



TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

Annual Report 2011





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Message of His Excellency the President

The rapid expansion of the telecommunication sector in recent years has placed Sri Lanka among the most widely connected societies in the South Asia region.

The phenomenal growth of this sector over the past decade, which has contributed much to economic progress, has been largely led by the mobile telephony segment, which exceeded 18 million subscribers in 2011. The substantial increase in fixed access telephones in the same period has taken the total number of telephones in the island to exceed the population of over 20 million. There has also been a significant increase in the number of fixed service internet and email subscribers during the past decade.

Admirable as these figures are, there is also a significant proportion of our population that still lacks opportunity to access information digitally and use it for knowledge based activities. The Telecommunication Sector is now faced with the welcome challenge of expanding digital connectivity to offer these essential services of modern technology to the widest group in the business sector and to the workforce of the country. The pursuit of success in this field will be the path to making Sri Lanka the Knowledge Hub of the South Asia Region which is an important goal of government.

It is noteworthy that, in recent years, Sri Lanka has attracted substantial foreign investment for telecommunication infrastructure development. Telephone Operators too have invested substantially for the development and expansion of telecommunication services. These inputs have seen the expansion of Information and Communications Technology, especially taking it to the rural sector that has the majority of population.

The continuing advances being made in the Telecommunication Sector, together with expansion of the internet and spread of Information Technology, can contribute much to narrowing of the digital divide through raising the knowledge levels of citizens. This is also a key contributor to raising levels of productivity and competitiveness in the economy. It is necessary for those guiding the development of the telecommunication sector to be aware of the dangers inherent in the digital divide that can create new divisions in society.

It is indeed commendable that the achievements in this sector have been

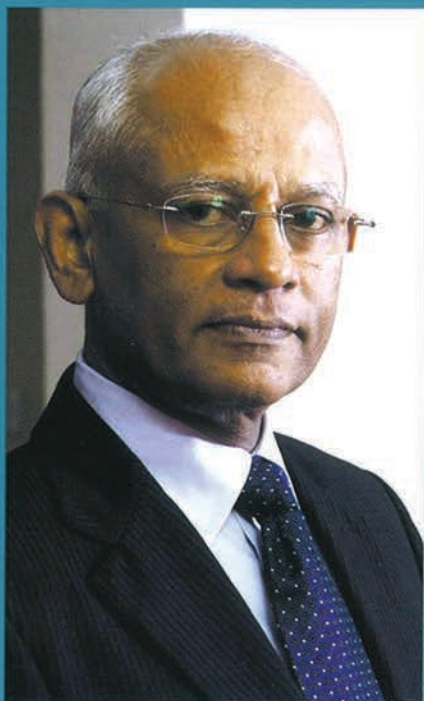
realized within two years after the end of a three decade long war against terror that adversely affected development in the country. There is cause for pride as a nation that during and after the period of conflict we have continued to follow policies directed towards development where connectivity among people has been given necessary emphasis.

As telecommunications and information technology reach more people it is important that the necessary safeguards are in place to use them for the progress of society and the advance of individuals. We must be conscious that these assets of knowledge and technology can be abused and result in major social evils, especially endangering the children and youth. There must be a constant vigil within the norms of democracy to ensure the proper growth of these important sectors of development.

At a time when peace has been consolidated throughout the country and there is emphasis on reconstruction and reconciliation, the telecommunication sector and information technology have a major contribution to make towards the furtherance of peace, unity and sustainable development.

I trust the Telecommunications Regulatory Commission of Sri Lanka will continue to provide necessary guidance and good professional leadership for the progress of this important sector in our country.





Chairman's Message

Telecommunication has greatly expanded the horizons of communication in the world. Sri Lanka stands high in South Asia region due to possession of most modern telecommunication technologies in the region.

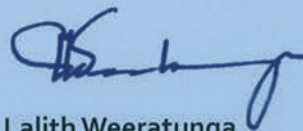
It is very encouraging to see more and more people using telephones, both fixed and mobile, to transact business and to improve quality of their life. The mobile and fixed penetration rates in 2011 stood at 87.8% and 17.3% respectively bringing the composite penetration to a level of 105%. This indicates that the telephone which was a luxury a few decades ago has now become a common good among the general public. This is a clear indication of the progress in development. This commendable achievement is due to the concerted efforts of the government and the private sector to expand the telecommunication facilities in the country.

The usage of internet has been facilitated by rapid development of the telecommunication sector. The expansion of mobile phones and telecom networks has enabled people to access the internet without much difficulty. Sri Lanka has recorded 4% internet and email usage in 2011 and this figure was only 0.2% in 2000. Although there has been an improvement in the use of internet and email in the recent past we cannot be complacent with this situation and it is necessary to further improve internet usage by providing necessary facilities to the people especially to those living in rural areas. The Internet Service Providers are invited to make internet more accessible and affordable to all communities throughout the country.

The advent of broadband has significantly changed the way we communicate, access information, share experiences and knowledge, make business and interact with each other. The impact of broadband on the economy is increasingly being acknowledged. Sound broadband strategies and plans are now needed to ensure that all citizens can benefit from the new applications, services and business opportunities brought by a broadband world. The speed is the key factor in the delivery of broadband services. The true potential of the service cannot be realized until such time the speed is kept high. In view of this, the Telecommunication Regulatory Commission established a Unit to monitor the quality of service associated

with the provision of broadband internet services and the subscribers can now test the downloading speeds. TRCSL is in the process of formulating a national broadband policy with a view to lifting the standards of the internet services.

The 'e-nable' project and the 'connect a school and connect a community' project implemented by TRCSL in collaboration with International Telecommunication Union should be commended as these programmes would help the disadvantaged sections and the schools in the country to be empowered with the benefits of information technology. Our target is to provide computers and internet facilities to every school in the country. I request all school children and teachers to make maximum use of the information technology provided to them and acquire a universal knowledge for the benefit of our society and the future.



Lalith Weeratunga
Chairman



Director General's Review

This report includes information on the functions, performance and the staff of the different Divisions/Units of TRCSL. The activities carried out in 2011 have been discussed under the performance of each Division/Unit.

As a leading government institution, TRCSL is the national regulatory agency for telecommunications in Sri Lanka. It is entrusted with the vital responsibility of promoting sustained development of the telecommunications industry by shaping the regulatory process, protecting public interest and being responsive to challenges in an increasingly competitive market. TRCSL is committed to assist all telecommunication operators in Sri Lanka to develop world class telecommunication facilities in the country. The Commission will implement policies and strategies to encourage telecommunication companies to give priority for the development of the state of the art technologies in the telecom industry. This report reveals that in addition to its routine regulatory functions, TRCSL has stepped in to several projects/programmes in 2011 for the development of the telecom sector.

There were 5083 telecommunication towers as at end of 2011 and it was an increase of 25% when compared with the number of towers in 2010. With regard to tower construction two important events took place in 2011 namely, the opening of Kokavil multifunctional tower by His Excellency the President and signing of a

Memorandum of Understanding (MUO) to construct another multifunctional telecommunication tower and an entertainment centre in the city of Colombo.

In the area of research and development, three important research studies were selected to be undertaken by the universities. An ICT skills development programme for persons having special needs and a project titled "connect a school connect a community" project within a framework of public-private-people's partnership (4p) model were carried out with the objective of providing ICT facilities to the disadvantaged persons in the society and the school students and teachers in remote areas.

With regard to international affairs, it is a cause for much satisfaction that Sri Lanka was re-elected for the chairmanship of the Commonwealth Telecommunication Organization (CTO) and also we have been able to become the host country for the high level global event namely Global Symposium for Regulators (GSR) to be held in 2012. The GSR would be an opportunity to elevate Sri Lanka's image and tourism sector and encourage more foreign direct investment in the country.

TRCSL provided several training opportunities to the staff both local and overseas, with a view to enhancing knowledge, developing skills and changing the attitudes. The library services of TRCSL were of immense benefit to researchers, students

and the general public for obtaining information especially in the field of telecommunication.

A roadmap for transition from analogue to digital was prepared in collaboration with an expert from the International Telecommunication Union. A national roadmap team (NRT) consisting of representatives from relevant organizations was set up for this purpose under the chairmanship of a senior officer of TRCSL. Transition from analogue to digital would be advantageous in terms of spectrum efficiency, higher video and audio quality and new business opportunities. It would also help allocation of part of the broadcasting band to international telecommunication services and other applications.

It is also important to note that while accomplishing the responsibilities, the TRCSL has looked into the welfare and recreational aspects as well for the benefit of the employees of the organization.

The functions entrusted to TRCSL could be carried out successfully in year 2011 due to the team work of the staff and I thank all members of the staff for their contribution.



Anusha Palpita
Director General

Composition of the Telecommunications Regulatory Commission (TRCSL) & the Staff as at 31 Dec 2011

Commission

Mr. Lalith Weeratunga

- *Chairman*

Mr. Anusha Palpita

- *Member*

Mr. S. S. Sahabandu

- *Member*

Mr. Prasanna de Silva

- *Member*

Principal Staff of the Telecommunications Regulatory Commission

Mr. Anusha Palpita

- *Director General*

Commission Office

Mrs. R. S. Goonaratne

- *Actg. Secretary to the Commission*

Administration Division

Mr. U. N. Rodrigo

- *Consultant / Director Administration (Actg)*

Mr. S. P. S. Perera

- *Dy. Director Administration &
Human Resources*

Policy & International Relations Division

Mr. M. K. Jayasekara

- *Deputy Director / Policy &
International Relations*

Mr. I. M. Jawsu - *Assistant Director /
International Relations*

Mr. R. M. J. K. B. Ratnayake

- *Assistant Director / Policy*

Economic Affairs Division

Mr. H. N. Jayaweera

- *Director / Economic Affairs*

Mrs. Champa Waragoda

- *Deputy Director / Compliance*

Mr. H. W. K. Indrajith

- *Actg. Deputy Director / Competition &
Assistant Director - Sector Analysis*

Mrs. H. P. M. Pathirana

- *Assistant Director / Operator
Analysis*

Mr. C. N. Palihawadana

- *Assistant Director / Tariffs*

Mrs. Sriyani Mawellage

- *Assistant Director / Consumer Relations*

Spectrum Management Division

Mr. R. G. H. K. Ranatunga

- *Deputy Director / Spectrum Management*

Mr. E. N. P. K. Rathnapala

- *Assistant Director / SM / Broadcasting &
Monitoring*

Ms. K. S. M. Vishakha

- *Assistant Director / SM / Fixed Services /
Satellite Services*

Mr. K. A. D. Fernando

- *Assistant Director / SM / Information
Technology*

Mrs. R. M. T. K. P. Livera
- Assistant Director / SM / Mobile Services

Mrs. S. A. R. Kamalanayana
- Assistant Director / Aeronautical &
Maritime Services

Mr. S. E. Wakista
- Assistant Director / Monitoring / Data
/ Amateur

Mr. M. P. Gunasinghe
- Assistant Director / Private Mobile Radio

Network Division

Mr. W. D. de Alwis
- Deputy Director / Networks

Mr. L. Ganeshamoorthi
- Assistant Director / Technical Standards

Mr. M. C. M. Farook
- Assistant Director / Type Approval &
Data Switching

Mr. J. A. S. Gunanandana
- Assistant Director / Inter Operability

License Administration Division

Mr. H. P. Karunarathna
- Deputy Director / License Administration

Legal Division

Mrs. G. C. P. Moragoda
- Assistant Director / Legal

Mrs. R. S. Goonaratne
- Assistant Director / Legal

Information and Documentation Unit

Mr. Kapila Jayawardena
- Technical Officer /
Assistant Director-Information &
Documentation (Covering Up)

Mrs. Priyani Hettiarachchi - Librarian

Mrs. Damayanthi Samarakon
- Librarian

Finance Division

Mr. R. C. Ratnayaka
- Deputy Director Finance

Mr. R. P. Abayadeera
- Assistant Director / Expenditure

Mr. A. S. Hapuarachchi
- Assistant Director / Revenue

Internal Audit Division

Mrs. U. A. Samaratunga
- Chief Internal Auditor

MEMBERS OF THE COMMISSION

- ❶ Mr. Lalith Weeratunga - *Chairman*
- ❷ Mr. Anusha Palpita - *Member*
- ❸ Mr. S.S. Sahabandu - *Member*
- ❹ Mr. Prasanna de Silva - *Member*



CORPORATE MANAGEMENT



1. Mr. Lalith Weeratinga - Chairman 2. Mr. Anusha Palpita - Director General 3. Mr. U.N. Rodrigo - Director Admin, Actg. & Consultant 4. Mr. H.N. Jayaweera - Director/Economic Affairs 5. Mr. A.P.A. Gunasekara - Consultant 6. Dr. Manoda Gamage - Consultant 7. Mr. Sanath Siriwardena - Consultant 8. Mr. Senaka Kumara Weeraratne - Consultant 9. Mrs. U.A. Samaratinga - Chief Internal Auditor 10. Mr. M.K. Jayasekara - Dy. Director - Policy & International Relations 11. Mr. W.D.De Alwis - Dy. Director - Network 12. Mr. R.G.H.K. Ranatunga - Dy. Director - Spectrum Management 13. Mr. H.W.K. Indrajith - Actg. Dy. Director - Competition 14. Mr. A.S. Hapuarachchi - Actg. For Dy. Director - Finance 15. Mrs. R.S. Goonaratne - A.D. Legal & Actg. Secretary Commission 16. Mrs. R.M.T.K.P. Livera - A.D. - Spectrum Management



17. Mr. E.N.P.K. Rathnapala - A.D. - Spectrum Management 18. Mr. M.C.M. Farook - A.D. - Network 19. Mr. R.M.J.K.B. Rathnayake - A.D. - Policy & Int. Relations 20. Mrs. H.P.H.M. Pathirana - A.D. - Econ. Affairs 21. Mr. L. Ganesamoorthi - A.D. - Network 22. Mr. R.P. Abayadeera - A.D. - Expenditure 23. Mrs. G.C.P. Moragoda - A.D. - Legal 24. Mrs. Sriyani Mawallage - A.D. - Econ. Affairs 25. Mr. I.M. Jawsy - A.D. - Policy & Int. Relations 26. Mr. C.N. Paliawadana - A.D. - Econ. Affairs 27. Mrs. S.A.R. Kamalanayana - A.D. - Spectrum Management 28. Mr. S.E. Wakista - A.D. - Network 29. Mr. M.P. Gunasinghe - A.D. - Spectrum Management 30. Mr. J.A.S. Gunanandana - A.D. Spectrum Management 31. Mr. Kapila Jayawardana - A.D./Covering Up I & D 32. Mr. W.L.A.K.A. Gunathilaka - Actg. A.D. - Admin

CONTENT

18	<i>Chapter 1</i> Overview of Telecommunication Sector
25	<i>Chapter 2</i> Telecommunications Regulatory Commission of Sri Lanka (TRCSL) Origin, Vision, Mission, Objectives, Responsibilities & Functions
31	<i>Chapter 3</i> Policy and International Relations Division
39	<i>Chapter 4</i> Economic Affairs Division
47	<i>Chapter 5</i> Broadband Monitoring Unit
51	<i>Chapter 6</i> Spectrum Management Division
62	<i>Chapter 7</i> Network Division
68	<i>Chapter 8</i> License Administration Division

TABLES

19	<i>Table 1.1</i> Telecommunication System Licensed Operators - 2011	23	<i>Table 1.5</i> Foreign Direct Investment Received for Telecommunication Projects Approved by the BOI
	<i>Table 1.2</i> Cumulative Number of Subscribers and Annual Growth Rates of Subscribers 2000, 2005- 2011	36	<i>Table 3.1</i> Payment of Subscriptions
20	<i>Table 1.3</i> Change in Tele density, 2000-2011	40	<i>Table 4.1</i> Floor Rates for Voice Calls and SMS, 2010-2011
21	<i>Table 1.4</i> Computer Awareness and Computer Literacy 2004-2009	42	<i>Table 4.2</i> Investment by Telecom Operators, 2010-2011

74	<i>Chapter 9</i> Administration & Human Resources Division
87	<i>Chapter 10</i> Legal Division
90	<i>Chapter 11</i> Information & Documentation Unit
94	<i>Chapter 12</i> Media Unit
96	<i>Chapter 13</i> Internal Audit Division
99	<i>Chapter 14</i> Finance Division
103	Financial Statements
125	Auditor General's Report

42	<i>Table 4.3</i> Revenue of Fixed and Mobile Operators, 2010-2011	48	<i>Table 5.1</i> Broadband Operators, Technology and Speeds
43	<i>Table 4.4</i> Net Profit/Loss in the Fixed and Mobile Industry, 2009-2010	53	<i>Table 6.1</i> Number of Frequencies Assigned, 2010-2011
44	<i>Table 4.5</i> Compliance Issues Handled in 2010		<i>Table 6.2</i> Number of Licenses Issued for Spectrum Users, 2010-2011
45	<i>Table 4.6</i> Complaints received by the Consumer Affairs Unit -2011	54	<i>Table 6.3</i> Complaints Received and Investigations Undertaken, 2010- 2011
	<i>Table 4.7</i> Complaints on Lost Mobile Phones- 2011		

54	<i>Table 6.4</i> Number of Illegal Users Identified and Preventive Action Taken, 2010-2011	78	<i>Table 9.2</i> Participation of TRCSL staff in Training Programmes/Fellowships/Seminars-2011
55	<i>Table 6.5</i> Number of Clearance Reports issued, 2010-2011	91	<i>Table 11.1</i> Activities Carried out by the IT Unit -2011
57	<i>Table 6.6</i> Summary of DSO Objectives	95	<i>Table 12.1</i> Events Covered by the Media Unit in 2011
61	<i>Table 6.7</i> Key milestone and Implementation Schedule for the Framework of DTTB in Sri Lanka	97	<i>Table 13.1</i> Subject Areas Covered by the Internal Audit Reports, 2011
63	<i>Table 7.1</i> Statistics Related to the Network Division, 2010-2011	101	<i>Table 14.1</i> Revenue of the Commission 2010-2011
75	<i>Table 9.1</i> Change in Carder of TRCSL 1997-2006		<i>Table 14.2</i> International Telecommunication Operators Levy 2010-2011
		102	<i>Table 14.3</i> Total Revenue of the Commission, 2009-2011

CHART

20	<i>Chart 1.1</i> Growth of Subscribers, 2000 – 2011	49	<i>Chart 5.1</i> The growth of Broadband subscription
22	<i>Chart 1.2</i> Computer Literacy by Province - 2009	50	<i>Chart 5.2</i> Download Speed August 2010
41	<i>Chart 4.1</i> Trends in Mobile Tariff		<i>Chart 5.3</i> Download Speed August 2011
43	<i>Chart 4.2</i> Percent Contribution to Total Income	76	<i>Chart 9.1</i> Present organization structure - TRCSL

List of Acronyms

3G	- Third Generation	NGAN	- Next Generation Access Network
ACMA	- Australian Communications and Media Authority	NGN	- Next Generation Network
ADSL	- Asymmetric Digital Subscriber Line	PC	- Procurement Committee
APT	- Asia Pacific Telecommunity	PIM	- Postgraduate Institute of Management
ARO	- Amateur Radio Operator	PLB	- Personal Locator Beacon
BOI	- Board of Investment	PSTN	- Public Switching Telephone Network
CDMA	- Code Division Multiple Access	QoS	- Quality of Service
CECB	- Central Engineering Consultancy Bureau	SAR	- Specific Absorption Rate
CEO	- Chief Executive Officer	SAARC	- South Asian Association for Regional Co-Operation
CID	- Criminal Investigation Department	SAFIR	- South Asia Forum for Infrastructure Regulation
CMA	- Certified Management Accountancy	SARSAT	- Search And Rescue Satellite- Aided Tracking
COSPASA	- Cosmicheskaya Sistema Poiska Aveariynyh Sudov	SATRC	- South Asian Telecom Regulators' Council
CTO	- Commonwealth Telecommunications Organization	SIM	- Subscriber Identity Module
ELT	- Emergency Locator Transmitter	SL	- Sri Lanka
FM	- Frequency Modulation	SLIIT	- Sri Lanka Institute of Information Technology
FUP	- Fair Usage Policy	SLITAD	- Sri Lanka Institute of Training and Development
GPRS	- General Packet Radio Service	SMS	- Short Message Service
GSM	- Global System for Mobile	TAC	- Type Allocation Code
HSPA	- High Speed Packet Access	TEC	- Technical Evaluation Committee
IBRD	- International Beacon Registration Database	TOR	- Terms of Reference
ICT	- Information and Communication Technology	TRCSL	- Telecommunications Regulatory Commission of Sri Lanka
ICTAD	- Institute for Construction Training and Development	TRIVES	- TRCSL Imei Verification System
IDF	- Institutional Development Fund	TV	- Television
IMEI	- Implementation of Mobile Equipment Identity	UCSC	- University of Colombo School of Computing
IMO	- International Maritime Organization	USD	- United State Dollar
InGAF	- Institute of Government Accounts and Finance	USO	- United Satellite Organization
IP	- Internet Protocol	WG	- Working Group
ISP	- Internet Service Provider	WIMAX	- World Wide Interoperability for Micro Wave Access
ITU	- International Telecommunications Union	WSIS	- World Summit on the Information Society
ITU-T	- ITU-Telecommunication Standardization Sector	WTISD	- World Telecommunications and Information Society Day
Kbps	- Kilo Bytes Per Second	WTSa	- World Telecommunication Standardization Assembly
LAN	- Local Area Network		
LECO	- Lanka Electricity Company (Private) Limited		
MDGs	- Millennium Development Goals		
MHz	- Mega Hertz		
MNP	- Mobile Number Portability		
NBN	- National Backbone Network		

Overview of Telecommunication Sector

CHAPTER ONE

The telecommunication sector of Sri Lanka has a history of about 150 years starting with the commissioning of the first telegraphic circuit between Colombo and Galle in 1858. The first telephone line was installed in 1880. Since 1896, Telecommunication has been a government monopoly until early 1991, when Sri Lanka embarked on a policy of deregulation and liberalization of telecommunication sector. Today the telecommunication sector is governed by the Sri Lanka Telecommunications Act, No.25 of 1991 as amended by Act, No.27 of 1996, and by the institution formed under the Act, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL).

As at end of 2011, there were 63 telecommunication system licensed operators were in the telecommunication sector as shown in table 1.1.

Telecommunication System Licensed Operators – 2011 (Table 1.1)

Category of Service	Number
Fixed Access Telephone service	4
Cellular Mobile phones	5
Data Communications (Facility based)	6
Data Communications (Non-facility based) and Internet Service Providers (ISPs)	8
Trunk Mobile Radio	1
Leased Circuit Providers	1
Licensed Payphone Service Providers	1
External Gateway Operators	33
Direct-to-Home Satellite Broadcasting Service	2
Cable TV Distribution Network	2
Total	63

Note: Four operators namely, Sri Lanka Telecom PLC. (SLT), Suntel Ltd, Lanka Bell (Pvt) Ltd., and Dialog Broadband Networks (Pvt.) Ltd. were entitled to provide pay phone and data services according to their licenses.

End of 2011, there were approximately 3.6 Mn. fixed access subscribers, 18.3 Mn. cellular subscribers, and 0.359 Mn. Internet & Email Subscribers (Fixed), 0.485 Mn.

Internet & Email Subscribers (Mobile). The changes in the cumulative number of telecom subscribers and the respective annual growth rates are shown in table 1.2

Cumulative Number of Subscribers and Annual Growth Rates of Subscribers 2000, 2005-2011 (Table 1.2)

Year	Subscriber Type			Annual Growth Rate (%)		
	Fixed	Mobile	Fixed & Mobile	Fixed	Mobile	Fixed & Mobile
2000	767411	430202	1197613	14.7	67.6	29.4
2005	1243994	3361775	4605769	25.5	52.0	43.8
2006	1884076	5412496	7296572	51.5	61.0	58.4
2007	2742059	7983489	10725548	45.5	47.5	47.0
2008	3446411	11082454	14528865	25.7	38.8	35.5
2009	3435958	14264442	17700400	-0.3	28.7	21.8
2010	3534575	17267407	20801982	2.9	21.1	17.5
2011	3608932	18319447	21928379	2.1	6.1	5.4

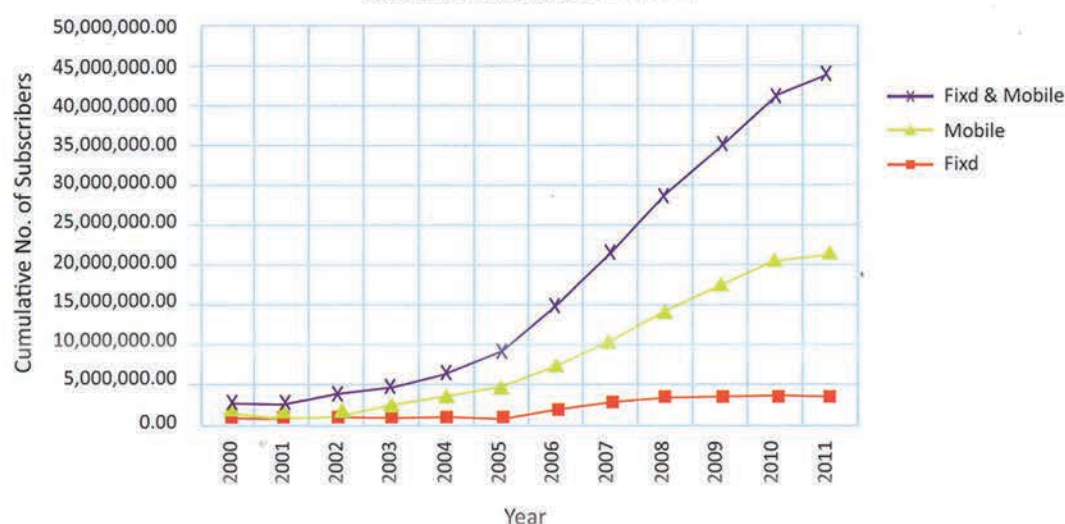
The mobile telephony outnumbered fixed telephony in mid-2002. It can be seen from table 1.2 that the annual growth rate of the mobile sector has remained higher than that of the fixed telephony in respect of every year. In fact, the mobile sector has shown an exponential growth in mid-2000s. During the period 2005-2011 the peak growth rate for both fixed telephony (51.5%) and mobile telephony (61%) was observed in 2006. From the data in table 1.2 it can be seen that although the absolute number of subscribers has been increasing, the growth rate has declined during the period 2006 to 2011 in respect of both fixed and mobile telephony. The growth patterns of the absolute number of subscribers during the period 2000 to 2011 are graphically illustrated in chart 1.1.

