



TELECOMMUNICATION REGULATORY COMMISSION OF SRI LANKA
Annual Report 2012



Message of His Excellency the President

It is most satisfying to note that Sri Lanka's Telecommunications Sector, which has made considerable progress in recent years, is set for rapid growth to meet the goals of development and need of society.

As this report shows, the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) has taken necessary action in keeping with the Government's policy for the development of this sector, especially in expanding connectivity in the country. The focus in this regard has been to develop digital infrastructure to have high-speed broadband Internet access reaching all sections of society.

The TRCSL has already surpassed the goals of fixed-line and mobile telephony in the island and is making a major contribution

to the spread of ICT, both in the urban and rural sectors. This will enable ready access to important aspects of digital connectivity such as telemedicine, e-governance, e-commerce, distance learning and good entertainment. A further expansion of the TRCSL's services will include telecommunication service parks and economic zones in major cities for the wider delivery of services to the public.

The functions of the TRCSL in the year under review have contributed much to make telecommunications a universal service in the country with a clear direction of moving towards the establishment of the digital society in Sri Lanka. Towards this end, it is engaged in re-engineering and modification of systems to suit the special needs of Sri Lanka and the goal of making Sri Lanka the South Asian Hub in Telecommunications.

The TRCSL's hosting of the Africa-Asia Regulatory Conference in February 2012, jointly organized with the Commonwealth Telecommunication Organization (CTO), with the participation of delegates from 29 countries, saw the valuable exchange of views on key issues such as spectrum management, Next Generation Networks (NGN), Mobile Broadband, Cyber Security and IPv6. It also hosted the Global Symposium for Regulators in 2012, an annual event to strengthen the exchange of experience among telecommunications regulators, sponsored by the International Telecommunication Union (ITU).

I am confident that the TRCSL will continue this commendable record of service in the coming years and wish it every success in meeting the challenges of the future in this vital area of development activity.





Chairman's Message

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL), in its capacity as the National Regulatory Agency for Telecommunications in the country, continues with its policies of responding to the diverse interests of both telecommunication service providers and users, as seen in this annual report for the Year 2012.

Aware of its obligation to ensure competition in the industry that is open, fair and effective it seeks to protect the industry and customers, while raising revenue for the Government as well as for the further advancement of the Telecommunication Industry.

Among the initiatives of the TRCSL to ensure a properly competitive market in this important sector of development, is the introduction of a floor rate to maintain a level playing field that would ensure good competition and attract foreign investors.

The TRCSL is currently engaged in initiating a process to establish a regulatory framework for both fixed and mobile telephone services as well as the guarantee of high speed data services through an effective and modern Quality of Service regulatory framework.

In keeping with the current Government Policy, the Commission is taking important measure for the effective development of the Next Generation Network (NGN) and ensure the implementing of a National Broadband Policy to upgrade internet services in the country. This work has a major commitment to take Broadband to remotest regions of the island and ensure an equally good quality of service in the urban and rural sectors, thus enabling the use of Information & Communication Technology (ICT) to serve the needs of development in the industrial, agriculture, service and commercial sectors with equal benefit to the rural and urban sectors.

It is noteworthy that with the rapid expansion of telecommunication networks the TRCSL has taken effective measures to address issues of health and safety of the public, and other economic and environmental matters of concern that arrives due to the installation of antenna and other structures of Telecom operators.

The Commission also gives important consideration to the adoption of proper standards in ICT which are in keeping with

the goal of sustainable development and the necessity to foster good standards of green growth in keeping with the increasing concerns about the need for environmental protection that is a key aspect of international interest today.

In keeping with this development of ICT in the country the Commission is also participating in the efforts to incorporate this aspect of knowledge into our national education system and help make Sri Lanka a country of increased ICT literacy as envisaged in Government Policy on education and the move towards making Sri Lanka a Knowledge Hub in Asia.

Among the key aspects of progress undertaken by the TRCSL with the construction of a Telecommunication Media Centre of the proposed IT park in Hambantota with a goal of making Sri Lanka's IT sector a \$1 billion industry by 2016. The Commission continues its work in ICT development in Northern and Eastern Provinces to improve the facilities of communication in these areas in the prevailing conditions of peace, to help in the efforts towards the strengthening of peace, reconciliation and national integration. The restoring of the communication tower at Kokavil in the North, destroyed by the forces of terror and linking the entire Northern Province to the National Telecommunications Network and ICT services is a significant achievement in this period.

We can record with satisfaction the progress in the construction of the Colombo Lotus Tower, which will be a tallest communication tower in South Asia, giving telecom operators the opportunity to benefit from modern state-of-the-art infrastructure facilities which will help further advance Sri Lanka's position as a Communications Hub in this region. Once completed in early 2015, this tower will facilitate the transmission of signals of 50 TV channels and more than 35 FM radio stations. The TRCSL has joined hand with the international IT community to find practical and workable solutions to the increasing problems of /cyber crime as well as issues of spams and malware that pose a threat to ICT users and possibly to the national economy. In this regard the TRCSL has established a Sri Lanka Computer Emergency Readiness Team

(SL-CERT) as the national centre to mitigate on issues of cyber threats.

The above would show that the TRCSL is wholly engaged in its service as the National Regulatory Agency for Telecommunications in Sri Lanka and is progressing with satisfaction towards its goals of making this country a model for progress in this sector of development.

I wish to express my sincere thanks to the members of the commission and all staff of the TRCSL for their combined and continued efforts to ensure the success of this institution in its important fields of activity.

Lalith Weeratunga
Chairman TRCSL



Director General's Message

This Report for the year 2012 contains an overview of the Telecommunication Sector and a summary of the initiatives of the Commission on the regulatory issues with specific reference to the various functions mandated to it under the Sri Lanka Telecommunications Act, No. 25 of 1991 as amended by Act, No. 27 of 1996 ('the Act'). Included in this Report is the information required to be forwarded to the Government of Sri Lanka under the provisions of the Act. The Audited Annual Statement of Accounts of TRCSL has also been included in the Report. As the national regulator the TRCSL is unreservedly committed towards the development of the telecommunications sector which today enjoys high priority as a corner stone of Sri Lanka's economic development. The accent is on the establishment of a digital society. In other words, building up a modern progressive community that will be based on integrating information and communication technologies for use at home, work place, education and recreation.

It is heartening to note that there has been sustained growth of the telecom industry with innovative and promising technologies being

made available to the public on a regular basis. Sri Lanka has played a leading role in being one of the first countries in Asia to launch 3G, 3.5G services and High Speed Packet Access (HSPA) technology which in turn has enabled subscribers not only to have access to voice communications but also to tap a broad range of facilities such as video conferencing, video streaming, mobile TV, music streaming and high speed internet.

Sri Lanka's mobile industry represents one of the most competitive markets in the Asian region. We have five operators competing for a total addressable population of 21.7 million and the competition among the five operators is expected to remain high in the years ahead. Sri Lanka ranks ahead of many countries in the percentage of mobile users per country with a 90 percent of the population i.e. 18 million out of its population of over 21 million, having access to a mobile phone.

Sri Lanka received another feather in the cap when it was ranked No.1 in the world with the lowest entry level fixed broadband charges, according to the 2012 edition of a Report entitled 'Measuring the Information Society' published by the International Telecommunication Union (ITU). Sri Lanka attained this global rating for broadband charges within a short period of time after the TRCSL took steps to ensure that subscribers received value for money and entry prices were made affordable to as many people as possible.

Sri Lanka is also one of the first countries in the world to narrow the gap between the bandwidth advertizedadvertised as on offer to subscribers and actual speed of delivery of the service. This has been made possible because of Speed tests that are conducted by the TRCSL Broadband Monitoring Unit which have detected low speeds in the range of 10 percent of total capacity. The adoption of corrective steps by the TRCSL has led to speed rates improving up 80 percent. Today internet services in the range of 512kbps have become obsolete with speeds now ranging from 4Mbps and 8Mbps, becoming a standard service in residential areas.

