence for providing public fixed services in the Sultanate including wireless broadband. Although Nawras has not commenced operations in fixed services, Omantel is preparing itself for the imminent competition by reducing tariffs for fixed and internet services in addition to enhancing its public image in the process. This is an indicator of the upcoming competition in the fixed services segment of the market.

4.2.1 Tariff Revisions, Promotions & New Services

There have been a large number of revisions and promotions approved by the TRA in 2009. These include promotions to attract new subscribers to fixed voice services, as well as ADSL promotions to attract consumers to migrate to high speed internet in all segments of society. High capacity users have not been excluded from tariff revisions and promotions either. A few schemes have been launched in 2009 on leased line services.

Table 1 summarises the approved tariff filings submitted to the TRA during 2009 for the fixed and mobile segments. Even though Class I mobile operators and Class 2 mobile resellers are part of the same market, their tariff filing have been shown separately in this table to illustrate the reseller's activity during their first year of operation.

Table 1: Approved Tariff Filings by Category in 2009

	Fixed	Mobile Operators	Resellers	Total
Promotions	4	35	20	59
Extensions	1	8	1	10
New Packages	11	30	9	50
Revisions	6	9	3	18
Total	22	82	33	137

Table 2: Fixed Lines Tariff Revisions & Promotions

ADSL Tariff Plans for Low-End Users	Omantel launched 3 ADSL Tariff plans to satisfy the need of government and private (SMEs) sectors with limited budget and light usage. In the new plans, the operator increased data usage as well as the mailboxes included, within the package, giving the consumer more value for their money. These new tariffs also incentivize SMEs to use ADSL & high speed internet, which will assist in increasing their productivity, and in turn, contribution to the national economy.
Revised ADSL Tariff Plans for Corporate Segment	Unlimited ADSL data usage is now being offered to corporate customers at the same retail tariff, as compared to the previous year, where no unlimited plans were offered.
International Private Leased Circuit (IPLC)	The TRA approved Omantel's reduction of the retail tariff for IPLC and introduced three different commitment plans, giving consumers more flexibility and customized options.
International Leased Line (ILL)	Omantel not only reduced the retail tariff for ILL, but also introduced three different commitment plans.
E–mail Hosting Solutions	Omantel enhanced this service in 2009 and segregated the offers into distinct levels of features, namely, Basic and Standard.
Web Hosting Solutions	In line with their goal of introducing new services to customers, Omantel introduced Web Hosting Solutions in 2009
VSAT Internet Broadband Services	This internet broadband service provides download speeds of up to 2 Mbps for government and corporate customers who are located far from the Omantel network such as deserts and remote villages. This new services was launched by Omantel in 2009.
Wi-Fi Roaming tariffs	This service was introduced by Omantel to target business customers, giving them constant high speed wireless internet connectivity while on the move. These tariffs are based on speed and contract duration.

Table 3: Mobile Tariff Revisions & Promotions

Standard Mobile Services	Among the five mobile resellers that were issued licenses in the third quarter of 2008, three licensees launched their services in 2009. The TRA has approved the standard tariffs for these resellers as well as a number of retail national and international tariff promotions. The introduction of their services has given the consumers a wider option in terms of price, especially for international tariffs to popular destinations such as the Indian Subcontinent.
Value Added Mobile Services	A number of innovative packages, promotions and tariff proposals have been filed to the TRA for approval. Many with social and cultural benefits such as the various SMS promotions for charities aiding those in need, as well as SMS services that help carry out financial transactions easily and securely through our mobile phones, such as carrying out transactions with the Royal Oman Police ("ROP"). Both mobile operators have got approval to provide a number of services to their subscribers in conjunction with Muscat Municipality, such as receiving information on building permits, technical and health inspections, rent contracts and parking permission and violations. These services are available to the public and the TRA has ensured that with such services the operator does not restrict the access to their competitors to sign similar agreements with government institutions and other content providers, thus eliminating anti competitive behaviour.
New Tariff Plans for Mobile Broadband Service	2009 witnessed a dramatic development in mobile internet. An increased number of mobile subscribers are now utilizing their mobile phones and mobile modems for broadband internet. In December 2009, the number of mobile broadband subscribers (with speeds of 256kbps and above) reached around 1,741,097 subscribers. This led to an increase in the number of promotional activities amongst mobile operators, and brought about a more effective competition framework in terms of tariffs and packages offered. Oman Mobile launched 3G services in 2009, while Nawras revised their tariffs on services that were launched previously.
Mobile TV Service	A new service which customers were looking forward to was Mobile TV, which enables subscribers to access TV channels using their mobile handsets. The service was first launched for a trial period by Nawras during the 2009 Gulf Cup Games in Muscat. It is now being provided by both mobile operators.
Collect Call Service	This service was introduced in 2009, and currently provided by Nawras. This service allows customer A to call customer B with call costs borne by customer B, subject to his/her consent. The applied tariff is the cost of the call plus RO 0.020/- per minute.

4.3 International Roaming

International roaming is a service that enables beneficiaries to continue using their local mobile phone connection while travelling outside the Sultanate. Users may continue using services such as voice calls, video calls, SMS, MMS and internet browsing, while being on the same mobile number, and receiving one bill. This service is enabled by way of bilateral agreements which are commercially negotiated between mobile network operators in Oman, and their counterparts in foreign countries. These agreements contain, among other things, the charges which the visited operator levies for utilizing its network for the roaming service to its travelling beneficiaries.

These commercially negotiated charges are collectively called Inter–Operator Tariffs (IOTs). Home operators set their final international roaming retail prices taking into consideration the IOTs, and in addition charge a mark-up to cover their retail costs. Nonetheless, it is important to highlight that national regulatory authorities have limited control over final end user retail international roaming prices, due to the fact that it is largely based on a foreign operator IOTs. Moreover, national regulatory authorities are usually not interested in regulating IOT charges that are offered to foreign operators, since they ultimately affect foreign countries' beneficiaries.

The cross border nature of international roaming services, and the regulatory gap, results in excessive international end user retail roaming prices that go up to 500% of the prices of similar local calls. In this context, the Authority has made considerable efforts in regulating international roaming prices, aiming at facilitating the attainment of final international roaming prices that are fair to both end users as well as national operators. In other words, targeting to achieve prices that allow the national operators not only to cover their costs, but also have a reasonable margin, without overcharging end users.

On the local front, the TRA has put in place a regulatory framework for international roaming services. These includes instructing the operators to implement a number of measures aimed at price transparency, such as publishing updated prices on operators' websites and informing travelling users of applicable international roaming tariffs upon their arrival to visited country via SMS. Moreover, the international roaming regulatory framework stipulates a price cap on retail mark-up added to the IOTs. The framework allows operators a margin of 15% over the IOTs charged by foreign operators, in addition to Royalty charge. While this framework contributes partially towards achieving more reasonable international roaming prices, it is important to mention that in the absence of any regulatory control on the IOTs, the impact of capping the retail mark-up is somewhat limited.

To limit the impact of IOTs, regulatory efforts are to be internationally coordinated. To support this cause, the TRA has been an active member of regional groups on international roaming and is continuously supporting regionally coordinated regulatory proposals.

In 2009, The Authority participated in the GCC Ministerial Committee for Post, Telecommunications and ICT in its 18th meeting, which was held in the Sultanate, on the 10th of June 2009. It was agreed that Telecom Regulatory Authorities will endeavour to oblige mobile operators to reduce the roaming tariffs appropriately between GCC countries. Furthermore, the TRA has been actively participating in the GCC roaming working group which is tasked with proposing a regulatory framework for international roaming prices within the GCC.

4.4 Regulatory Decisions

Regulatory decisions are equivalent to that of 'statutory instruments' it is a form of delegated legislation issued by a minister and are mandatory. During 2009, TRA issued 5 major 'Decisions' for efficacy and clarity in the functioning of the Telecom Sector. The decisions are as follows:

1. **Decision No. 5/2009** abrogated to the table E in the Decision No. 8/2008 and replaced it with table H. This table introduces provisions for the issuance of certificate to dealer or importer secondly for storage of radio telecom equipment and thirdly by the issuance of permit to import radio telecom equipment for re-exportation abroad.

   Decision No. 5/2009 was issued on 11th Jan, 2009. In this Decision a new table titled "Any Other Fees" is added, thereby new fees were introduced.

2. **Decision No. 78/2009 on Local Loop Unbundling Regulations**

   Decision No. 78/2009 was issued on 16th August, 2009 for Local Loop Unbundling (LLU); LLU is a regulatory tool for allowing multiple telecommunications operators to make use of spare cable capacity or duct between the telephone exchanges of the incumbent operator and facility points near the customer's premises at cost basis. It is about cost sharing to increase competition, other potential licensees have the right to unbundle access. Thereby, new licensees do not have to invest heavily on infrastructure of which the incumbent already has lots of capacity. The incumbent is obliged to sell it at cost price. These Regulations will facilitate the implementation of LLU, and would encourage new service providers and applications in the telecom area, thus bringing more affordable and acceptable services to the consumers.

3. **Decision No 112/2009 on Accounting Separation Regulation**

   Decision No 112/2009 was issued on the 25th Nov, 2009. Accounting Separation is a regulatory tool that is used in detecting the existence of Cross Subsidization in service provision. Cross subsidization is covering of cost of an uneconomic service by another profitable service. Cross Subsidization in services is prohibited due to its anti-competitive effects. In addition to that, regulatory accounting principles and reporting requirements mandates separation of accounts based on markets in which the notified operator provides services. In effect, the notified operator is required to account for different services as if they are standalone operations.