Change in Teledensity, 2000-2011 (Table 1.3)

Year	Teledensity (%)		
	Fixed	Mobile	Composite Teledensity
2000	4.0	2.3	6.3
2001	4.4	3.6	8.0
2002	4.7	4.9	9.6
2003	4.9	7.2	12.1
2004	5.1	11.4	16.5
2005	6.3	17.1	23.4
2006	9.5	27.3	36.8
2007	13.7	39.8	53.5
2008	17.1	54.8	71.9
2009	16.8	69.8	86.6
2010	17.1	83.6	100.7
2011	17.3	87.8	105.1

Note: Population statistics have been obtained from Central Bank Reports for various years

Growth of Subscribers (Chart 1.1)



The mobile penetration rate (number of mobile telephones per 100 persons) which stood at 2.3% in 2000 has rocketed to 87.8% in 2011. (Penetration refers to the number of telephones belonging to 100 persons.) However, this number is deceptive as it is estimated that a substantial proportion of activated Subscriber Identity Module

(SIM) cards are used by one and the same individual, implying that actual mobile telephony penetration is somewhat lower than the values indicated in table 1.3. The composite penetration in 2010 exceeded 100% and it rose up to 105 in 2011 reflecting that on average each person in the country possessed a telephone since 2010.

The overall growth in the mobile sector can be mainly attributed to the diversion of the consumers to mobile subscriptions due to reasons such as competitive prices offered by mobile operators, relatively low cost of mobile phones, increase in purchasing power, public awareness and the introduction of different payment options such as pre-paid and post-paid aimed at attracting consumers from diverse income groups with varying degrees of affordability. The end of the three decade long war also has contributed to an increase in the demand for telecommunication services in the Northern and Eastern provinces. The market strategies introduced by the operators created a price war among themselves in 2009 and 2010 and this resulted in an unsettled situation in the market and a threat to the stability of the telecommunication sector. This may be due to the highly competitive tariff packages and the operators began to experience heavy financial losses mainly in the mobile sector. The total loss in the mobile sector in 2009 was approximately Rs.17.4 billion. In order to prevent the deterioration of the industry the TRCSL in mid-2009 introduced floor prices and interconnection rates for the telecom sector and as a result the price war among the operators could be brought to a minimum level.

In addition to fixed and mobile telephones several payphone booths have been established throughout the country for the benefit of the general public. In 2011 there were 6458 payphones spread throughout the country.

The total number of broadband subscribers in 2010 was 443,487 out of which 209,946 were mobile broadband subscribers and

the balance 233,541 was fixed broadband subscribers. In 2011, the corresponding figures were 782,956, 485,165 and 297,791 respectively. Accordingly, broadband users as a percentage of the total population in the country in 2010 and 2011 were 2.1% and 3.8% respectively. Although there has been a slight increase in the percentage of broadband users in the country further attempts should be made to popularize this further. It should be noted that the actual number of persons using internet and email can be somewhat higher than the above figures since internet facilities supplied to some venues (eg. internet cafes, government offices, educational institutions, private sector institutions etc.) are used not only by the persons who obtain the facility but also by several others who are capable of using internet and email.

Although the internet is a very powerful source of knowledge and information there are some disadvantages related to it such as accessibility to sites having obscene content, violence, frauds with credit cards, dissemination of distorted/incorrect information, arrival of viruses which can sometimes malfunction the computers etc.

Moving in tandem with the growth in telecommunication is the growth in Information Technology (IT) which also

Computer Awareness and Computer Literacy 2004-2009 (Table 1.4)

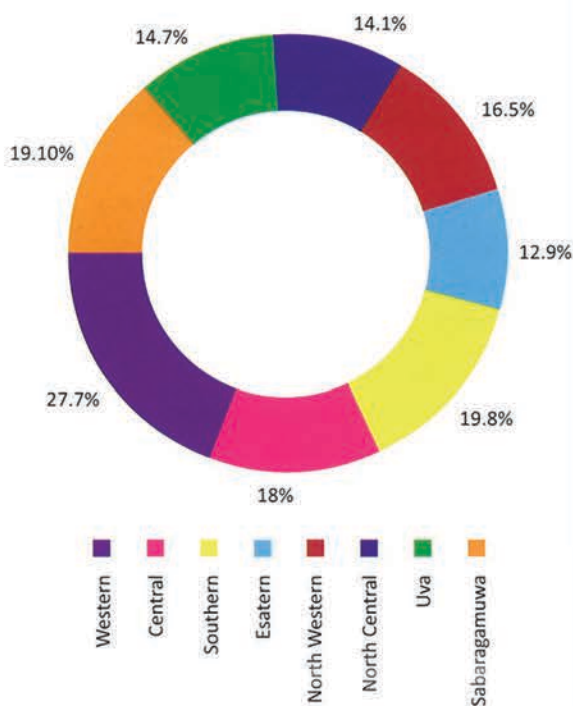
Year	Computer awareness(%)	Computer Literacy(%)
2004	18	10
2006/07	37	16
2009	44	20

Source: Department of Census and Statistics

gives cause for much satisfaction. According to the computer literacy surveys (CLS) conducted by the Department of Census and Statistics computer awareness and computer literacy of the population aged 5-69 years has increased over the years (see table 1.4). In these surveys, a person has been identified as a computer literate if he/she can perform a task using a computer. If a person has heard of at least one of the uses of computers he /

Computer Literacy by Province - 2009

(Chart 1.2)



Source: Department of Census and Statistics

she has been considered as a person with computer awareness.

Among the provinces the highest computer literacy was seen in the Western province. Computer literacy rates of the provinces (except the Northern Province) in 2009 are illustrated in chart 1.2

In the network readiness index ranking, the score for Sri Lanka has increased from 3.65 in

2010 to 3.81 in 2011. However the ranking remained unchanged at 66.

The telecommunications industry has played a significant role in the economic and social development of Sri Lanka.

A large portion of growth of the service industry in Sri Lanka could be attributed to the development of telecommunications industry during the last couple of decades. Improvements in communication, both within and outside the country and greater access to information have improved livelihoods, lifestyles and the quality of life of nearly all segments of the population. Sri Lanka's telecom industry has grown very rapidly in the recent past with restoration of peace after nearly three decades of armed conflict. The telecommunication companies have been deploying and improving their networks since the ethnic conflict ended in May 2009. The total investment by telecom operators for the industry in 2011 amounted to Rs.50.7 billion. TRCSL allowed one operator to conduct a pilot network project using 4th Generation LTE (Long Term Evolution) technology in the city of Colombo. The Government opened the giant multifunctional telecommunication tower at Kokavil in May 2011 after the completion of its reconstruction work and it will facilitate the telecommunication needs of the population in the Northern Province. There were altogether 5083 telecommunication towers spread throughout the country in 2011. Plans are underway to construct another multi-functional telecommunication tower in the city of Colombo.

The telecommunications sector has received a substantial amount of foreign

direct investment (FDI) in the recent past. It can be seen from table 1.5 that during the period 2007 to 2010 foreign direct investment has been mostly absorbed by

industry has created direct as well as indirect employment opportunities in the economy. The direct employment in 2011 was approximately 13,000.

Foreign Direct Investment Received for Telecommunication Projects Approved by the Board of Investment (BOI) Under Section 17 of the BOI Law. (Table 1.5)
(FDI in Million US \$)

Item	Year			
	2007	2008	2009	2010
FDI for Telephone & Telecommunication Network	403,632	553,097	296,064	205,164
FDI for Infrastructure and other services	559,929	697,100	434,341	350,195
FDI for Telecom sector as a percentage of FDI received for Infra structure and other services	72.1%	79.3%	69.2%	58.6%
Total annual FDI received	734,362	888,935	601,250	516,296
FDI for Telecom sector as a percentage of total FDI received	55%	62.2%	49.2%	39.7%

Source: Board of Investment

the telecommunication sector. The amount absorbed by this sector in relation to FDI received for infrastructure and other services in the three year period 2007 to 2009 has been more than 60%. In the year 2010, nearly 59% of the FDI received for infrastructure and other services has been absorbed by the telecommunication sector. This sector received nearly 50% of total FDI in the years 2007, 2008 and 2009. In 2010 the percentage of FDI received by the sector has slightly decreased up to 40%.

Sri Lanka's telecommunications industry especially the mobile sector records a very high turnover. The telecom industry has made a substantial contribution directly and indirectly to the national output. In 2010 an amount of Rs.27 billion was remitted from the industry to the consolidated fund of the Government and this increased by 8% to 29.15 billion in 2011. The telecom

Sri Lanka can be identified as a country which has made substantial progress and achieved record growth in the telecommunication industry in comparison to countries in the South Asia and other similar nations. It can be proud of its most sophisticated telecommunications industry and it is perhaps on par with many developed nations. Sri Lanka has been a pioneer in the South Asian region with regard to introduction of latest technologies such as GSM (Global System for Mobile communication), CDMA (Code Division Multiple Access), ADSL (Asymmetric Digital Subscriber Line), GPRS (General Packet Radio Service) Internet access for mobile telephone, WiMax (Worldwide Interoperability for Microwave Access) broadband services, 3G (Third Generation)

and 3.5G mobile communications and HSPA (High Speed Packet Access) mobile broadband Internet services.

The end of the ethnic conflict in the North and East has resulted in significant changes in the Sri Lankan economy. The government has launched large-scale development projects in several parts of the country with

the aim of transforming Sri Lanka into the “Emerging Wonder of Asia”. According to the development plan of the government it is expected to develop Sri Lanka as a five-fold hub in the region – maritime, naval, aviation, commercial, energy and knowledge. The telecom sector has a crucial role to play in this endeavour.

Telecommunications Regulatory Commission of Sri Lanka (TRCSL)

Origin, Vision, Mission, Objectives, Responsibilities and Functions

CHAPTER TWO

2.1 Origin

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is a Government Statutory Body established under Sri Lanka Telecommunications (Amendment) Act No. 27 of 1996 which was passed in the parliament for the amendment of the Principal Act namely, Sri Lanka Telecommunications Act No. 25 of 1991. In this report the term Act denotes the Sri Lanka Telecommunications Act No. 25 of 1991 as amended by Sri Lanka Telecommunications (Amendment) Act No. 27 of 1996 and the term Commission denotes the Telecommunications Regulatory Commission of Sri Lanka.

2.2 The Commission and Meetings of the Commission

Since 2005 TRCSL has been a statutory body coming directly under the purview of His Excellency the President. In 2011, the Commission comprised Secretary to the President (ex officio Chairman), Director General of TRCSL and two members appointed by the Minister (appointed members) from among persons who possess any recognized qualifications and have distinguished themselves in the fields of law and finance.

The Commission held regular meetings during the financial year 2011. There was full attendance at every meeting of the Commission. Matters decided and approvals granted by the Commission covered approvals on regulatory matters, annual budget of the Commission, internal administrative matters and projects of the Telecommunications Regulatory Commission of Sri Lanka.

and transparent manner to create a regulatory environment that promotes fairness, competition and investments, thus assuring the fulfillment of Sri Lanka's long term communication needs.

2.5 Objectives:

As per the Telecommunications Act the general objectives to be achieved by the Telecommunications Regulatory Commission are as follows:

2.5.1 To ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka satisfying all reasonable demands for such service including emergency services, public call box services, directory information services, maritime services, and rural services as may be considered essential for the national wellbeing.

2.5.2 To secure that every operator shall have and employ the necessary technical,

2.3 Vision

To be recognized as a world leader in an advancing communication industry through scientific and regulatory excellence.

2.4 Mission

Ensure timely delivery of the service nation-wide at an acceptable quality and affordable cost through promotion of fairness and justice in a competitive market through a skilled and ethical workforce.

2.4.1 Interpretation of the Mission Statement

To ensure the availability of advanced and high quality communication technology services to all users at just, reasonable and affordable price by working with all stake - holders in an independent, open

financial and managerial resources to ensure the provision of the services specified in the licence.

2.5.3 To protect and promote the interests of consumers, purchasers and other users and the public interest with

respect to the charges for and the quality and variety of telecommunication services provided and telecommunication apparatus supplied.

2.5.4 To maintain and promote effective competition between persons engaged in commercial activities connected with telecommunication and promote efficiency and economy on the part of such persons.

2.5.5 To promote the rapid and sustained development of telecommunication facilities both domestic and international.

2.5.6 To ensure that the operators are able to carry out their obligations for providing a reliable and efficient service free of undue delay, hindrance or impediment.

2.5.7 To promote research into the development and use of new techniques in telecommunications and related fields.

2.5.8 To encourage the major users of telecommunication services whose places of business are outside Sri Lanka to establish places of business within Sri Lanka.

2.5.9 To promote the use of Sri Lanka's international transit services.

2.6 Responsibilities of TRCSL

As a leading Government Institution TRCSL is the national regulatory agency for telecommunications in Sri Lanka and its main responsibility is to promote sustained development of the industry by shaping the regulatory process, protect public interest and be responsive to challenges in an

increasingly competitive market. TRCSL does not provide telecommunications services as such but encourages the efficient and orderly provision of these services by the operators and it is committed to assist all the telecommunication operators in Sri Lanka to develop world class telecommunication network facilities in the country. The major responsibilities are indicated below.

2.6.1 Enforcement of the provisions in the Act and conditions in the licences by the licensed operators.

2.6.2 Foster fair and sustainable competition among the licensed operators.

- i. Monitoring competition to ascertain whether operators are meeting public interests and objectives.
- ii. To ensure seamless interconnection between networks and services.
- iii. Establishing a general framework of open entry, non-burdensome and transparent licensing

2.6.3 Pricing

Ensure that telecommunication services are reasonably priced, taking into consideration affordability etc.

2.6.4 Consumer Protection

To have consumer safeguards in place, and to encourage citizen participation and open dialogue by conducting inquiries into complaints made by consumers and members of the public.

2.6.5 Social Regulation

- i. Universal Access/Services

- ii. Ensure provision of universal access/ services to the rural communities, elderly and people who are differently able.
- iii. Emergency preparedness
- iv. To make telecommunication services available for people with disabilities.

2.6.6 Regulation of bottleneck facilities and scarce resources

- i. Spectrum Management
- ii. Numbering
- iii. Rights of Way
- iv. Space segment
- v. Interconnection
- vi. Access to international landing stations
- vii. Access to backbone

2.6.7 High quality telecommunication services.

To ensure that telecommunication services are of a high quality which are just, reasonable and affordable and which will satisfy the needs of the consumers.

2.6.8 Promote Good Governance.

Ensure a transparent decision making process, encouraging public participation and giving timely decisions by following principles of natural justice.

2.6.9 Ensure that the decisions are fair and impartial.

2.6.10 Help to build civil society by making it an “informed” society in this modern Information and Communication age.

2.6.11 Endure any operator to comply with requirements laid down by the International Telecommunication

Union (ITU) and relevant International Organizations in respect of both equipment and technical standards.

2.7. Functions of TRCSL

In order to achieve the above objectives TRCSL performs the following regulatory functions:

2.7.1 Processing applications and issue of licenses

2.7.1.1 Licenses to operate telecommunications systems in Sri Lanka under Section 17 of the Act.

According to Section 17 of the Act, no person shall operate a telecommunication system in Sri Lanka except under the authority of a license granted by the Minister on the recommendation of the Commission. However there are some exemptions from licensing and these exemptions are given in section 20 of the Act.

2.7.1.2 Licences for use of radio frequency and radio frequency emitting apparatus under section 22 of the Act.

As per section 22 (1) of the telecommunications Act, no person shall use any radio frequency or any radio frequency emitting apparatus in Sri Lanka or any part of the territorial waters of Sri Lanka or in any ship or aircraft registered in Sri Lanka, except under the authority of a license issued by the Commission for that purpose.

2.7.1.3 Vendor licenses under Section 21 of the Act.

According to Section 21(1) of the Act no person shall by way of trade, manufacture, import, sell, offer for sale, deal in, transfer, hire, lease, demonstrate, maintain and repair any telecommunication apparatus, except under the authority of a license issued by TRCSL.

2.7.2 Tariff Regulation.

2.7.2.1 Determine tariffs in consultation with the Minister as specified under Section 5(k) of the Act according to which the Commission has powers to determine in consultation with the Minister, the tariffs or methods for determining such tariffs, taking into account government policy and the requirements of the operators in respect of the telecommunication services provided by the operators.

2.7.2.2 Approval/Determination of interconnection charges in terms of 5 (b) of the Act.

2.7.3 Monitoring and ensuring compliance with the Act (including rules and regulations made there-under) and licenses by the licensed operators.

2.7.4 Monitoring and ensuring proper utilization of the radio frequency spectrum and management of radio frequency spectrum in Sri Lanka.

2.7.5 Responding to consumer complaints and holding inquiries/ investigations.

According to Section 9(1) of the Act when a subscriber or a member of the public makes a complaint to the Commission in relation to the telecommunication service provided by an operator, the Commission may make such investigations as it may deem necessary and shall cause such remedial measures to be taken as the circumstances of the case may require.

Section 9 (2) of the Act states that in the course of any investigation under section 9(1) the Commission may direct such operator to take such steps as appears to it to be necessary for the rectification of any cause or matter which gave rise to the complaint, and direct that financial redress to be provided where appropriate.

2.7.6 Setting up quality of service standards to ensure quality and variety of telecommunication services.

2.7.7 Represent the Government in International Conferences/ International and Foreign bodies concerned with telecommunications.

2.7.8 Issuance of Orders, Directions and Decisions by the Commission. TRCSL has followed a transparent procedure in issuing orders, directions or decisions. Greater opportunity was offered to the industry participants, consumers and other interested parties to participate at public hearings and other forums.

2.7.9 Specifying technical standards for telecommunication apparatus and type approval

There were several Divisions/Units to carry out the functions of TRCSL. The

main functions and the performance of the respective Divisions/Units in the year 2011 are described in the following sections. It should be especially noted that although certain activities have been listed under a particular Division/Unit, such activities have been carried out by that particular Division/Unit with the support of other Divisions/Units.

Policy & International Relations Division

CHAPTER THREE

The Policy and International Relations Division consisted of two units namely Policy Unit and International Relations Unit and the functions of these two Units are as follows:

3.1 Functions

3.1.1 Policy Unit

- Provide Policy advice on matters relating to the sector.
- Research Studies with the assistance of Universities and research institutions.
- Projects

3.1.2 International Relations Unit

- Co-ordinating the Commission's participation in various international organizations [eg. International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), South Asian Association for Regional Co-operation (SAARC)].
- Circulating information received from international organizations within the Commission.
- Co-ordination of information gathering within the Commission and in the country as required by international organizations of which Sri Lanka is a member.
- Provide required information to International Organizations

3.2 Performance.

3.2.1 Conducting Research and Development in the Field of Telecommunications Sector

One of the duties of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) as set out in the Sri Lanka Telecommunications Act No. 25 of 1991, as amended is "to promote, in co-operation

with operators or otherwise, research and development in telecommunication at universities and research institutes in Sri Lanka" {section 5 (s) of the Act}

The objectives of the program are:

- To improve research studies in the telecommunications sector.
- Encourage University staff and students to conduct research in the field of Telecommunications
- Use research findings to effect improvements in the sector

The Policy and International Relations Division processed the research proposals submitted by Universities and three research studies were selected for 2011/12. The research topics are as follows;

1. Development of a low-cost measurement setup for microwave measurements up to 8 GHZ- Dr. A. U. A. W. Gunawardena/ University of Peradeniya
2. Sign Language Interpreter (SLI) – Dr. N. D. Jayasundere/ University of Ruhuna



Director General Inaugurating the program



3. Design of a Micro Scale RF Harvesting Unit- Dr. K. Pirapaharan/ University of Ruhuna

Initial proposal presentations were made on 28th September 2011. The researchers made presentations on their research topics, including details of research methodology, analytical methods, time frame, cost etc.

3.2.2. Information and Telecommunication (ICT) for the Disempowered / Marginalized Communities TRCSL e-NABLE Project 2010/2011

The Telecommunications Regulatory Commission (TRC) has implemented an ICT skills development programme designed for persons with special needs. A ceremony to mark the distribution of ICT equipment under this project for year 2010/2011 was held on 09th July 2011.

Equipment comprising a number of Computer sets with Accessories, Printers, a CD Copier machine and Brail Papers, altogether having a value of Rs. 4.5 Mn. were distributed to 65 centers which consisted of 01 University, 39 Schools, 04 Vocational Training Centres, and 21 Ranaviru Villages and Ranaviru Sansada (fora) at the ceremony.

3.3.3 Connect a School Connect a Community Project

International Telecommunication Union (ITU) and the Telecom Regulatory Commission of Sri Lanka (TRCSL) inaugurated a project to connect 25 schools in Akuressa, Southern Province of Sri Lanka on 3rd May 2011. Under the "Connect a School Connect a



A token of appreciation to Prof. Weerakkody of University of Peradeniya



A child with special needs expressing his views

Community" initiative, ICT tools such as computers, printers as well as internet connectivity were provided with the aim of transforming these schools into connected community centres. This project aims at driving ICT access to rural and remote locations. It will benefit not only teachers and students but also marginalized and underprivileged communities in the country. Within a framework of Public-Private-People's Partnership (4P) model telecommunications operators and Non Governmental Organizations (NGOs) also have joined this project as partners. Under this programme, Intel carried out a training programme for teachers to help them become more effective educators. This programme would entail training

of teachers to integrate technology into their lessons and to promote problem solving, critical thinking and collaboration skills among their students. Two licensed operators, Mobitel (pvt) Ltd. and Dialog Axiata have undertaken to supply internet facilities for the schools at concessionary rates. Computer chairs and tables were donated by two local organizations. The International Telecommunications Union has selected Sri Lanka as a beneficiary



Ceremony to handover equipment to "Connect a School, Connect a Community project".

country for the project on school connectivity for year 2012 due to the successful completion of the project in the previous years.

3.3.4. International Affairs

3.3.4.1. The World Telecommunication & Information Society Day (WTISD) 2011

Telecommunications Regulatory Commission of Sri Lanka organized an event to celebrate the world Telecommunication and Information Society Day on 17th May 2011. In 2011, the theme for the telecommunication and information society day was "Better Life in Rural Communities" The purpose of the event organized by TRCSL to commemorate WTISD 2011 was to help raise awareness of the possibilities that the use of the internet and other information and communication technologies (ICT) can bring to societies and economies, as well as of ways to bridge the digital divide in rural and remote communities.

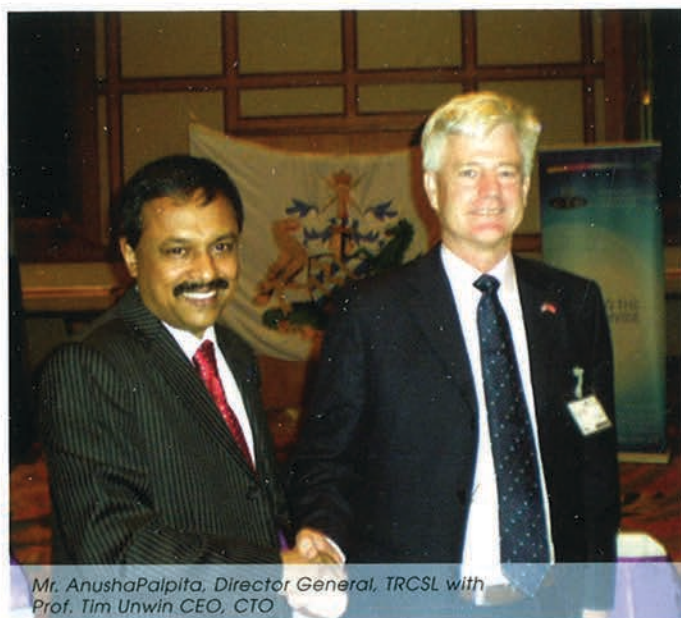
His Excellency the President in his message on the occasion of the World Telecommunication and Information Society day stated that the theme for 2011 had much relevance to Sri Lanka in keeping with the government policies to empower the rural community with more opportunities for information technology (IT). He further stated that there was a great opportunity in IT for meaningful steps towards eradication of poverty, increased earning capacity, better education and health, and assurance of food security among the rural communities.

3.3.4.2 Re-election of Sri Lanka for the Chairmanship of the Commonwealth Telecommunication Organization (CTO)

CTO is the official body which deals with telecommunications and delivers unique knowledge sharing programmes in the use of Information and Communication Technologies (ICT) in specific areas of telecommunications, information technology and broadcasting as well as the internet within the Commonwealth countries. CTO assists ICT stakeholders to adapt and live with change, by providing consulting and advisory services. The Headquarters of the CTO is based in London and comprises 50 full and associate Commonwealth member countries.

Mr. Lalith Weeratunga, Secretary to His Excellency the President and Chairman of the Telecommunications Regulatory Commission of Sri Lanka was elected as Chairman of the CTO at the 50th Council Meeting held in Colombo in 2010 and Mr. Anusha Palpita, the Director General of the Telecommunications Regulatory Commission was elected unanimously as Chairman of the Commonwealth Telecommunications Organization (CTO) at the 51st Council Meeting held at Port of Spain, Trinidad & Tobago, from September 15-16, 2011.

Mr. Anusha Palpita thanked the members for placing their confidence



in Sri Lanka and re-electing Sri Lanka once again as Chairman of the Council for another year. He appealed to the members to do the best to develop and strengthen the CTO and lead the way to achieving greater heights. He promised to work very closely with the newly appointed Chief Executive Officer (CEO), Professor Tim Unwin for the progress of the CTO. He also thanked the outgoing CEO Dr. Ekwow Spio-Garbrah for his unstinted efforts in successfully steering the CTO to become a Global ICT player.

3.3.4.3 Subscriptions

TRCSL represents the Government of Sri Lanka in a number of international organizations such as International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), Commonwealth Telecommunication Organization (CTO) etc.