The year 2012 has been a busy and eventful year for the Telecommunications Regulatory Commission of Sri Lanka (TRCSL). A main highlight was the holding of two major International Telecommunication Conferences organized by the Commission on significant and relevant topics. This was illustrative of

the high confidence that TRCSL enjoys among Telecom Regulators in the world today.

The TRCSL hosted the Africa – Asia Regulatory Conference jointly organized by the Commonwealth Telecommunication Organization (CTO) and the TRCSL on 14th and 15th February 2012. Around fifty (50) foreign delegates from 21 countries participated at this Conference. The Conference facilitated consultations between CTO members in Asia and Africa on critical emerging regulatory issues, including the Spectrum Management, Next Generation Networks (NGN), Mobile Broadband, Cyber Security and IPv6. These issues provided both challenges as well as new opportunities to regulators and the operators. In view of the similarities in socio-economic development of the African and Asian members of the CTO, the Conference arrived at consensual outcomes that would define common approaches to meet the regulatory challenges and in turn ensure that the potentials of these new developments are harnessed for the benefit of the peoples of Africa and Asia.

In addition the TRCSL hosted the Global Symposium for Regulators (GSR-12) under the patronage of His Excellency President Mahinda Rajapakse in the presence of over 300 high – level foreign delegates drawn from nearly 100 countries across the globe. This prestigious event was held with the support and co-ordination of the International Telecommunication Union (ITU).

The theme of GSR-12 was “Why regulate in a Networked Society”. It was conducted with a high level interactive segment, focusing on transnational regulatory issues in a converged digital era, understanding the changing business dynamics and the role of regulation. The delegates deliberated on the challenges they were faced with when implementing their broadband strategies and adopting appropriate innovative regulatory measures and tools while advancing towards the digital networked society.

A Memorandum of Understanding (MoU) between the TRCSL and Telecom Regulatory Authority of India (TRAI) was entered into with a view to streamlining co-operation between TRAI and TRCSL.

We have noted a sharp increase in the net profits of the fixed telephone operators vis - a - vis the profits earned in the previous year. In 2011 the net profit was Rs.1,298 million and it increased to Rs. 2,970 million in 2012. However in the case of mobile telephony, the operators have

registered losses in both 2011 as well as in 2012.

The floor rates for off net and on net voice calls and short message service (SMS) were determined separately. The Commission revised the floor rate with effect from 15th July 2011 and it remained unchanged during the year 2012. There has also been an increase in the total number of subscribers (both fixed and mobile). It was 23.7 million in year 2012 representing an increase of 8.42% vis-a- vis year 2011.

The TRCSL remains committed to help the Disempowered / Marginalized Communities by providing ICT facilities through the TRCSL e-NABLE Project. The TRCSL conducted an ICT skills development programme designed for persons with special needs under the project for year 2012. Altogether equipment comprising a number of Computer sets with accessories and Printers altogether having a value of Rs. 4.5Mn was distributed to 47 centers which consisted of 09 Special schools, 29 Special Education Unit in Schools, 04 Vocational Training Centers, and 05 Ranaviru Villages.

One of our major salutary endeavours is the Connect a School, Connect a Community project. Building on a successful foundation achieved in 2011 that has already connected 25 schools in Akuressa, in the Southern Province of Sri Lanka, through a project designated as ‘4P model’ (public/private/peoples’ partnership), TRCSL worked in close partnership with the ITU to further extend this programme across Sri Lanka.

In total, the Connect a School, Connect a Community initiative will reach nine provinces: Central, Eastern, Northern, North Central, North Western, Sabaragamuwa, Southern, Uva and Western and include all Districts in Sri Lanka. Thirty three schools are covered under this project. Improving access to ICT – specifically among young people will continue to transform economic and social activities and the way both individuals and communities communicate and function.

The responsibilities assigned to TRCSL were able to be discharged successfully in the current year due to the support and co-operation of our staff and I take this opportunity to thank all members of staff for their effort and assistance.

Anusha Palpita
Director General

Composition of the Telecommunications Regulatory Commission (TRCSL) & the Staff as at 31 Dec 2012

Commission

Mr. Lalith Weerathunga
-Chairman

Mr. Anusha Palpita
-Member

Mr. S.S. Sahabandu
-Member

Mr. Prasanna de Silva
-Member

Commission Division

Mrs. R.S. Goonaratne
-Actg. Secretary to the Commission

Administration Division

Mr. U.H.C.Priyantha
-Deputy Director General

Mr.E.L.K.Dissanayake
-Deputy Director

Mr.W.L.A.K.A. Gunathilake
-Assistant Director

Policy & International Relations, & License Administration Division

Mr.M.K. Jayasekara
-Director

Mr. R.M.J.K.B. Rathnayake
-Deputy Director

Mr. I.M.Jawsi
-Assistant Director

License Administration Division

Mr. H.P. Karunaratne
-Director

Economic Affairs Division

Mr. C.M.M.Chandrasekara
-Deputy Director General

Ms. H.P.H.M. Pathirane
-Deputy Director

Mr. H.W.K. Indrajith
-Deputy Director

Ms. Sriyani Mawallage
-Deputy Director

Mr. Nishantha Palihawadena
-Assistant Director

Spectrum Management Division

Mr.R.G.H.K. Ranathunga
-Deputy Director

Ms. K.S.M. Vishaka
-Deputy Director

Ms.R.M.T.K.P Livera
-Deputy Director

Mr. E.N.P.K. Rathnapala
-Deputy Director

Mr.J.A.S. Gunanandana
-Deputy Director

Ms. S.A.R. Kamalanayana
-Assistant Director

Mr.M.P Gunasinghe
-Assistant Director

Network Division

Mr.W.D.De Alwis
-Director

Mr. M.C.M. Farook
-Deputy Director

Mr.L Ganeshamoorthy
-Deputy Director

Mr. S.E. Wakista
-Assistant Director

Legal Division

Ms. G.C.P. Moragoda
-Deputy Director

Ms. R.S. Gooneratne
-Deputy Director

Ms. L.S.P. Rodrigo
-Assistant Director

Mr. I.N Mathew
-Assistant Director

Finance Division

Mr. R.P. Abeyadeera
-Deputy Director

Mr. A.S. Hapuarachchi
-Deputy Director

Internal Audit Division

Ms. U.A. Samathunga
-Chief Internal Auditor

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An Overview of the Telecommunications Sector

CHAPTER ONE

The telecommunication sector of Sri Lanka has a history of about 150 years commencing 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 the telecommunications sector. Today the telecommunications sector is governed by the Sri Lanka Telecommunications Act, No.25 of 1991 as amended by Act, No.27 of 1996, and regulated by the institution formed under the Act, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL).

At the end of 2012, there were 62 telecommunication system licensed operators in the telecommunication sector as shown in Table 1.1.