4. **Decision No. 113/2009 on Protection of the Confidentiality and Privacy of Beneficiary Data**

   Decision No. 113/2009 was issued on 25th Nov, 2009. This regulation is the regulatory tool that secures the confidentiality and privacy of the beneficiary data by which the beneficiary can ensure that his data is legally protected and cannot be misused.

5. **Decision 114/2009 amended provisions of Decision No 8/2008**

Decision 114/2009 was issued on 25th Nov, 2009. In this Decision, serial 11 of Table E in the original Decision 8/2008 was deleted. The second Article listed specific equipment by the Authority which are exempted from the requirements of 'type approval' such as GPS Receiver, and Echo Sounder.

4.5 Sustaining a Competitive Environment

The current telecom market still needs to undergo further liberalization and competition related changes. The full impact of competition has not been achieved yet, especially when it comes to Quality of Service (QoS) and prices. There are currently two major infrastructure players in the market, Nawras and Omantel, both are Class I licensees. Omantel provides mobile service and fixed service while Nawras currently only provides mobile service and will soon start its fixed line operation. As it is evident from the mobile market segment, Nawras and Oman Mobile are not fully competing in terms of prices yet, their prices remain similar and despite being comparable to other GCC countries these could undergo further revisions. The same applies to prices of fixed line services, which are currently the highest amongst GCC countries. All of this could be due to the fact that none of the operators feel threatened by the competitor. Thus there is a need for strong regulatory regime in the Sultanate.

In markets where competition is not effective, regulatory measures are designed through which timely intervention by the regulator can rectify the market failure and achieve outcomes that are more aligned with effective competition. In this regard, the Authority follows two kinds of regulatory interventions, which are as follows:

- **ExA nte regulatory measures** – these are measures by which the TRA formulate and implements certain rules, regulations and frameworks which govern the conduct of players to enable and competition; and

- **ExPo st regulatory measures** – this is to address a conduct of anti-competitive practices. Upon the detection of anti-competitive practice (either through observations made, or receipt of complaints), the TRA investigates such cases and takes remedial measure as and when appropriate.

4.5.1 Disputes & Investigations

For proper functioning of the market in a multi-operator environment, dispute settlements is an important function of the Authority. In 2009, the TRA resolved the following disputes between licensees in the Sultanate:

Injaz vs. Nawras

Injaz filed a complaint to the TRA alledging that Nawras refused to sign a Resale Agreement without giving any justified reason as per its license obligations, TRA issued the determination No 2/2009 which penalized Nawras. A fine of one hundred thousand Omani Rials (RO 100,000) was imposed which was to be paid within one week of the issuance of the determination. Nawras was ordered to sign the Resale Agreement with Injaz within 15 working days according to Clause 32-2 of the license.

Mazoon vs. Oman Mobile

Mazoon Mobile, a Class II licensee filed a complaint against Oman Mobile, a Class I licensee on 4th January 2009, regarding its mobile Resale Agreement discussions with Oman Mobile. While the dispute was being processed, Mazoon negotiated with Nawras as well and signed a Reseller Agreement with Nawras. Thus Mazoon decided to withdraw its complaint against Oman Mobile.

Nawras vs. Omantel

Nawras filed a complaint to the Authority against unduly long term contracts for MPLS offered by Omantel (the incumbent). Upon re-evaluating the current market situation and keeping in view the imminent entry of the second fixed licensee, it was determined that there is a need to re–visit this issue to ensure that beneficiaries are offered an increased choice and new market entrants are allowed a fair opportunity to provide services. Omantel submitted a revised tariff proposal which provides beneficiaries with increased choices of contract durations, along with reasonable exit clauses. Omantel's proposal was approved by the TRA.

Others

Oman Mobile complained that Nawras was offering their services at corporate rates to family members of corporate subscribers (non–corporate users). Upon receipt of a formal complaint, the TRA investigated the issue and found this practice to be discriminating against other individual beneficiaries who are not in a position to benefit from this service. The TRA's decision, that its approval was to corporate entity only and should not have extended to family member and thus stops its extension to individual beneficiaries.

4.5.2 Accounting Separation

The transparency expected to be generated in terms of pricing and costing information is vital to the creation and sustainability of a fairly competitive environment.

Bearing this in mind, one of the major projects that were completed by TRA during the year includes the development of a regulatory framework for accounting separation, regulatory accounting and reporting requirements. This framework was issued by the Authority on 25th November, 2009, and published in the official gazette on 15th December, 2009.

As per the accounting separation, regulatory accounting and reporting requirements; the Separation of accounts is mandated for a number of markets in which the notified operator provides services. In effect, the notified operator is required to account for different services as if they are standalone operations.

The costs of the notified operator are to be divided between the different products/services in order to determine the cost of each product/service. These costs are then compared with the revenue generated by the same product/service to verify whether it is profitable. Loss making products/services are considered to be cross-subsidized by those which are profitable.

Additionally, for licensees or service markets where the accounting separation obligation is not deemed necessary by the Authority, other less stringent regulations are imposed. These include the development of regulatory costing models and other reporting requirements.

4.5.3 Omantel Reference Access Offer (RAO) Assessment

The TRA is seeking to promote competition in the Sultanate in the provision of Telecommunications Services and one of the steps taken is to award Class II licenses to service providers who depend on the using of the capacity of telecommunication network of Class I licensees. To this end, the TRA appointed TERA Consultants of France to carry out an assessment of the Reference Access Offer (RAO) of the incumbent operator Omantel (Class I licensee) to meet the following:

A. The adequacy of the current RAO of Omantel in light of the Best International Practices and the Oman specific context,

B. The techno-regulatory methodologies to handle multi-service pricing in a multi-operator competitive scenario.

The assessment determined the terms of the RAO support and to facilitate growth in the telecommunications sector through Class II licenses. This assessment will lead to the issuance of a new regulation on RAO and the revised Reference Access Offers will stand scrutiny of passing through "Price Squeeze Test" which would facilitate higher levels of competition and entry of multiple Class II licensees in year 2010. Price Squeeze Test is a test that will facilitate the verification of whether there are reasonable margins available to the new players.

4.5.4 International Access Services Review

By virtue of its license, till last year Omantel was the only provider of International Telecommunication Services. The other licensees in the Sultanate can also provide International Telecommunication Services by using the Omantel facilities. Omantel offered discount wholesale rates for other licensed operators for providing International Telecommunication Services. In January 2007, TRA directed Omantel to increase the discount rate from 15% to 20%.

In order to assess the correctness and fairness of the detailed calculations of which the wholesale discount rate was based on, TRA carried out a Consultancy Project in year 2009 by Price Waterhouse Cooper. The exercise was based on cost and traffic data of Omantel for 2008. The consultancy results confirmed the correctness of the earlier determination of the wholesale discount rate.

4.5.5 Reference Offers on Mobile resale

In order for TRA to assess the Reference Offers of Class-I mobile operators for mobile resale service, TRA carried out a Consultancy Project in year 2009 by a consultant (Price Waterhouse Cooper). A Reference Offer provides a set of services along with their wholesale price offers so that potential Class II licensees can plan their entry into telecom sector making use of the infrastructure support offered by the Class-I infrastructure-based operator. This consultancy study resulted into many agreements between Class I mobile licensees and their resellers wherein higher levels of volume discounts were included.

4.5.6 Introduction of Carrier Selection Code

During the year, as part of the ongoing efforts to promote competition, the TRA issued the format of the carrier selection codes which would facilitate subscribers on a particular network to select a particular international carrier network to handle their international calls. The TRA, in particular, identified the format of the carrier selection codes (prefix) and the allocation criteria with the corresponding allocation fees. The format of the carrier selection codes issued by the TRA are in accordance to the international best practice which allows subscribers to choose the right prefix to enable them access to their preferred international carrier network.

4.5.7 Local Loop Unbundling

A major aim of the TRA is to promote the competition and availability of broadband services at affordable prices throughout Oman. In this regard, the TRA issued the regulations for Local Loop Unbundling in August 2009, to promote competition and enable the whole community to make greater

use of the available public telecommunications infrastructure in the Sultanate.

The purpose of the local loop unbundling Regulation is to enable an operator with limited public telecommunications infrastructure to offer services to subscribers whom it cannot reach directly because of the high cost of investing in the local loop (the local loop is the "last mile" access connection from the subscribers' premises to the nearest telecommunications exchange). Although the term "local loop unbundling" may be understood by some to refer only to physical unbundling, it is also concerned as much with bitstream services as it is with physical unbundling.

4.6 Key Initiatives to attain long term goals

The TRA, pursuant to the regulations mentioned in the Telecom Act and based on current demands of the market, has embarked upon the following projects to meet growing demands of the telecom sector.

4.6.1 Universal Service Obligation

In spite of the liberalization of the telecommunications sector in Oman, some areas of the country are unlikely to be provided with desirable telecommunications services on a commercial basis. Hence, measures need to be taken to ensure the universal provision of telecommunication services. The TRA has undertaken necessary measures to guarantee the provision of services to unserved and underserved areas by developing a Universal Service Policy and Implementation Strategy for the Telecom Sector in Oman. The policy was approved by the Cabinet in June 2009. The USO Policy has the following objectives:

1. To provide both national and international telecommunications services, to all citizens
2. Facilitate access to information and markets through global information network
3. Access to e-government services for all citizens
4. Promote economic development, particularly in the less developed regions
5. Participation of all citizens in the knowledge based community.