Subscriptions are paid on annual basis to secure the membership. During the year under review, an amount of Rs.

Payment of Subscriptions (Table 3.1)

Institution	Subscription in SLRS
International Telecommunication Union	19,671,086
Asia Pacific Telecommunity (APT)	1,398,844
Commonwealth Telecommunications Organization (CTO)	
<i>Subscription</i>	3,613,539
<i>Special donation</i>	4,516,021
<i>Recruitment of CEO</i>	545,098
Total	29,744,588

29.7 Mn. was paid as subscriptions to the institutions indicated in Table 3.1 and TRCSL as a member of the respective institutions effectively participated in the relevant activities.

3.3.4.4 Korea IT Volunteer Programme in Sri Lanka

A team of Korean volunteers skilled in Information Technology (IT) visited Sri Lanka for a training programme held at TRCSL from 18 July to 12 August at the TRCSL with the objective of imparting knowledge on advanced IT to selected groups (members of TRCSL staff and special schools, IT instructors of selected

centers, and IT teachers). Altogether 50 persons were selected for this training. This team was part of a larger group of about 150 persons which the Government of South Korea dispatches annually to developing countries during every summer to provide advanced IT Technology. The Korea IT Volunteer (KIV) programme is hosted by the Ministry of Public Administration and Security of Korea and it has been managed by the National Information Society Agency of Korea since 2001. Known as the Arirang team in South Korea, the members of the KIV (Korea IT Volunteer) team comprised Professor Shim Won Bo, and students Choi Seok Hwan, Kim Hyang Won (from Chung Cheong University), Kwak Woo Jung (from Hankuk University of Foreign Studies). Their syllabus included IT topics such as Photoshop, Visual Basic, C-Language and PHP, plus an introduction to various aspects of Korean culture.

Professor Shim Won Bo, the leader of the team said that they want to reduce



The Director General of TRCSL having a discussion with the Korean Volunteer Team



Commencement of the Training Session

the gap in information technology that exists between various countries. Their aim is to give the benefit of their knowledge of advanced IT technology and the experience gained in South Korea in developing e-government to the rest of world including Sri Lanka. Through this IT volunteer activity they would also be introducing Korean culture. Moreover, they would also try to gain an understanding of the culture of Sri Lanka through interaction with participants in the classes and by visits to famed historical places and sightseeing areas.

3.3.4.5 South Asian Telecommunications Regulators Council (SATRC) Working Group

The second South Asian Telecommunications Regulators Council Working Group meeting on spectrum was held on 12th & 13th December 2011 under the participation of SATRC countries. Officials from Afghanistan, Bangladesh, Bhutan, India, Islamic Republic of Iran, Maldives, Nepal, Pakistan and Sri Lanka participated in the meeting. The Working Group

on Spectrum was established in accordance with the decision taken at the 11th SATRC Meeting in Colombo, Sri Lanka from 24 – 26 November 2009 to implement Phase-III of the Action Plan for the duration of 2010-2011 to deal with the issues related to Spectrum issues in the region. At the second working group meeting discussions were held on Long Term Evolution (LTE), Emergency Telecommunication –



Participants of the Working Group

According to Tampere Convention, Emergency Telecommunication – Identification of Harmonized Frequency Bands for Public Protection Disaster Relief (PPDR), Dynamic Spectrum Management Using Cognitive Radio, Spectrum Sharing and Trading, Spectrum Pricing and Proposal on Future Work.

3.3.5 Coordination of Visits of Foreign Delegates.

The Policy and International Relations Division along with the support of other Divisions of TRCSL

coordinated the visits of foreign delegates who arrived in Sri Lanka for telecommunication activities such as training programmes, workshops etc.

3.4 Staff

During the year 2011 the Policy and International Relations Division carried out the functions entrusted to it with a staff of seven (7) members comprising one (1) Deputy Director, two (2) Assistant Directors and three (3) Management Assistant Level Officers and one (1) Primary Level Officer.

Economic Affairs Division

CHAPTER FOUR

The Economic Affairs Division consisted of two Sub Divisions namely, Competition Sub Division and Compliance Sub Division and the functions and activities undertaken by these two Sub Divisions in 2011 are given below.

4.1 Functions of Competition Sub-Division

- Conduct tariff analysis including cost studies to formulate cost-based tariff regulation and examine proposals for new tariff for approval.
- Monitor trends through the analysis of financial and operational performance of licensed operators.
- Perform economic analysis of sector.
- Process commercial terms of interconnection and inter-operator interconnection arrangements for approval.
- Ensure timely collection audited financial statements from Operators.
- Recommend programmes for ICT development in rural areas to the Commission

- Make proposals for the use of economic incentives to expedite rural roll-out.
- Collect and analyse statistical information of the industry.
- Monitor sectoral performance through sectoral analysis.
- Monitor collection of Government taxes/levies (Telecommunication levy, International Telecommunications Operator levy) from the industry.

4.2 Performance

4.2.1 Tariff Regulation

As per section 5 (c) of the Act, it is a duty of the Commission to advise the government on matters relating to telecommunication including policies on tariffs, pricing and subsidies and legislative measures required for the provision of public telecommunication services.

4.2.1.1 Revision of Floor Rates

The floor rate is the minimum rate which can be charged by the operators for their services and the operators should not use rates below the floor rates determined by the Commission.

The floor rates for off net and on net voice calls and short message service (SMS) have been determined separately. On-net refers to calls or messages originating and terminating in the same network and off net applies to calls or messages originating from one network and terminating in a different network.

The Commission revised the floor rate with effect from 15th July 2011 by 50 cents in respect of off net voice calls.

The floor rate for on net voice calls remained unchanged.

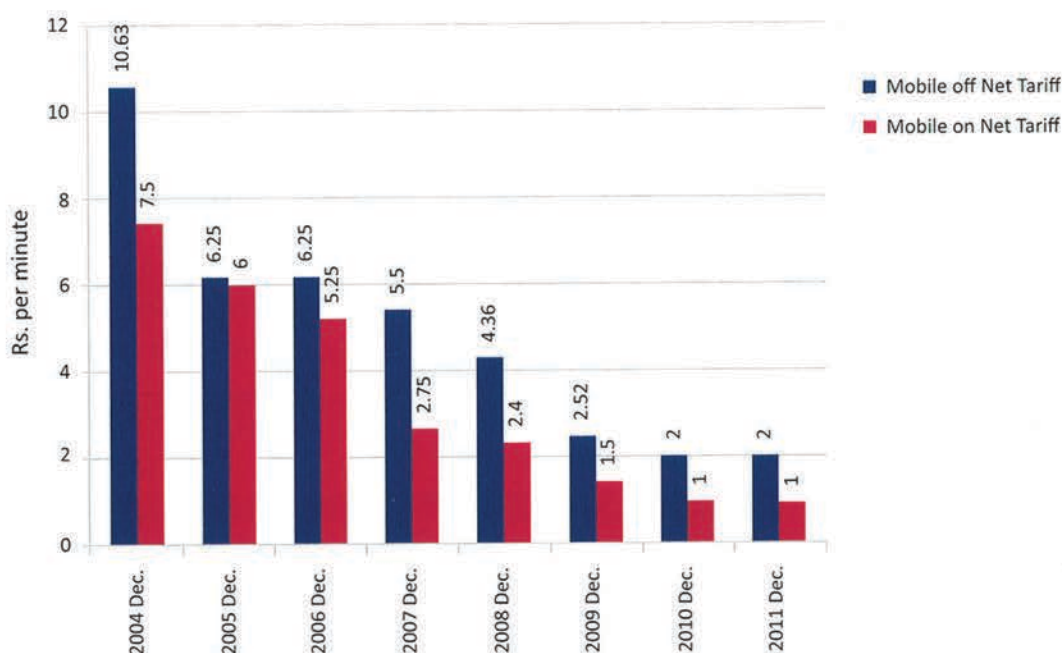
There was no revision of the floor rates of both off net and on net SMS. When operators make tariff proposals with regard to revised floor rates it is necessary for them to support such proposals with a cost justification certified by an external auditor. However, none of the operators proposed tariff as per revised floor rates within the period 2011.

The floor rates for voice calls and SMS as at end of 2010 and 2011 are given in table 4.1

Floor Rates for Voice Calls and SMS, 2010-2011 (Table 4.1)

Item	Off Net		On Net	
	2010	2011	2010	2011
Per Minute Basis Voice Calls (Rs. per Minute)	2.00	1.50	1.00	1.00
Per Second Basis Voice Calls (Rs. per Minute)	2.50	2.00	1.25	1.25
SMS (Rs. Per Message)	0.25	0.25	0.10	0.10

Trends in Mobile Tariff (Chart 4.1)



Note: Tariff that prevailed at the end of respective years has been taken into account

4.2.1.2 Trends in mobile tariff

The off net and on net tariff trends of per minute basis voice calls during the period 2004 to 2011 are shown in chart 4.1. When the figures in table 4.1 are compared with those in chart 4.1 it can be seen that in 2011 the rate for per minute basis mobile off net voice calls in the market was 50 cents higher than the corresponding floor rate.

4.2.2 Operational and financial performance of licensed Operators.

4.2.2.1 Operational Performance

By the end of year 2011, the total number of subscribers (both fixed and mobile) was 21.9 million and it was an increase of 5.4% against year 2010. The number of fixed telephone subscribers in 2010 and 2011 was 3,534,575 and 3,608,392 respectively showing a slight increase of 2.1%

during this period. In contrast, the number of mobile subscribers showed an increase of 6.1% during the same period from 17,267,407 in 2010 to 18,319,447 in 2011.

The total number of broadband subscribers in 2010 was 443,487 out of which 209,946 were mobile broadband subscribers and the balance 233,541 was fixed broadband subscribers. In 2011, the corresponding figures were 782,956, 485,165 and 297,791 respectively. Accordingly, broadband users as a percentage of the total population in the country in 2010 and 2011 increased from 2.1% in 2010 to 3.8% in 2011.

4.2.2.2 Financial Performance

A. Investment

From table 4.2 it is clear that the investment in the mobile sector has been greater than that in the fixed sector in 2010 and 2011. The investment in the mobile sector as a percentage of the total investment increased from 52.9% in 2010 to 55.8% in 2011.

disbursed to PSTN Operators according to their telecommunication infrastructure development activities in unserved and underserved areas. Operators were authorised to claim 2/3 of telecommunication development charge (TDC) recorded under their names within a period of 3 years against to the investment they have made in Commission defined unserved and underserved areas.

Investment by Telecom Operators, 2010– 2011 (Table 4.2)

Year	Investment (Rs. Million)		Total (Rs.Million)
	Fixed operators	Mobile operators	
2010	15,989	17,946	33,935
2011	22,413	28,281	50,694

Note: Investment includes property, plant and equipment

B. Disbursement of Funds for Network Expansion in unserved and underserved areas.

With the liberalization of international telecommunications service segment, government introduced a special scheme to Public Switched Telephone Network (PSTN) Operators to extend their network and services in unserved and underserved areas. A portion of the International Telecommunication Operators Levy imposed on international incoming calls collected and recorded under PSTN Operators' names (2/3 of the telecommunication development charge) has been

Accordingly, during the period 2003 – 2008 a sum of Rs. 3457 Mn was disbursed for construction of 909 towers of Cellular Mobile Services and Fixed Access (Wireless) Services of the PSTN Operators and a sum of Rs.2,563 Mn. was disbursed for 102,532 new wire line connections of the fixed wire line Operator. TRCSL is in the process of finalizing disbursements for the period of 2008/2009 and the total sum would be amounting to Rs. 2,326 Mn. for Cellular Mobile Services and Fixed (Wireless) Services of the PSTN Operators and Rs.177Mn for 7,118

Revenue of Fixed and Mobile Operators, 2010- 2011 (Table 4.3)

Year	Revenue (Rs. Million)		Total (Rs.Million)
	Fixed operators	Mobile operators	
2010	45,299	72,159	117,458
2011	44,108	83,529	127,637

new wire line connections of the fixed wire line operator. The total disbursement in year 2011 was Rs. 3218 out of which Rs. 2114 Mn. were disbursed to mobile operators and the balance of Rs. 1104 Mn. to fixed operators.

Although the above disbursement scheme was changed in July 2010, disbursement of funds will have to be continued until 2013 as there is a period of three years for the operators to submit their claims.

C. Revenue

The revenue of the fixed Operators and the mobile Operators for the years 2010 and 2011 is given in table 4.3

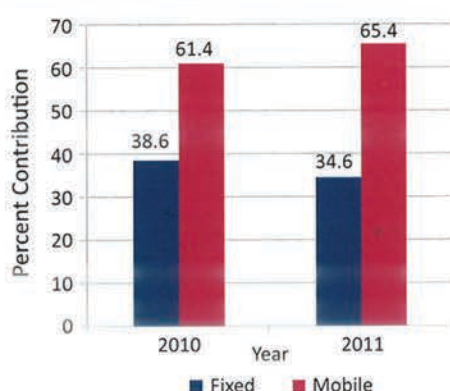
The revenue of the fixed telephone industry has decreased by 2.6% from 2010 to 2011 whereas that from the mobile telephony has increased by

15.8% during the same period. The overall revenue from both sectors has increased by 8.7% during this period. In 2010 the contribution to the total income from the fixed telephony and mobile telephony was 39% and 61% respectively. The corresponding figures for 2011 were 35% and 65% respectively (chart 4.2). Therefore the mobile telephone industry has dominated with a contribution of more than 60% to the total revenue in both years.

D. Net Profit/ Loss in the Industry

The net profit of the fixed telephone operators in 2010 was Rs. 181 million and it increased to Rs.1298 million in 2011. Accordingly, the profit from fixed telephony has shown a sharp increase in 2011. In the case of mobile telephony, the operators have encountered losses in 2010 as well as in 2011. The corresponding figures are Rs. 3,652 million and Rs. 1,016 million respectively indicating that the loss in the mobile industry has decreased by 72% from 2010 to 2011. The total loss in both sectors was Rs. 3.5 billion in 2010 and it changed to a net profit of Rs. 282 million in 2011 (Table 4.4).

Percent Contribution to Total Income (Chart 4.2)



Net Profit/ Loss in the Fixed and Mobile Industry, 2009-2010 (Table 4.4)

Year	Net Profit/Loss (Rs. Million)		Total (Rs.Million)
	Fixed	Mobile	
2010	181	-3,652	-3,471
2011	1298	-1,016	282

4.3 Functions of Compliance

Sub-Division

- Monitor compliance of statutes and licenses on the part of operators.

issues related to tariff, subscriber levy, cess fee and vendor licenses. Table 4.5 shows the information relevant to these issues.

Compliance Issues Handled in 2010 (Table 4.5)

Issue	Violation/Deviation	Action Taken
Compliance issues on tariff (37)	Floor Rate Determination and License Conditions of the relevant operators	Issued letters prohibiting offering of unapproved tariff and public was made aware and advised not to subscribe for unapproved tariff plans through press notices.
Unapproved Private Automated Branch Exchange (PABX)	Section 21(1) of the Telecommunications Act	Published notices in national newspapers advising the public not to purchase unapproved PABX.

- Monitoring TRC's directives, orders and determinations issued to operators.
- Monitor quality of service and propose economic incentives.
- Manage consumer relations and assure consumer protection.
- Perform surveillance works related to the industry.

4.3.1 Performance

4.3.1.1 Dealing with Compliance Issues

The vigilance of the Compliance Sub Division regarding the activities of the operators has helped to minimize the violation/deviation of statutes and licence conditions by the operators. During the year 2011 the Compliance Sub Division dealt with compliance

4.3.1.2 Dealing with Consumer Complaints

The Consumer Relations Unit of the TRCSL has been established for the benefit of the consumers in respect of the telecommunications services provided by the Operators. In terms of Section 9(1) of the Sri Lanka Telecommunications Act No. 25 of 1991 as amended a subscriber or a member of the public could make a complaint to the Commission in relation to the telecommunication service provided by an Operator. The Commission may make such investigations as it may deem necessary and shall cause such remedial measures to be taken as the circumstances of the case may require. Section 9(2) of the Act states that in the course of any investigation under section 9(1) the Commission may direct such operator to take such steps

as appears to it to be necessary for the rectification of any cause or matter which gave rise to the complaint,

of mobile phones, ADSL, internet and broadband service, etc. This Unit coordinates with the relevant service

Complaints received by the Consumer Affairs Unit - 2011 (Table 4.6)

Nature of Complaint	No. of complaints*	%
Telephone bills (Fixed and mobile)	480	3.2
Fixed telephone connections	720	4.8
Nuisance calls	240	1.6
Internet facilities	470	3.2
Mobile telephone connections	490	3.3
Other	310	2.1
Complaints which required intervention to obtain consumer information from the service providers for police investigations on crimes of different types	384	2.6
Loss of mobile phones	11775	79.2
Total	14869	100

*Provisional

and direct that financial redress to be provided where appropriate. The Consumer Relations Unit comes under the purview of the Economic Affairs Division of TRCSL and it entertains complaints on different areas such as billing disputes, delayed installations, fault repair, connection faults, nuisance calls, loss

providers, law enforcement authorities and other relevant institutions to provide a speedy and efficient remedy to the complainants to ensure safety and satisfaction of both consumers and service providers. The Consumer Relations Unit also provides information as per court orders.

Complaints on Lost Mobile Phones - 2011 (Table 4.7)

Category	Number
Complaints in respect of which the information on the current users of lost mobile phones could be found	1922
Complaints where information on lost mobile phones could not be found	6082
Complaints which could not be pursued due to reasons such as disorderliness, lack of clarity etc.	876
Complaints referred to operators (information is pending)	2895
Total	11775

Information on the number of complaints received by the Consumer Affairs Unit in 2011 is given in table 4.6. From table 4.6 it can be seen that more than three fourth of the complaints were in respect of lost mobile phones. Nearly 5% of the complaints were in respect of fixed telephone connections.

A classification of the complaints on lost mobile phones which were processed by the Consumer Affairs Unit during 2011 is given in table 4.7. Out of the total no of complaints made to the TRCSL, information were traced in respect of one sixth of the lost mobile phones. Information on lost phones can be easily obtained only when such phones are used in any of the telecommunication systems. If the lost phones are dismantled or used for other purposes it is difficult to locate

them and this is a major problem encountered in the exercise of tracing the lost mobile phones.

As a result of the intervention of the Consumer Relations Unit the service providers have taken prompt action to correct faults on their part and the consumers have benefitted through this intervention. It is also evident that consumers are more knowledgeable about consumer rights and the competitiveness of the industry.

4.4 Staff

During the year 2011 the Economic Affairs Division carried out the functions entrusted to it with a staff of thirty one (31) members comprising one (1) Director one (1) Actg. Deputy Director, three (4) Assistant Directors, twenty four (24) Management Assistant Level Officers and and three (3) Primary Level Officers.

Broadband Monitoring Unit

CHAPTER FIVE

5.1 Overview

The advent of broadband has significantly changed the way we communicate, access information, share experiences and knowledge, make business and interact with each other. The impact of broadband on the economy is increasingly being acknowledged. Sound broadband strategies and plans are now needed to ensure that all citizens can benefit from the new applications, services and business opportunities brought by a broadband world. The speed is the key factor in the delivery of broadband services. The true potential of the service cannot be realized until such

time the speed is kept high. A slow speed broadband service impacts negatively on broadband growth in the country and in turn retards its contribution to the country's socio-economic development.

5.2 Historical Development of broadband in Sri Lanka

Broadband Internet was first introduced in Sri Lanka in 2003, by the incumbent operator Sri Lanka Telecom Limited (SLTL). The plain copper wires have been used to connect subscribers using ADSL (Asymmetric Digital Subscriber Line) technology in the first phase by covering Colombo metropolitan area.

Before the beginning of commercial service in 2003, SLTL had carried out an ADSL experimental project in greater Colombo area as a pilot project.

In 2003 the incumbent operator SLT mainly depended on two DS-3 circuits (Each with 45Mbps. NTT/Verio Japan and UUNET in USA) in the international backbone segment

through the SEA-ME-WE 3 (South East Asia, Middle East, Western Europe) submarine cable and mainly used this capacity for the purpose of data transportation. Subsequently this capacity was further increased to a higher capacity using SEA-ME-WE 3 and newly built SEA-ME-WE 4 cables to the global Internet. Today this comprises of STM-1, STM-4, STM-64 and GE circuits which add nearly 15.6Gbps utilized capacity in the International segment.

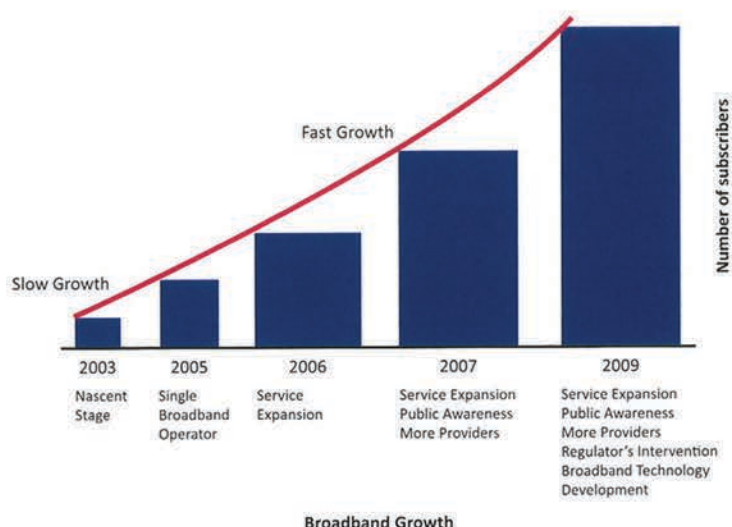
Currently Sri Lanka's Broadband market is comprised of ten operators which include nine wireless operators and one wired operator who is using the copper network to connect subscribers. Information on Broadband Operators, Technology and Speeds is given in table 5.1

Majority of laid fibre networks are mainly used for the purpose of transporting backhaul traffic. So far no fiber to the home (FTTH) is available in the country to serve the individual customers. Metro Ethernet services are also available in the corporate

Broadband Operators, Technology and Speeds (Table 5.1)

Operator	Technology		Maximum Bandwidth advertised
SLT	ADSL 2+	Wired	16Mbps
DIALOG BROADBAND	WiMAX	Wireless	4Mbps
DIALOG MOBILE	HSDPA	Wireless	3.6Mbps
LANKA BELL	WiMAX	Wireless	4Mbps
ETISALAT	HSPA+	Wireless	7.2Mbps
MOBITEL	HSDPA	Wireless	3.6Mbps
AIRETELL	HSDPA	Wireless	3.6Mbps
SUNTEL	WiMAX	Wireless	4Mbps
SKY NETWORKS	WiMAX	Wireless	4Mbps
HUTCH	HSPA	Wireless	3.6Mbps

The growth of Broadband subscription (Chart 5.1)



sector and fiber to the building (FTTB) can be seen in areas where the fibre is available.

5.3 Origin of Broadband Monitoring Unit (BMU)

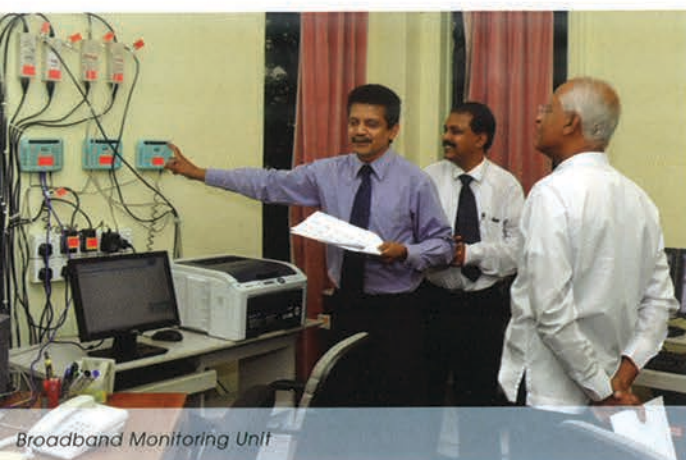
In 2010, the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) commenced monitoring the quality of service associated with the provision of broadband internet services by operators to the public. For this purpose a Broadband Monitoring Unit (BMU) was established at the TRCSL premises. This Unit was established under the direction of Director General, TRCSL and the technical assistance of the National Broadband Consultative

Committee (NBCC). The Unit is headed by a consultant and is equipped with apparatus to observe a wide variety of broadband services including ADSL, WiMAX and HSPA.

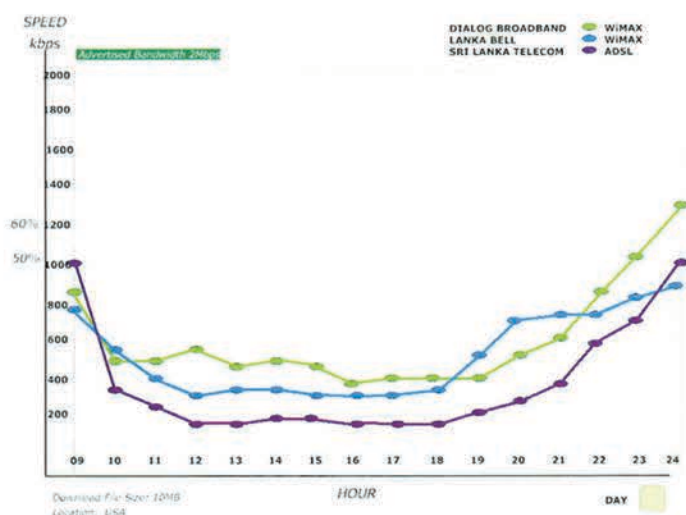
5.4 Functions of BMU

The main task of this Unit is to keep under surveillance the quality of broadband services encountered by subscribers in the country. To get an accurate picture about the overall broadband quality of service (QOS), appropriate tests are carried out in various parts of the island where broadband is available.