Telecommunication System Licensed Operators – 2012 (Table 1.1)

Category of Service	Number
Fixed Access Telephone	03
Cellular Mobile Telephone	05
Data Communications (Facility based)	06
Data Communications (Non-facility based) and Internet Service Providers (ISPs)	08
Trunk Mobile Radio	01
Leased Circuit Providers	01
Payphone Service Providers	01
External Gateway Operators	33
Direct-to-Home Satellite Broadcasting Service	02
Cable TV Distribution Network	02
Total	62

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

End of 2012, there were approximately 3.4 Mn. fixed access subscribers, 20.3 Mn. cellular subscribers, and 0.423 Mn. Internet & Email Subscribers (Fixed), 0.942 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

Year	Subscriber Type			Annual Growth Rate(%)		
	Fixed	Mobile	Fixed & Mobile	Fixed	Mobile	Fixed & Mobile
2000	767,411	430,202	1,197,613	14.7	67.6	29.4
2001	827,195	667,662	1,494,857	7.79	55.20	24.82
2002	883,108	931,403	1,814,511	6.76	39.50	21.38
2003	939,013	1,393,403	2,332,416	6.33	49.60	28.54
2004	991,239	2,211,158	3,202,397	5.56	58.69	37.30
2005	1,243,994	3,361,775	4,605,769	25.50	52.04	43.82
2006	1,884,076	5,412,496	7,296,572	51.45	61.00	58.42
2007	2,742,059	7,983,489	10,725,548	45.54	47.50	46.99
2008	3,446,411	11,082,454	14,528,865	25.69	38.82	35.46
2009	3,435,958	14,264,442	17,700,400	-0.30	28.71	21.83
2010	3,534,575	17,267,407	20,801,982	2.87	21.05	17.52
2011	3,608,932	18,319,447	21,928,379	2.10	6.09	5.41
2012	3,449,391	20,234,070	23,683,461	-4.42	10.45	8.00

The mobile telephony outnumbered fixed telephony in mid-2002. It can be seen from Table 1.2 that 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 Tble 1.2 it can be seen that although 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 2012 are graphically illustrated in Chart 1.1.

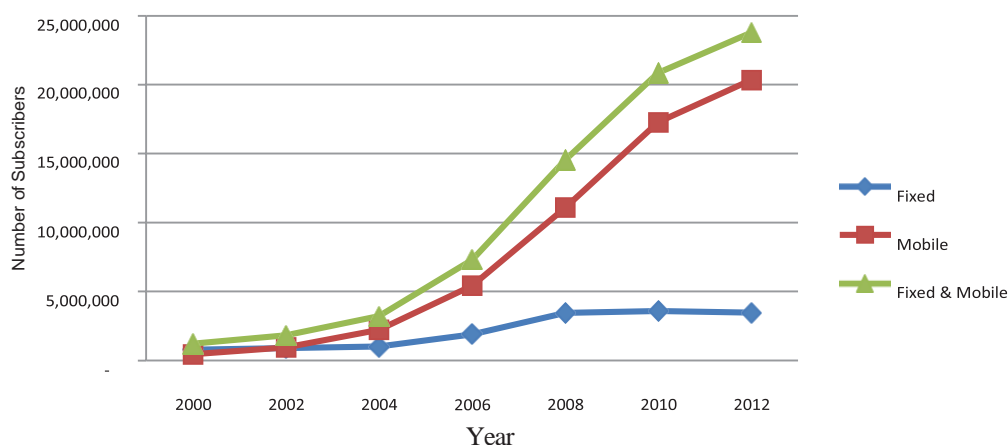
Change in Teledensity, 2000-2012

(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	7.3	12.2
2004	5.1	11.4	16.5
2005	6.3	17.1	23.4
2006	9.5	27.3	36.7
2007	13.7	39.8	53.5
2008	17.0	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
2012	17.0	99.5	116.5

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

Fixed & Mobile Telephone Subscriber Growth (Chart 1.1)



The mobile penetration rate (number of proportion of activated Subscriber Identity mobile telephones per 100 persons) which Module (SIM) cards are used by one and stood at 2.3% in 2000 has rocketed to 100% the same individual, implying that actual in 2012. Penetration is assessed using mobile telephony penetration is somewhat the benchmark of number of telephones lower than the figures indicated in Table per 100 persons. However, this number is 1.3. The composite penetration in 2010 deceptive as it is estimated that a substantial exceeded 100% and it rose up to 117% in

2012 indicating that on an average basis 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 generated 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 was probably 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 consequently the intense price war among the operators was considerably reduced.

In addition to fixed and mobile telephones several payphone booths have been established throughout the country for the benefit of the general public. In 2012 there

were a total number of 6,983 payphones booths spread throughout the country.

The total number of broadband subscribers in 2011 was 782,956 out of which 485,165 were mobile broadband subscribers and the rest 233,541 was fixed broadband subscribers. In 2012, the corresponding figures were 1,112,045, 746,945 and 365,100 respectively. Accordingly, broadband users as a percentage of the total population in the country in 2011 and 2012 increased from 3.8% in 2011 to 5.48% in 2012.

Investment by Telecom Operators, 2011– 2012 (Table 1.4)

Year	Investment (Rs. Million)		Total (Rs. Million)
	Fixed operators	Mobile operators	
2011	22,413	28,281	50,694
2012	13,297	30,069	43,966

Note: Investment includes property, plant and equipment

From Table 1.4 it is clear that the investment in the mobile sector has been greater than that in the fixed sector in 2011 and 2012. The investment in the mobile sector as a percentage of the total investment increased from 48.47% in 2011 to 51.53% in 2012. The revenue of the fixed Operators and the mobile Operators for the years 2011 and 2012 is given in Table 1.5

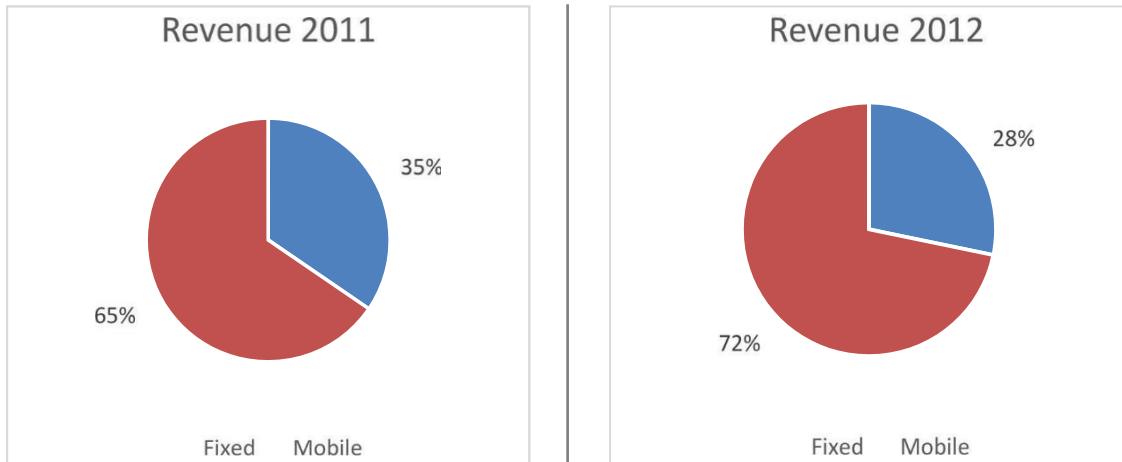
Revenue of Fixed and Mobile Operators, 2011 - 2012 (Table 1.5)

Year	Revenue (Rs. Million)		Total (Rs. Million)
	Fixed operators	Mobile operators	
2011	44,108	83,529	127,637
2012	40,357	102,442	142,799

According to Table 1.5 the revenue of the mobile telephony industry has increased by 22.6% relative to year 2011. However there is a slight decrease in the revenue

from the fixed telephone industry during that period. It must be noted that the overall revenue from both sectors has increased by 11.8% during this period.

Contributions to Total Revenue (Chart 1.2)

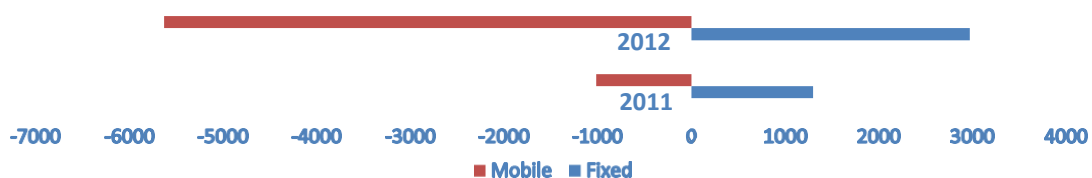


Net Profit/ Loss in the Industry

Net profit of the fixed telephone operators in 2011 was Rs.1,298 million and it increased to Rs. 2,970 million in 2012. Accordingly, the profit from fixed telephony has shown a sharp increase in 2012. In the case of mobile telephony, the operators have encountered losses in 2011 as well as in 2012. The corresponding figures are Rs. (1,016) million and Rs.(5,629) million respectively indicating that losses stemming from the mobile industry have increased by 454% from 2011 to 2012.