Scope of the Universal Services

TRA believes that the availability of the following set of basic communications services throughout the country will be in support of the Government Development Strategy 2020. This set of services ('Scope of Universal Service') comprises of the following:

1. Basic voice services
2. Functional internet access at minimum speeds of 28 KB/s, to be upgraded to Broadband access at a minimum speed of 2 MB/s, within a maximum period of 3 years from the date of issuance of the USO license
3. Broadband services with a minimum speed of 2 Mbps to all government institutions such as schools, health centers, Government offices and post offices etc, in a phased approach by region or area
4. Operator services such as fault reporting should be free of charge and directory enquiries must be cost based
5. Emergency services access such as police, fire, ambulance & coastguard to be made available free of charge

6. Public payphones to be provided in hospitals, health centers, police stations and other such locations where use of mobile telephones is prohibited

7. Public tele-centers, providing telecommunications services such as voice, fax, and broadband internet services to public users.

Selection Criteria for Project Areas

The selection criteria in selecting these areas shall be based on the following factors:

1. The presence of institutions such as schools, hospitals, government offices, police stations, and post offices

2. Potential welfare increases through demand (consumer surplus) and an economic development potential, with population of greater than 100 or a population of 20 and at least the existence of one Government institution

3. Current lack of provision of USO services ('unserved' and 'underserved' areas)

4. High cost areas and low likelihood of commercial viability.

Implementation of the first Universal Service Pilot Project

The TRA has started the implementation process for the Universal Service Policy by inviting Expressions of Interest though public announcement, which was announced on 24th October 2009, for parties to submit their Expression of Interest (EOI). Ten EOIs were received, in which, after the initial evaluation, only 7 applications were pre–qualified. The tender document for bidding was sent to these 7 pre-qualified applicants for the purpose of submission of bids. The announcement of the preferred bidder is expected by the second quarter of 2010.

4.6.2 National Broadband Strategy

The government has identified broadband as a key supporting and enabling infrastructure to realize the vision of Digital Oman (e-Oman) and increasing the competitiveness of the Oman economy in the international level. Broadband roll out is believed to have a positive impact on the nation's economy (GDP increase) and more importantly in the generation of jobs.

In light of these matters, the government has laid out the following objectives:

- Every home, business, public or private institution should have access to affordable high speed broadband Internet
- Access to Broadband Internet should be open to all service providers, content providers, and application providers
- Access to Broadband internet should be offered via multiple technologies and access mechanisms
- Promoting greater competition across the telecom industry
- Broadband networks should provide the quality required to enable Omani business to compete in the global market.

In order to translate the above objectives to reality, the TRA has embarked on an initiative to develop a comprehensive roadmap and a strategy blueprint to identify programmes, initiatives, policies and interventions to put in place an actionable plan. In line with this, TRA has commenced the process of preparing a study with the help of an international consulting firm. It is expected that the roadmap and blueprint for the National Broadband Strategy would be ready by the third quarter of 2010.

4.7 Public Consultations

4.7.1 Dominance Criteria Public Consultation

Identification of dominant players and imposing special regulatory obligations, this is essential to critical competition in the telecom market.

Keeping this in mind, the TRA invited stakeholders to participate in a public consultation process, on a proposed list of Criteria for Determination of Dominance in different markets already identified by the TRA in the Telecommunications Sector of Oman. The public consultation period commenced on the 2nd of February, 2009 and ended on the 31st of March 2009. The TRA received valuable inputs from service providers such as the market players.

Overall, the comments of stakeholders were informative and useful and have been considered, wherever appropriate. As a result of this exercise, in 2010, the TRA plans to take up a new project to devise comprehensive competition framework. This project will involve the definition of various telecommunications markets based on appropriate economic tests. The defined markets will then be analyzed to determine the level of competition in each market. In markets where competition is determined to be absent, dominant players would be designated based on dominance criteria. Appropriate remedies would be imposed in markets where competition is absent or insufficiently effective in order to promote the market mechanism and facilitate the attainment of best market outcomes for the beneficiaries. Moreover, the competition framework project will also include the development of a set of rules and regulations to curb anti-competitive practices and provide a framework through which these practices will be addressed.

4.7.2 Mobile SIM Locking

The TRA received a clarification from one of the Class II Mobile Resale licensees, regarding the Authority's position on Mobile SIM locking. Keeping in view the future market developments that this feature would be expected to have a key impact on resellers and consumers alike, the TRA decided to conduct a public consultation to seek the views of various stakeholders before finalizing its position on the issue at hand.

The Authority prepared a brief Consultation Paper highlighting the potential benefits and possible implications of allowing mobile SIM locking. The Paper also proposed a set of high level guidelines that would regulate the use of the Mobile SIM locking feature by licensees in the event that it is allowed in Omani market. Consequently, the TRA received quite a good number of responses from the stakeholders including the Consumer Association, which TRA examined thoroughly and discussed internally.

Considering the current mobile market situation; TRA believes that the benefits of introducing the mobile SIM locking feature at this stage would be limited; especially in view of the restrictions it places on the freedom of consumers to change their service provider. This in turn would restrict competition in the mobile services market, and shift the competition to handset provision, which is not the domain in which mobile Class I and Class II licensees should compete in. To this end, any regulations on SIM locking feature in the market has been put on hold by TRA and will be taken up at a later stage when the market demands it.

4.7.3 Passive Infrastructure

In the telecom sector, passive infrastructure consists of basic civil structures, developed sites and cable trays. They are as important and critical as active infrastructure like equipment and software. In fact, accessibility and connectivity are both accomplished by a well designed infrastructure backbone signified by civil structures carrying either copper, fiber or the like. Passive infrastructure plays the role of a significant backbone for both the core as well as the access infrastructure. The civil works involved in opening trenches and laying ducts for the deployment of fiber can be very expensive, often representing up to 80% of the cost of a new access network. This makes the deployment of fiber very expensive. As digging trenches and laying ducts is the single largest cost element for rolling out new fixed networks, it is important to look at ways of minimizing them. Also, new innovative ways of pulling fiber such as sewage systems can lower costs in urban areas.

A more coordinated approach in digging the streets among the various owners of rights of ways may improve the current situation with limited benefits in some areas. Such co-ordination would also make sense from not only an economic, but also from an environmental and urban planning point of view. This would significantly lower significantly barriers to entry by lowering costs of network roll-out.

There is widespread belief that broadband is the key for increasing the performance of both the public and the private sector and thereby increasing labour productivity. Fiber is an unparalleled medium to deliver any conceivable media-rich, interactive service, be it remote surgery or online learning. It is widely acknowledged that fiber is future proof providing virtually unlimited bandwidth and allowing operators to scale networks efficiently, depending on service demand and technological developments.

Passive infrastructure would bring along with it the following benefits:

- Efficient usage of capital and attract new investors
- Enhance competition in networks, services and content
- Limit environmental disturbances and traffic problems caused by continuous digging.

Having recognized the need to encourage new development and sharing of passive infrastructure, TRA conducted a public consultation in January 2009, inviting comments from operators and the general public in respect of formulation of a suitable policy including aspects of licensing. The TRA observed that there are divergent views expressed in respect of regulatory aspects of sharing of infrastructure and is of the view that the outcome of the National Broadband Strategy would throw light on the regulatory issues concerning sharing of passive infrastructure.

In the interim, the TRA is encouraging utility companies laying ducts in any area to make provisions carrying telecommunications cables/fibers. This would avoid duplication of efforts at a later stage to dig and lay the ducts and cables. Once the market structure and delivery mechanisms become clear arising out of the Broadband study; TRA is planning to announce its policy and regulations governing establishment and sharing of passive infrastructure.

4.7.4 DVB-T Planning

Digital Terrestrial Television (DTT) is the replacement of the current analogue terrestrial TV broadcasting. The

implementation of digital terrestrial broadcasting systems will result in many benefits for the consumer including added TV services, interactivity and an overall enhanced television viewing experience. In accordance with relevant provisions (of Article 8 of Telecommunications Regulatory Act issued by Royal Decree No. 30/2002, and its Executive Regulations and the Telecom Sector Policy), TRA invited interested parties of the public to send their views in response to the essential consultation questions reviewed by TRA. Responses were received from several interested parties locally and regionally. TRA's position was developed based on the received responses. All views were published on the TRA website.

4.7.5 Broadband Wireless Access (BWA)

In light of the growing public interest in Broadband Wireless Access (BWA), and taking into account the positions that have been debated in international organizations as well as the results of studies on various broadband and licensing issues, during 2009, the TRA initiated a public opinion from different parties and received responses from 10 stakeholders.

On the basis of expressed opinions of respondent stakeholders (national and international), the TRA designated bands for BWA as well as configurations and sizes of blocks in each designated band.

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

5 Managing Scarce Resources

5.1 Radio Frequency Spectrum

TRA's broad mission in managing the spectrum is to facilitate the development and use of world–class telecommunications infrastructure, technologies and services for the purpose of enhancing Oman's competitiveness, economic growth and quality of life. The key highlights below provide a snapshot of TRA's pricing policy and approach towards Spectrum utilisation:

- Maximize public benefit of radio spectrum
- Make adequate provisions for public and community services
- Encourage use of efficient radio technologies
- Support Government communications policy objectives
- Rely on market forces to ensure economically efficient use of spectrum (promote competition)
- Maximum flexibility to respond to market forces
- Assure availability of frequency to cater to new telecom technologies and services
- Map domestic policies to global spectrum policies
- Encourage investments in the telecom sector.