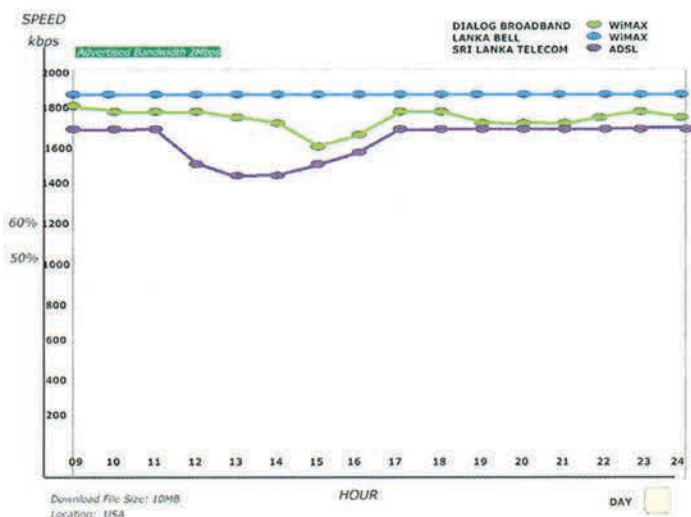
The local and international segments have been monitored separately to gauge the available speeds. The broadband service providers have setup mechanisms in their networks to enable these tests to be conducted accurately, pursuant to the request made by the TRCSL. This mechanism allowed TRCSL to keep under observation an operator's access network and to obtain data required for monitoring quality of service.



Download Speed August 2010 (Chart 5.2)



Download Speed August 2011 (Chart 5.3)



5.5 Speed Test Results

The results of speed tests have been published periodically for the information and reference of the subscribers. Charts 5.2 and 5.3 show the download speeds of fixed service providers in August 2010 and August 2011 respectively.

Consequent to the speed monitoring initiative of TRCSL, the operators have taken steps to improve the speeds significantly in the fixed broadband services. When we compare charts 5.2 and 5.3 it can be seen that the download speeds of the three service providers have improved significantly within a period of one year.

Apart from quality of service improvements, the access charges of the broadband services in the country could be reduced through the creation of competition among operators.

In addition to publishing broadband speed test results for the knowledge of the public, TRCSL has developed a tool which offers the facility for subscribers to test their broadband download speeds accurately. This system works on two dedicated servers located in USA and Europe which offers the facility for subscribers to check available speeds between them and a remotely located server.

The TRCSL will be planning to expand the BMU and its facilities to widen its scope and experimental work with the intention of providing expertise to other regulators in the world.

Spectrum Management Division

CHAPTER SIX

6.1 Over view

The radio frequency spectrum is a national resource and hence it is an exclusive property of the state. The responsibility of managing this valuable scarce resource is entrusted to Spectrum Management Division. The purpose of spectrum management is to maximize the benefit of usable radio frequency spectrum and to mitigate radio frequency interference.

Goals of spectrum management include rationalization and optimization of the use of radio frequency spectrum; avoidance and mitigation of interference issues; promoting the introduction of new wireless technologies; development of spectrum licence fee structures to gain optimum economic value of spectrum, and coordination with neighbouring countries and other administrations regarding spectrum matters. These goals are achieved through a set of administrative and technical procedures.

The Spectrum Management Division, carried out the following functions in 2011 in fulfilling the obligations of the Commission as per the Telecommunications Act.

6.2 Functions

- Planning of radio frequency spectrum in accordance with Radio Regulations and associated recommendations of International Telecommunication Union (ITU)
- Making available of spectrum for the introduction of new technologies
- Identifying and assigning radio frequencies from suitable bands
- Developing necessary guidelines, rules and fee structures related to radio frequency spectrum
- Invoicing and licensing for the usage of frequencies and associated equipment
- Managing a database of all users containing frequency assignments, transmitter locations, technical data of transmitters, invoicing and licensing data
- Issuance of type approval documents for certain radio equipment
- Recommendation and authorization of equipment clearances to other government organizations such as Board of Investment (BOI), Import Control Dept., Customs Dept.
- Monitoring of radio frequency spectrum
- Investigation of complaints related to radio frequency interferences and mitigation of radio frequency interferences
- Providing necessary information and guidance for research activities of students in academic institutions

- Conducting awareness programmes on radio frequency and equipment usage
- Liaising with international organizations such as ITU, APT, IMO and regulatory organizations of other countries in matters related to radio frequency spectrum

As per Section 22 of Telecommunications Act (see 2.7.1.2) any person who uses a radio frequency emitting apparatus should have a valid licence issued by the Commission. The licence is issued on the payment of fee as specified by rules made in that behalf unless specified otherwise. The conditions of the licence are specified and issued together with the licence. Conditions may differ from service to service. In the event of the breach of any such condition, TRCSL has the power to seal the equipment and to revoke the licence.

Radio frequency spectrum is allocated to various bands according to the type of service. The nature of service differs from the one to other depending on the characteristics of radio waves, technical parameters of equipment and applications. Hence the work of the Division is divided into several service categories.

It is required to have a clearance from TRCSL for importing any radio frequency apparatus. Spectrum Management Division makes sure that equipment complies with necessary standards and has a frequency approved by TRCSL for operating the equipment, prior to issue of such a clearance letter. This action minimizes the illegal use of frequencies and radio interferences occurring to licensed spectrum users.

However, Spectrum Management Division receives complaints from users whenever they experience interference to their transmissions. The arrangements are made to identify the source of interference and take relevant mitigating actions.

6.3 Performance

The statistics on the number of frequencies and licences issued during the year 2011, as well as interference complaints and unauthorized users identified by Spectrum Management Division are shown below.

6.3.1 Assignment of frequencies.

Number of Frequencies Assigned, 2010- 2011 (Table 6.1)

Category of Service	No. of Frequencies	
	2010	2011
Fixed service	4724	4810
Broadcasting service	66	28
Cellular Mobile Service	02 slots	01 slot
Data & Radio Telemetry	28	33
Aeronautical & Maritime Service		
<i>i. Maritime Mobile Service</i>	08	04
<i>ii. Aeronautical Mobile Service</i>	11	06
Private Mobile Radio Service	13	13

6.3.2 Issuance of frequency licenses

Number of Licenses Issued for Spectrum Users, 2010- 2011 (Table 6.2)

Category of Service	No. of Frequencies	
	2010	2011
Fixed service	38	59
Broadcasting service (<i>Television and Radio</i>)	25	28
Cellular Mobile Service	5	5
Trunking / Paging/ Citizen Band	8	9
Data & Radio Telemetry Service	24	38
Aeronautical and Maritime Services		
<i>i. Aircraft stations</i>	34	34
<i>ii. Ship stations</i>	65	65
<i>iii. Maritime mobile</i>	78	78
<i>iv. Aeronautical mobile</i>	5	5
Private Mobile Radio Service	185	185

6.3.3 Complaints Received and Investigations Undertaken, 2010- 2011

Complaints Received and Investigations Undertaken, 2010- 2011 (Table 6.3)

Service	No. of complaints received		No. of investigations undertaken	
	2010	2011	2010	2011
TV and Broadcasting	13	17	8	17
Other Services	53	68	53	68

From table 6.3 it can be seen that in 2011 the Spectrum Management Division has conducted investigations in respect of all the complaints received from spectrum users with regard to interferences.

6.3.4. Identification of illegal users of frequency spectrum

Special frequency monitoring equipment were used for detecting illegal users of radio spectrum. These equipment were installed in special vehicles designed for the purpose. Table 6.4 reveals that the number of identified illegal users of frequency spectrum has decreased in 2011.

Number of Illegal Users Identified and Preventive Action Taken, 2010- 2011 (Table 6.4)

Category	No. of illegal users identified		Action Taken
	2010	2011	
Broadcasting service (TV and radio)	05	02	Took steps to prevent the illegal use of frequency spectrum
Other services	03	02	

6.3.5 Number of clearance reports issued for the importation of wireless telecommunication equipment

Number of Clearance Reports Issued 2010- 2011 (Table 6.5)

Category of Service	No. of clearance reports	
	2010	2011
Fixed service	720	845
Broadcasting service (<i>Television and Radio</i>)	105	245
Cellular Mobile Service		
<i>i. Dealer Licence</i>	4058	4897
<i>ii. Mobile operators</i>	927	1278
<i>iii. Trunking / Paging / Citizen Band</i>	7	6
Aeronautical and Maritime Services		
<i>i. Aircraft stations</i>	6	11
<i>ii. Ship stations</i>	3	15
<i>iii. Maritime mobile</i>	85	278
<i>iv. Aeronautical mobile</i>	2	21
<i>v. Aeronautical navigation</i>	1	4
<i>vi. Miscellaneous</i>	29	95
Private Mobile Radio Service		
<i>i. PMR</i>	159	609
<i>ii. CDMA</i>	245	170
Data service	482	368
Satellite service	1020	904
Amateur Radio	11	28
Low Power Devices	982	1360

The number of clearance reports issued for the importation of wireless telecommunication equipment in 2011 has shown an increase over that in 2010 in respect of all services except three categories (ie. Trunking / Paging / Citizen

Band service, Data service and Satellite service) where there has been a numerical decline of the same.

Other Important activities undertaken by the Spectrum Management Division in 2011 are described below.

6.4 Transition from Analogue to Digital television in Sri Lanka

The roadmap for transition from analogue to digital terrestrial television in Sri Lanka has been prepared with the initiative taken by the Spectrum Management Division. This was jointly developed by an ITU (International Telecommunication Union) expert Peter Chu and the National Roadmap Team (NRT). The NRT is chaired by Mr. Helasiri Ranatunga, Deputy Director – Spectrum Management, Telecommunications Regulatory Commission of Sri Lanka (TRCSL).

The NRT consists of representatives from the following organisations:

- Telecommunications Regulatory Commission of Sri Lanka;
- Ministry of Defence;
- University of Moratuwa;
- Sri Lanka Rupavahini (TV) Corporation (National Television Network);
- Independent Television Network Ltd. (National Television Network);
- E.A.P. Network (Pvt) Ltd. (commercial broadcaster);
- MTV Channel (Pvt) Ltd. (commercial broadcaster);
- Dialog Television (Pvt) Ltd. (commercial broadcaster).

The process of transition from analogue to digital broadcasting, offers advantages in terms of spectrum efficiency, higher video and audio quality and new business opportunities. It also offers the opportunity to allocate part of the broadcasting band to International Mobile Telecommunication services and other applications.

In all ITU regions the transition from analogue to digital broadcasting has started. In a number of countries mainly in the USA and many countries in the European Union, analogue switch-off has been completed. Most developing countries are also considering digital switch-over or have started the process. To support developing Member States to overcome the challenges and migrate smoothly from analogue to digital broadcasting ITU developed a programme that helps countries to reap the full benefits of spectrum efficiency and covers terrestrial TV, mobile TV and sound broadcasting.

ITU has published guidelines for the transition from analogue to digital broadcasting. These guidelines provide assistance to member countries to smoothly migrate from analogue to digital broadcasting. In an effort to help countries to switch over to digital broadcasting ITU has selected countries to help them drafting a national Roadmap for this Digital Switch-Over (DSO) process. Sri Lanka is one of the beneficiary countries for further assistance.

The Sri Lanka TV market, with an estimated 3.5 million TV households, is mainly a terrestrial TV Free to Air (FTA) market with a very high number of analogue terrestrial TV programme services (23). There is a wide choice of TV delivery platforms in addition to analogue terrestrial TV, such as digital TV satellite, analogue and digital cable TV and Internet Protocol Television (IPTV).

In 2011 the Sri Lanka Gross Domestic Product (GDP) per capita was US \$2,400. This relatively low GDP figure and the very competitive TV market mark one of the

greatest challenges for the Digital Switch-Over (DSO) process. Digital Switch-Over can only be succeeded if the costs for the government, the broadcasters and the viewers are kept low. On the other hand transition to digital television will offer great advantages. The viewer will have more services and better picture quality, the broadcasters can offer new services and network costs can be reduced. The government can achieve more efficient use of the frequency spectrum and may allocate part of the Broadcasting band to other communication services.

The ITU assistance to Sri Lanka consisted of four key activities:

1. Preparation and first country visit to collect information
2. Drafting Roadmap report
3. 2nd country visit to present and discuss the draft Roadmap report
4. Drafting final Roadmap report.

The experts who prepared the guidelines for the transition to digital broadcasting visited Sri Lanka from the 15th to the 26th

of August 2011 and from 26th September to the 4th of October 2011. During the first visit the experts together with the National Roadmap Team (NRT) prepared:

- An analysis of the TV market and Regulatory situation
- An overview of short term and long term Digital Switch-over objectives
- An inventory of decisions taken regarding key objectives.

Scope of the Roadmap

- a. The Roadmap for transition from analogue to digital television in Sri Lanka covers the short term Digital Switch-Over (DSO) & long term DSO objectives and the activities managed by the NRT.
- b. The Sri Lanka television market is characterized by a great number of national and commercial TV services and a wide choice of TV platforms (analogue and digital cable, satellite TV, IPTV). The TV market in Sri Lanka is mainly a free-to-air terrestrial TV market with a total 23 TV license

Summary of DSO Objectives (Table 6.6)

No.	Objective	Short term (1 year after analogue switch-off)	Long term (5-6 years after analogue switch-off)
1	Smooth transition from analogue to digital by means of using strategy driven and regional service approach. Digital terrestrial television (DTT) service before mid 2012 is planned to be available in Western Province and Northern Province.	All analogue services converted to digital with same island wide coverage areas for all current analogue TV programmes.	NRT will follow the direction from Ministry of Mass Media and Information (MMMI); Telecommunications Regulatory Commission of Sri Lanka (TRCSL) will conduct the planning for digital dividend.

Summary of DSO Objectives (Table 6.6)

2	Issue system license to the Digital Broadcast Network Operator (DBNO)	Second DBNO license will be issued in condition of frequency spectrum available after analogue switch off (ASO) Assignment of frequencies for free to air DBNOs take precedence over subscription based DBNOs.	NIL
3	The DBNO should set up the free-to-air DVB-T2 digital terrestrial television transmission network.	NIL	NIL
4	The broadcasters should make use of the services of a DBNO for the delivery of their television programmes to the viewer. All existing broadcasters should be instructed that all channels are available as a mandatory requirement in the digital platform constructed by the respective DBNOs from the very inception.	NIL	NIL
5	Solution to issues arising out of practical difficulties in implementing the policy. The Regulator shall take responsibilities on the concerned solutions.	NIL	NIL
6	Tax policy	From 2012 to 2015, the tax concessions will be provided to promote current broadcasters.	From 2012 to 2018, the tax concessions will be provided for the customer premises equipment (CPE).

7	Frequency planning before ASO in supporting framework of transition from analogue to DTTB	The outcome of frequency planning will be used for the 2nd DBNO system license and other possible digital broadcasting services.	Can accommodate more DBNO licenses.
8	Better picture quality	High Definition Television (HDTV) quality up to the market in condition of more island wide multiplex available after ASO	3D TV up to the market
9	More digital broadcasting services	NIL	Mobile Television (MTV) and/or Digital Radio
10	Digital Dividend	Draft to be discussed	Restacking Ultra High Frequency (UHF) Spectrum

holders out of which 16 broadcasters are currently in operation.

- c. The aim of the Roadmap is indicated by the Digital Switch-Over (DSO) objectives. In the deliberation process in the first NRT meeting, the NRT sorted out the DSO objectives in short term and long term as summarized in Table 6.6.
- d. The duration of the transition process from analogue to digital television has been determined by NRT. The updated milestones are based on the timelines originally stated in the Report submitted to Ministry of Mass Media and Information.
 - End 2011 to mid-2012: Deployment of DTTB pilot transmission services in Northern Province and Western Province.
 - Mid 2014: Deployment of DTTB services from eight DTT principal stations.

- End 2015: Analogue shut off in Western Province.
- End 2017: Complete analogue switch-off.

It is estimated that it will take around five to six years for the consumers to convert from analogue to digital.

Duties and Responsibilities

The Report further defines the duties and responsibilities in the digital value chain and the Regulator/Authority.

Duties and Responsibilities of DBNO

- Facilitate all current television broadcasters equally at reasonable rates
- Collection of content from the main control room (MCR) of the broadcaster
- Deliver contents of the broadcasters to the viewer

- Provide specified service level to the television broadcaster
- Facilitate requests from licensed television broadcasters
- Maintain a backup transmission facility to ensure minimum down time
- Rollout the transmission network with island-wide coverage, required reliability and technical quality.
- Provide an electronic program guide (EPG) of all program channels to viewers
- Maintain a 24x7 help desk to cater to the viewership and broadcasters

Duties and Responsibilities of television broadcasters

- Content to be provided up to the hand over point of MCR in digital format
- Provide metadata needed for EPG to DBNO.

Duties and Responsibilities of the Media Ministry/Authority

- Stop issuing of new television broadcasting licenses to operate own transmitting stations.
- Formation of DBNOs
- Get the satellite and cable providers to be in line with the digitization plan.
- Regulation of access and tariff of DBNO services

- Type approval of broadcast quality digital video production equipment for the use of television broadcast purposes

Duties and Responsibilities of TRCSL

- Allocate three frequency channels to each DBNO initially.
- Issue of licenses for DBNOs under the Telecommunication Act
- Type approvals of the transmission related equipment
- Stop granting permission for new expansions of current analogue transmission on or before a relevant date.
- Get the satellite and cable providers to be in line with the digitization plan.
- Ensure that the DBNOs maintain specified availability levels while providing Disaster Recovery (DR) facilities.

6.5 Staff

During the year 2011 the Spectrum Management Division carried out the functions entrusted to it with a staff of thirty five (35) members comprising one Deputy Director, seven (7) Assistant Directors, twenty two (22) Management Assistant Level Officers and five (5) Primary Level Officers.

Key milestone and implementation schedule for the framework of DTTB in Sri Lanka as updated in the first NRT meeting on 24/8/2011 (Table 6.7)

ID	Activities	2011	2012	2013	2014	2015	2016	2017
Proposed milestone	End 2011 - Launch DTTB in Northern province and Western province (Northern first, western second)	▲	▲					
	Mid 2014 - DTTB from all locations	▲			▲			
	End 2015 - Analogue shut off in western province					▲		
	End 2017 - Complete analogue switch-off							▲
1	Vacated analogue Ch41 & Ch43 from current network operators	■	■		Start:2nd quarter 2011; End: 2nd quarter 2012			
2	Frequency planning for DTT network conducted by TRC	■	■		Start:2nd quarter 2011; End: 2nd quarter 2012			
3	Infrastructure feasibility study for eight DTT sites in high priority	■	■		Start:2nd quarter 2011; End: 1st quarter 2012 (TRC/ Ministry of Mass Media and Information)			
4	Go ahead with the proposed DBNO system License	▲			Pending for instruction from Ministry of Mass Media and Information			
5	Issue of system license to first DBNO		■		Start:1st quarter 2012; End: 2nd quarter 2012			
6	DBNO undertake eight DTT sites design/equipment installation including system commissioning		■		Take 24 months to complete and suggest target service by mid 2004			

Network Division

CHAPTER SEVEN

The Network Division carried out the following functions in 2011 in fulfilling the obligations of the Commission as per the Telecommunications Act.

7.1 Functions

- Management of the National Numbering Plan.
- Study project proposals submitted by individuals/ organizations with regard to telecommunication infrastructure developments and make recommendations and submit reports on the same.
- Administering technical standards for the telecommunications sector in Sri Lanka and conducting all work related to ITU's Standardization Sector (ITU-T and WTSA).
- Participating in Technical Evaluation Committees (TECs) of Government & Public Corporation and provide technical inputs related to telecommunications.

- Performing type approval of terminal and network equipment for attachment to the network and making recommendations for customs clearance purposes.
- Planning and administering signaling point codes for operators.
- Processing applications for issue of vendor licenses (see 2.7.1.3) and management of Vendor Licence regime
- Facilitate licence operators in implementing their infrastructure development projects.
- Assist in CID investigation related to public security law and order
- Advise licence operators on infrastructure development in relation to compliance.
- Conducting Amateur Radio Operator (ARO) Examination with the support of the Department of Examinations

7.2 Performance

During the year 2011, the Network Division continued the regulatory functions entrusted to the Division (issuance of vendor licenses, issuance of clearance reports for importation of equipment, conducting investigations on complaints, development of policies and guidelines relevant to the telecommunications infrastructure development etc.), and development activities such as construction of towers, public awareness programmes, exhibitions etc.

Statistics pertaining to activities undertaken by the Network Division are given in table 7.1.

7.2.1 Issue of Vendor Licenses

Vendor licenses for selling of telecommunication apparatus are issued under section 21 (1) of the Telecommunication Act (see 2.7.1.3) and

Statistics Related to the Network Division, 2010-2011 (Table 7.1)

Description	2010	2011
Total No. of Vendor licences issued	487	875
Cumulative No. of Towers constructed	4067	5083
Total No. of Tower complaints received	149	203
Total No. of investigations handled(Tower related)	78	69
Total No. of court cases related to towers	17	3
Total No. of Public complaints settled related to towers	10	147
Total No. of public awareness programmes held	17	16
Total No. of New Type Approval given	28	66
Total No. of issuance of Import clearance	3217	3654
Total No. of Individual Clearance	88	201
Total No. of applicants faced for ARO Examination	50	20
Cumulative No. of New Short codes issued	22	26
Other exhibitions held	04	03

the general public was educated on this matter. As a result the number of licenses issued increased by 80% to 875 in 2011.

7.2.2 Construction of Telecommunication Towers

The number of telecommunication towers constructed increased to 5083 in 2011 and it was an increase of 25% when compared to the total number of towers in 2010. This has increased coverage areas of the Operators with a better quality of service. Under the policy of tower sharing, TRCSL managed to reduce the increasing trend of new tower construction. With regard to tower construction, two important events took place in 2011, namely the opening of the Kokavil Multifunctional Tower and Transmission Station and granting of Cabinet approval to construct another Multi - functional Telecommunication Tower and an Entertainment Centre, in the city of Colombo.

7.2.2.1 Kokavil Multifunctional Tower and Transmission Station

The Opening of the Kokavil Multi - functional Communication Transmission Centre by His Excellency the President took place on 06th June 2011.

The Kokavil Tower, the largest and highest communication transmission Tower in Sri Lanka is 174 meters in height. It was constructed along with associated facilities at a cost of Rs.310 million under the Uthuru Wasanthaya Programme of the Government. The experts have identified this Tower as the highest self-standing Transmission Tower in South Asia. The space of this Tower is to be utilized for installing telecommunication, television, radio and other government institutional facilities. This Multi-functional Communication Transmission Tower will be of help in removing problems associated with telecommunication,



Opening Ceremony of the Kokavil Tower

television, radio, and communication services affecting the communities in the Northern Sri Lanka. This will help to provide high quality and clear television, radio and telecommunication coverage to the Northern Province. It is also expected that the Tower will provide adequate space and facilities for the expansion of related Telecommunication services in the region.

7.2.2.2 Colombo Lotus Tower

The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) engaged in planning the construction of a Multi - functional telecommunication tower and an Entertainment Centre at the Beira Lake Waterfront in Colombo and it has been named Colombo Lotus Tower. The tower will be utilized for electronic media and telecommunication services and leisure activities. It will accommodate at least 50 FM Channels and 50 telecasting services; provide facilities for about 10 service providers and in addition, indirectly contribute in greening the environment and removal of high power TV & FM antennas innumerable located at various buildings in the Colombo City. The estimated cost of the Project is US \$ 104.3 Million.

7.2.2.3 Problems and Issues Related to Tower Construction

- In the telecom tower approval process the operators have to obtain Local Authority construction permits for which

different local authorities charge different rates in an adhoc manner and they are very high in value. It causes problems to telecommunication development. Inordinate delays in obtaining local authority approval result in delaying project implementation.

- Fear of increase of lightning strikes due to existence of towers is a common public opinion. In order to address this issue, the Network Division has to conduct awareness campaigns with the assistance of professionals in this field of specialization.

7.2.3 Handling of Infrastructure Development Complaints

Along with the increase in telecommunication tower construction there has been an increase in the number of complaints against tower construction as well. The general public makes complaints against tower construction due to several reasons and the Network Division carried out 69 investigations on these matters in 2011. There has been a substantial decrease in the number of telecommunication towers related court cases in 2011 compared to that of 2010. A large number of tower related public complaints (147) were settled in the year 2011.

7.2.4 Public Awareness Programmes

During the period under reference, the Network Division held 16 public awareness programmes on

telecommunication infrastructure development and legal requirements for the selling telecommunication equipment. The objectives of these programmes were to listen to the concerns of the public and educate them on the national and international standards related to construction of telecommunication towers and consequences of illegal selling of telecommunication equipment. As noted earlier the awareness programmes have contributed to a substantial increase in the number of vendor licenses in 2011.

7.2.5 Type Approval and Issuance of Import Clearance

In terms of the provisions of Section 5(q) of the Telecommunication Act, terminal equipment requires type approval from the Commission. Accordingly, telephone Instruments, fax machines; PABXs (Private Automated Branch Exchange), modems, cordless telephones and any other customer premises equipment to be connected to the licensed network require type approval. In 2011 sixty six (66) new type approvals were granted by the Commission. From table 7.1 it can be seen that there has been a numerical increase in the issue of import clearance and individual clearances with regard to import of telecommunication equipment to Sri Lanka.

7.2.6 Amateur Radio Operator (ARO) Examination

TRCSL called for applications for the Amateur Radio Operator (ARO) Examination and conducted the examination with the support of the Department of Examinations. Twenty applicants sat for this examination in 2011.

In addition to the above, following major activities have been performed by the Network Division during the year 2011.

7.2.7 Allocation of Short Codes

Public and private sector institutions make requests for allocation of short codes to provide an easy access to the public for their service. When such requests are received, the Division obtains project proposals from the respective institutions and study the proposal in detail since utmost care should be given in allocating a scarce resource. After completion of the study the Division makes recommendations to the Commission with regard to the particular request. The total number of new short codes allocated up to 2011 was 26.

7.2.8 National Policy on Antenna Structure Construction and Development of Guidelines for the Construction and Maintenance

This activity was commenced with the intention of safeguarding the environment and public interests while not unduly restricting the development of telecommunication services. TRCSL appointed a Technical Advisory Committee to address the issues related to antenna structures and to draft policy guidelines for construction and maintenance of antenna structures. The policy guidelines have been approved by the Commission and it is anticipated that problems relating to tower construction and their maintenance will be minimized when the relevant parties adhere to these guidelines.