	Fixed / Net Profit	Mobile / Net Loss
2011	1298	(1016)
2012	2970	(5,629)

Fixed and Mobile Net Profit / Loss (2011, 2012)



Telecommunications Regulatory Commission of Sri Lanka (TRCSL)

CHAPTER TWO

2.1. Origin

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is a statutory body established under the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 which was enacted to amend the Principal Act namely, the 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 the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 and the term Commission denotes the Telecommunications Regulatory Commission of Sri Lanka.

2.2. The Composition and Meetings of the Commission

The Commission presently comprises of four Members. The Secretary to His Excellency the President is the ex-officio Chairman of TRCSL. The Director-General is the Chief Executive Officer and is also a Member of the Commission. The other two Members are non-Executive Members of the Commission who have distinguished themselves in the field of Law and Finance respectively.

The Commission has held four Meetings during the financial year 2012.

A range of matters was addressed and approvals granted by the Commission including Regulatory Matters, Annual Budget of the Commission, Administrative Matters and International Regulatory Conferences hosted in Sri Lanka by the TRCSL.

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 availability of advanced and high quality communication technology

services to all users at just, reasonable and affordable price by working with all stakeholders in an independent, open 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 Act the general objectives to be achieved by the TRCSL are as follows:

2.5.1. To ensure the provision of a reliable and efficient national and international telecommunications 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 ensure that every operator shall have and employ the necessary technical, financial and managerial resources to ensure the provision of the services specified in the license.

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 repaid 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 in to 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. Its major responsibilities are as follows:

2.6.1. Regulatory Compliance

Enforcement of the provisions in the Act

and conditions in the licenses granted to the Operators.

2.6.2. Industry Compliance

Foster fair and sustainable competition among the licensed operators.

- Monitoring competition to ascertain whether operators are meeting public interests and objectives.
- To ensure seamless interconnection between networks and services.
- 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

- Universal Access/ Services
- Ensure provision of universal access/ services to the rural communities, elderly and people who are differently abled.
- Emergency preparedness
- To make telecommunication services available for people with disability.

2.6.6. Resources Allocation

Regulation of bottleneck facilities and scarce resources

- Spectrum Management
- Numbering
- Rights of Way
- Space segment
- Interconnection
- Access to international landing stations
- 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.
- Ensure that the decisions are fair and impartial.
- Help to build civil society by making it an “informed” society in this modern Information and Communication age.

2.6.11. Technical Compliance

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 issuance are of licenses.

2.7.1.1 Licenses to operate telecommunication 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 the use of radio frequency and radio frequency emitting apparatus under Section 22 of the Act.

As per Section 22 (1) of the 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 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 power to determine in consultation with the Minister, the tariff or methods for determining such tariff, 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(L) 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 measure 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 2012 are described in the following sections. It should be especially noted that although certain activities have been specifically listed under a particular Division/ Unit, such activities have been carried out by that particular Division/ Unit in conjunction with the support of other Division/ Units.

Policy and International Relations Division

CHAPTER THREE

Overview

The Policy and International Relations Division assist for functioning in a variety of local and international telecommunication regulatory activities according to the TRCSL Act. To enhance the TRCSL's mission assist for telecom policy development and supports to conduct research studies related in the field of telecom regulations with assistance of Universities of Sri Lanka.

The division engages a wide range of telecommunication sector development with collaborating members of the International Telecommunications Organizations and stake holders. It also provides assistance to implement international best practices through project initiatives.

To bring the benefit of ICTs to Rural remote schools and persons with special needs and marginalized groups in Sri Lanka the International Telecommunications Union with the assistance of Telecommunications Regulatory Commission of Sri Lanka (TRCSL) and telecom operators contribute to implement such projects.

The Policy and International Relations Division comprise two units namely Policy and International Relations and their range of functions are enumerated below:

3.1 Functions

3.1.1 Policy Unit

- 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-coordinating 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

Among the duties of the TRCSL as set out in the Sri Lanka Telecommunications Act, No. 25 of 1991, as amended is the duty “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 has continued to engage in research activities and has conducted a review of the 1st and 2nd progress Reports of its research performance and arranged payment for the following three research studies:

- Development of a low-cost measurement setup for microwave measurements up to 8 GHZ- Dr. A. U. A. W. Gunawardena/ University of Peradeniya.
- Sign Language Interpreter (SLI) –Dr. N. D. Jayasundere/ University of Ruhuna
- Design of a Micro Scale RF Harvesting Unit- Dr. K. Pirapaharan/ University of Ruhuna



Reserch Report Presentation



Progress Review Meeting at the University of Peradeniya (04-02-2012)

322. ICTs for the Disempowered / Marginalized Communities TRCSL e-NABLE Project

The TRCSL conducted an ICT skills development programme designed for persons with special needs under the project for year 2012.

Altogether equipment comprising a number of computer sets with accessories and printers altogether having a value of SLRs. 4.5Mn was distributed to 47 centers which consisted of 09 special Schools, 29 Special Education Unit in Schools, 04 Vocational Training Centers, and 05 Ranaviru Villages.



e-NABLE Project - Price giving by Director General – TRCSL

ITU-TRC Connect a School, Connect a Community Initiative in Sri Lanka

The ITU Telecommunication Development Bureau (BDT) [Connect a School, Connect a Community](#) initiative is a pioneering programme designed to promote broadband Internet connectivity for schools around the world. Its purpose is to ensure that schools serve as community ICT centers for rural, marginal urban and isolated areas.

After the successful implementation of a similar type of programme in the Central American state of [Nicaragua](#), the “**Connect a School, Connect a Community**” initiative is currently being implemented in Asia-Pacific, and in particular in Sri Lanka.

ICT offers new opportunities for education via distance learning and online teaching, and ICT skills are increasingly important to students looking at future job opportunities. Because they are widely dispersed throughout communities, ICT-connected schools can also play a critical role as community hubs, helping others in towns and villages get online through shared access to equipment and ICT-trained staff.

Building on a successful implementation in 2011 that has already connected 25 schools in Akuressa, in the Southern Province of Sri Lanka, through a so-called '4P model' (public/private/peoples' partnership), ITU is working in close partnership with the TRCSL to further extend the programme across Sri Lanka.

In total, the **Connect a School, Connect a Community** initiative will reach nine provinces: Central, Eastern, Northern, North Central, North Western, Sabaragamuwa, Southern, Uva and Western and include all Districts in Sri Lanka. Thirty three schools are covered under this project.

Several critical areas of focus have also been identified, including providing resources to schools that do not have access to ICT facilities in remote and rural areas, and conducting educational programmes for special-needs children (such as children with disabilities) through specialized education unit facilities.

Improving access to ICT – specifically among young people – will continue to transform economic and social activities and the manner in which individuals and communities communicate and function. ITU supports children and young people from developing countries as well as nations in transition to improve their access, use and knowledge of ICT, to promote digital inclusion and ensure everyone can take their place in tomorrow's Knowledge Society. The ITU will provide a contribution of CHF 230,000.

The following progress has been made on this project as at the end of December 2012 and the Project is being continued:

- Approval of the project document by the ICT Development Fund
- Appointment of National Focal Point
- Identification and selection of the schools
- Evaluation of each school site (Identification of the type of connectivity to be



implemented, equipment to be purchased etc.)

- v Identification of equipment suppliers and procurement of the equipment

During the GSR 2012 in Sri Lanka, this project received Media publicity and the details are available at http://www.itu.int/net/newsroom/GSR/2012/reports/connect_school.aspx

3.3. International Affairs

3.3.1. MoU between TRCSL and TRAI

A Memorandum of Understanding (MoU) between the TRCSL and Telecom Regulatory Authority of India (TRAI) was entered into on 17th January 2012.