In 2009, the TRA embarked on a number of initiatives with respect to Spectrum Management which are as follows:

- **Updating and Publication of the National Frequency Allocations and Assignment Plan according to the results of the World Radio communications Conference 2007 (WRC-07)**

Followed by the World Radio Communications Conference (WRC-07), the TRA revised the National Frequency Allocations and Assignment Plan to reflect the decisions adopted by the Conference. The Allocation table provides the general plan for spectrum use and the basic structure to ensure the effective utilization of the spectrum and the prevention of radio frequency interference between services.

The Assignment table provides more detail information about how each band is actually planned, sub-divided and channelled (wherever possible) to accommodate particular priority radio technologies. The TRA published the revised National Frequency Allocations and Assignment Plan chaired by H.E Minister of Transport and Communication followed by the approval of revisions by the National Committee for Frequency Allocations on 27th June 2009.

- **Publishing and implementation of the Regulation Organizing the Registration and Utilization of Frequencies and Radio Equipment and their pricing**

The new pricing policy came into effect from the 1st of January 2009. This was developed based on the Omani market situation, economic aspects of spectrum management and world market trends to balance the interest of different categories of user's requirements and to support fair and reasonable allocation of spectrum. The new pricing policy proved beneficial to a number of users.

- **New advanced spectrum management system**

As per TRA commitment to develop the telecommunications

sector in the Sultanate by regulating and maintaining the telecom services, promoting the interest of telecommunication service providers and beneficiaries, and ensuring that consumers receive international standards of telecommunications services and due to the increasing demand for radio spectrum and growing complexity of radio regulatory tasks, TRA has appointed an international spectrum consultant to assist TRA on the implementation of an Advanced Automated Spectrum Management System (AASMS). The implementation of this system will be carried out in two phases, and it is expected to be completed by 2012. The new system will allow spectrum users to do most of their licensing processes online without the intervention of TRA employees.

5.1.1 Radio Licensing

The number of new radio licenses issued during the year 2009 was 2,914 while the number of those which were renewed are 17,121 adding up to a total number of 20,035 radio licenses. The total number of licenses cancelled during 2009 was 1062. On the other hand, the total number of frequencies assigned during the year 2009 was 5485.

Table 4: Radio Licenses Comparison

	2008	2009
No. of New Radio Licenses	8481	2914
No. of renewed Radio Licenses	9670	17121
No. of cancelled Radio Licenses	1484	1062
No. of New Frequencies Assigned	1561	5485

5.1.2 Frequencies and Radio Equipments Exemptions

TRA analyzed the current development of short range devices, wireless access systems, short range radars and technological advancements in the industries, based on compatibility and band sharing studies available from recognized international telecommunication bodies. Analysis has shown that certain amendments should be adopted in the national regulation, which exempts the operations of these systems from radio licensing.

New revised national regulations were adopted exempting the operations of certain categories of systems from radio licensing. These are applicable to the following Annexes of the Regulation Organizing the Registration and Utilization of Frequencies and Radio Equipment and their Pricing:

Table 5: Frequencies and Radio Equipments Exemptions

Annex	Title	TRA Decision
E	Short Range Devices, Frequency Ranges and Power Limitations	115/2009
F	Technical Specifications of WAS/ RLANs	115/2009
G	Technical Specifications of Short Range Radars (SRR)	114/2009

5.1.3 Implementation of Monitoring Stations Project (Phase 2 & 3)

The first phase of monitoring stations was completed in 2005, which included installation and operation of three fixed monitoring stations (Muscat, Salalah, Buraimi) and two mobile monitoring stations.

This project was a continuation of the first phase which aimed to extend the network of radio monitoring stations in the Sultanate. Four new fixed monitoring stations were installed in Sohar, Sur, Kahsab and Muscat. Additionally, one of the mobile monitoring stations previously purchased during the first phase was upgraded to monitor higher frequency band.

Currently, for monitoring the terrestrial services, TRA has a network which consists of 7 fixed monitoring stations, capable of monitoring radio frequency spectrums in the range 10 kHz – 3 GHz. Additionally, TRA has two mobile stations, one of which is capable to monitor frequency spectrums in the range of 10 kHz – 58.5 GHz after the upgrade, while the other mobile monitoring station is capable to monitor frequency spectrum in the range of 10 kHz – 26 GHz.

5.1.4 Mobile networks and spillover issues (GSM-900, GSM-1800 and UMTS)

The 8th bilateral meeting between Telecommunication Regulatory Authorities of Oman and the UAE was held in Abu Dhabi from 15th-17th March 2009. One of the outcomes of the meeting was an agreement to conduct a joint consultancy study on the appropriateness and practicability of interference prevention, and development of mechanisms to avoid spilling over coverage in the two border areas of Diba Al Baya - Diba Al Hisn and Madha - Marbah.

Furthermore, the study has requested for a proposal addressing best practice mechanisms which 3G operators can apply, to prevent over-spill coverage and interference in the border areas. The study was concluded with some recommendations and the final report of this study was submitted by the consultant on 19th October 2009.

5.2 Number Allocation

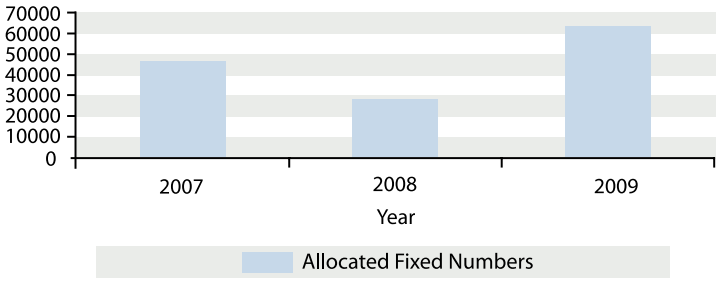
The numbering resources are critical in the competitive market especially when new players in the market are introduced, new services are developed, new competition strategies and business plans are brought up. During 2009, new allocations had been made to facilitate operators' business plans and on the other hand new measures had been taken to preserve this national resource and new types of codes had been introduced.

The following numbers/short codes had been allocated during 2009 compared to the allocation made during 2007 and 2008:

Table.6: Number Allocation Comparisons

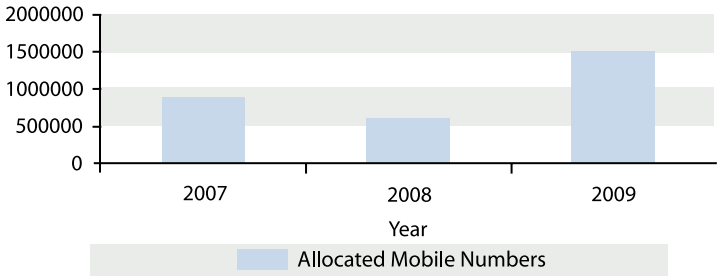
Numbers/short codes Type	2007 allocation	2008 allocation	2009 allocation
Carrier Selection Codes	0	0	2
International Signaling Point codes	0	1	0
National Signaling Point Codes	0	22	16
Fixed Numbers	46,000	28,000	63,000
Mobile Numbers	880,000	600,000	1,500,000
Voice Short Codes	0	0	6
SMS Short Codes	10	27	216
Toll Free Numbers	57	36	42

Figure.17: Fixed Number Allocation



In 2009, fixed number allocation had increased compared to year 2008 and 2007.

Figure.18: Mobile Number Allocation



The same applies to mobile numbers allocation. The allocation has almost doubled in 2009.

5.2.1 TRA directives on SIM card validity period for Efficient Use of Numbers

TRA had designated the level 9xxxxxxx to be used by operators for mobile services. By the end of 2009, the following were observed:

- 5,700,000 numbers are allocated for mobile services
- 100,000 numbers are designated for Premium rate Services (range 900xxxxx)
- 100,000 numbers are blocked for emergency services (range 999xxxxx)
- 100,000 numbers are reserved (range 968xxxxx)

This meant that the total allocated mobile numbers were 6,000,000 and 4,000,000 are free. Accordingly, TRA raised an alarm on the risk of running out of numbers for the mobile services and thus took all the measures to preserve this national resource. After consultation with the operators, TRA decided to reduce the SIM card validity period to 6 months instead of 12 months and reduced the quarantine period from 6 months to 3 months, beside other measures.

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6 Consumer Protection & Awareness

The TRA stands firm with regard to protecting the consumers of the telecommunications sector in the Sultanate and encouraging awareness and transparency. In 2009, the Authority published a consumer guide. The TRA's consumer guide covers a vast number of issues of concern to the consumers of the telecommunications sector in the Sultanate. It also reflects the current market scenario, highlighting procedures that need to be taken by consumers in applying for any telecom service or proceed with their complaints.

6.1 Consumer Complaints

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

During 2009, TRA received a total of 20 complaints from consumers. They were all related to unsettled matters between the beneficiaries and service providers regarding bills, quality of service, mobile number portability and disconnection of services. Most of these complaints were resolved agreeably between the consumers and operators. The number and type of complaints are:

Table.7: Nature of Complaints Received

Nature Operator	Technical	Internet	Portability	Billing	Network	Others	Total
Omantel		1		3	1	1	6
Oman Mobile			1	4		2	7
Nawras	1		1	1		4	7
Total	1	1	2	8	1	7	20
Percentage	5%	5%	10%	40%	5%	35%	100%

6.2 Billing Accuracy Guidelines

In order to meet the objectives of the TRA under Article 7-1 of the Act, the TRA carried out a study internally in Q1/2010. The purpose of this internal study was to provide guidance to Class I and Class II Licensees on how to meet their license obligations with respect to billing accuracy. This internal study was based on the findings and recommendations made by Intercai Mondiale Ltd of the United Kingdom who had carried out an audit of the billing procedures of all operators as part of a larger consultancy service titled "Development of National Network Standards and Quality of Service Framework for the Sultanate of Oman."