7.2.9 Investigation of Illegal Vendors

As noted earlier it is necessary to obtain a license from TRCSL for selling telecommunication equipment. The Network Division continued public awareness campaigns and investigation of illegal vendors with the assistance of Sri Lanka Police in order to force/encourage setting up of legal selling points of telecommunication equipment including mobile phones.

7.2.10 Control of Illegal Operation of Cable TV Services

According to Section 22(A) (1) of the Act no person shall perform cabling work in any premises except under the authority

of a license issued by the Commission for that purpose. In 2011 the Network Division engaged in the control of illegal cable TV services island-wide with the assistance of the Criminal Investigation Department.

7.3 Staff

During the year 2011 the Network Division carried out the functions entrusted to it with a staff of twenty four (24) members comprising one (1) Deputy Director, three (03) Assistant Directors, eighteen (18) Management Assistant Level Officers and two (2) Primary Level I Officers.

Licence Administration Division

CHAPTER EIGHT

The Licence Administration Division, carried out the following functions in 2011 in fulfilling the obligations of the Commission as per the Telecommunications Act.

8.1 Functions

- Management of activities related to telecommunication system licences and enforcement of licence conditions
- Assessment of applications and investors' business plans from a technical point of view and coordinating relevant economic, legal and consumer aspects.
- Ensuring technical compliance by the licencees with the conditions of the licences
- Maintain and implement the framework and procedures in respect of new applications for providing telecommunication services.
- Coordinate with other Divisions of TRCSL regarding telecommunication activities, policies and regulations.

- Management of issues relating to market development, economic regulation and dispute resolution including (but not limited to) interconnection and access, network and universal service obligations
- Advise other Divisions of TRCSL on the regulatory domain analysis and provide relevant inputs to implement best regulatory practices and review regulatory reports
- Establish and maintain smooth relations with other Divisions to facilitate the sharing of views and experiences on technical, regulatory and policy topics
- Analyse trends in telecommunication / Information and Communication Technology (ICT) regulations and policies in other telecom regulatory authorities and identify regulatory and policy issues requiring attention of the Commission and make appropriate recommendations to the Commission.

8.2 Performance

8.2.1 Modification/ Renewal of Licences

When the Commission receives requests from operators for modification/ renewal of their licences, such requests are processed by the Licence Administration Division and make suitable recommendations to the Commission. Action is taken to make the public aware of the Commission's recommendations with regard to such requests through newspaper notices and obtain representations/

objections from the public. After considering the representations/ objections the Commission submits its recommendations to His Excellency the President for approval.

8.2.1.1 Modification of Licences

In the year 2011, the Commission in accordance with the authority conferred upon it under Section 18 of the Act, made public notices regarding proposals to make modifications to the licences granted to the following parties for receiving representations or objections to the proposed modifications. The public was informed that a draft of the proposed licence modification was available to the public on the Commission's official web site, www.trc.gov.lk. The public was further noticed that representations or objections to the modifications could be made not later than 10.01.2012.

i. Dialog Axiata PLC

The effect of the modification was that Dialog Axiata PLC would be required to share the information on lost or stolen mobile phones among other mobile operators to ensure the lost or stolen mobile phones could not be logged on to all the mobile networks.

ii. Etisalat Lanka (Pvt) Ltd

The effect of the modification was to permit the request of the operator to provide mobile Internet service in highly populated areas such as hotels, shopping complexes etc. using Wireless Fidelity (Wi-Fi) technology that would significantly improve the Quality of Service as a result of reducing the network congestion.

iii. Hutchison Telecommunications Lanka (Pvt.) Ltd

The effect of the modification was that Hutchison Telecommunications Lanka (Pvt.) Ltd would be required to share the information on lost or stolen mobile phones among other mobile operators to ensure the lost or stolen mobile phones cannot be logged on to all the mobile networks.

iv. Mobitel(Pvt)Ltd

The effect of the modification was to permit the request of the operator to provide mobile Internet service in highly populated areas such as hotels, shopping complexes etc. using Wireless Fidelity (Wi-Fi) technology that would significantly improve the Quality of Service as a result of reducing the network congestion. Another effect of the modification was that Mobitel (Pvt) Ltd would be required to share the information on lost or stolen mobile phones among other mobile operators to ensure the lost or stolen mobile phones cannot be logged on to all the mobile networks.

8.2.1.2 Renewal of Licences

Lanka Communication Services (Pvt) Ltd had applied for the renewal of its operator licence granted by the Minister on 04.07.1991 under Section 17 (2) of the Sri Lanka Telecommunications Act, No. 25 of 1991 to operate a telecommunications system to provide Data Communication Service in Sri Lanka.

The public was notified that the Commission would propose to recommend to His Excellency the

President the grant of a licence to Lanka Communication Services (Pvt) Ltd for a period of ten years with effect from 04.07.2011. as the Commission was satisfied that Lanka Communication Services (Pvt) Ltd had fulfilled the requirements set out in the Guidelines and Procedures for renewal of the licence under the Act, published in Gazette No. 1435/20 dated 10.03.2006. The public was informed that a draft of the proposed licence was available on the Commission's official web site, www.trc.gov.lk. The public was further notified that representations or objections to the grant of licence to Lanka Communication Services (Pvt) Ltd could be made not later than 10.01.2012.

8.2.2 Next Generation Network (NGN) Policy and Regulatory Framework.

Next Generation Network technology makes it possible to replace all the legacy core networks run by an operator with a single scalable next-generation core network (core NGN) capable of supporting all types of services. With the implementation of a core NGN, the operator will be able to significantly reduce its operational expenditure (opex) as a single operational team will be able to operate and maintain the entire network. Also, since the NGN uses a single technology – typically based on Internet Protocol (IP) – all equipment in the network will be of the same type, leading to larger economies of scale and therefore a reduction in the operator's capital expenditure (capex).

TRCSL received a grant from the Institutional Development Fund (IDF) to develop its knowledge base and implementation capacity, enabling it to design and implement the second-generation of regulatory reforms in the Information and Communication Technology (ICT) sector. Accordingly, TRCSL initiated action to establish a policy and regulatory framework for Next Generation Networks. For this purpose the services of a consultant was obtained by following procurement procedure. The overall objective of the consultancy was to establish a Policy and Regulatory framework with a view to facilitate efficient investments in NGN and other new comparable technologies and maintain effective competition among the infrastructure and service providers while safeguarding consumer interest. Specially, the consultant was required to:

1. Develop a NGN Policy and Regulatory Framework for Sri Lanka, based on International best practices and experiences, but within the context of Sri Lanka;
2. Prepare documents, including a consultation paper, draft and final recommendations, and final report;
3. Utilize an extensive consultation process with all stakeholders to inform the development of these documents;
4. Make presentations and other related supporting documentation to assist the TRCSL towards the goal of designing the NGN policy and regulatory framework

The consultant was also required to consider the issues relating to both the Internet Protocol (IP) based core networks and their interconnection with NGNs and the issues relating to the IP based Next Generation Access Networks (NGANs) connecting end users to the NGNs.

The consultation document was finalized and a consultation paper on "Policy and regulatory framework for next-generation networks (NGNs)" was issued in September 2010 to all key telecoms stakeholders in Sri Lanka. The objectives of the consultation were four-fold:

- provide a general introduction to NGNs and the services that can be offered using these networks
- explain the potential benefits of the introduction of NGNs and corresponding services in Sri Lanka
- provide some insight into the main technical, economic and regulatory issues that may need to be addressed in order to accommodate the migration to and adoption of NGN, while at the same time protecting the interest of Sri Lankan customers
- obtain the views and the comments of the stakeholders with a view to formulate the NGN policy and regulatory framework.

TRCSL received responses from several stakeholders. After the consultation process the NGN policy and the regulatory framework were drafted and submitted for the approval of the Commission in 2011.

8.2.3 Global Symposium for Regulators (GSR)

The Global Symposium for Regulators (GSR) of International Telecommunication Union (ITU) is a high level global event held annually to share and exchange information among National Regulatory Authorities from both developed and developing countries and key ICT stakeholders on regulatory subjects. Since its launch in 2000, the GSR has brought together heads of national regulatory authorities from both developed and developing countries and has earned a reputation as the global annual venue for regulators to share their views and experiences. The meeting fosters an open dialogue between the worldwide community of regulators and key ICT stakeholders: the private sector, investors and consumers.

This event of the ITU is organised in collaboration with the National Regulatory Authority of the host country. GSR has a specific theme for every year. The theme for year 2011 was Smart Regulation for a Broadband World. The Global Industry Leaders Forum (GILF) which runs parallel to GSR, is an event of the Telecommunication Development Sector bringing together Chief Executives from the ICT Industry to debate the latest obstacles to ICT development.

Participants in the 11th Global Symposium for Regulators (GSR) and the 4th Global Industry Leaders' Forum (GILF) examined smart regulatory measures regulators could take to achieve broadband for all, foster innovation, and address the complexities and challenges of the broadband ecosystem. The advent of

broadband has significantly changed the way we communicate, access information, share experiences and knowledge, make business and interact with each other. The impact of broadband on the economy is increasingly being acknowledged. Sound broadband strategies and plans are now needed to ensure that all citizens can benefit from the new applications, services and businesses opportunities brought by a broadband world.

The officials who participated in the ITU Telecom 2011 held in Geneva from 24 – 27 October 2011 had discussions with the Secretary General and Directors of the three bureaus of ITU on the role Sri Lanka could play towards the ICT developments initiated by ITU at regional and global levels. These officials indicated that Sri Lanka could contribute effectively in ITU activities at global level by hosting GSR 2012 and TRCSL officials expressed their willingness to host this event in Sri Lanka in 2012. Subsequently action was taken to obtain necessary approvals and a bid was submitted for hosting GSR 2012. Efforts of TRCSL to get the opportunity of hosting GSR -12 were successful and TRCSL received the confirmation e-mail of Chief of Department of Information dated 05th December 2011 accepting the bid. Accordingly, Sri Lanka has got the opportunity to host year 2012 Global Symposium for Regulators (GSR-12) and Global Industry Leaders Forum (GILF) of the International Telecommunication Union. This event will be held at Hilton

Hotel, Colombo from 2-4 October 2012. Participants from 192 Member States including Telecom Ministers are expected to attend GSR-12.

This prestigious global event is bound to elevate the country's image and tourism sector and encourage more foreign direct investment in the country.

8.2.4 Handling of system licence issues and supporting other Divisions

The Licence Administration Division handled day to day issues arising from the operator licences (system licences) and

provided technical and regulatory inputs to other Divisions of TRCSL as and when necessary.

8.3 Staff

During the year 2011 the Licence Administration Division carried out the functions entrusted to it with a staff of seven (7) members comprising one (1) Deputy Director, one (1) Consultant, three (3) Management Assistant Level Officers and two (2) Primary Level Officers.

Administration & Human Resources Division

CHAPTER NINE

The Administration and Human Resources Division, carried out the following functions in 2011 to ensure smooth functioning of the organization.

9.1 Functions

- Preparation of rules, regulations and procedures in relation to human resources management and general administration
- All matters related to recruitment, confirmation, promotions, leave records, attendance, transfers, performance appraisal, disciplinary control, release and retirement of staff
- Maintenance of personal files of the staff
- Preparing personnel plan for the Commission along with job descriptions for each position, in consultation with respective senior managers.
- Preparing human resources development budget with senior functional heads.
- Preparing annual staff training programme.
- Coordinating training activities for both local and foreign personnel and making necessary travel, registration and other arrangements for trainees.
- Coordination of activities related to preparation of the annual report, corporate plan and action plan.
- Coordination of activities related to security service, cleaning service, building maintenance and repair and purchase of machinery and equipment

- Ensuring efficient supply of electricity, water and telephone services
- Maintenance of vehicle fleet
- Provision of logistic support to carry out activities of other Divisions of TRCSL
- Recommendation/Approval of payments
- Maintenance of inventory and record room
- Conduct annual Board of Survey and make arrangements for disposal of unwanted items.
- Administration of the Media Unit
- Coordination of activities related to submission of answers to parliamentary questions, submission of reports to the Auditor General and the Committee on Public Enterprises (COPE), and submission of Cabinet memoranda.
- Communication with Department of Public Enterprises, Department of Management Service, and National Salaries and Cadres Commission.
- Coordination of all activities when participating in the annual Deyata Kirula Exhibition
- Ensuring occupational health and safety measures.
- Administering the medical insurance scheme for employees.
- Coordination of welfare activities to provide welfare services to the staff, handling grievances and counseling to provide financial and non-financial incentive packages.
- Handling Corporate Social Responsibility fund.

9.2 Performance

9.2.1 Establishment Work

As at December 2011, TRCSL consisted of a total staff of two hundred and three (203) employees including 30 Managerial level officers, 129 non managerial level officers and 44 primary level officers. The approved cadre for TRCSL in 2011 was 265. The organizational structure as at December 2011 is given in chart 9.1.

Administration Division carried out the establishments work of the staff such as maintenance of personal files, recruitment, confirmation, promotions, leave records, attendance, performance appraisal of employees, disciplinary inquires etc. The Division communicated with the National Salaries and Cadre Commission, Department of Management Services and Department of Public Enterprises with regard to matters such as procedures on recruitment and promotion of TRCSL staff, approval of the cadre and permission to purchase vehicles under tax concessions.

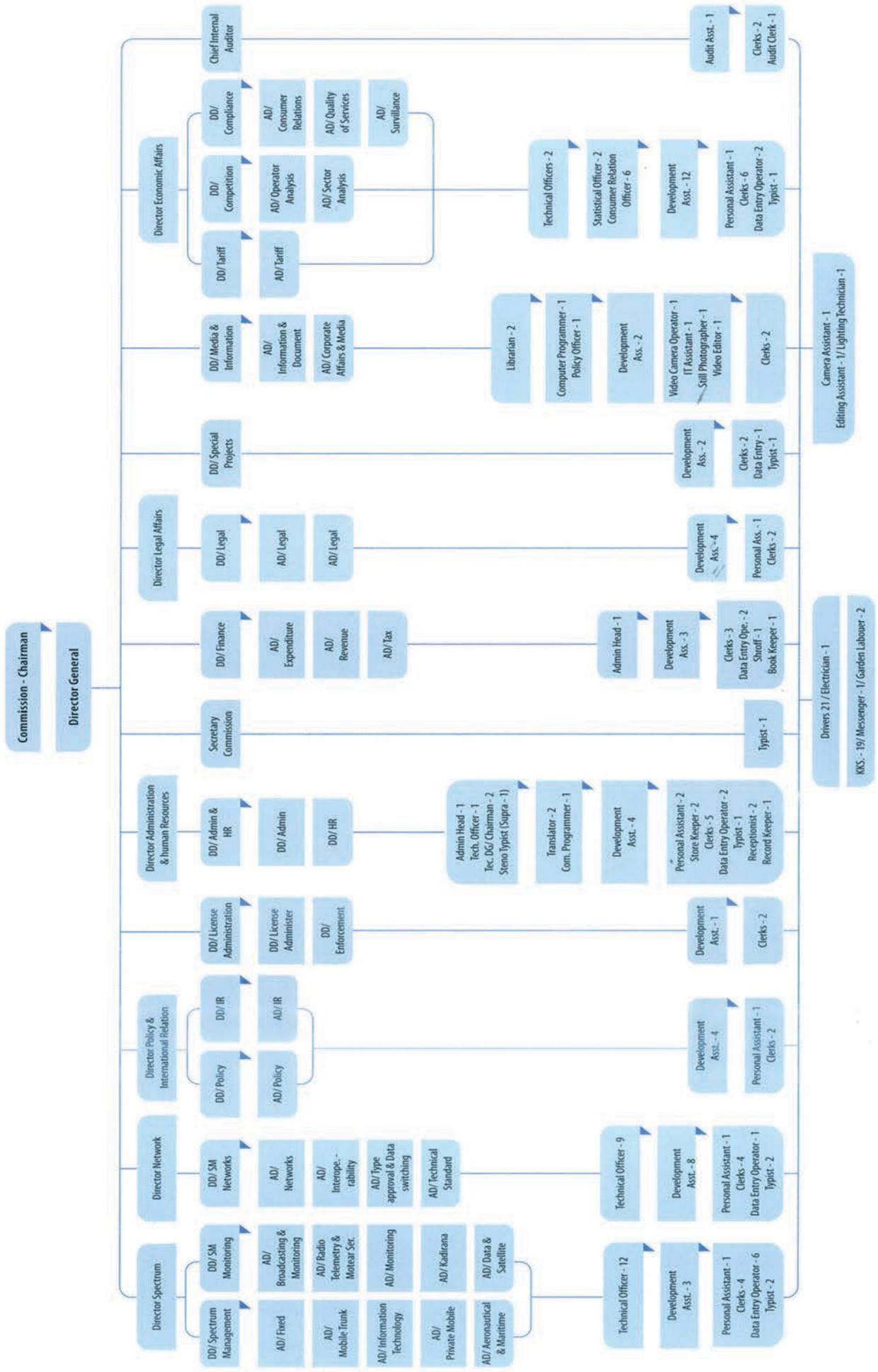
9.2.2. Revision of the Cadre and Organization Structure.

Since 2006, there has been not been any revision of the cadre and the organizational structure of the TRCSL. The Salaries and Cadres Committee had recommended the first cadre and the organizational structure for TRCSL in 1997. Between 1997 and 2006, the

Change in Cadre of TRCSL 1997- 2006 (Table 9.1)

Year & Month	1997 Dec.	2001 Jan.	2001 Aug.	2002 May	2005 Apr.	2006 Feb.
Cadre	149	175	189	202	245	265

PRESENT ORGANIZATION STRUCTURE - TRCSL (Chart 9.1)



cadre was amended by the Department of Management Services on 5 occasions. Table 9.1 indicates the changes in the cadre of TRCSL since 1997.

There has been a need to revise the existing cadre and the organizational structure due to the following reasons.

- Expansion of the functions and duties of the TRCSL along with the rapid developments in the telecommunication sector
- Need for close monitoring of the revenues derived from the license holders
- Increase of illegal broadcasting centres and unauthorised frequency use.
- Need for upgrading the standards of international telecommunication services.
- Need to introduce new scheme of recruitment and moderated cadre proposals according to the guidelines of Management Circular No. 30 dated 17.01.2007

Accordingly, TRCSL took action to revise the cadre in 2011 and it was a major activity carried out by the Administration Division during the year under reference. Approval of the Commission was obtained for the revised cadre in December 2011 and subsequently the proposals were submitted to National Salaries and Cadres Commission for obtaining its approval to implement the proposals.

9.2.3 Issue of Circular Letters and Introduction of Suitable procedures

During 2011, the Administration Division issued circular letters pertaining

to following subject areas in order to streamline the respective areas and increase the productivity of the organization.

- Failure to Respond to Incoming Telephone Calls
- Purchasing and Supplying IT Equipment and Services to TRCSL
- Directions issued to the Drivers of TRCSL
- Using Office Bus for welfare purposes
- Adherence to office procedures for the provision of accurate and efficient services
- Taking action on legal matters which arise during official duty.
- Implementation of decisions taken by TRCSL
- Initiating duties of the record room of TRCSL
- Housing / House Rent Allowances
- Immediate and polite response to incoming telephone calls.
- Requests for obtaining vehicles for official purposes
- Payment for unutilized leave
- Allocation of financial authority in terms of Financial Regulations 135 – 139
- Purchasing Microsoft Office Package to TRCSL
- Obtaining prior approval for overtime work.

The Administrative Division also took steps to introduce suitable procedures into the system when lapses were identified in certain areas of work. This involved issue of circular letters and sometimes verbal instructions. The senior staff closely supervised the subordinate staff

to ensure that the latter maintain lists/ registers in respect of their subjects to enable easy access to information as and when required and help new comers/ successors to understand the subject without difficulty. This also enhanced the efficiency of the staff and overall productivity of the TRCSL.

9.2.4 Training

The TRCSL provided local as well as overseas training opportunities for the staff for enhancing their knowledge, developing skills and changing attitudes.

Information relating to the training Programmes/Fellowships/Seminars in 2011 are given in table 9.2

Participation of TRCSL Staff in Training Programmes/Fellowships/Seminars-2011 (Table 9.2)

a. Overseas Programmes

Scope of Training /Fellowship/Seminar	Country	Period (m/d/y)	Number Participated
Training on Information Security for the Broadband Communications	Japan	1/19/11 - 1/28/11	1
Training on Space Communications	Japan	2/1/11 - 2/9/11	1
Ministerial Programme on GSM Mobile World Congress	Spain	2/14/11 - 2/16/11	1
Training on Information Technology of National Database to realize good governance	Japan	2/24/11 - 3/2/11	1
12th SATRC Meeting	Iran	2/27/11 - 3/1/11	1
Training on Strengthening of Disaster prevention measures using broadband communications	Japan	2/28/11 - 3/18/11	1
Workshop on "Digital Terrestrial TV Coverage & Frequency Planning	Malaysia	3/7/11 - 3/8/11	1
Workshop on IMT for the next Decade/10th Meeting of APT Wireless Group	Thailand	3/21/11 - 3/25/11	1
Training Course on Information Security & Computer Communications	China	3/21/11 - 3/29/11	1

Scope of Training /Fellowship/Seminar	Country	Period (m/d/y)	Number Participated
Meeting on Study Group03, Joint Rapporteur's Group Meeting & Workshop on IP Traffic flow measurement	Switzerland	3/24/11 - 4/1/11	1
Workshop on Migrating License in a converged environment	Malaysia	4/5/11 - 4/8/11	1
Training on IP metropolitan area Network & its applications	China	4/13/11 - 4/21/11	1
Training Workshop on 4G Mobile (IMT Advanced) System Applications	Korea	4/25/11 - 4/28/11	1
2nd SATRC Workshop on Policy & Regulations	Maldives	5/3/11 - 5/5/11	2
Ex. Committee Meeting of the CTO	UK	5/8/11 - 5/16/11	1
11th APT Policy & Regulatory Forum	Vietnam	5/17/11 - 5/19/11	1
Asia - Pacific Regional Forum on ICT Applications	Thailand	5/18/11 - 5/21/11	1
Network Design and Service Planning for next Generation	China	5/19/11 - 5/27/11	1
Regional Workshop on "Strengthening Digital Broadcasting experience & Media Summit	Vietnam	5/22/11 - 5/27/11	1
18th ASTAP /1st APT Preparatory Meeting for WTSA-12	Thailand	5/23/11 - 5/27/11	1
Working Party 1B & Study Group 1 Meeting	Switzerland	5/25/11 - 6/3/11	2
ITU Working Party 5A	Switzerland	6/13/11 - 6/22/11	1
APT Workshop on International Mobile Roaming	China	6/13/11 - 6/15/11	1
ITU Working Party 5C Meeting	Switzerland	6/13/11 - 6/23/11	1
Training Course on Technology & Application of IPTV	Thailand	6/20/11 - 6/24/11	1
Asia - Pacific Regional Forum on Digital inclusion for all	Singapore	6/21/11 - 6/23/11	2
Seminar on ICT as the Driver for Economic Growth	Sweden	6/27/11 - 6/30/11	1
8th Asia Pacific Telecommunications & ICT Development Forum	China	6/28/11 - 6/30/11	1
Training on IP Technologies & Router Configuration	India	7/11/11 - 7/15/11	1

Scope of Training /Fellowship/Seminar	Country	Period (m/d/y)	Number Participated
Training Course on 3G Mobile Broadband	Thailand	7/25/11 - 7/29/11	1
Training on Broadband Policy & Regulation	Thailand	8/2/11 - 8/6/11	1
3rd Meeting for the Ad-Hoc Correspondence Group for GA preparations & APT Rules	Thailand	8/9/11 - 8/12/11	1
Training on IPV6 & Its Applications	Thailand	8/22/11 - 8/26/11	1
5th APT Conference Preparatory Group for WRC	Korea	8/29/11 - 9/3/11	1
ITU Workshop on Telecommunications Services & Related Products	Switzerland	9/1/11 - 9/3/11	1
Study Group 1 & 2 Meeting	Switzerland	9/5/11 - 9/16/11	1
Training on Regulatory Framework for Emerging Telecom Environment	India	9/6/11 - 9/9/11	1
51st CTO Council Meeting & the Annual Forum	Trinidad & Tobago	9/12/11 - 9/16/11	2
11th Meeting of the APT Wireless Group Meeting	Thailand	9/14/11 - 9/17/11	1
Working Party 4A & Study group 4 Meeting	Switzerland	9/21/11 - 9/30/11	1
Case Study on Services & Solution with ICT Resolving Social issues in Rural areas	Japan	9/27/11 - 10/7/11	1
APT Workshop on e-Applications/e-Government	Australia	10/4/11 - 10/6/11	1
2011 session of the Council of ITU	Switzerland	10/11/11 - 10/21/11	1
Study Group 3 & Working Party 3M	Switzerland	10/17/11 - 10/28/11	1
Training on next Generation Mobile Telecommunications Technology & Networks	China	10/17/11 - 10/27/11	1
Bandwidth & Backhaul Summit	Indonesia	10/19/11 - 10/20/11	1
Workshop on Disaster Management/Communications	Japan	10/19/11 - 10/21/11	1
ITU Telecom World	Switzerland	10/24/11 - 10/27/11	1

Scope of Training /Fellowship/Seminar	Country	Period (m/d/y)	Number Participated
ITU Telecom World & Study Group 12	Switzerland	10/24/11 - 11/5/11	1
9th ASTAP /2nd APT Preparatory Meeting for WTSA -12	Philippines	10/24/11 - 10/28/11	1
Radio Station Administration & Radio equipment Certification	Japan	11/8/11 - 11/16/11	1
Training on Cyber Security Policies & Technologies for the Broadband Communications	Japan	11/9/11 - 11/18/11	1
FITH & Wireless Access Technologies to support Development of Broadband Networks	Japan	12/1/11 - 12/7/11	1
APT Cyber Security Forum	Japan	12/5/11 - 12/7/11	1
Training Course on Actions for Next Generation Mobile Communications Systems	Japan	12/6/11 - 12/14/11	1
ICT Finance : Emerging Markets Global Summit 2011	UK	12/12/11 - 12/15/11	1
Training on Mobile Communications & Broadband	Korea	12/12/11 - 12/20/11	1
Training on Broadband and convergence Policy	Korea	12/12/11 - 12/20/11	2
ITU Training on Digital Signage	Japan	12/13/11 - 12/14/11	1
Workshop on Standards & Intellectual Property Right	India	12/19/11 - 12/20/11	1
SATRC WG on Network & Services	Iran	12/19/11 - 12/20/11	1
2nd Meeting of the SATRC Working Group on Policy & Regulations	India	12/28/11 - 12/29/11	2

b. Local Programmes

Programme	Duration & Venue	Number Participated
Diploma in 3D Animation & Visual Effects	For 01 year at SLITT	1
Diploma in IT	15/05/2011 - 31/11/2011, SLIDA	13
IT based Business Letter Writing	31/05/2011- 04/06/2011, SLIDA	7
Postgraduate Diploma in Information System Management Programme	2011 at University of Colombo	1
Training on Government Payroll Management System	25 - 30 April 2011, Academy of Financial Studies	1
Master in Economics	2010/11 at University of Kelaniya	1
Seminar on "Is Corporate Governance in Sri Lanka Really working in practice or is it only an apology"	27 May 2012 at Hilton Colombo	1
National Conference on Library & Information Science	28th June 2011 at Hotel Galadari	2
Seminar on Evolution of Information Exchange	22 July 2011 at Hotel Galadari	6
Inaugural Seminar on "Sri Lanka; The Emerging Wonder of Asia Transforming Sri Lanka to the knowledge Hub & Logistics Hub"	25 July 2011 at Cinnamon Lake Side	2
City and Guilds Certificate level course	at Sri Sumangala Vidyalaya, Colombo	1
Workshop on Stores Management	05 August 2011 at ICTAD	2
Certificate Course in English for Employment Purposes	Sundays at SLIDA	7
Training on Sustainable Energy Technologies	15,16 & 17 September 2011, University of Moratuwa	1
One day Training Workshop on Motor Mechanism	25th October 2011 at National Vocational Training Institute	2
32nd National Conference of Chartered Accountants of Sri Lanka	20-22 October 2011	1

Programme	Duration & Venue	Number Participated
Seminar on EPF/ETF & Good Employee Relationship	28 October 2011 at National Chamber of Commerce	2
Budget Seminar	23 November 2011 at ICASL	1
Seminar on Tax Proposals & Impact Business	25 November 2011, Taj Samudra	1

9.2.5 Procurement Activities

The Administrative Division coordinated all the activities in supplying different types of services such as consultancy service, security service, cleaning service etc. These activities included preparation of bidding documents, publication of notices, appointment of Technical Evaluation Committees (TECs), appointment of Procurement Committees (PCs), preparation of reports, submission of reports for obtaining required approvals, intimation of the decisions to selected parties, preparation of service agreements in collaboration with the Legal Division as and when required and supervision of the work of the service providers and taking corrective measures when deviations from the service agreements were observed. The above mentioned procurement procedures were followed in maintenance and repair of buildings, purchase of machinery and equipment and maintenance of the same. A special procurement activity was installation of an Internet Based Security System for observing events taking place inside the building as well as the outer area of the building. Another major activity was the renovation of bath rooms in the old TRCSL building.