The co-operation between TRAI and TRCSL will be carried out through:

Exchange of official information and documentation

- Dissemination of best practices in the field of telecommunications regulation
- Bilateral consultation
- Mission of experts and joint working group in telecommunication services and technologies
- Such other forms of co-operation as may be mutually deemed appropriate



MoU between TRCSL and TRAI

3.3.2. Africa Asia Regulatory Conference

TRCSL hosted the Africa – Asia Regulatory Conference jointly organized by the Commonwealth Telecommunication Organization (CTO) and the TRCSL on 14th and 15th February 2012 at the Hotel

Cinnamon Lakeside, Colombo. Around fifty (50) foreign delegates from 21 countries participated in this Conference.

The Conference facilitated consultations between CTO members in Asia and Africa on critical emerging regulatory issues, including the Spectrum Management, Next Generation Networks (NGN), Mobile Broadband, Cyber Security and IPv6. These issues provided both challenges as well as new opportunities to regulators and the operators. In view of the similarities in socio-economic development of the African and Asian members of the CTO, the Conference arrived at consensual outcomes that define common approaches to meet the regulatory challenges and in turn ensure that the potentials of these new developments are harnessed for the benefit of the peoples of Africa and Asia.

3.3.3. Korean IT Volunteers Programme

The Korean IT Volunteers (KIV) altogether comprising four teams arrived in Sri Lanka on 6th July, 2012 under a NIA / ITU / TRCSL Program to engage in providing ICT training to select groups during the months of July & August 2012. The NIA/ITU/TRCSL KIV program 2012 was co-ordinated by the ITU Regional Office for Asia and the Pacific for ICT enhancement in Sri Lanka. The TRCSL of Sri Lanka made arrangements for the Korean Team to train TRC staff members /Instructors of IT centers /students undergoing ICT training under the TRC e-NABLE project / students in selected Vocational Training Centers (VTC's) supervised by the Dept. of Social Service / Special needs Schools & Ranaviru Authority (IT centers in

Disabled Soldiers' villages) in Sri Lanka.

3.3.4. The World Telecommunication & Information Society Day (WTISD)

TRCSL celebrate the World Telecommunication and Information Society Day on 17th May 2012.



In 2012, the theme for the Telecommunication and Information Society Day was “Women & Girls in ICT”.

The TRCSL of Sri Lanka organized a seminar on “Women & Girls in ICT” to mark the World Telecommunication & Information Society Day on 17th May 2012 from 9.30 a.m. -12.30 p.m. at the Ground Floor Conference Room of the TRCSL. Industry representatives’ and school children addressed the theme tropic and the persons with special needs

and women also contributed to the success of this event.

His Excellency the President issued a WTISD message

In his message he stated that “ICTs can play a critical role to generate knowledge and empower women & girls in our country. Our education system & ‘e government’ concept provide a sound platform for the expansion of ICT related developments. Our aim and effort with regard to spread of ICT must reach everybody not only in urban areas but also in remote villages situated in the far flung corners of this country.”



3.3.5. Subscriptions

TRCSL represented the Government of Sri Lanka in a number of international organizations such as the International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), and Commonwealth Telecommunication Organization (CTO) etc. Annual subscriptions were paid to sustain the membership.

During the year under review, a total sum of Rs. 35Mn. was paid as subscriptions to the aforesaid institutions listed in Table 3.1 and TRCSL as a member of these organizations effectively participated in the relevant activities.

Payment of Subscriptions (Table 3.1)

Institution	Subscription in SLRS
International Telecommunication Union	23,108,188.96
Asia Pacific Telecommunity (APT)	1,765,131.00
Commonwealth Telecommunication Organization (CTO) Subscription	4,241,823.71
Voluntary Contribution	5,344,904.13
SAFIR Annual Subscription 2008/2013	1,004,149.25
Total	35,464,197.05

3.3.6. Co-ordination 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 related activities such as training programmes, workshops etc.

Economic Affairs Division

CHAPTER FOUR

Overview

Economic Regulation of the industry is handled by the Economic Affairs Division of TRCSL.

The key functions of the Division were carried out under two sub units namely Competition and Compliance. The main role of the Competition Unit was to ensure level playing field to the industry by maintaining proper interconnection regime, tariff regime and handling issues relating to the market competition. Further, it supports to the Commission to get appropriate regulatory decisions, by providing economic analyses. The Competition division collects and monitor the taxes, levies and cess imposed on the industry by the government. This unit processed subsidy scheme to provide telecommunication services to un-served and under- served areas of the country.

Compliance Unit of the Division ensured the customer satisfaction by handling consumer complains more efficiently and actively involved with surveillance activities and quality of services matters. Monitor compliance of statues and licenses on the part of operators is another major function of the unit. The unit is also responsible for the performance of surveillance works related to the industry.

Functions and activities undertaken by two Sub Divisions in 2012 are dealt with in this chapter.

4.1. Competition Sub-Division

4.1.1. Functions

- 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 the sector.
- Process commercial terms of interconnection and inter-operator interconnection arrangements for approval.
- Ensure timely collection of 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.
- Disbursement of Telecommunications Development Charges (TDC) Fund.
- Issuance of Internet Service Provider's licence (ISP).

4.1.2 Performance

4.1.2.1 Tariff Regulation

Section 5 (K) of the Act, imposes a mandatory duty on 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.

4.1.2.1.1 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 and it has remained unchanged during the year 2012.

When operators submit tariff proposals with regard to the floor rates it is necessary for them to support such proposals with a cost justification certified by an external auditor.

The floor rates for voice calls and SMS as at the end of 2 011 and 2012 are given in Table 4.1

Floor Rates for Voice Calls and SMS, 2011 - 2012 (Table 4.1)

Item	Off Net		On Net	
	2011	2012	2011	2012
Per Minute Basis Voice Calls (Rs. per Minute)	1.50	1.50	1.00	1.00
Per Second Basis Voice Calls (Rs. per Minute)	2.00	2.00	1.25	1.25
SMS (Rs. per Message)	0.25	0.25	0.10	0.10

4.1.2.1.2 Trends in Mobile Tariff

The off net and on net tariff trends of per minute basis voice calls during the period 2004 to 2012 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 2012 the rate per minute for mobile off net voice calls in the market was 50 cents higher than the corresponding floor rate.

As shown in Chart 4.1, the off net mobile call charges in 2004 were more than Rs. 10 per minute and were progressively reduced to Rs. 2/- per minute by 2010. Similarly, on net call charges in 2004 were over Rs. 7/- per minute and were reduced to Rs. 1 per minute in the 2010. The drastic reduction in the mobile tariff trend facilitated the rapid increase in the subscriber base in the mobile sector.

This reduced tariff ie. Rs. 1/- & Rs. 2/- continued for 2011 and 2012 also.

4.1.2.2 Operational and Financial Performance of Licensed Operators.

4.1.2.2.1 Operational Performance

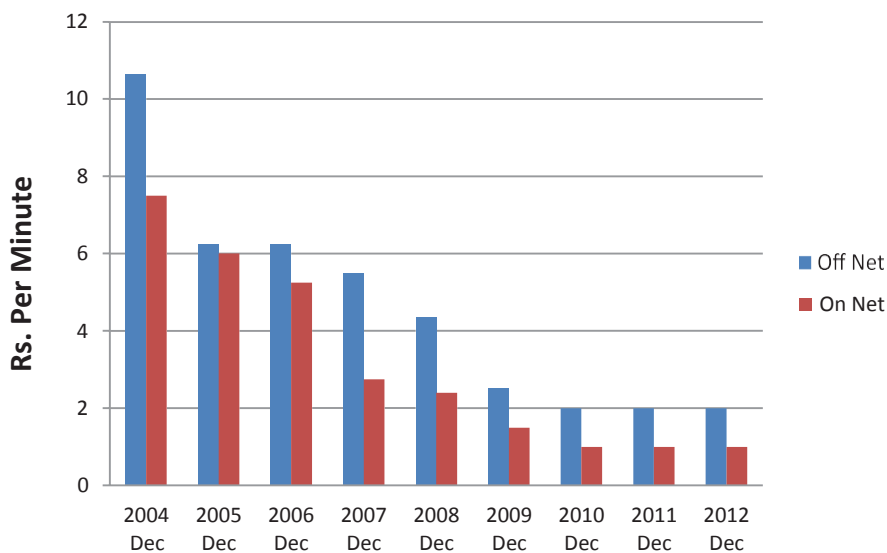
By the end of year 2012, the total number of subscribers (both fixed and mobile) was 23.7 million and it was an increase of 8.42% vis-a- vis year 2011. The number of fixed telephone subscribers in 2011 and 2012 was 3,608,392 and 3,449,391 respectively showing a slight decrease during this period. In contrast, the number of mobile subscribers showed an increase of 10.9% during the same period from 18,319,447 in 2011 to 20,324,070 in 2012.