Based on the above study, TRA in its Decision 32/2009 issued a "Billing Accuracy Guidelines". In these Guidelines, the licensees are obliged to provide and to keep specific documents to demonstrate that its procedure will be adequate to ensure correct charging. The guidelines are available on TRA website under Guidelines.

6.3 Quality of Service (QoS)

One of the main objectives of TRA is to promote and protect the interest of the users of telecommunications services in the Sultanate and to maximize consumer welfare. In order to achieve this, TRA undertakes the following exercises:

a. Monitors the quality of services of the operators to ensure that they are meeting their targets and license obligations

b. Requests the operators to publish their quality of service in the newspapers on a semi–annual basis

c. Maps QoS targets in line with international best practice.

In order to achieve the above mentioned tasks, the Authority is actively engaged with the service providers and receives periodic reports on QoS from all licensees (both Class I and Class II) while monitoring their individual targets. In case the licensees do not meet their target as per the license obligations, the TRA investigates these issues and directs the concerned service provider for remedial measures.

During 2009, the TRA prepared a draft regulation on QoS which includes new Key Performance Indicators (KPIs) for various telecommunications services along with the definitions of these indicators and the methods of measuring them. A public consultation was launched to seek the interested parties' views on these regulations. The regulation is likely to be issued in 2010.

In 2009, all licensees published their QoS in newspapers. Consequently, it has also created a healthy competitive environment in the market and increased awareness amongst the public about the performance of service providers.

6.4 Emergency Plan Guidelines

In accordance with Article 45 of the Telecom Regulatory Act and the licenses issued to public network telecom operators, the TRA took measures to issue formal guidelines for operators to form Telecommunications Emergency Plans in order to respond to natural disasters and accidents.

As per the guidelines, the operators shall submit to the Telecommunications Regulatory Authority (TRA) their "Emergency Plan" and shall update it upon request from the Regulatory Authority.

While framing the Emergency Guidelines, the TRA published draft guidelines for public consultation in Q1/2009 based on practices recommended by the International Telecommunications Union (ITU). TRA received comments from all the public network telecom operators in Oman and the draft guidelines were modified according to the comments received. The guidelines were formally issued by TRA in Q1/2010.

6.5 Telecom Equipment Type Approval and Registered Cyber Cafes:

To further protect the consumers and telecom equipment users, the TRA ensures that all telecom equipment is checked and type approved before it is imported to the Sultanate.

Individuals or business interested in importing and selling telecom equipment have to be registered dealers. The number of new registered dealers during 2009 was 319.

The tables below summarize the total approvals granted and total imported telecommunications equipment during the year 2009.

Table 8: Granted Approvals in 2009

Type of Telecom Equipment	No of Granted Approvals per Type
GSM	109
Terminal	89
Radio	276
Total	474

Table 9: Number of Imported Telecommunications Equipment as per the Applications for Release Received by TRA in 2009

Terminal	Radio	No of Imported Equipment
44,210	8,052	52,262

6.5.1 Condition for Recognition of Testing Laboratories

In order to ensure the standards of testing of telecom equipment that is imported into the Sultanate, TRA issued conditions for test results carried out outside the Sultanate for imported telecom equipment. These standards are to recognize the testing laboratories outside the Sultanate who should be an accredited by a body that is a member of the International Laboratory Accreditation Cooperation (ILAC) Mutual Recognition Arrangement, which is an international cooperation of laboratories accrediting bodies around the world. TRA will review the reports of these testing laboratories to type-approve the telecom equipment before it is allowed to be imported into the country.

6.5.2 Cyber Cafes

The following table summarizes the number of Cyber Cafes registered/renewed during 2009 compared to 2008:

Table 10: No. of Registered Cafes

	2009	2008
Number of Cyber Cafes registered/ renewed	315	175

6.6 Awareness Campaigns

In 2009, the Authority held a number of local, regional and international interviews for His Excellency the Chairman and members of the TRA, most importantly the press conference to announce details of the Universal Service Policy and its implementation in the Sultanate. The TRA press conference was chaired by both TRA Members Naashiah bint Saud Al Kharusi and Mohsin bin Alawi Al Hafeedh. Present at the conference were a number of representatives from the telecom sector, public and private sectors, and a large number of local and regional media.

6.6.1 Awareness Symposium on Telecommunications Regulatory Act

TRA hosted a two-day awareness symposium in June 2009 on the Provisions of the Telecommunications Regulatory Act. TRA conducted the symposium with the purpose of increasing awareness and understanding of the provisions of the Telecommunications Regulatory Act, amongst the legal, justice and enforcement communities. The symposium was

held under the auspices of the H.E. Mohammed bin Ali bin Nasser Al-Alawi, the Minister of Legal Affairs, and was widely attended by representatives of the legal, justice and enforcement professions.

6.6.2 Educational Competition

As part of the Authority's social responsibility to the community to enhance the consumers awareness of the telecom services, in December 2009, the TRA launched an educational competition for schools, universities and college students on 'The Role of Telecommunications on Social and Economic Development (Telecommunications for better life)'. The launching was held under the auspices of Dr Ali bin Saud al Bimani, Vice-Chancellor of Sultan Qaboos University (SQU).

The Competition comprised of two education levels. The first level was titled 'Telecommunications with Colours', and was the theme for a painting competition for students from both basic and public education schools. While the second level, titled 'Telecommunications for the Future', covered colleges and university students. Judgment in this category was done on the basis of 'Best project ideas' given by the participants. The

main purpose of these competitions was to create awareness and information amongst students regarding the available telecommunications services, and shape up their perspectives about the services being offered in the Telecom sector.

6.6.3 Presentations

As part of its commitment in promoting and protecting users of the telecommunications sector in the Sultanate, TRA carried out a series of presentations in 2009 at SQU, Omani Women Association and local colleges, to name a few. TRA's presentations were conducted in line with its responsibilities to enhance consumer awareness on the Telecom Act, TRA's goals and objectives maximization of their benefits from available telecommunications services.

6.6.4 Exhibitions, COMEX & Khareef Salalah Tourism Festival 2009

In line with its continuous efforts to enhance consumers' awareness on matters of its domain, TRA participates annually at major local exhibitions and festivals. In 2009, TRA participated in COMEX, the annual IT, Telecom & Technology exhibition, as one of its main organizers. The other local event that the Authority sponsored and participated at was the Salalah Tourism Festival. The TRA sponsored and participated at both events for the fourth consecutive year.

The Authority believes that such public gatherings are a good opportunity for telecommunications' stakeholders to hold direct communications amongst themselves. It also believes that such events are a good occasion to enhance public awareness on its role, services and telecom regulations. The TRA achieves this by responding to public queries on topics relevant to the Authority's domain.

7 International and Regional Representations

TRA plays an active and dynamic role at both the international and regional levels in telecommunications development. TRA continues to develop ties with its fellow regulators, and builds on strengthening bilateral relationships with regional authorities as well as other related bodies. This ongoing interaction enables TRA to gain exposure to international telecom practices, which, in turn, facilitates regulatory challenges and promotes a dynamic telecommunications environment. The TRA staff also attend industry related seminars and conferences to keep abreast of the developments in the telecommunications industry.

The International Telecommunications Union (ITU) is a specialized agency of the United Nations, dedicated to information and communications technologies. The ITU's role is to assist worldwide communities in three core sectors:

- Radio Communication
- Telecommunication Standardization
- Telecommunication Development.

The TRA has been a sector member of the ITU since 2004. It actively participates in telecommunications events and forums organized by the ITU. In 2009, the TRA prepared and presented 9 contributions at ITU meetings with relation to spectrum issues.

The TRA has also been a member of the Arab Regulators Network of Telecommunication & Information Technologies (ARNET) since 2004. It is a forum comprising of 22 Arab member states, which frequently meets to discuss and recommend best practice regulations to attract investment in the Arab Region. Contributions made to the activities of ARNET in 2009 include the following issues:

1. Local Loop Unbundling
2. Benchmarking
3. Accessibility for Persons with Disabilities
4. Broadband & Internet
5. Roaming
6. ICT Indicators

7.1 Participation in International Events

In 2009, the TRA extended its participation in various international events, some of which are mentioned below:

7.1.1 World Telecommunication Policy Forum (WTPF)

The World Telecommunication Policy Forum (WTPF) is a high–level international event where ITU Members from government, industry and the global regulatory community exchange views on key policy issues arising from today's dynamic information and communication technology (ICT) environment. Organized by the ITU in Lisbon, Portugal in April, the Forum was open to ICT professionals from all sectors, along with interested

members of the general public. It was not designed to produce prescriptive outcomes with the binding force of an international treaty; rather, it strived to foster productive debate and build multi-stakeholder consensus on constructive ways forward. Expressed in the form of a number of 'Opinions' and a final Report, these agreed perspectives are to be used to guide ongoing global ICT policies, regulations and standardization efforts worldwide.