During the period under review, the number of quotations called was 209 and the number of Junior and Senior Tender Board meetings held were 04 and 08 respectively. The total value of the procurements approved by the Junior Tender Board was Rs. 4.1 Mn. and that of the Senior Tender Board was Rs. 93.2 Mn. Accordingly the total value of the procurements approved by the two tender boards was Rs. 97.3 Mn.

The Administration Division ensured efficient supply of electricity, water and telephone services by contacting the relevant organizations immediately when break down of these services occurred during office hours as well as outside office hours.

The Division also ensured timely supply of stationery, office equipment, machinery etc. to all the Divisions/Units of TRCSL according to their requirements in order to carry out their duties without any interruption.

The main objective of the above activities was to supply the required services and materials in time for smooth functioning

of the organization in a transparent, cost effective and fair manner.

9.2.6 Maintenance of Vehicle Fleet

The vehicle fleet of TRCSL consisted of nineteen cars, three double cabs, three jeeps, five vans, one bus, four lorries and one three-wheeler. The bus was allocated for inspection visits, transporting officials for exhibitions, staff welfare activities, etc. Some vehicles of the fleet were allocated to officers who had the entitlement for an assigned vehicle and the other vehicles were used for official work such as inspection visits, participation in meetings/workshops/seminars, organizing exhibitions, collection of mail, hand delivery of official letters etc. An amount of Rs. 8.54 million was spent in 2011 for the repairs and replacement of tires and batteries of the vehicle fleet.

9.2.7 Board of Survey

The annual Board of Survey for year 2010 was carried out in January 2011. A Board comprising three members was appointed to carry out the survey. Items to be disposed were identified and action was taken to dispose these items according to the due procedure.

9.2.8 Coordination of activities of the Deyata Kirula Exhibition

The Deyata Kirula National Development Exhibition is an annual programme of the Government and state sector as well as private sector institutions participate in the exhibition. In 2011 the exhibition was held at Buttala in the district of Monaragala in line with the objectives of the Mahinda Chinthana to give priority to the development of rural

areas in Sri Lanka. His Excellency the President Mahinda Rajapakse declared open the exhibition on 4th February 2011 to coincide with the National Independence Day of Sri Lanka. The Administrative Division took the lead in organizing the stall of the TRCSL and the other Divisions/Units extended their fullest support to the Administrative Division in this task. The Administrative Division coordinated with the organizing committee of the exhibition and obtained a suitable area in the exhibition premises for the TRCSL stall. Arrangements were made for transport of officers and exhibits and also to provide lodging facilities to the staff who had to stay for the work of the exhibition stall. The stall exhibited latest developments in the telecommunication field and several thousands including school students visited the stall during the exhibition period.

9.2.9 Welfare Activities

The following welfare activities were carried out during the period under reference.



Family members gathered in Dampe Piliyandaia

- i. Held staff family day in Dampe, Piliyandala
- ii. Held a sports meet with the assistance of the sport club of TRCSL
- iii. Made donations on occasions of death of relatives of staff members
- iv. The welfare committee maintained a welfare shop.



9.2.9.1 Staff Family Day

This was a one day programme held on 15th October 2011. The objectives of the programme was entertainment and creation of cordial relationship not only among the members of the staff themselves but among their family members as well.

9.2.9.2 Sports Meet

The sports meet was held on 4th September 2011. All the staff from top to bottom were divided into three houses namely, Parakrama, Wijaya, and Gemunu and they actively participated in several indoor games, out door games and track and field events. The sports meet

was an opportunity for the staff to take some timeoff and show off their athletic capabilities.

9.2.9.3 Death Donations

The Welfare Society of TRCSL continued its practice of making donations from its own fund to staff members when a death of a relative occurred with a view to giving at least some relief to the staff member.

9.2.9.4 Welfare Shop

The welfare shop enabled the staff to purchase goods at reasonable price and an opportunity was provided to purchase items on installment basis to those who wished to do so. The Welfare Society made arrangements to bring trading agencies to TRCSL premises to facilitate the staff to purchase items conveniently according to their choice.

9.2.10 Logistic Support

The Administration Division provided logistic support for activities of other Divisions of TRCSL such as conducting of meetings, workshops, seminars, inspection visits, implementation of projects etc.

9.2.11 Recommendation/Approval of Payments

One main activity of the Administration Division was granting approval for making a variety of payments related to increments, overtime, arrears, traveling

and subsistence, disciplinary inquiry fees, vehicle repairs, purchase of perishable items, equipment and machinery, books and periodicals and supply of services (security, cleaning, water, telephone, electricity) . The Division carefully examined payment vouchers and made recommendations or granted approval depending on the nature of the payment and the financial authority limit. Action was taken to make the payments without delay.

9.3 Staff

During the year 2011 the Administration and Human Resources Division carried out the functions entrusted to it with a staff of forty eight (48) members comprising one (1) Director, one (1) Deputy Director, one (1) Assistant Director, twenty one (21) Management Assistant Level Officers and twentyfour (24) Primary Level Officers.

Legal Division

CHAPTER TEN

The Legal Division, carried out the following functions in 2011 in the exercise of the powers and duties of the Commission as per the Sri Lanka Telecommunications Act.

10.1. Functions

- Provide legal opinion / advice to the Commission on matters/documents requiring such opinion.
- Draft rules, regulations, orders, directives, guidelines and licenses for the Commission.
- Refer matters to the Hon. Attorney General or Private Counsels for litigation purposes
- Represent the Commission in litigations and all matters relating thereto including drafting filing etc.
- Draft official letters, and other correspondence, commission papers, contracts and agreements for the Commission.

- Implementation of section 18A of the Sri Lanka Telecommunications Act
- Provide legal support to other Divisions for enforcement measures under the Sri Lanka Telecommunications Act, Finance Act No. 11 of 2004, rules, regulations, licences, orders, determinations etc.
- Provide legal assistance to other institutions.

10.2. Performance

The Legal Division provided legal support to the Commission and other Divisions/Units of the TRCSL on regulatory matters such as frequency licensing, vendors licensing, tariffs, compliance issues, consumer matters and inhouse legal matters relating to administration and human resources. Officers of the Division appeared before the courts on behalf of the TRCSL. In certain court cases TRCSL obtained the services of Attorney General's Department and other Private Counsels. The Budget allocation for year 2011 for legal expenses has been fully utilized by the Commission. A brief description of major activities carried out by the Legal Division in 2011 is given below.

Litigations

In 2011 several cases have been filed against TRCSL.

10.2.1. Cases filed in the Supreme Court

The Fundamental Rights case filed in the Supreme Court by the following parties challenged the blocking of the websites by TRCSL. This is the first such case filed in Sri Lanka against blocking of a website disseminating news items originated from Sri Lanka.

- Kelum Shivantha Rodrigo Vs. TRC, and five others
- Sunil Jayasekara & UdayaKalupathirana (Free Media Movement) vs. TRC, and ten others

Kelum Shivantha Rodrigo the proprietor and editor of a website filed a Fundamental Rights application in the Supreme Court bearing No.548/2011 alleging that blocking access in Sri Lanka to the website www.srilankamirror.com violates Article 10,12(1),14(1)(a) and 14 (1) (g) guaranteed under the Constitution of the Democratic Socialist Republic of Sri Lanka.

The Parties entered into a settlement in court, and agreed to register as a news casting website with the Ministry of Mass Media and Information and to remove links to the website that were not acceptable to the Ministry and the TRCSL.

Fundamental rights application SCFR 569/2011 was filed in December 2011 by convener and member of the Free Media Movement against the blocking of certain websites namely www.srilankamirror.com, www.srilankaguardain.org, www.lankanews.com, www.lankanewsweb.com and www.paparacinews.com and that it violates the fundamental rights of the petitioner's guaranteed under Article 10, 12(1) and 14(1) (a) of the Constitution.

Fundamental rights cases related to employee matters were also successfully defended by TRCSL.

10.2.2 Cases Filed in Human Rights Commission

Two applications were filed by two parties against the TRC in the Human Rights Commission (HRC) of Sri Lanka (HRC 1655/11& HRC 2734/2011).

In the first case, the telecommunication subscriber had made a complaint to TRCSL for redress. The matter was inquired into and a Direction was issued to the relevant service provider to grant redress. Despite this, the subscriber had filed this Application. The HRC was of the view that considering the steps taken by the TRCSL, the HRC will not proceed with this Application.

In the second matter, whilst a complaint was being considered by TRCSL, the subscriber had filed an Application in the HRC. TRCSL took up the position that the issue was a commercial transaction between the subscriber and the relevant service provider and that TRCSL has jurisdiction in terms of the Sri Lanka Telecommunications Act to entertain such complaints and resolve disputes related to telecommunication services. HRC upheld TRC's view and the Application was dismissed.

10.2.3. Attending to other cases before courts/ tribunals

In 2011 also we saw an increase in internet related complaints. Some foreign web sites/addresses were blocked from Sri Lanka on court orders and on the instructions of other authorities having power to regulate such sectors.

There were many other cases filed in year 2011 and others that continued from

previous years ranging from human resources matters filed in Labour courts, Industrial courts etc. As part of the enforcement drive, action was initiated to prosecute for committing offences violating Sri Lanka Telecommunications Act and for noncompliance with regulatory decisions of the Commission in the Magistrate Courts.

10.2.4 Assistance to other Government Institutions

In the year 2011, the Legal Division continued to provide assistance to the General Treasury under the Ministry of Finance and Planning to promulgate amendments to the regulations on International Telecommunications Operator Levy imposed under Part III of the Finance Act, No 11 of 2004.

10.3 Staff

During the year 2011 the Legal Division carried out the functions entrusted to it with a staff of nine (9) members consisting of two (2) Assistant Directors, five (5) Management Assistant Level Officers and one (1) Primary Level Officer.

Information & Documentation Unit

CHAPTER ELEVEN

The Information and Documentation Unit consists of two sections namely the Information Technology (IT) Unit and the Library Services Unit.

11.1. Functions of the IT Unit

- Maintaining and documenting the existing application systems.
- Developing new IT applications for the TRCSL.
- Providing technical support to TRC staff with regard to IT.
- Providing training on IT user base to TRC staff.
- Handling all Internet activities of the TRCSL including list and bulletin board services.
- Maintaining the TRCSL website under the guidance of the website committee.
- Designing and implementing internal information networks.
- Collecting and disseminating information through exhibitions.
- Administration and maintenance of the email server.

11.2. Performance of the IT Unit

Information relevant to major activities carried out by the IT Unit is given in table 11.1

Activities Carried out by the IT Unit-2011 (Table 11.1)

Activity	Description
Renewal of the licence of the ESET Smart Security	The virus guard has been installed for the security of the computers and the licence of the security guard has to be renewed annually and Rs. 220000.00 was spent for this purpose in 2011.
Purchase of hardware Firewall System	This system was installed at a cost of US \$ 13339.50 for safeguarding the Local Area Network (LAN) of the TRCSL
Upgrading of the Random Access Memory(RAM) of the two Servers	The capacity of the RAM of the two servers was upgraded from 8 GB (4 GB each) to 40 GB (20 GB each)by purchasing 32 GB (8 GB*4) at a total cost of Rs. 79600.00 (excluding VAT)
Procurement of Dialog Fibre Optic Leased line in place of all ADSL and other leased lines	The existing ADSL and other leased lines were replaced by one high speed fibre optic leased line with a speed of 12 Mbps. The monthly rental of the fibre optic line is Rs. 220, 000/=.
Changing two ADSL broadband lines in the IT Unit taken from Sri Lanka Telecom (SLT) to Lankabell	This was done for increasing the speed to a higher level (each line to 4 Mbps) as the speed of the two SLT ADSL lines was low.
Procurement of Additional Domain Server (ADS) Procurement of System Centre Configuration Manager (SCCM) Procurement of Data Protection Manager (DPM)	The suppliers of these items (domain server, SCCM and Data Protection Manager) were selected after following procurement procedure and the selected parties commenced installation of the items in 2011.
Redesigning of the website of TRCSL	It is a requirement that the websites of Government institutions should be in all the three languages (Sinhala, Tamil and English). Therefore, action was to modify the website of TRCSL. A Committee was appointedfor this purpose. Procurement procedure was followed to select a suitable web designing company. During the selection process interviews were held with the companies to get details of their proposals.

11.3 Functions of the Library

Services Unit

- Maintenance of the TRCSL library for internal staff, university students, school children, researchers, librarians etc.
- Provide library facilities of other libraries such as Public Library and British Council
- Coordination with other institutions for obtaining inter library loan facility
- Collection of important information and preparation of indexes
- Development of PURNA system
- Strengthening of the library
- Organize Seminars for the TRCSL staff
- Disposal of redundant materials

11.4 Performance of the Library

Services Unit

11.4.1 Maintenance of the TRCSL Library and Provision of Information

The Library Services Unit continued the maintenance of the library which contains several documents, books and periodicals relevant to the telecommunications sector. In addition to books and magazines on Telecommunication, the library contains important reading materials on other subject areas such as Management, Law, Economics, and Accountancy etc. The clients of the library were comprised mainly of internal staff, university students, teachers, school students, researchers and librarians. It provided information to the clients using internet and other library databases. Photocopy facilities were also made available to the clients on their request. Email and internet facilities, fax facilities and telephone facilities of the

library were used to provide necessary information to the clients expeditiously.

11.4.2 Provide library facilities of other libraries such as Public Library and British Council by renewing the membership

The Library Services Unit was instrumental in renewing the institutional membership of the following organizations.

1. Public Library
2. National Library
3. British Council

The TRCSL provided funds for obtaining membership of the British Council. In the case of the Public Library, the staff members were required to obtain individual membership after the payment of the membership fee. Because of the possession of institutional membership, members of the TRCSL staff could obtain the services of the above libraries easily. The possession of institutional membership enabled the TRCSL staff to obtain books/magazines etc. from the mobile library service of the Public Library. Mobile library visited TRCSL premises on 24 occasions during 2011.

11.4.3 Coordination with other institutions for obtaining inter library loan facility

The Library Services Unit coordinated with the National library and other institutions such as National Institute of Business management (NIBM), Labour Department, National Science Foundation (NSF) etc. for providing inter library loan facility service to the TRCSL staff.

11.4.4 Collection of important information and preparation of indexes.

Collection of important reference materials and preparation of indices is a major activity undertaken by the Library Services Unit. The Unit collected articles related to Telecommunication, Health, Education, Environment etc. from newspapers and periodicals and arranged them chronologically. Indexes on newspaper advertisements and publications of the Commission were also prepared by the Library services unit during the period under reference. The Unit commenced preparation of indexes on important areas related to TRCSL such as overseas training of the staff, extra ordinary gazette notifications and circulars issued by from time to time by the Commission, Ministry of Public Administration, Department of Management Services and Department of Pensions. The Unit collected past examination papers for the benefit of applicants who apply for the Amateur Radio Examination conducted by TRCSL in collaboration with the Department of Examinations.

11.4.5 Development of PURNA System

The Unit improved its PURNA integrated information system with modifications and defining indexing system on web OPAC (online public access catalogue) to facilitate easy access to information and provide a better service to the users.

11.4.6 Strengthening of the library

The Library Services Unit took action to strengthen the library by purchasing books from the Commonwealth Telecommunication Organization (CTO) under the World Bank Project. The value of the books so purchased was \$25,000.00. The library also received books and magazines as donations from individuals and institutions. The facilities of the library were enhanced with the receipt of three computers valued at Rs. 285,285.00 and a fax machine valued at Rs. 20,000.00

11.4.7 Disposal of redundant materials

A stock of newspapers was disposed from the library by following the procurement procedure and a sum of Rs. 34,466.00 could be obtained from the transaction.

11.5 Staff

During the year 2011 the Information and Documentation Unit carried out the functions entrusted to it with a staff of eight (8) members comprising one (1) Assistant Director (covering up) six (6) Management Assistant Level Officers and one (1) Primary Level Officer.

Media Unit

CHAPTER TWELVE

The main function of the Unit is covering of important events of the TRCSL, preparation of documentaries, and forwarding relevant information, photographs, and videos to Radio, Television and Newspapers with a view to make the public aware of the important activities undertaken by TRCSL. When forwarding information to external media sources the Unit obtained details of the subject areas from the relevant Divisions/Units of TRCSL.

12.1 Performance

The events covered by the Media Unit during 2011 are listed in table 12.1

Events Covered in 2011 (Table 12.1)

No.	Event	Date
1	Ceremony to commemorate the advent of new year	3/01/11
2	Dialog Donation	22/1/11
3	Dayata Kirula Exhibition held at Buttala, Monaragala district	4/2/11
4	Awareness Programme on the Registration of mobile telephones for Pitakotuwa Business Community	9/4/11
5	Connect a School - Connect a Community	3/5/11
6	Inspection of the construction of Kokavil Television Tower	27/5/11
7	Opening of Kokavil Television Tower	6/6/11
8	Inspection of Proposed Land to construct Lotus Tower	21/6/11
9	ICT s for Disempowered/ Marginalized Communities	9/7/11
10	IPV6 website	5/7/11
11	Korea IT Volunteers	14/8/11
12	International Introduction of Micromax	16/8/11
13	Sports Meet of TRCSL	26/8/11
14	TRC Sport Meet – Athletic Final Events	5/9/11
15	Sanjananee Exhibition	20/9/11
16	Research Studies in the field of Telecommunications	28/9/11
17	Internet Broadband Speed Media Conference	4/11/11
18	Tree Planting Day	18/11/11
19	Providing equipment to Maharagama Cancer Hospital	5/12/11
20	South Asian Telecommunications Regulators Council (SATRC)	12-13 Dec.2011

12.2 Staff

In 2011, the Media Unit consisted of a staff of four (4) Management Assistant Level Officers.

Internal Audit Division

CHAPTER THIRTEEN

13.1 Overview

Internal auditing is an independent activity aimed at adding value and improving the operations of an establishment. It is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. The scope of internal auditing within an organization is broad and may involve areas such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with rules and regulations.

The Head of the Internal Audit Division (Chief Internal Auditor) of TRCSL directly reports to the Commission and the reports are submitted to the Audit Committee. Administratively, Chief Internal Auditor reports to the Director General.

13.2 Functions

- Review and appraisal of existing accounting and reporting systems of TRCSL with a view to making improvements thereto.
- Investigation into causes and effects of inabilities (if any) to achieve the objectives of TRCSL
- Ascertainment of the extent to which TRCSL assets are safeguarded from losses and frauds
- Making inquiries into necessities of transactions, benefits of transactions and exploration of areas of cost reduction by eliminating waste and extravagance
- Submission of reports to the Audit Committee based on the findings of the above mentioned tasks and arrange Audit Committee meetings
- Preparation and circulation of the decisions of the Audit Committee

to Heads of Divisions to take appropriate action.

- Submission of half yearly reports to the Auditor General's Department
- Carry out special investigations when requested by the Director General/ Members of the Commission
- Assist and make recommendations to various committees appointed by Director General/ Commission from time to time.

13.3 Performance

During the year 2011, three Audit Committee meetings were held and twenty seven (27) reports submitted by the Internal Audit Division were discussed at these meetings.

The subject areas covered in the reports are given in table 13.1

Subject Areas Covered by the Internal Audit Reports, 2011 (Table 13.1)

Report No	Date of the Report	Subject area
CIA/11/01	12/1/11	Property Loan
CIA/11/02	26/1/11	Repair of Vehicles belonging to TRCSL
CIA/11/03	31/1/11	Purchase of fuel on outstation duties
CIA/11/04	9/2/11	Payment of distress loan
CIA/11/05	9/2/11	Limitation of payment of distress loan
CIA/11/06	1/3/11	Payment of cess and operator fees by Tritel Services (Pvt) Ltd.
CIA/11/07	7/3/11	Foreign travel for official matters
CIA/11/08	7/3/11	Recovery of loans
CIA/11/09	15/3/11	Leave procedure
CIA/11/10	12/4/11	Performance incentive scheme
CIA/11/11	27/4/11	System Operator license fees
CIA/11/12	27/4/11	Reports submitted by Auditor General's Department
CIA/11/13	27/4/11	Contract Employees

Report No	Date of the Report	Subject area
CIA/11/14	27/4/11	Checking of Payment Vouchers
CIA/11/15	19/5/11	Settlement of Advances
CIA/11/16	30/5/11	Foreign travel - Reimbursement of expenses for an additional day
CIA/11/17	7/7/11	Statements to be submitted to monthly Board Meetings
CIA/11/18	28/7/11	Maternity leave
CIA/11/19	10/8/11	Leave procedure
CIA/11/20	19/8/11	Payment of salaries and allowances
CIA/11/21	20/10/11	Checking of Payment Vouchers
CIA/11/22	31/10/11	Vehicle loans
CIA/11/23	9/11/11	Loan recoveries
CIA/11/24	15/11/11	Reports submitted by Auditor General's Department
CIA/11/25	28/11/11	Frequency license invoices
CIA/11/26	2/12/11	Payment of salaries
CIA/11/27	5/12/11	Checking of Payment Vouchers

13.4 Staff

During the year 2011 the Internal Audit Division carried out the functions entrusted to it with a staff of four (4) members comprising one (1) Chief Internal Auditor, two (2) Management Assistant Level Officers and one (1) Primary Level Officer.

Finance Division

CHAPTER FOURTEEN

14.1 Overview

The Finance Division deals with the monetary aspects and its main function is financial management. The collection of revenue, spending, controlling and investing of funds are the elements of financial management, and they are imperative for the smooth operation of organizations like TRCSL. Maintenance of accurate financial records is a very important aspect of financial management. The government institutions are bound by law to submit the financial records to the Auditor General to determine the accuracy and completeness of the transactions and to ensure that all financial policies are in conformity with the Generally Accepted Accounting Principles and the Accounting Standards published by the Institute of Chartered Accountants of Sri Lanka and the Financial Procedures comply with the Financial Regulations of the Government.

The functions of the Finance Division are not restricted to the recording of historical data. Financial administration, cost control, development planning and participation in strategic decision making are also important functions of the Division. Furthermore, the Finance Division also maintains an efficient and effective Management and Financial Information System. Accordingly the functions of the Finance Division can be listed as follows.

14.2 Functions

- Reporting the financial impact of the operation of the Commission by analysing the historical data.
- Preparation of the Annual budget in coordination with all Divisions for approval by the Commission.
- Maintenance of accounting and statistical records of revenue, expenditure, assets and liabilities.
- Processing of all receipts and payments in accordance with rules, financial regulations, policies, and procedures.
- Establishing and maintaining Internal Control System to protect the assets of the Institute and ensure compliance with financial procedures and policies applicable to overall operation of the Commission.
- Maintaining cost and financial controls to guide and assist the top management in the implementation of Capital and Revenue Expenditure Program.
- Tax planning and compliance with the statutory requirements of the provisions of the relevant Tax Acts.
- Reviewing and analysing periodic operational and financial reports such as Government Auditor's report, Audit Committee reports, and taking appropriate action to rectify the deviations, if any.

- Ensuring prompt collection of levies imposed by the Government and reconciliation of all bank accounts and records.
- Managing the funds collected by way of different levies under the Acts of Parliament in respect of the telecommunications industry and ensuring prompt remittance of such funds to the Government Treasury and ensure that excess funds, if any, are invested for the development of the industry.
- Preparing quarterly and annual financial statement of the Commission.