4.1.2.2.2 Financial Performance

Disbursement of Funds for Network Expansion in Unserved and Underserved areas.

With the liberalization of international telecommunications service segment, the government introduced a special scheme to enable 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 disbursed to PSTN Operators according to their telecommunication infrastructure development activities in unserved and underserved areas. Operators were authorized to claim 2/3rd of the telecommunication development

Trends in Mobile Tariff (Chart 4.1)



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

charge (TDC) recorded under their names within a period of 3 years vis-a-vis the investment they have made in Commission defined unserved and underserved areas.

Accordingly, during the period 2003-2008 a sum of Rs. 3,457 Mn was disbursed for cellular mobile and fixed wireless services Operators for the construction of 909 towers. Also a sum of Rs. 2,563 Mn was disbursed for providing 102,532 number of new wire line connections by SLT. TRCSL is in the process of disbursing a sum of Rs. 2,266 Mn for cellular mobile and fixed wireless services operators. In addition, a sum of Rs. 177 Mn was disbursed to fixed wire line operator for the period 2008-2009.

4.2 Compliance Sub-Division

4.2.1. Functions

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

4.2.2 Performance

4.2.2.1 Dealing with Compliance Issues

The performance of the Compliance Sub Division in monitoring the conduct of the operators has helped to minimize the breach of provisions of statutes and licence conditions by the operators. During the year 2012 the Compliance Sub Division dealt with compliance issues related to tariff, subscriber levy, cess fee and vendor licenses. Table 4.2 provides a summary of the matters dealt with.

surveillance Activities Carriedout during 2012 (Table 4.2)

Surveillance

Subject Matter	Breach	Enforcement
Compliance issues on tariff (23)	Floor rate determination and license conditions of the operator	Issued letters prohibiting the offer of unapproved tariff and the matters were discussed at the CEOs meetings
Compliance issue on provision of illegal satellite TV operations (01)	Telecommunication Act., No 25 of 1991 as amended	Informed Criminal Investigation Department (CID) to investigate the matter
Unsolicited SMS dissemination	License conditions of relevant operator	Directed to develop a mechanism to protect subscribers
Unauthorized issuance of billings details of subscribers (01)	Section 54 of the Sri Lankan Telecommunication Act., No 25 of 1991as amended and license conditions of the operator	Directed to conduct an inquiry on allegations and take action accordingly
Illegal call bypass	International Traffic Bypass Rules of 2003	Collected information and informed the Criminal Investigation Department (CID) to investigate the matter

4.2.2.2 Quality of Service (QOS)

- Initiated a development mechanism of Service Level Agreement (SLA) of mobile, fixed and cable TV services.
- Conducted a sample survey on availability of payphone facilities in the Ampara District in line with Dayata Kirula National Development Programme 2013.
- Steps were taken to inform operators to repair the payphones and bring them back into working condition.
- Investigated (3) three cases on low quality mobile handset selling by Vendor License Holders.

4.2.2.3 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 a lapse of 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 warrant. 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 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 of mobile phones, ADSL, internet and broadband service, etc. This Unit coordinates with the relevant service providers, law enforcement authorities and other relevant institutions to provide a speedy and efficient remedy to the complainants to ensure fair play and relief to both consumers and service providers. The Consumer Relations Unit also disseminates information as per court orders.

Statistical information on the total number of complaints received by the Consumer Affairs Unit in 2012 was 13,239 and set out in Table 4.3. From the Table 4.3 it can be seen that over 90% of the complaints were in respect of lost mobile phones. Nearly 5% of the complaints were in respect of fixed telephone connections.

Complaints received by the Consumer Affairs Unit - 2012 (Table 4.3)

Nature of Complaint	No. of complaints
Complaint on billing disputes (fixed & mobile)	107
Complaint on New connection	15
Complaint on connection faults	47
Complaints on Cable/Satellite TV connection	25
Complaints on Telephone Posts	02
Complaints on information on different crimes from service supplies of consumers for police investigations	166
Complaints on Loss of Mobile Phones	12,488
Other Complaints	389
Total	13,239

The total number of complaints submitted to the Internal Complaints Hearing Committee in 2012 was seven (7).

The procedural steps taken by the Consumer Relations Unit pursuant to a complaint made by a consumer can be briefly described as follows:

The first step taken after lodgment of a complaint by a consumer to the TRCSL

is sending an acknowledgement to the consumer stating that TRCSL will take prompt action on the complaint. Then the complaint is forwarded to the relevant

supply service Operator to conduct an investigation with a view to resolving the matter with a copy to the consumer. If the TRCSL is satisfied on the adequacy of the investigation conducted by the

Operator a letter is posted to the consumer informing him of the current status of the investigation. If the TRCSL and consumer are not satisfied about the investigation, the complaint is again forwarded to the service operator for further investigations.

In some instances consumers submit their complaints directly to the service operators with a copy to the TRCSL. In such an instance, arrangements are made by the TRCSL to send an acknowledgement to the consumers as well and calling on them to make a complaint again to the Commission if they do not receive a satisfactory solution. The TRCSL allows a 14 working day period for the service operator to send a reply to the Commission. A meeting chaired by the Assistant Director of the Consumer Relations Division is held once a month with all service operators. If no agreement is reached, the complaint

is forwarded to the Internal Committee for directions to resolve the dispute. All the complaints received in year 2012 have been forwarded to the service operators and no complaint has been withheld by

TRCSL without any action being taken on it.

Broadband Monitoring Unit

CHAPTER FIVE

Overview

The TRCSL has been able to achieve its preliminary targets of broadband growth within a period of time less than anticipated when reviewing the success of its broadband initiative.

The quality of service and the rates being paid by the subscribers monthly for Broadband services have been identified as two major items that require the attention of the TRCSL. Fixed Broadband services associated with low download speeds and high monthly rentals were recognized as barriers to the promotion of broadband in Sri Lanka. From the perspective of Fixed Broadband, little or no competition and lack of regulatory intervention would have been the main reason for this situation to arise in the country.

Speed is the under current that drives broadband forward. Broadband would not have become so popular in the world if it is not powered with speed. Higher bandwidth capacities and support of multifunctional operations have contributed much towards the spread of high speed broadband services to every corner of the world. Therefore, the factor of speed which is an essential prerequisite for broadband development has to be looked at by the telecom regulators. Degraded broadband services would cause retardation in usage due to loss of confidence among users about its potentials. Having identified this situation the national regulator, TRCSL has taken timely measures to arrest the QoS deterioration in broadband services through a strategic regulatory approach.

5.2 .Regulatory Strategies

5.2.1. Fixed and Wireless Broadband

In the Sri Lankan context two fixed wireless operators had to compete with the incumbent operator who is the owner of the copper network in broadband operations. The incumbent operator holds the ownership of the submarine cable landing stations which connects the country to the SEA-ME-WE cable systems physically in two locations. While fixed broadband operators use costly WiMAX (802.16d) in their operations, the incumbent used its copper plant to provide ADSL to its subscribers. Irrespective of the technology high price and poor quality have been observed right across in all services.