TRA's participation in the WTPF consisted of a high-level delegation led by the TRA Member, Mr. Mohsin Al Hafeedh.

7.1.2 ITU s Global ICT Industry Leaders Forum (GILF)

In November 2009, a high-level delegation led by the TRA Members participated in the ITU Global ICT Industry Leaders Forum (GILF) in Beirut, Lebanon. 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 Resolution 29 of the World Telecommunication Development Conference.

The purpose of the GILF was to provide a high-level forum for CEOs and other industry leaders to share their views and formulate 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 2009 covered regulatory and policy issues related to stimulating ICT investment during a period of global economic downturn, innovative universal service approaches to connect the unconnected as well as key policy and regulatory issues related to IP and telecom convergence.

7.1.3 Global Symposium for Regulators (GSR)

The International Telecommunication Union's 9th Annual Global Symposium for Regulators (GSR) was held in Beirut, Lebanon from 10 – 12 November 2009. The GSR is an annual event bringing together heads of national regulatory authorities from both developed and developing countries. It has a 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 9th Annual GSR dealt with the challenges of convergence and the changing role of regulatory bodies, particularly with regards to ensuring free and open competition between all players in the ICT market, while being careful not to favour one technology over another. Convergence, and all the related policy implications, set the agenda to discuss topics such as creating an enabling environment for investment, IP interconnection, consumer protection, regulation of mobile termination rates and VoIP. TRA's participation in the GSR consisted of a high-level delegation led by the TRA Members, Engineer Naashiah Al Kharusi and Mr Mohsin Al Hafeedh.

7.1.4 Internet Governance Forum (IGF)

The Fourth Internet Governance Forum (IGF) was held in Sharm El-Sheikh, Egypt from 15 – 18 November 2009. It focused on the overall theme of 'Internet Governance – Creating Opportunities for All'. The IGF programme and meetings were prepared through a series of open, multi-stakeholder consultations

held throughout 2009, a process that also designed the IGF's interactive and participatory structure. It allowed the meeting to re-examine and to reflect on the main themes of the IGF – access, diversity, openness, security and privacy and critical Internet resources. TRA's participation in the GSR consisted of a high-level delegation led by TRA Member, Naashiah Al-Kharusi.

Apart from the above mentioned major international events, the TRA participated in various events organized by the ITU and other regional bodies. Participating in local and international events has had a noticeable 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 radio communication, telecommunication standardization and telecommunication development sectors; and
- Capacity building of TRA employees.

TRA staff participated in 104 events in 2009. 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 2009:

Table 11: International Participations

International Forum	No. of Events	No. of Participants	Man Days
ITU	31	36	327
GCC	15	32	104
Arab League	8	12	49
ARNET	5	7	58
Others	45	78	344
Total	104	N/A	N/A

Table 12: International Events Participated by TRA Members

TRA Members	No. of Events	Man Days at International Events
Chairman	3	12
Eng Naashiah Al-Kharusi	16	64
Mohsin Al-Hafidh	14	63
Total	N/A	139

7.2 Participation in Regional and Local Events

TRA actively collaborates with regulators in the GCC and broader Arab Region under the umbrella of the Gulf Cooperation Council and the Arab League, respectively, in order to prepare a coordinated and united Arab position on various issues,

including but not limited to:

1. **Spectrum Management**
   a. Coordination in spectrum management
   b. Frequency interference in border locations
   c. Transition from analogue to digital broadcasting
   d. 34 working documents were prepared and presented

2. **Operations and Tariffs**
   a. Studies on the reduction in termination and retail tariffs
   b. Interconnection tariffs
   c. Studies on the regulation of voice over internet-protocol (VoIP)

3. **The Internet and Domain Names**
   a. The use of domain names in Arabic
   b. The activation and management of top-level Arabic domain names
   c. Collaboration and cooperation among Arab States on the transition from IPv4 to IPv6

7.2.1 Middle East Spectrum Conference

As part of its continuous efforts in benefiting from the international expertise in the field of spectrum management, TRA along with an international company (Policy Tracker), sponsored and participated in a conference on "Spectrum Management in the Middle East". This conference, the first of its kind in the region, took place in Muscat on the 29th and 30th of September, 2009. It was attended by number of government officials, regional spectrum management officials, and international specialists working on issues related to spectrum management. The main purpose of this conference was to create awareness with respect to potential benefits of releasing spectrum for commercial purposes by Government agencies.

7.2.2 World Telecommunication and Information Society Day

TRA observed the World Telecommunication and Information Society Day (WTISD) in association with the Information Technology Authority (ITA) and a number of telecom companies in the Sultanate. The event was held under the auspices of His Excellency Yahya bin Saud al Sulaimi, Minister of Education. His Excellency Mohammed bin Nasser Al Khasibi, Chairman of the TRA, along with the TRA members, ITA Chief Executive Officer, and a number of government and telecom officials and representatives of international organizations in the Sultanate attended the ceremony.

7.3 Outgoing & Visiting Delegations

In the continuing spirit of regional cooperation and collaboration delegations from TRA conducted visits to both the United Arab Emirates' Telecommunications Regulatory Authority as well as the Kingdom of Bahrain's Telecommunications Regulatory Authority in order to exchange and benefit from experiences in the following fields:

1. Consumer Affairs
2. Enterprise Resource Planning

The TRA also received incoming delegations from the Infocomm Development Authority of Singapore (IDA) as well as the State of Kuwait's Ministry of Telecommunications. Issues of mutual cooperation on the telecom sector were discussed between the Authority and the visiting delegations.

7.4 Bilateral Coordination Meetings

In order to avoid spill-over coverage and frequency interference of GSM & 3G networks between the Sultanate and its neighbouring countries, the UAE & Yemen along the common border areas, many bilateral coordination meetings were held by TRA during the year 2009.

Oman – UAE Bilateral Coordination Meetings

As a follow-up of the results of the 6th Bilateral Coordination Meeting and due to the many spill-over cases registered in the year 2008, two meetings were held in 2009. The first one was the 7th Bilateral Coordination Meeting which was hosted by the GCC Telecommunications Bureau in Bahrain in January 2009. The 8th Bilateral Coordination Meeting was held in Abu Dhabi in March 2009. During this meeting, it was agreed by both regulators to conduct a consultancy study for the border areas. Accordingly, two back-to-back meetings were held in Muscat and Abu Dhabi in May 2009 to evaluate the received bids and select the suitable bidder. After the submission of a final report by the hired consultant, a technical Bilateral Coordination Meeting was held in Abu Dhabi in December 2009. The results of this meeting were discussed during the 9th Bilateral Coordination Meeting held in Muscat in 2010.

Oman – Yemen Bilateral Coordination Meetings

The 1st Bilateral Coordination Meeting between TRA and the Ministry of Communication and Information Technology in Yemen was held in Sana in February. During this meeting, both parties agreed on the regulatory procedures that should be used when operating any stations, either existing or new, in the common border areas. Technical procedures for measurements and criteria for the determination of overspill coverage were also agreed. This meeting was followed up by the 2nd Bilateral Coordination Meeting which was held in Muscat in June 2009.

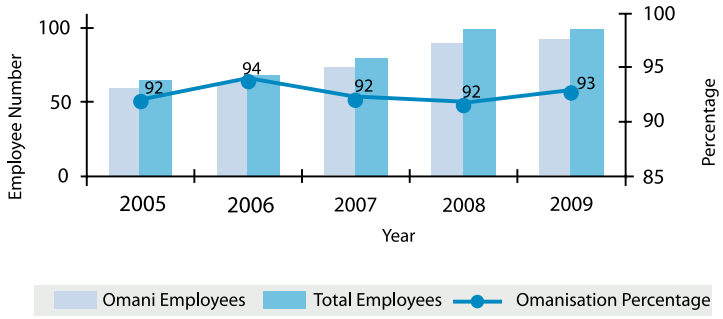
8 Human Resources

One of the many achievements accomplished by TRA was the development and implementation of an Enterprise Resource Planning (ERP) System to enable the Authority to automate the finance and human resource processes in order to improve functional efficiency of different units.

8.1 Omanisation at TRA

Since the inception of the Omanisation policy in 1998, TRA has been committed to creating new opportunities for nationals not only in the telecom sector, but also on its own payroll.

Figure 19: Omanisation Percentage at the TRA



Source: TRA

It can be seen in the above graph that the TRA continues to maintain an Omanisation percentage close to 92%, as it increased its workforce over the period of 5 years

Table 13: No of Employees as per their Job titles as of end of 2009

Title	Number
Advisor/Expert	5
Senior Manager	5
Department Manager	5
Employees	83
Total	98

Table 14: Recruitment and Turnover from 2003-2009

	2002	2003	2004	2005	2006	2007	2008	2009
Recruitment	2	29	24	15	17	13	22	5
Turnover	-	2	1	4	11	4	3	4
Total No of Employees at the End of the Year	2	29	52	63	69	78	97	98

8.2 Employee Development

TRA is committed to address learning and development needs to improve skills and knowledge of its employees by providing a number of learning opportunities. In 2009, employee development plans included short courses, on the job training, and self development. Table 15 provides a summary of the number of courses provided for the benefit of TRA employees in 2009.

Table 15: Employees Training Courses

Course Type	Number of Courses
External	82
Local	4
In House	4

Talent Management Program

In addition to the above employee development steps taken, the TRA embarked on a project to develop a Talent Management (TM) Program. TM is considered to be one of the most important strategic contributions toward an organization's excellence. The program's main objective is building systems, assessment tools and scales, and processes for the development of leaders in the organization.