14.3 Performance

14.3.1 Revenue

As per the provisions of the Telecommunications Act No. 27 of 1996, the Commission collected Radio Frequency Licence Fees, Cess Fees, System Operator Licence Fees, Vendor Licence Fees and other relevant fees from Public Switched Telephone Network (PSTN) Operators and Radio Frequency Users. A summary of the income in 2011 is set out in table 14.1 along with the revenue in 2010 for the purpose of comparison.

As per the budget proposals for 2011, the Government imposed a Telecommunication Levy of 20 per cent on telecommunication services provided by the Operators in lieu of 12 percent of VAT (value added tax), 10 per cent of MSL (mobile and fixed subscribers levy), 3 per cent of NBT (nation building tax) and 2 per cent of ECL (environment conservation levy) with effect from 01st January 2011. A 2 per cent cess fee was also introduced by the Government on the annual gross turnover of the Operators

Revenue of the Commission 2010 – 2011 (Table 14.1)

Source of Income	2011 (Rs.'000)	2010 (Rs.'000)
System Operator Licence Fees	24,388	235,598
Cess Fees	2,377,597	340,095
Radio Frequency Licence Fees	6,073,988	5,116,864
Frequency Upfront Fees	1,758,967	-
Vendors Licence Fees	11,825	6,077
Amateur Radio Licence Fees	52	30
Ship Station Licence Fees	302	296
Aircraft Station Licence Fees	307	230
Cordless Phone Dealer Charges	3,739	1,927
Examination Fees	13	7
Application Processing Fees	2,245	206
Short Code Charges	5,612	3,608
Sundry Income (i.e. Interest Income from Staff Loans, Interest Income from Investment, Deposit etc., and Miscellaneous)	87,572	8,830
Total	10,346,607	5,713,768

in place of System Operator licence fee and cess fee.

In addition to the above income, in terms of Finance Act No. 11 of 2004 as amended by Finance Act No. 13 of 2009, the Commission collected the International Telecommunication Operators'

Operators in respect of outgoing international calls. The income collected from the above named sources is set out in table 14.2.

The total revenue of the Commission' for years 2009, 2010 and 2011 is shown in table 14.3. The total revenue of the

International Telecommunication Operators Levy 2010 – 2011 (Table 14.2)

Source of Income	2011 (Rs.'000)	2010 (Rs.'000)
Telecommunication Development Charges	1,774,458	418,436
Levy on International Outgoing Calls	1,258,570	-

Levy of US \$ 0.30 per minute as a telecommunication development charge in respect of incoming international calls and a levy of Rs. 2.00 per minute from International Telecommunication

Commission increased by more than 400 % from 5.9 billion in 2010 to 29.8 billion in 2011.

Total Revenue of the Commission 2009- 2011 (Table 14.3)

2009 (Rs.'000)	2010 (Rs.'000)	2011 (Rs.'000)
6,091,312	5,932,148	29,839,187

14.3.2 Income Over Expenditure

The total income over expenditure in 2011 before income tax was Rs. 29,350 million and it was Rs.5,378 million in 2010. However the amount paid as income tax in 2011 was Rs. 31 million and it was Rs.1,767 million in 2010 which was very much greater than that in 2011 due to the payment of income tax in arrears for past years (i.e 2007, 2008). Accordingly, the income over expenditure after payment of income tax in 2011 and 2010 were Rs. 29,319 million and Rs. 3,611 million respectively.

14.3.3 Remittances to the Consolidated Fund

During 2011, the Commission contributed significantly to the Government revenue with the remittance of surplus funds amounting to Rs. 27 billion and it was an increase of 610% over the remittance in 2010. In addition, an amount of Rs.1.5 billion and Rs. 750 million were transferred to the Consolidated Fund from the collection of International Operators Levy and State institute Temporary Surplus fund respectively. Accordingly, the total amount transferred to the Consolidated Fund was Rs. 29.25 billion in year 2011.

14.3.4 Property Plant & Equipment

The value of property plant & equipment after depreciation as at 01st January 2011 was Rs.305 million and it was Rs. 570 million at the end of the year. Additions included Telecommunication Towers

costing Rs.262 million (in Kokavil) and Rs.29.9 million (in Vauniya) built for telecommunication network operators to extend their services in the Northern part of the island. Computers costing Rs.14.5 million were purchased during the year. Boundary wall constructed in Kadirana Station, costing Rs.11.8 million was completed and added to the property plant and equipment. Some equipment of the Frequency Management and Monitoring System (FMMS) costing Rs. 2.9 million were eliminated on disposal and replaced by new equipment at a value of Rs.3.1 million. Along with other minor additions the value total additions in the year 2011 was Rs.327.7 million.

14.3.5 Investment

The Commission invested a sum of Rs. 3.034 billion in Government Securities under Re- Purchases agreement in Year 2011 and Rs. 120 million in Peoples' Bank as Fixed Deposit. In addition, 50 per cent of the collection of telecommunication development charges amounting to Rs. 2.07 billion was invested in State Institution Temporary Surplus Trust Fund.

14.4 Staff

During the year 2011, the Finance Division carried out the functions entrusted to it with a staff of eleven (11) members comprising one (1) Actg. Deputy Director, one (1) Assistant Director, seven (7) Management Assistant Level Officers and two (2) Primary Level Officers.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

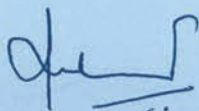
TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
BALANCE SHEET AS AT DECEMBER 31, 2011
(Expressed in Sri Lanka Rupees)

	NOTES		31/12/10
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT & EQUIPMENT	2	570,390,458	304,822,367
WORK IN PROGRESS	3	3,237,415	258,438,062
		573,627,872	563,260,429
INVESTMENTS			
	4	7,412,615,501	7,749,665,954
CURRENT ASSETS			
Government Securities under Re-Purchase Agreement	4A	3,034,654,795	0
Accounts Receivable	5	1,671,871,743	2,698,708,649
Other Receivables		610,000	610,000
Distress Loans		21,198,207	23,165,326
Pre Payments		521,020	322,500
Special Advances		0	13,575
Festival Advances		137,258	123,758
Motor Vehicle Loans		55,428,682	57,005,466
Housing Loans		5,700,209	6,612,609
Motor Cycle Loans		1,261,354	2,101,329
VAT Control Account		64,408,810	0
Purchase Advances		208,784	292,080
Air Ticket Receivable		653,836	285,906
Air Ticket Receivable - World Bank		44,291	
Salary Deduction Recoverable		25,587	12,982
Interest Receivable on Fixed Deposits		47,746,536	1,664,313
Commissioner General of Inland Revenue (WHT)		721,197	713,080
Claimable Economic Service Charges		11,153,596	0
TDC Receivable		496,320,394	0
IDD Receivables		178,142,201	0
Telecom. Levy Receivables		1,418,062,606	0
Cash at banks	6	136,059,478	1,474,454,041

Cash in hand	6B	96,207	16,525
		7,145,026,791	4,266,102,139
CURRENT LIABILITIES			
Accounts Payable	7	43,796,749	27,125,752
Outstanding Staff Loan Recoveries		1,175	1,175
Over Recoveries of Special Advance		4,175	0
Deferred Income (Grant)		166,624	0
VAT Control Account		0	87,450,766
Provision for Income Tax		30,520,632	236,409,096
C.T.O Telecenter Project Payables		924,492	924,492
Construction Creditors		751,650	751,650
Revenue Received in Advance		2,898,667,108	2,715,896,911
Refundable Deposits for Tender		1,173,132	1,153,612
Refundable Deposits -Employees		2,086,843	0
Advances Received for 1800 MHz Band		307,635,000	307,635,000
Provision for Gratuity		23,403,160	21,533,040
ICT for Effective Disaster Management Summit		34,210	34,210
50% TDC Payable to Treasury		248,160,197	118,458,552
IDD Payable to Treasury		178,142,201	0
Telecom . Levy Payable to Treasury		1,420,141,820	0
Subscribers Levy Payable to Treasury		75,335	0
Environment Con. Levy Payable to Treasury		423,942	0
Construction of PSTN Cubicles - Kokavil		4,135,901	0
Unclaimed Employees Benefit		55,381	7,738
		5,160,299,727	3,517,381,993
NET CURRENT ASSETS		1,984,727,064	748,720,147
		9,970,970,437	9,061,646,529
Government Contributions via			
- World Bank Credit Agreement		298,572,434	298,572,434
- United Nations Development Program		19,533,906	19,533,906
Other Government Contributions		208,108,404	208,108,404
		526,214,744	526,214,744

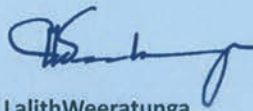
International Telecommunications Operators Levy Fund	7A	6,006,025,299	21,254,347,225
LESS :Transferred to Consolidated Fund		0	(13,815,293,949)
		6,006,025,299	7,439,053,277
ADD:			
Accumulated Surplus		3,385,150,394	1,042,798,508
Revaluation Surplus		53,580,000	53,580,000
		9,970,970,437	9,061,646,529

The accounting policies and notes to the financial statements form an integral part of the financial statements. I certify that the financial statements of the Commission give a true and fair view of the state of affairs as at 31st December 2011 and its surplus for the period then ending.



A.S.Hapuarachchi
Assistant Director (Revenue)
Acting for Deputy Director (Finance)

The Commission is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Commission.



Lalith Weeratunga
Chairman



U.H.C. Priyantha
Deputy Director General (Administration, Corporate Affairs & Finance)
Acting for Director General of Telecommunications

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
(Expressed in Sri Lanka Rupees)

	NOTES		31.12.2010 Restated
INCOME	8	10,346,606,662	5,713,767,654
Less: Nations Building Tax		(208,215,714)	(200,055,587)
		10,138,390,948	5,513,712,067
Add: Telecommunications Levy		16,667,767,978	0
Add: Telecom Development Charges	8B	1,774,458,353	418,436,403
Add: International Outgoing Call Levy		1,258,570,192	0
TOTAL OPERATING INCOME		29,839,187,471	5,932,148,470
Less: Regulatory Expenses	9	(107,504,532)	(63,894,040)
		29,731,682,939	5,868,254,430
LESS: OTHER EXPENDITURES			
Administration & Establishment	10	333,067,055	287,338,563
Repairs & Maintenance	11	29,617,301	34,027,414
Finance & Others	12	2,863,980	8,420,405
Provision For Bad Debtors		19,904,080	158,553,234
Loss/(Gain) on Foreign Currency Transactions		(1,430,869)	1,643,316
		384,021,548	489,982,932
		29,347,661,391	5,378,271,498
(Loss)/Gain on Damaged Antenna FMMS Project		2,800,053	0
Income Over Expenditure for the Year Before Income Tax		29,350,461,444	5,378,271,498
Less: Income Tax		(31,771,388)	(1,766,905,489)

Income Over Expenditure for the Year After Income Tax		29,318,690,056	3,611,366,008
Less: Contribution to the Consolidated Fund	13	(26,976,338,170)	(3,800,000,000)
Total Income Over Expenditure for the Year		2,342,351,886	(188,633,992)
Add: Surplus/(Deficit) Brought Forward		1,042,798,508	1,231,432,500
Accumulated Surplus /(Deficit)		3,385,150,394	1,042,798,508

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
(Expressed in Sri Lanka Rupees)

Cash flows from operating activities		
Net profit before taxation		29,350,461,445
Adjustments for		
Depreciation on Property, Plant and Equipment	62,114,591	
Provision for Bad & Doubtful Debtors	19,904,080	
Provision for Gratuity	2,663,638	
Provision for Telecommunication Levy		
Provision for International Outgoing Call Levy		
Gain on Damaged Antenna FMMS Project	(2,800,053)	
Gain on Foreign Currency Transactions	(1,430,869)	80,451,387
Operating Profit before working capital changes		29,430,912,832
Changes in Working Capital		
Increase in Government Securities under Re-Purchase Agreement	(3,034,654,795)	
Decrease in Accounts Receivable	1,006,932,825	
Decrease in Distress Loans	1,967,119	
Increase in Pre Payments	(198,520)	
Decrease in Special Advances	13,575	
Increase in Festival Advances	(13,500)	
Decrease in Motor Vehicle Loans	1,576,784	
Decrease in Housing Loans	912,400	
Decrease in Motor Cycle Loans	839,975	
Increase in VAT Control Account	(64,408,810)	
Decrease in Purchase Advances	83,296	
Increase in Air Ticket Receivable	(367,930)	
Increase in Air Ticket Receivable - World Bank	(44,291)	
Increase in Salary Deduction Recoverable	(12,605)	
Increase in Interest Receivable on Fixed Deposits	(46,082,224)	
Increase in Commissioner General of Inland Revenue (WHT)	(8,117)	
Increase in Claimable Economic Service Charges	(11,153,596)	
Increase in TDC Receivable	(496,320,394)	

Increase in IDD Receivables	(178,142,201)	
Increase in Telecom. Levy Receivables	(1,418,062,606)	
Increase in Accounts Payable	16,670,997	
Increase in OverRecoveries of Special Advance	4,175	
Increase in Deferred Income (Grant)	166,624	
Decrease in VAT Control Account	(87,450,766)	
Increase in Revenue Received in Advance	182,770,197	
Increase in Refundable Deposits for Tender	19,520	
Increase in Refundable Deposits -Employees	2,086,843	
Increase in 50% TDC Payable to Treasury	129,701,645	
Increase in IDD Payable to Treasury	178,142,201	
Increase in Telecom . Levy Payable to Treasury	1,420,141,820	
Increase in Subscribers Levy Payable to Treasury	75,335	
Increase in Environment Con. Levy Payable to Treasury	423,942	
Increase in Construction of PSTN Cubicles - Kokavil	4,135,901	
Increase in Unclaimed Employees Benefit	47,643	(2,390,207,537)
		27,040,705,295
Insurance Claim Received	2,800,053	
Gratuity Paid	(702,667)	
Income Tax Paid	(235,021,450)	(232,924,064)
Net Cash Generated Through Operating Activities		26,807,781,231

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
(Expressed in Sri Lanka Rupees)

Cash flow from investing activities		
Lands	(2,121,668)	
Buildings	(4,875,683)	
Computers	(14,502,046)	
Other Office Equipment	(892,970)	
Mobile Phones	(79,990)	
Office Furniture	(55,944)	
FMMS Project Equipment	(3,117,726)	
Kokavil Tower	(40,047,981)	
Vuniya Tower	(3,598,126)	
Construction Work	(3,057,415)	
Remitted to Consolidated Fund	(26,976,338,170)	
State Institution's Temp. Surplus Trust Fund-1	2,526,146,864	
State Institution's Temp. Surplus Trust Fund-2	(2,066,859,752)	
International Telecommunications Operators Levy Fund	(1,433,027,978)	
Net cash flow in investing activities		(28,144,665,244)
Net Increase in cash and cash equivalents		(1,336,884,012)

Analysis of cash and cash equivalents

	31.12.2011	01.01.2011	Change during the period
Cash at Bank			
People's bank - Narahenpita Branch, Current A/c No.119-1-001-4-3693169 (Collection A/c)	45,134,200	694,399,600	(649,265,400)
Bank of Ceylon - Narahenpita Branch, Current A/c No.2323167	10,432,641	136,349,004	(125,916,363)
People's bank - Narahenpita Branch, Current A/c No.119-1-001-4-3693264 (ITO Levy)	22,913,151	588,824,192	(565,911,041)

People's bank - Narahenpita Branch,
A/c 119/RFC/ SA/ USD/0032

	57,579,486	54,881,245	2,698,241
	136,059,478		1,474,454,041
	(1,338,394,563)		
Cash in hand	96,207	16,525	79,682
Cash and cash equivalents as previously reported	136,155,685	1,474,470,566	(1,338,314,881)
Effect of exchange rate changes	0	0	(1,430,869)
Cash and Cash equivalents	136,155,685	1,474,470,566	(1,336,884,012)

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
NOTES TO ACCOUNTS – 31.12.2011

1. ACCOUNTING POLICIES

1.1 GENERAL ACCOUNTING POLICIES:

1.1.1 The Financial Statements of TRCSL are prepared under the historical cost convention in accordance with generally accepted accounting principles and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. No adjustment is made for inflationary factors affecting these Accounts.

1.1.2 Post Balance Sheet Events

All material events occurring after the Balance Sheet date are considered and where necessary, adjustments are made in the accounts.

1.1.3 Foreign Currency Conversion

All foreign currency transactions are converted at the rate of exchange prevailing at the time the transactions were effected. Assets and Liabilities in foreign currencies are translated at the rates of exchange prevailing at the Balance Sheet date. The resulting gains and losses are dealt within the Income and Expenditure Account.

1.1.4 Previous Year Adjustments

Previous year adjustments are presented in the accounts under the Benchmark Treatment method as stated in Sri Lanka Accounting Standard 10 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies).

1.2 VALUATION OF ASSETS:

1.2.1 Accounts Receivable

Accounts receivables are stated at the amounts that they are estimated to realize. Provision is made in the accounts for bad and doubtful debts.

1.2.2 Property, Plant and Equipment

1.2.2.1 The cost of Property, Plant and Equipment is the cost of purchase or construction together with any incidental expenses thereon. The Property, Plant and Equipment are recorded at cost (or valuation) less accumulated depreciation, which is provided for on the bases specified in the Note 1.2.3 below.

1.2.2.2 The fully depreciated vehicles of the Commission have been revalued and taken in to books of account of the Commission in 2010. All together 28 vehicles of the Commission have been revalued to Rs. 53,580,000/-.

1.2.2.3 Property, Plant and Equipment acquired under the International Development Association Credit Agreement have been capitalized.

1.2.3 Depreciation

Provision for depreciation has been calculated on the cost or valuation of Property, Plant and Equipment (PPE) in order to write-off such amounts over the estimated useful lives by equal installments as follows:

Estimated Useful Lives of PPE

Buildings	Over 20 Years
Furniture & Fittings	Over 10 Years
Telecom Towers	Over 10 Years
Office Equipment	Over 10 Years
Computers / Web Servers	Over 04 Years
Motor Vehicles	Over 08 Years
Generators	Over 10 Years
Office Telephones	Over 10 Years
Office Furniture	Over 10 Years
Technical Equipment	Over 10 Years
Video Unit Equipments	Over 10 Years
FMMS Equipment	Over 10 Years
Mobile Surveillance Vehicles	Over 08 Years

Full provision is made in the year of purchase and none in the year of disposal.

When computing depreciation, credit has been taken for Grant Funded Assets in accordance with Sri Lanka Accounting Standard 24.

1.2.4 Investments

Investments are stated at cost of acquisition. Provision is made for diminution in value of investments only if they are expected to be permanent.

1.3 LIABILITIES AND PROVISIONS:

All material liabilities as at the balance sheet date have been included and adequate provision has been made for liabilities which are known to exist but the amount of which cannot be determined accurately.

1.3.1 Capital Commitment and Contingencies

Capital expenditure commitments and contingent liabilities as at the date of the balance sheet have been disclosed in the notes to the accounts.

1.3.2 International Development Association

Funds received under the IDA credit agreement has been accounted according to the Capital Approach as per the Sri Lanka Accounting Standards 24 (SLAS – 24) – Accounting for Government Grants and Government Assistance.

1.4 INCOME AND EXPENDITURE:

Income is principally recognized on accrual basis in terms of Sri Lanka Accounting Standard No. 29.

1.4.1 Cess and Operator Fees are charged as a percentage on Operators' Turnover and Additional Investment respectively and being collected after the end of Operators' Financial Year.

As Financial Year ending dates of Operators and the Commission are different Cess and Operator fees are accounted based on projections prepared as per the available recent information in view to ensure the identification of revenue in the Accounts on accrual basis.

The effect of the change in the above accounting estimate was included in the determination of total income over expenditure. The effect in 2010 is as follows.

	Estimate Revenue for year 2010	Actual Revenue for year 2010	Effect of or change in accounting estimate
Operator Fees	603,406,071.28	404,371,295.42	199,034,775.86
Cess Fees	390,933,786.47	384,695,021.67	6,238,764.80

1.4.2 Government Grants

Grants related to income are recognized in the Income and Expenditure Account in the year in which it is receivable.

PROPERTY, PLANT & EQUIPMENT

COST	BALANCE	For the Year 2011		BALANCE
	AS AT 01.01.2011	ADDITIONS	DISPOSALS/ TRANSFERS	AS AT 31.12.2011
Lands	136,475,810	11,759,762	0	148,235,572
Lease Hold Lands	345,502	0	0	345,502
Buildings	133,274,155	4,875,683	0	138,149,837
Kokavil Tower	0	262,497,819	0	262,497,819
Vauniya Tower	0	29,900,741	0	29,900,741
Vehicles	104,157,002	0	0	104,157,002
Air conditioners	8,972,573	0	0	8,972,573
Elevators	4,683,848	0	0	4,683,848
Generators	2,665,428	0	0	2,665,428
Computers	35,407,534	14,502,046	0	49,909,580
Web Server	2,213,661	0	0	2,213,661
Other Office Equipment	17,514,612	892,970	0	18,407,582
Mobile Phones	542,086	79,990	0	622,076
Office Furniture	11,461,760	55,944	0	11,517,704
Technical Equipment	15,601,280	0	0	15,601,280
FMMS Project Surveillance Vehicles	5,800,000	0	0	5,800,000
FMMS Project Equipment	303,615,202	3,117,726	2,913,800	303,819,128
Video Unit Equipment	6,541,475	0	0	6,541,475
	789,271,927	327,682,681	2,913,800	1,114,040,808

DEPRECIATION	BALANCE	For the Year 2011		BALANCE
	AS AT 01.01.2011	ADDITIONS	DISPOSALS/ TRANSFERS	AS AT 31.12.2011
Buildings	77,237,806	7,072,107	0	84,309,913
Kokavil Tower	0	26,249,782	0	26,249,782
Vauniya Tower	0	2,990,074	0	2,990,074

Vehicles	30,287,550	12,936,813	0	43,224,363
Air Conditioners	7,498,608	247,394	0	7,746,003
Elevators	4,683,848	0	0	4,683,848
Generators	2,665,428	0	0	2,665,428
Computers	27,247,375	7,587,305	0	34,834,680
Web Server	2,213,661	0	0	2,213,661
Other Office Equipment	12,564,053	998,973	0	13,563,026
Mobile Phones	295,452	52,959	0	348,410
Office Furniture	6,749,010	883,504	0	7,632,514
Technical Equipment	5,021,056	1,366,357	0	6,387,413
FMMS Project				
Surveillance Vehicles	725,000	725,000	0	1,450,000
FMMS Project Equipment	301,723,637	639,654	2,913,800	299,449,491
Video Unit Equipment	5,537,077	364,669	0	5,901,746
	484,449,560	62,114,591	2,913,800	543,650,350
NET BOOK VALUE	304,822,367			570,390,458

Notes:

Value of Land of Rs. 136,475,809.75 includes Rs. 45,000,000 for the Land situated in Kadirana, Negombo. Extent of the Land is 112 Acres Rood 01 and P 10.5. Approximately a 50% of the extent of the land has been acquired by the Divisional Secretary of Katana, but the effect of the change of the value due to the acquisition has not been incorporated in accounts.

WORK IN PROGRESS

	BALANCE	For the Year 2011		BALANCE
	AS AT 01.01.2011	ADDITIONS	DISPOSALS/ TRANSFERS	AS AT 31.12.2011
Construction of Boundary Wall- Kadirana	9,638,094	2,121,668	11,759,762	0
Ren. of Entrance Lobby & Main H/O Building	180,000	0	0	180,000
Construc. of Tower at Vauniya	26,302,615	0	26,302,615	0
Construc. of Tower at Kokavil	222,234,637	0	222,234,637	0
Construction of Tower at Paliyagoda	82,716	0	82,716	0
Renovation of Wash Room	0	3,057,415	0	3,057,415
	258,438,062	5,179,083	260,379,730	3,237,415

4 INVESTMENTS

Treasury Deposits	354,000,000	354,000,000
Fixed Deposit (Gratuity Provision)	21,533,040	19,296,380
State Institution's Temp. Surplus Trust Fund-1	4,850,222,710	7,376,369,574
State Institution's Temp. Surplus Trust Fund-2	2,066,859,752	0
Fixed Deposit -People's Bank	120,000,000	0
	7,412,615,501	7,749,665,954

4A GOVERNMENT SECURITIES UNDER RE-PURCHASE AGREEMENT

Maturity Date	No of Days	Maturity Value (Rs.)	Cost (Rs.)
M11B-014065 - 06.01.2012	91	2,071,685,512	2,034,654,795
M11B-015372 - 02.02.2012	91	1,018,075,342	1,000,000,000
		3,089,760,854	3,034,654,795

5 ACCOUNTS RECEIVABLE

TRADE DEBTORS

Radio Frequency Fees	1,759,562,017	2,159,744,356
Operator Fees	0	404,371,295
Cess Fees	188,558,253	390,933,786
Amature Radio	18,486	22,144
	1,948,138,756	2,955,071,581
Less - Provision for Bad Debtors **	(276,267,013)	(256,362,932)
	1,671,871,743	2,698,708,649

Note:

Provision for Bad Debtors

	Debtors	%	Provisions
More Than 02 Years	271,589,570	100	271,589,570
More Than 01 Year Less Than 02 Years	46,774,427	10	4,677,443
More Than 6 Months & Less Than 01 Year	119,216,585	0	0
More Than 2 Months & Less Than 6 Months	951,726	0	0
More Than 01 Month & Less Than 2 months	209,696,754	0	0
Less Than 01 Month	1,111,351,446	0	0
	1,759,580,508		276,267,013

Note:

** Operator Fees and Cess Fees are accounted on estimated basis, as to recognize the revenue of the Commission on accrual basis. The amounts so recognized have been shown above as debtors and no provisions have been provided for Bad Debtors with respect to debtors arising on Operators Fees and Cess Fees.

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2011 (Contd...)