The rates of fixed broadband services remained unchanged for a longer of time period until 2010 due to poor

competitiveness that prevailed in the country. This was mainly due to the technical and cost differences in technologies used in broadband operations. It is a well-known fact that the market would never become competitive until the cost gap of network operations become narrower in technologies used in broadband operations. Who has the cost advantage in operations could control the market artificially, as long as the cost of operations remains high in other technologies due to various reasons. This dominancy enables a single operator to control everything from price to quality to suit its commercial interests. Simply, wireless operators, who use WiMAX, had failed to induce any competition in the market due to uneven conditions of the playing field that prevailed.

However the introduction of volume based packages cannot be another scheme to restrict the Internet usage of customers. To prevent such triggering action, the TRCSL has introduced a smart mechanism to this market segment by creating competition among operators. As of today this mechanism had been able to alter not only the price per GB, but the bandwidth of fixed broadband services successfully to a greater capacity which exceeds 15Mbps in the downlink. Subsequently the entry level price has fallen approximately to rupees 1400 per month speeds up to 8Mbps. However packages with greater data volume capacities are relatively higher compared to regional countries. The TRCSL anticipates a price drop in packages with greater volume capacities as the market gets mature.

5.2.2. Lowest in Entry Level Fixed Broadband Rates

Reviewing the success of strategies adopted by the TRCSL, in 2012, the access rates of entry level fixed broadband has plunged to a level where it finally enables Sri Lanka to claim to become the world's lowest in entry level fixed broadband.

5.3. Research & Development

5.3.1. Speed Measuring Facility – Enhanced, Features Added

To enhance the accuracy and the reliability of the speed measuring facility of the TRCSL, new features has been introduced. The adding of new features allows subscribers to obtain more information about their Internet connections and to record the same for future references.

This newly introduced bandwidth testing facility is unique and it provides useful information about the access link which connects the subscriber to the Internet. However there has been no straight forward, known technique available to discover the available bandwidth of any particular Internet connection prior to the introduction of this method. The discovery of this new parameter would help both the subscriber and the service provider in many ways in broadband operations.

5.3.2. Speed Measuring Facility for Mobile Broadband Subscribers

The TRCSL's Speed measuring facility which was confined to Laptops and Personal Computers has been extended to mobile device platform and on to Smartphones. This permits mobile phone users (Smartphones) to measure their

speeds using phones and other handheld devices.

This system has lots of other features which would be very useful not only to subscribers but also to the service providers. The Geo-location enabled feature incorporated in the application will send vital information to the TRCSL's database whenever a subscriber conducts a speed test. It sends technical information such as IP address, Speed, name of the service provider and also the geographical location where the test was performed, plotted on an interactive map. Interactive features like this would enable TRCSL and service providers to assess broadband speeds receive by subscribers and to discover the geographical areas to isolate speed issues.

The TRCSL is planning to develop similar facilities to support other operating systems in time to come.

5.4. Technological Innovation

5.4.1. Launch of LTE broadband

Nearly after a decade, since the launch of the first commercial broadband service, Sri Lanka had been able to introduce its first 4G LTE service in 2013.

Making another chapter in the broadband sector TD LTE was launched initially in the Colombo city. FD LTE was also launched little later using the spectrum band 1800 MHz. Now service providers are in the process of expanding their service areas to other parts of the country using both fixed LTE and Mobile LTE.

542. Subscriber Growth

Sri Lanka's broadband market is a vibrant market filled with wide array of cutting edge technologies from ADSL to LTE. Services like ADSL have been upgraded to support the transmission of multiple services including voice, video and data. Apart from triple play, last mile has also been upgraded by adding of hybrid network equipment to support the delivery of high speed Internet to subscriber premises.

Network expansions and technological evolution in 3G HSPA mobile broadband had played a significant role in broadband development in Sri Lanka. Strong competition among 3G service providers would be the main reason for broadband rates in Sri Lanka to become affordable. The low priced broadband services had created a suitable market condition in Sri Lanka which is necessary for the growth of broadband. Service coverage expansions and the deployment of latest technologies such as ADSL2 Plus and 4G LTE contributed heavily to the increase of broadband subscribers during the recent time.

With the intention of encouraging people to obtain broadband services, the Government has reduced taxes imposed on broadband by 50%. This would be an incentive for broadband subscribers as well as for the growth of the industry.

543. Next phase is ready

Having completed initial stages successfully, the TRCSL is now ready to deploy its next phase soon, focusing mainly on policies, standardization and broadband deployment plans to increase

its penetration especially in underserved areas while encouraging investments directly in broadband deployment. Barriers which hinder the development of broadband have been identified and steps have been taken to overcome the same. This includes the removal of red tape and similar barriers which are usually faced by the operators in the process of deploying broadband services. In the next phase priority will be given to deploy high speed broadband services with greater bandwidth capacities which enable the use of bandwidth intensive programs without facing problems. The TRCSL will provide guidance and encourage operators to deploy fiber networks right up to the customer premises using alternate and cost effective methods.

Spectrum

Management Division

CHAPTER SIX

6.1 Overview

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 the 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 neighboring 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 2012 in fulfilling the obligations of the Commission as per the 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 Department, Sri Lanka Customs Department.
- Monitoring of radio frequency spectrum
- Investigation of complaints related 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 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 a fee as specified by rules made in that regard 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 one to the 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.

6.3. Performance

The statistics on the number of frequencies and licences issued during the year 2012, as well as interference complaints and unauthorized users identified by Spectrum Management Division are shown below.

6.3.1 Assignment of frequencies

However, Spectrum Management Division receives complaints from users whenever they experience interference with their

transmissions. The arrangements are then made to identify the source of interference and take relevant remediate steps.

Number of Frequencies Assigned, 2011- 2012 (Table 6.1)

Category of Service	No. of Frequencies	
	2011	2012
Fixed service	4810	4810
Broadcasting service (Television and Radio)	28	103
Cellular Mobile Service	01 slot	0
Data & Radio Telemetry	33	33
Aeronautical & Maritime Service		
(i) Maritime Mobile Service	11	16
(ii) Aeronautical Mobile Service	06	02
Private Mobile Radio Service	13	17

6.3.2 Issuance of frequency licenses

Number of Licenses Issued for Spectrum Users, 2011- 2012 (Table 6.2)

Category of Service	No. of Licenses	
	2011	2012
Fixed Service	59	59
Broadcasting Service (Television and Radio)	28	43
Cellular Mobile Service	5	5
Trunking / Paging/ Citizen Band	9	9
Data & Radio Telemetry Service	38	34
Aeronautical and Maritime Services		
(i) Aircraft Stations	34	75
(ii) Ship Stations	65	73
(iii) Maritime Mobile	78	45
(iv) Aeronautical Mobile	5	03
Private Mobile Radio Service	185	208
Satellite Licence		21

6.3.3 Complaints Received and Investigations Undertaken, 2011- 2012

Complaints Received and Investigations Undertaken, 2011- 2012 (Table 6.3)

Service	No. of complaints received		No. of investigations undertaken	
	2011	2012	2011	2012
TV and Broadcasting	17	12	17	12
Other Services	68	68	53	68

From Table 6.3 it can be seen that in 2012 the Spectrum Management Division had 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 was used for detecting illegal users of radio spectrum. These equipment were installed in special vehicles designed for the purpose. Table 6.4 shows the number of identified illegal users of frequency spectrum for the period 2011-2012.