Social Events

During the year, TRA diversified its initiatives to strengthen employee relationships through various social activities. These activities included multiple half day unit outings, Ramadan iftar, and TRA Family Team activities where TRA celebrates with its employees in occasions like the birth of a new child or weddings.

In addition, TRA organized its first ever Open Day at the Al Sawadi Beach Hotel for employees and their families. The open day included games and shows for children, team building activities for employees and water sport games.

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9 Looking Ahead - 2010 and beyond

TRA defined its priorities and program of Action for 2010 based on its mission and vision statement and long term objectives. Currently, the TRA has a long term outlook for Oman as the region's most advanced communication hub, supporting the government's Vision 2020. In 2009, the TRA developed the 2010 Work plan, highlighting the projects that would enable TRA to enhance its role as an effective regulator in the ever increasing competitive environment.

The TRA aims at delivering its regulatory obligations which support not only the telecommunications sector as a whole, but also meets expectations of the consumers and stakeholders. In order to gain perspective of the key areas of focus, TRA carried out a strategic planning exercise at the end of 2009. As a result, the following main objectives were identified for 2010:

- Meet stakeholders' expectations;
- Accelerate expansion over the next 3 years;
- Target broadband development;
- Increase liberalization with fair competition;
- Develop rules and regulations;
- Complete ISO certification for the whole organisation; and
- Develop a detailed plan for the next policy implementation.

The TRA strongly feels that the above objectives are critical to achieve the regulatory mission and vision. The projects and studies that will support these objectives shall be implemented through in-house and outsourced projects.


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TELECOMMUNICATIONS REGULATORY AUTHORITY

Report and financial statements
for the year ended 31 December 2009

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

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 statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 27.

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 2009, 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

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Telecommunications Regulatory Authority

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Telecommunications Regulatory Authority

Statement of financial position as at 31 December 2009

	Notes	2009 RO	2008 RO
ASSETS			
Non-current assets			
Property and equipment	6	**1,200,362**	679,031
Current assets			
Telecom frequency fees receivable	7	**405,913**	798,349
Advances and other receivables	8	**240,760**	331,263
Fixed deposits	9	**14,800,000**	32,000,000
Cash and cash equivalents	10	**7,438,834**	3,762,719
Total current assets		**22,885,507**	36,892,331
Total assets		**24,085,869**	37,571,362
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		**12,363,739**	26,096,745
Non-current liabilities			
Deferred Government contributions	12	**2,681,563**	3,114,640
End of service benefits	13	**463,931**	339,748
Total non-current liabilities		**3,145,494**	3,454,388
Current liabilities			
Trade and other payables	14	**8,576,636**	8,020,229
Total liabilities		**11,722,130**	11,474,617
Total equity and liabilities		**24,085,869**	37,571,362

Chairman

Member

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

Statement of comprehensive income for the year ended 31 December 2009

	Notes	2009 RO	2008 RO
Income			
Radio spectrum income	15	**12,241,947**	15,864,262
Annual telecom licenses	16	**3,187,584**	2,713,352
Income from issuing numbers		**669,076**	1,072,312
Telecom equipment type approval income	17	**124,522**	95,256
Fees from Class II license		**13,500**	19,000
		16,236,629	19,764,182
Operating expenses			
Salaries and related costs	18	**(2,690,891)**	(2,477,371)
General and administrative expenses	19	**(741,721)**	(625,330)
Consultancy fees		**(461,960)**	(647,939)
Monitoring station costs	20	**(400,000)**	(377,344)
Full time Members' remuneration	24	**(120,000)**	(120,000)
Depreciation	6	**(441,891)**	(335,020)
Provision for impairment of receivables - net (charge) / release	7	**(2,027,844)**	9,757,077
		(6,884,307)	5,174,073
Operating income		**9,352,322**	24,938,255
Government contributions	12	**433,077**	465,743
Interest income	21	**871,445**	687,489
Other income		**107,494**	5,258
Surplus for the year		**10,764,338**	26,096,745

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

هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority

Statement of changes in equity
for the year ended 31 December 2009

	Accumulated surplus RO
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 1 January 2009	26,096,745
Surplus transferred to Ministry of Finance (MoF) (Note 11)	(24,497,344)
Surplus for the year	10,764,338
Balance at 31 December 2009	**12,363,739**

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

Statement of cash flows
for the year ended 31 December 2009

	2009 RO	2008 RO
Operating activities		
Surplus for the year	**10,764,338**	26,096,745
Adjustments for:		
Depreciation	**441,891**	335,020
Provision for impairment of receivables	**2,049,999**	479,207
Release of provision for impairment of receivables	**(22,155)**	(10,236,284)
Net transfer to end of service benefits	**124,183**	133,930
Government contributions	**(433,077)**	(465,743)
Interest income	**(871,445)**	(687,489)
Gain on disposal of property and equipment	-	(391)
Net adjustment of monitoring station cost	**-**	37,978
Operating profit before changes in working capital:	**12,053,734**	15,692,973
Working capital changes:		
Telecom frequency fees receivable	**(1,635,408)**	9,266,878
Advances and other receivables	**35,572**	(94,736)
Trade and other payables	**556,407**	4,090,267
Cash generated from operations	**11,010,305**	28,955,382
Interest received	**926,376**	518,521
Net cash from operating activities	**11,936,681**	29,473,903
Investing activities		
Fixed deposits	**17,200,000**	(25,000,000)
Purchase of property and equipment	**(963,222)**	(250,403)
Proceeds from disposal of property and equipment	**-**	455
Net cash from / (used in) investing activities	**16,236,778**	(25,249,948)
Financing activities		
Surplus transferred to MoF	**(24,497,344)**	(6,702,202)
Government contributions received	**-**	2,609,458
Net cash used in financing activities	**(24,497,344)**	(4,092,744)
Net change in cash and cash equivalents	**3,676,115**	131,211
Cash and cash equivalents at the beginning of the year	**3,762,719**	3,631,508
Cash and cash equivalents at the end of the year (Note 10)	**7,438,834**	3,762,719

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

Notes to the financial statements for the year ended 31 December 2009

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

For the year ended 31 December 2009, 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 years beginning on 1 January 2009.

Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements.

• IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

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

Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

• *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
• IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that requires re-designation of the Authority's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance.
• IFRS for Small and Medium-sized Entities (SMEs)	This Standard is available immediately but the adoption has to be decided by the jurisdiction of implementation.
• Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
• IAS 23 (as revised in 2007) Borrowing Costs	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.

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

Standards and Interpretations adopted with no effect on the financial statements (continued)

• Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
• IFRIC 13 Customer Loyalty Programmes	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 15 Agreements for the Construction of Real Estate	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.
• IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• IFRIC 18 Transfers of Assets from Customers	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should

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

Standards and Interpretations adopted with no effect on the financial statements (continued)

	recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 Annual Improvements to IFRSs majority of which are effective for annual periods beginning on or after 1 January 2009.

Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:	**Effective for annual periods beginning on or after**
• IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements - Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
• IFRS 3 (revised) *Business Combinations* - Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	1 July 2009

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

Standards and Interpretations adopted with no effect on the financial statements (continued)

• IAS 39 (revised) *Financial Instruments: Recognition and Measurement* - Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options)	1 July 2009
• IFRS 1 (revised) *First time Adoption of IFRS* - Amendment on additional exemptions for First-time Adopters	1 January 2010
• IFRS 2 (revised) *Share-based payment* - Amendment relating to Group cash-settled Share-based payments	1 January 2010
• IAS 32 (revised) *Financial Instruments: Presentation* - Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 *Related Party Disclosures* - Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs.*	Majority effective for annual periods beginning on or after 1 January 2010

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

Standards and Interpretations adopted with no effect on the financial statements (continued)

New Interpretations and amendments to Interpretations:

• IFRIC 17: *Distributions of Non-cash Assets to Owners*	1 July 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
• Amendment to IFRIC 14: IAS 19: *The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	1 January 2011
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	1 July 2009

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Authority in the period of initial application.

3. Significant accounting policies

Basis of preparation

(a) The financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below and in accordance with International Financial Reporting Standards (IFRS).

3. Significant accounting policies (continued)

(b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the Authority's accounting policies. Critical accounting judgments and key sources of estimation uncertainty are disclosed in Note 4.

(c) Functional currency

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

A summary of significant accounting policies, which have been consistently applied by the Authority and are consistent with those used in the previous year, is set out below:

(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 recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss 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.

(b) Telecom frequency fees receivable

Receivables in respect of telecom frequency fees are stated at amortised cost less impairment losses [see note 3 (k)].

(c) Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

3. Significant accounting policies (continued)

(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 end of the reporting period, 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 end of the reporting period. 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 profit or loss as incurred.

(f) Income recognition

Equipment license fees, frequency registration fees and other fees are recognised, on accrual basis, in the statement of comprehensive income 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 recognised in profit or loss in the period in which the license is issued.

Penalties for late payment of license fees are recognised in profit or loss 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 recognised in profit or loss in the period in which the related expenditure is incurred.

(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.

3. Significant accounting policies (continued)

(g) Government contributions (continued)

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

Contributions that relate to the acquisition of an asset are recognised in profit or loss over the useful economic lives 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 recognised in profit or loss on the accrual basis.

(i) Provisions

A provision is recognised in the statement of financial position 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 end of the reporting period. Foreign exchange differences arising on translations are recognised in profit or loss.