(Expressed in Sri Lanka Rupees)

6 CASH AT BANK

People's Bank - Narahenpita Branch, (Deposit Account) A/c NO.119/RFC/SA/USD/0032	57,579,486	54,881,245
People's Bank - Narahenpita Branch, (Collection Account) Current A/c No.119-1-001-4-3693169	45,134,200	694,399,600
People's Bank - Narahenpita Branch, (ITO Levy) Current A/c No. 119-1-001-3-3693264	22,913,151	588,824,192
Bank of Ceylon - Narahenpita Branch Current A/c No.2323167	10,432,641	136,349,004
	136,059,478	1,474,454,041

6B CASH IN HAND

Petty Cash - Head Office	10,000	6,573
Petty Cash - Kadirana	5,000	2,075
Cash In Hand (Collection Account)	25,826	140
Unclaimed Employee Benefits	55,381	7,738
	96,207	16,525

7 ACCOUNTS PAYABLE

ACCRUED EXPENSES

Telephone		
-Office	340,250	315,499
-Bungalow	47,472	58,339
Salaries Control (Contract Employees)	902,833	749,020
Salaries Payable	112,884	74,197
Electricity	2,355,547	22,626
Water	79,362	14,832
Janitorial Services	973,023	463,237
Security Services	1,461,411	1,375,232
Overtime	467,780	688,034
E.P.F	177,208	134,681
E.T.F	21,265	16,162
Internet	0	2,849

ACCRUED EXPENSES - Contd.

Medical Insurance Claims	236,586	78,064
Staff Welfare	203,524	174,067
News Papers & Notifications	137,485	37,080
Audit Fees	1,571,400	1,031,400
Lease Rental	660,000	763,090
Bonus	1,421,375	0

**31.12.2010
Restated**

Retention	178,864	40,595
2/3 Interest Reimbursement	292,263	124,199
Comm.Gen.IR (ESC,NBT & Stamp Duty)	22,171,626	15,776,220
Salary Deductions	51,454	61,305
Repairs & Maintenance Payable	8,743,485	2,568,172
Fuel Payable	105,444	33,933
Printing & Stationery	0	176,140
With Holding Tax Payable	0	101,056
Chairman's Remuneration Payable	0	0
Misc.Purchase& Supplies (Schedule - 1)	984,209	2,175,519
Miscellaneous	100,000	70,205
	43,796,749	27,125,752

7A INTERNATIONAL TELECOMMUNICATION OPERATORS LEVY FUND

International telecommunication Operators' Levy Fund Account No.1	5,939,165,547	7,439,053,277
International telecommunication Operators' Levy Fund Account No.2	66,859,752	0
	6,006,025,299	7,439,053,277

8 INCOME

System Operator License Fees	24,387,756	235,597,831
Cess Fees	2,377,597,067	340,094,900
Radio Frequency Fees	6,073,987,753	5,116,864,419
Frequency Upfront Fees	1,758,967,041	0
Vendor License Fees	11,824,746	6,076,575
Amateur Radio License Fees	51,556	29,513

Ship Station License Fees	302,378	295,522
Aircraft Station License	306,939	229,917
Cordless Phone Dealer Charges	3,738,658	1,927,123
Examination Fees	13,293	7,462
Application Processing Fees	2,244,902	206,186
Short Code Charges	5,612,292	3,608,248
Sundry Income (8 A)	87,572,282	8,829,957
	10,346,606,662	5,713,767,654

8A SUNDRY INCOME

Interest Income from Staff Loans	3,624,327	3,715,789
Interest Income from Deposits	83,782,577	5,030,159
Other Income (Grant)	55,541	0
Miscellaneous	109,836	84,010
	87,572,282	8,829,957

8B TELECOM DEVELOPMENT CHARGES

TDC Revenue	3,548,916,707	836,873,072
Less:		
50% TDC Paid to Treasury	(1,526,298,157)	(299,978,117)
50% TDC Payable to Treasury	(248,160,197)	(118,458,552)
	1,774,458,353	418,436,403

9 REGULATORY EXPENSES

ITU Annual Subscription	19,671,086	17,263,718
APT Annual Subscription	1,398,845	1,438,896
SAFIR Annual Subscription	693,113	
Library Annual Subscription	5,343	95,631
CTO Annual Subscription	8,674,659	3,506,303
National Numbering Data Base	0	25,250
Public Awareness Programmes	1,600,780	562,156
Participating in Regulatory Affairs Work	13,836,866	14,570,323
Filing & Depending Court Actions	1,283,957	1,458,146
Public Awareness on Telecom Development	1,102,115	79,583
Network Development Monitoring	33,761	629,430
Conduct Research Studies	31,076	1,688,751
Monitor Mobile & TV Cable	0	45,999

Connect School/Con.Commu.	258,722	0
SATRC Meeting	7,047,306	12,561,418
Contribution for SATRC Action Plan	0	263,973
Telecenter Project	0	1,102,977
Communi. Facilities for People with Special Needs	645,854	314,524
Telecom Related Survey	250,000	0
Social Responsibility	1,010,000	0
Visiting of Foreign Delegates	52,783	1,262,633
Internet Speed Testing	159,697	0
School Develop.Project	32,693,760	0
Kokavil Tower Project	16,265,738	0
Vavunia Tower Project	171,235	0
Lotus Tower Project	617,836	7,024,331
	107,504,532	63,894,040

10 ADMINISTRATION & ESTABLISHMENT EXPENSES

Salaries	63,727,279	61,610,355
E.P.F. (15% Contribution)	8,827,443	8,441,247
E.T.F. (3% Contribution)	1,765,489	1,688,250
Cost of Living Allowance	12,698,163	11,526,503
Transport Allowance	16,412,699	16,636,122
House Rent Allowance	5,349,732	5,290,865
Other Allowances	330,298	153,831
Performance Incentive	13,837,417	13,810,153
Special Allowance	2,707,415	0
Bonus	2,803,518	0
Overtime	7,689,920	10,094,055
Chairman's Remuneration	400,000	300,000
Unutilized Vacation Leave	3,434,126	3,395,212
Commission's Contribution for Pension	52,353	162,860
Travelling Concession - Rail	2,180	8,220
Bungalow Telephones	487,947	623,480
Uniforms	328,887	248,195
Staff Welfare	5,883,768	4,766,961
Development of Sports Activities	808,321	599,363

Staff Professional Membership Subscrip.	275,593	332,617
Local Training	1,126,972	611,094
Commission Members Allowance	25,500	7,341
Housing Loan 2/3 Interest Reimbursement	4,107,294	3,669,586
Travelling & Subsistence	190,052	227,856
Gratuity	2,663,638	2,368,570
Electricity	26,887,876	9,958,682
Water	1,409,645	1,232,851
Janitorial Services	3,383,447	2,621,053
Security	6,729,720	5,414,622
Rates & Taxes	0	0
Economic Service Charge	4,172,176	16,241,497
Library Books	0	350,044
Printing and Stationery	5,414,898	4,536,296
Fuel	4,699,140	5,220,009
Electrical Goods	131,802	103,781
Postage	651,070	557,542
Telephone, Fax and PABX	4,398,443	4,417,933
Insurance (Property & Medical)	41,040,026	18,782,670
Internet Charges	78,517	169,632
Newspapers & Notifications	10,367,248	5,942,181
Consultancy fees	0	0
Seminars & Conferences	85,833	183,055
Audit Fees	540,000	707,059
Legal Expenses	129,741	10,727
Rentals for Leased Premises	498,000	1,827,814
Vehicle Hiring Charges	1,608	2,473
Rentals for Internet Leased Line	1,144,216	412,360
Depreciation	62,114,591	58,971,222
Administration Miscellaneous	2,690,910	2,257,648
Purchases & Supplies Miscellaneous	276,209	93,905
Operating Cost Miscellaneous	285,937	750,775
	333,067,055	287,338,563

11 REPAIRS & MAINTENANCE EXPENSES

Office Equipment Maintenance	1,700,544	2,218,855
Elevator Maintenance	179,874	364,912
Generator Maintenance	122,831	55,412
Vehicle Maintenance	8,765,098	7,151,076
Building Maintenance	1,241,978	1,387,271
Technical Equip. Maintenance	528,926	106,864
Software Maintenance & Development	14,356,603	14,468,149
Upgrade Lotus Dominon Server	1,532,024	0
Monitoring System Upgrade	543,150	8,171,037
Rep. & Maint. Misc	646,275	103,839
	29,617,301	34,027,414

12 FINANCE & OTHER EXPENSES

Bank Charges	136,575	123,745
Bank Debit Tax	1,178,114	7,094,896
Stamp Duty	1,549,291	1,201,764
	2,863,980	8,420,405

**13 CONTRIBUTION TO THE
CONSOLIDATED FUND**

Contribution under Telecommunication Act	9,050,000,000	8,420,405
Contribution under Finance Act elecommunication Levy Paid	16,667,767,978	0
International Outgoing Call Levy Paid	1,258,570,192	0
	26,976,338,170	8,420,405



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கணக்காய்வாளர் தலைமை அபிப்பதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல
My No

} TM/E/TRC/FA/2011

ඔබේ අංකය
உமது இல
Your No.

දිනය
திகதி
Date

} 22 August 2012

Report of the Auditor General on the Financial Statement of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31st December 2011 in terms of Section 14(2)(c) of the Financial Act, No. 38 of 1971.

The audit of Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31st December 2011 comprising the balance sheet as at 31st December 2011 and the income statement, and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No. 38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Commission on 08th May 2012.

1.2 Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express as opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing standards. Those standards require that to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

The 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 risk of material misstatements

අංක 306/72 පොල්දූව පාර,
බත්තරමුල්ල, ශ්‍රී ලංකාව

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of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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. Sub-sections (3) and (4) of the Section 13 of the Section finance Act, No 38 of 197 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 if this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 if this report. The financial statements give a true and fair of the financial position of the Telecommunications Regulatory Commission of Sri Lanka as at 31st December 2011 and its financial performance and cash flows for the year than ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards (SLAS)

The following observations are made.

A statement of changes in equity is an integral part of the financial statements. However, the Commission had not presented this statement as requested by the Sri Lanka Accounting Standard No.3. Further, it had been brought to the notice of the Commission by my previous year audit report too.

The cash flow from financing and investment activities should be clearly identified and shown separately in the cash flow statement in terms of Sri Lanka Accounting Standard No.9. However, the cash flow from these activities amounting to Rs.33,002,372,764 had been shown under the investment activities instead of being shown separately.

Although a provision for payment of gratuities amounting to Rs. 23,403,160 and the investments made thereon amounting to Rs. 21,533,040 had been shown in the financial statements, the disclosures relating to the retirement benefit plan and the gratuity liability cost had not been made in the accounts in terms of Sri Lanka Accounting Standard No. 16.

According to the amendments made to the Inland Revenue Act No. 10 of 2006 the income of the Commission other than interest income and dividends are exempted from the income tax. However, it had not been disclosed in the financial statements in terms of Sri Lanka Accounting Standard No. 24.

2.2.2 Accounting Deficiencies

The accounting deficiencies observed in audit are given below.

Telecommunications Levy for the year under review received directly into the bank account amounting to Rs. 11,704,355 and International Outgoing Call Levy receivable amounting to Rs. 31,405,442 had been omitted in the accounts, thus the income for the year had been understated by Rs. 43,109,797 whilst the cash and cash equivalent and the accounts receivable for the year under review had also been understated by Rs. 11,704,355 and Rs. 31,405,442 respectively.

The cost of building shown in the accounts had been erroneously overstated by Rs. 3,292,300. As a result, the depreciation on building was also overstated by Rs.164,615.

Withholding Tax payable on interest income had been erroneously included for the calculation of interest income in some instances. As a result, the Interest Income and With Holding Tax Payable for the year had been understated by Rs.185,508.

Expenditure relating to the Information and Communication Technology Regulatory Capacity Building Project (ICT-RCBP) amounting to Rs.3,223,683 had been treated as an expenditure of the Commission for the year under review, thus the expenditure had been overstated by that amount.

2.2.3 Accounts Receivable and Payable

The following observations are made.

a. Account Receivables

Balances of accounts receivable as at 31 December 2011 amounted to Rs. 1,948,138,756. Of this, balances remaining outstanding for over a period of 01 year amounted Rs.318,674,227 and the follow up action in this regard was at very weak level. An age analysis thereon is given below.

Less than 01 year	Over 01 year and less than 02 years	Over 02 year	Total
Rs. 1,629,464,534	Rs. 47,084,657	Rs. 271,589,570	Rs. 1,948,138,756

The following observations are also made in this connection.

- i). Out of balances of Accounts receivable a sum of Rs. 1,759,562,017 or 90% of the balances had been represented the amount receivable on Radio Frequency Fees. Of this, a sum of Rs.105,727,791 had been receivable from Sri Lanka Broadcasting Corporation (SLBC). However, according to the accounts of the SLBC there were no

balances shown as payable to the Commission as at 31st December 2011. Further, it was observed that no proper conversation with the SLBC had been carried out to recover or setoff these long outstanding balances.

- ii). Even though a sum of Rs. 271,577,267 shown as amounts remained outstanding for more than 02 years, the actual outstanding period is more than 20 years. Therefore, the recovery of this balance is doubtful. Further, no effective course of action had been taken to recover these long outstanding debtor balances.
- iii). According to the register presented for audit, the number of debtors relating to the Radio Frequency Fees was 917. The confirmation letters had been sent to about 200 debtors by the Commission but only 23 debtors had responded. Meanwhile, according to the books of account of the Commission the balances receivable from two debtors aggregating Rs. 168,812,935, had been stated in the confirmation letters of these debtors as Rs. 125,198,775 thus a difference of Rs. 43,614,160 was observed in audit.

b) Recoverable Staff Loans

Recoverable staff loan balances as at 31st December 2011 totaled Rs. 83,725,710 while according to the information made available for audit the balances remaining outstanding for over a period of 01 year amounted to Rs. 2,420,222 details are shown below.

Category of Loan and advances	Balance as at 31st December 2011	Amount outstanding for more than 01 year
	Rs.	Rs.
Distress Loans	21,198,207	983,823
Festival Advances	137,258	-
Motor Vehicle Loans	55,428,682	1,294,405
Housing Loans	5,700,209	-
Motor Cycle Loans	1,261,354	141,994
	83,725,710	2,420,222

The following observations is also made in this regard.

Necessary action had not been taken to recover the distress and motor vehicle loans amounting to Rs. 474,275 recoverable from an officer who had vacated his post during the year 2010.

c) Accounts Payable

The following observation are made.

- i). Balances of accounts payable as at 31st December 2011 totaled Rs. 3,255,142,565 while balances outstanding without being settled for over a period of 01 year amounted to Rs. 312,059,587.
- ii). Although advances received from 05 Institutions during the period from 2003 to 2008 amounting to Rs. 307,635,000 had been brought under current liabilities

continuously, action had not been taken to settle or taken as revenue of the Commission.

2.2.4 Lack of Evidence for Audit.

Accounts receivables and payables, fixed assets, depreciation, telecommunications levies and charges and CESS aggregating Rs. 30,043,711,925 could not be satisfactorily vouched in audit due to non availability of confirmations, updated fixed assets register, register pertaining to computer and accessories, reports of Boards of Survey and independent evaluation reports on levies and charges paid and payable by the Operators.

2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-Compliance
a). Finance Act No. 38 of 1971 i). Section 13(8)	Although the report under section 13(7)(a) should be considered by the governing body of a public corporation and after such consideration that body shall inform the steps that they have taken or proposed to be taken with regard to the matters pointed out in the audit report within three months of the submission of the report to the corporation, it had not been complied with in respect of the report for the year 2010.
ii). Section 11 and State Finance Circular No. PF/PE/09 dated 27 June 2000 and Public Enterprises Circular No. PFD/56 dated 27 January 2011.	A sum of Rs. 3,120,000,000 had been invested by the Commission in fixed deposit account in a bank and the Treasury bills during the year under review without obtaining the relevant approval for the investment of excess cash.
b). State Finance Circular No. PF/PE/21 dated 24th May 2002.	Even though a draft annual report including the draft financial statements should be furnished to the Auditor General within 60 days after closure of financial year, it had not been complied with.
c). Treasury Circular No. IAI/2002/02 dated 28th November 2002.	A register of fixed assets in respect of computers and accessories had not been maintained.
d). Financial Regulations (F.R) F.R. 371 (c)	The Commission had failed to determine the anticipated expenditure before given ad-hoc advances. As a result out of the advances amounting to Rs. 1,021,250 given,

a sum of 496,664 or 49% had been settled by cash after delaying a period ranging from 3 days to 71 days without being utilized for intended purposes.

ii). F.R. 371 (2) (b) The total amount of 83 ad-hoc advances given in excess of the specified limit of Rs. 20,000 totaled Rs. 4,519,175.

iii). F.R. 757 (2) The Commission had not taken necessary action to appoint a Board of Survey for the year under review and submit the report thereon to the Auditor General.

Instances of the following laws, rules, regulations etc., observed in audit are given below.

3. Financial and Operating Review

3.1 Financial Results

According to the financial statements presented, the operations of the Commission for the year under review had resulted in a surplus of Rs. 29,350,461,445 as compared with the corresponding surplus of Rs. 5,378,271,498 for the preceding year, thus indicating an increase in financial results by Rs. 23,972,189,947.

The income of the Telecommunication Levies and charges for the year had been increased tremendously by Rs. 23,836 million and decreased the provision for bad and doubtful debts by Rs. 138 million were the main reasons for the increase of the financial results for the year under review.

3.2 Analytical Financial Review

Details	for the year ended		Variation favorable/ (adverse)	Percentage of the variation
	31 Dec 2011	31 Dec 2010		
	Rs. 000	Rs. 000	Rs. 000	%
Income				
Telecommunication Levy	28,185,372	5,704,938	22,480,434	394
Telecom Development Charges	1,774,458	418,436	1,356,022	324
Other income	91,803	7,187	84,616	1177
Total Income	30,051,633	6,130,561	23,921,072	390

Expenditure				
Regulatory Expenses	107,504	63,894	(43,610)	14
Operating Expenditure	593,668	688,396	94,728	
Total Expenditure	701,172	752,290	51,118	7
Net effect to the Financial Results				
	29,350,461	5,378,271	23,972,190	446

- i) The summary of income and expenditure of the Commission as compared with the previous year is given below.
- ii) The working capital of the Commission as at 31st December 2011 had increased by 165% as compared with previous year, thus showing unnecessary liquidity assets had been kept with Commission throughout the year under review. Further it was observed that the liquidity ratio as at 31st December 2011 was 1.4:1 while it was 1.2:1 as at 31st December 2010.

3.3 Performance Review

The following observations are made.

- a) Two Towers had been constructed in Kokavil and Vavuniya by spending Rs. 292.3 million by the Commission for the purpose of providing facilities for currying out the Telecommunications, Broadcasting and Telecasting activities in the Northern region. However, no income had been earned by the Commission on this capital expenditure during the year under review.
- b) In the aim of implementing the main functions of the TRCSL as refereed to in the Sri Lanka Telecommunications (amendment) Act, No. 27 of 1996, a Program was launched with effect from April 2010 to undertake the public complaints relating to misplaced or stolen mobile phones and carrying out the investigation thereon. However, the Commission had failed to implement a proper mechanism to respond

Year	Number of complaint received	Number of Respondent made	Percentage of respondent
	No.	No.	%
2010	5600	1200	21.4
2011	5400	1900	35.2

the above public complaints. The progress of responding on public complaints for last two years are shown below.

In this connection the Director General of the TRCSL had informed me as follow.
 "Under the increasing the number of such incidents, the Commission is not in a position to continue this facility"

- c) A person who, manufacture, sale, import, offer for sale, deal in, transfer, hire, lease, demonstrate, maintain or repair any telecommunication apparatus should obtain

a license issued by the Commission under Section 21 of the Telecommunication Act, No. 25 of the 1991 as amended by Act, No. 27 of 1996. Nevertheless, it was observed that such businesses are operated in various places within the country without obtaining licenses. It was further observed that the Commission did not have a proper mechanism or database to investigate and find out the institutions carrying on business without a license and to recover the relevant charges.

- d) A sum of Rs. 180,000 had been continuously brought forward under the work in progress account for last 06 years as renovation of entrance lobby and head office building without being completed such works.

3.4 Operating Review

Following observations are made.

- a) In terms of Extra Ordinary Gazette Notification No. 1686/4 dated 27 December 2010, every Telecommunication Operator should pay a new CESS with effect from 01 January 2011. In view of non indication of the time bar for making the CESS payments to the Commission, the Operators had settled their CESS in time to time. As a result, the CESS receivable to the Commission had been received with a considerable delay. The Director General of the Commission had informed me that according to the prevailing laws there were no legal authorities to impose the surcharges on the delayed payments.
- b) In terms of Section 22(g) of Sri Lanka Telecommunication (Amendment) Act, No. 27 of 1996 every telecommunication operator should pay cess for his licence and the operating license fees in respect of the year specified for him before the 31st of January next year. However, the cess amounting to Rs. 206,384,147 payable by 13 entities and the operating charge of Rs. 393,808,974 payable by 08 entities had been paid after a period ranging from 21 to 275 days and 23 to 275 days respectively.

Even though it was stated in the licence that an additional charge could be imposed on the delays, action had not been taken to determine and recover such additional charges. However, the Director General of The Commission had reported to the Auditor General on 28 June 2011 that there was no such provision in the existing Act to recover an additional fine on account of delays or non-payment of operating license fees and cess and action will be taken in future to include a methodology in the Telecommunication Act to ascertain the legal powers. However, no action had been taken by the Commission in this regard up to 30 June 2012.

- c) In terms of Extra Ordinary Gazette Notification No. 1680/29 of 19 November 2010, every Telecommunications Operator should pay an International Outgoing Call Levy on or before the date of publish. Whereas, the International Outgoing Call Levy aggregating Rs. 29,089,578 payable by 04 operators had been paid after delaying period ranging from 18 days to 135 days.

3.5 Human Resources Management

The approved cadre of the Commission as at 31 December 2011 was 265 while the actual cadre was only 203. However, 20 employees on contract and casual basis had been recruited without the approved cadre and a sum of Rs. 11,777,540 had been paid to them as salaries and allowances during the year under review. Details are shown below.

Category of Staff	Approved Cadre	Actual Cadre	Vacancies	Excess
Executive Level	23	8	15	-
Staff Level	34	20	14	-
Supporting Staff	166	117	49	-
Minor Staff	42	38	4	20
Others (Contract and Casual)	-	20	-	20
	265	203	82	20

The following observation is made in this connection.

A sum of Rs. 208,725 had been paid as acting allowances during the year under review for three officers in respect of vacancies prevailed at the executive level.

3.6 Utilization of Vehicles

36 vehicles belonging to the Commission as at 31 December 2011 and a sum of Rs.13,464,238 had been spent for fuel and maintenance of vehicles during the year under review. The expenditure incurred during the previous year was only Rs. 12,371,085 and it was 9% increase as compared with the previous year. The following observations are made in this regard.

- i). 06 vehicles valued at R.2,950,000 had not been utilized by the Commission since 2010 and the Commission had taken action on 02 April 2012 to dispose these vehicles by calling public tenders.
- ii). Even though two vehicles valued at Rs. 1,850,000 had met with accidents during the years 2004 and 2010, the action in terms of F.R. 103 to 105 had not been taken in this regard. Further, a vehicle of the Commission had not been utilized for last several years and these vehicles are allowed to be laying in a perishable condition without being repaired.

3.7 Item of a Contentious Nature

Even though the land valued at Rs. 45,000,000 approximately 50% out of the total land in Kadirana, Negombo had been captured by unauthorized parties, the Commission had not taken any action in this regard. Therefore, the accuracy of the cost of land shown in the accounts amounting to Rs. 136,475,809 could not be consider as disclosing the correct position of each land.

4. Accountability and Good Governance

4.1 Corporate Plan

Although the updated copies of the Corporate Plan approved by the Board should be forwarded to the line Ministry (Presidential Secretariat), Department of Public Enterprises, General Treasury and the Auditor General at least 15 days before the commencement of each financial year in terms of Department of Public Enterprises Circular No. PED/47 of 18 December 2007, the Telecommunications Regulatory Commission of Sri Lanka had not taken action accordingly. According to the un-updated Corporate Plan existed at the Commission, the attention had not been drawn to prepare the Corporate Plan to identify the management responsibility clearly by indicating the significant features such as human resources administration, financial

and supplies Divisions and the currently available resources. Meanwhile an action plan and a revise of the preceding three years operating results and also not been included in the Corporate Plan. Further, the above Corporate Plan had not incorporated strategies to achieve the Vision, Mission and Objectives of the Commission.

A contract had been awarded to a foreign organization for the preparation of a Corporate Plan and US\$ 262,980 or Rs. 22.2 million had been paid in three installments on 06 December 2000, 26 December 2000 and 19 April 2001 respectively. However, the Committee on Public Enterprises in its meetings held on 19 June 2007 and 08 November 2011 had observed that the documents given to the Commission by the Contractor had not in a good quality and it was merely a report prepared for other organization dumped on the Telecommunications Regulatory Commission of Sri Lanka after making few changes. Nevertheless necessary action in this regard had not been taken by the Commission up to 30 June 2012.

4.2 Action Plan

Annual action plan clearly identifying the responsibilities of core-staff with target to be achieved and the budgetary allocation relating to the activities carried out during the period had not been prepared by the Commission for the year under review. Therefore the progress of the Commission as a whole could not be properly evaluated in order to take corrective measures and to make necessary changes with the view to achieve the objectives as set for.

4.3 Internal Audit

Internal Audit division comprises with 03 officers and headed by a Chief Internal Auditor. Interim internal audit reports and Internal Audit Plan for the year under review had been furnished to the Auditor General.

4.4 Procurement Plan

A procurement plan for the year under review had not been prepared and presented for audit.

4.5 Budgetary Control

The following observations are made

- a) Significant variances were observed between the budgeted and actual figures for the year under review thus indicating the budget had not been made use of as an effective instrument of management control.
- b) Twenty four items in the financial statements presented for audit had not been included in the budgeted financial statements prepared for the year under review.
- c) The cash budget for the year under review had been prepared based on the budgeted cash balance as at end of the previous year instead of being taken the actual cash balance at the end of previous year. Hence, minimum of Rs. 1,000,000,000 difference was observed between the actual and budgeted cash balances throughout the year.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- a) Investments of Surplus Funds
- b) Debtors
- c) Collection of Telecommunications Levies and Charges
- d) Utilization of Vehicles
- e) Investigations on Misplaced or Stolen mobile Phones

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