(k) Impairment

The carrying amounts of the Authority's assets are reviewed at each end of the reporting period 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 profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. Significant accounting policies (continued)

(k) Impairment (continued)

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. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from Management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

a. Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

a. Impairment of accounts receivable (continued)

At the end of the reporting period, telecom frequency fees receivable amounted to RO 3.679 million (2008 : RO 2.043 million), and the provision for impairment of receivables is RO 3.273 million (2008 : RO 1.245 million). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the profit or loss.

b. Useful lives of property and equipment

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. The calculation of useful lives is based on Management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

5. Financial risk management

Financial instruments carried on the statement of financial position 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 end of the reporting period. 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

5. Financial risk management (continued)

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.

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.

5. Financial risk management (continued)

(ii) Liquidity risk (continued)

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 estimation

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

6. Property and equipment

	Monitoring station	Motor vehicles	Office equipment furniture and fittings	Computer equipment	Capital work-in progress	Total
Cost	RO	RO	RO	RO	RO	RO
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)
1 January 2009	1,486,835	40,550	275,379	261,227	22,750	2,086,741
Additions	784,756	-	71,735	49,531	57,200	963,222
Disposals	-	-	-	(7,298)	-	(7,298)
31 December 2009	**2,271,591**	**40,550**	**347,114**	**303,460**	**79,950**	**3,042,665**
Depreciation						
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)
1 January 2009	1,079,191	18,497	211,068	98,954	-	1,407,710
Charge for the year	320,485	7,663	37,664	76,079	-	441,891
Disposals	-	-	-	(7,298)	-	(7,298)
31 December 2009	**1,399,676**	**26,160**	**248,732**	**167,735**	**-**	**1,842,303**
Net book value						
31 December 2009	**871,915**	**14,390**	**98,382**	**135,725**	**79,950**	**1,200,362**
31 December 2008	407,644	22,053	64,311	162,273	22,750	679,031

In 2008, 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).

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.

	2009 RO	2008 RO
Fees and penalties receivable	**3,678,946**	2,043,538
Less: Provision for impairment of receivables	**(3,273,033)**	(1,245,189)
	405,913	798,349

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

	2009 RO	2008 RO
At 1 January	**1,245,189**	17,020,002
Add: Charge during the year	**2,049,999**	479,207
Less: Provision released during the year	**(22,155)**	(10,236,284)
Provision written off during the year	**-**	(6,017,736)
At 31 December	**3,273,033**	1,245,189

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.

In 2008, 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 Ministry of Finance.

7. Telecom frequency fees receivable (continued)

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

8. Advances and other receivables

	2009	2008
	RO	RO
Advances to suppliers	**42,905**	83,870
Prepayments	**50,576**	18,296
Other receivables	**147,279**	229,097
	240,760	331,263

9. Fixed deposits

The fixed deposits of RO 14.8 million (2008: RO 32 million) represent deposits made with local banks for a period of five to six months and carry interest of 3.25% to 4% (2008: 4.97% to 6.01%) per annum.

10. Cash and cash equivalents

	2009	2008
	RO	RO
Cash on hand	**500**	500
Cash at bank	**7,438,334**	3,762,219
	7,438,834	3,762,719

11. Surplus for the year

In accordance with Article 18 of Royal Decree 30/2002 and its amendments on Royal Decree 134/2008, the surplus amount as per Article 11(6c) shall be the amount transferable to the Government (represented by Ministry of Finance). The amendments made in the Telecommunications Act as per Royal Decree 134/2008 states that the surplus amount as per Article 11(6c) shall be the amount transferable to the Government.

12. Deferred Government contributions

	2009	2008
	RO	RO
At 1 January	**3,114,640**	969,559
Amortised as income during the year	**(415,577)**	(300,623)
Recognised as income during the year	**(17,500)**	(165,120)
Funds received from Government	-	2,609,458
Amount to be returned to the Government	-	(159,913)
Adjustment on grant related to property and equipment (Note 6)	**-**	161,279
At 31 December	**2,681,563**	3,114,640

a) In 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 profit or loss over the estimated useful economic lives of the assets involved. The income amortised during the year related to the assets amounted to RO 415,577 (2008: RO 300,623).

c) As expenditure arises from the grant allocated to operating costs, income is recognised in profit or loss. The income recognized during the year amounted to RO 17,500 (2008: RO 165,120).

d) In 2008, 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

	2009	2008
	RO	RO
At 1 January	339,748	205,818
Charge for the year (Note 18)	132,771	149,073
Payments made	**(8,588)**	(15,143)
At 31 December	**463,931**	339,748

14. Trade and other payables

	2009	2008
	RO	RO
Accounts payable	**4,113,919**	3,854,472
Unearned income	**3,515,155**	3,404,420
Provision for consultancy	**272,194**	400,466
Accrued expenses	**474,498**	312,140
Royalties payable	**141,515**	-
Other payables	**59,355**	48,731
	8,576,636	8,020,229

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

15. Radio spectrum income

	2009	2008
	RO	RO
Licensing fee for use of frequency spectra	**8,761,147**	10,771,953
Penalties and other charges	**3,296,484**	4,697,493
Frequency registration fees	**67,000**	312,661
Cancellation fees	**43,450**	53,050
Amendment fees	**65,415**	21,555
Equipment retention fees	**7,250**	5,150
Survey fees	**1,201**	2,400
	12,241,947	15,864,262

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 3.188 million (2008: RO 2.713 million) towards the running costs and expenses incurred by the Authority in respect of the telecommunication expenses for the year ended 31 December 2009 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.

17. Telecom equipment type approval income

	2009	2008
	RO	RO
Import permit	**23,115**	16,560
Radio equipment	**34,835**	31,210
GSM equipment	**13,375**	9,500
Other terminal equipment	**12,575**	14,250
Registration fees	**14,325**	12,041
Others	**26,297**	11,695
	124,522	95,256

18. Salaries and related costs

Wages and salaries	**1,800,198**	1,589,116
Bonus	**287,076**	272,354
Staff training and development	**193,507**	230,907
Social insurance	**184,231**	162,295
End of service benefits (Note 13)	**132,771**	149,073
Other benefits	**93,108**	73,626
	2,690,891	2,477,371

19. General and administrative expenses

Travel expenses	**228,098**	176,000
Rent	**126,441**	101,600
Advertisement and publications	**170,362**	110,347
Communications	**44,377**	38,445
Printing and stationary	**34,779**	25,545
Recruitment charges	**23,673**	11,828
Membership fee	**23,550**	26,405
Repairs and maintenances	**21,530**	42,385
Utilities	**13,403**	13,488
Professional services	**10,500**	7,750
Subscription for books and periodicals	**7,067**	16,479
Donations	**-**	15,000
Miscellaneous expenses	**37,941**	40,058
	741,721	625,330

20. Monitoring station costs

	2009	2008
	RO	RO
Management fees	**400,000**	338,000
Training and maintenance	**-**	39,344
	400,000	377,344

21. Interest income

Interest on bank current accounts	**52,396**	84,778
Interest on fixed deposits	**819,049**	602,711
	871,445	687,489

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:

	2009	2008
	RO	RO
Contracted for	**1,199,228**	1,411,524
Operational commitments		
Letters of credit	**232,973**	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:

	2009	2008
	RO	RO
Remuneration to members		
Full time Members' remuneration	**120,000**	120,000
Key management compensation		
Basic salaries and allowances	**271,648**	241,099
Other benefits and expenses	**42,188**	35,030
Social security costs	**27,724**	26,043
End of service benefits	**19,818**	24,785
	361,378	326,957

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 end of the reporting period was on account of:

	2009	2008
	RO	RO
Telecom frequency fees receivable	**3,678,946**	2,043,538
Advances and other receivables	**240,760**	331,263
Fixed deposits	**14,800,000**	32,000,000
Cash at bank	**7,438,334**	3,762,219
	26,158,040	38,137,020

The exposure to credit risk for trade receivables at the end of the reporting period by type of customer was:

	2009	2008
	RO	RO
Government customers	**3,044,226**	1,587,024
Sinohydro Corporation-Oman Branch	**133,514**	-
ADHI Oman LLC	**120,000**	-
Nawras	-	33,197
Omantel	-	16,282
PDO	-	11,220
Other customers	**381,206**	395,815
	3,678,946	2,043,538

The age of trade receivables and related impairment provision at the end of the reporting period was:

	2009		2008	
	Gross RO	**Impairment RO**	Gross RO	Impairment RO
Not past due	**30,070**	**-**	675,272	-
Past due 0 – 1 year	**2,111,585**	**1,735,742**	586,598	463,521
1 - 2 years	**778,235**	**778,235**	275,770	275,770
More than 2 years	**759,056**	**759,056**	505,898	505,898
	3,678,946	**3,273,033**	2,043,538	1,245,189

26. Liquidity risk

The following are the maturities of the financial liabilities:

31 December 2009	Carrying Amount RO	6 months or less RO	6 - 12 Months RO
Accounts payable	**4,113,919**	**4,072,286**	**41,633**
Accruals and other payables	**947,562**	**638,324**	**309,238**
	5,061,481	**4,710,610**	**350,871**
31 December 2008			
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

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 end of the reporting period the interest rate profile of the Authority's interest bearing financial instruments was:

	2009 RO	2008 RO
Fixed rate instruments		
Financial assets	**14,800,000**	32,000,000

28. Approval of financial statements

The financial statements were approved by the members and authorised for issue on 17 March 2010.