Number of Illegal Users Identified and Preventive Action Taken,

2011- 2012 (Table 6.4)

Category	No. of illegal users identified		Action Taken
	2011	2012	
Broadcasting Service (TV and radio)	02	03	Took steps to prevent the illegal use of frequency spectrum
Other Services	02	02	

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

Number of Clearance Reports Issued, 2011- 2012 (Table 6.5)

Category of Service	No. of clearance reports	
	2011	2012
Fixed service including CDMA	1015	1075
Broadcasting service (TV and Radio)	245	179
Cellular Mobile Service		
(i) Dealer Licence	4897	5381
(ii) Mobile Operators	1278	1321
(iii) Trunking / Paging / Citizen Band	06	27
(iv) Private Mobile Radio	609	663
Aeronautical & Maritime Service		
(i) Aircraft Station	11	23
(ii) Ship station	15	31
(iii) Maritime Mobile	278	147
(iv) Aeronautical Mobile	21	27
(v) Aeronautical navigation	04	02
(vi) Miscellaneous	95	95
Data service	368	368
Satellite service	904	893
Amateur Radio	28	28
Low Power Devices	1360	661

6.4 Frequency Monitoring and Investigation

- Monitoring Division carried out investigations to eliminate interferences caused due to misuse or improper use of equipment. These investigations were carried out using mobile surveillance vehicles and monitoring stations. Monitoring stations are in operation at Colombo, Kadirana, Kandy, Yakkala, Katubedda and Bandaragama.

- Educational Programmes on Monitoring Techniques

Monitoring surveillance vehicles were exhibited and demonstrations conducted at the following exhibitions in the year 2011 - 2012

- Damsi - Naththandiya
- Deyata Kirula – Anuradhapura, Oyamaduwa

These programmes immensely helped people to understand basic concepts of Radio Communication and monitoring techniques; especially for students.

Spectrum Monitoring Surveillance

- LTE Applications With the technology advancement and continued growth of demand for high speed data

access, outdoor LTE was identified as one of the powerful technology to fulfill the gap.

- TRCSL made arrangements to issue new frequency licenses for fixed line telecommunication operators to enable them to use 1.8 GHz and 2.3 GHz bands for LTE applications.

No of complaints on interferences	Solution provided by Monitoring Division
53	49



6.5 Transition from Analogue to Digital television in Sri Lanka

The roadmap for transition from analogue to digital terrestrial television in Sri Lanka was 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 commenced. In a number of countries mainly in the USA and many countries in the European Union, the 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 draft 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).

Due to low GDP figure of the country and the very competitive TV market mark one of the greatest challenges for the Digital Switch-Over (DSO) process. Digital Switch-Over can only succeed 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.

6.5.1. Scope of the Roadmap

- 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.
- 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 holders out of which 16 broadcasters are currently in operation.
- 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 below.

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.
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
No.	Objective	Short term (1 year after analogue switch-off)	Long term (5-6 years after analogue switch-off)
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

- 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.

6.5.2. Duties and Responsibilities

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

6.5.3. 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.

Network Division

CHAPTER SEVEN

7.1 Overview

The Networks Division is responsible for managing the Telecommunications Numbering Plan, which sets out the framework for the numbering of telecommunication services in Sri Lanka and the use of numbers in connection with such services. It is also responsible for managing the existing numbering resource and planning for new numbering developments in Sri Lanka.

Deployment of telecommunication infrastructure facilities such as copper or optical fibre networks, undersea cable landing stations, telecommunication antenna towers are processed by the Networks Division.

As the National Regulatory Authority for telecommunications, the TRCSL is responsible for coordinating with various Government Organizations the processing of requests made by Telecom Operators for such deployments and the Networks Division has to play a key role in this activity. This task is handled paying due consideration to the public interest in the areas of environmental impacts, health, safety and security, while maintaining sustainable development in the telecommunication industry.

The Networks Division carried out the following functions in 2012 in discharging the obligations of the Commission as per the Telecommunications Act:

7.2 Functions

- Management of the National Numbering Plan and the Short Codes.
- Planning and administering Signaling Point Codes for Telecom Operators.
- Promoting introduction of new telecommunication services.
- Facilitating Licence Operators in implementing their infrastructure deployment projects.
- Coordinating with various Government organizations on matters related to the deployment of telecommunication infrastructure.
- Ensuring compliance of technical standards in the telecommunications sector in Sri Lanka in accordance with

the recommendations and guidelines of the ITU.

- Conducting public awareness programs on telecommunication infrastructure deployment.
- Study project proposals submitted by individuals/ organizations with regard to telecommunication infrastructure deployments and make recommendations and submit reports on the same.
- Performing type approval of telecommunication terminal and network equipment and making recommendations for customs clearance purposes.
- Participating in Technical Evaluation Committees (TECs) of Government & Public Corporation and provide technical inputs related to telecommunications.
- Processing applications for issuance of Vendor Licenses and management of Vendor License regime.
- Assisting Police/CID investigations related to public security law and order in the field of telecommunication.
- Conducting Amateur Radio Operator (ARO) Examination with the support of the Department of Examinations

7.3 Performance

During the year 2012, the Networks Division continued the regulatory functions entrusted to the Division which included processing of requests made for the deployment of telecommunication

infrastructure facilities, issuance of Vendor Licenses, issuance of clearance reports for importation of telecommunication equipment, conducting investigations on complaints, development of policies and guidelines relevant to the telecommunications infrastructure deployment and conducting public awareness programs etc.

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

7.3.2 Construction of Telecommunication Towers

The total number of telecommunication towers constructed increased to 5897 including 814 new towers constructed in year 2012. When compared with the previous years' statistics (2011) there is a 20% decrease in number of new towers constructed. This is mainly due to the fact that TRCSL has encouraged all the Operators to optimally utilize the tower infrastructure by sharing such facilities.

7.3.1 Issuance of Vendor Licenses

Vendor licenses for importation, selling and repairing of telecommunication apparatus are issued under Section 21 (1) of the Telecommunications Act and in year 2012, 810 vendor licenses were issued.

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 infrastructure development. Inordinate delays in obtaining local authority approval result in delaying project implementation.

Statistics Related to the Network Division, 2011-2012 (Table 7.1)

Description	2011	2012
Total No. of Vendor licences issued	875	810
Cumulative No. of Towers constructed	5083	5897
Total No. of Tower complaints received	203	178
Total No. of investigations handled(Tower related)	69	65
Total No. of court cases related to towers	3	-
Total No. of Public complaints settled related to towers	147	133
Total No. of public awareness programs held	16	16
Total No. of New Type Approvals given	66	72
Total No. of issuance of Import clearance	3654	3526
Total No. of Individual Clearance	201	177
Total No. of applicants faced for ARO Examination	20	85
Cumulative No. of New Short codes issued	26	32

733. Kokavil Multifunctional Tower and Transmission Station

In year 2012 new equipment cabins and cable tray for the tower were constructed at the Kokavil Multifunctional transmitting station to accommodate PSTN Operators. Two PSTN Operators have utilized these facilities during 2012 and as a result they were able to extend their coverage to Northern region significantly.

734. Handling of Infrastructure Development Complaints

The increase in telecommunication tower construction has led to an increase in the number of complaints against tower construction. The general public has lodged complaints in respect of tower construction on a number of grounds and the Network Division has carried out investigations on 65 of these complaints in 2012. There has not been any telecommunication tower related court case in 2012. A large number of tower related public complaints (133) were settled in the year 2012.

735. Public Awareness Programmes

In year 2012, the Network Division conducted sixteen (16) public awareness campaigns with the assistance of professionals in this field of specialization. The main objective of these awareness programmes was to educate general public on issues related to antenna towers such as electromagnetic radiation and lightning.

736. Type Approval and Issuance of Import Clearance

In terms of the provisions of Section 5(q) of the Telecommunications 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 2012 seventy two (72) new type approvals were granted by the Commission.

737. 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. Eighty five candidates sat for this examination in 2012.

738. 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 need to 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 2012 was 32.

739. 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.

73.10. Investigation of Illegal Vendors

As stated earlier it is necessary to obtain a license from TRCSL to sell 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.

73.11. Control of Illegal Operation of Cable TV Services

According to Section 22(A) (1) of the Act no person shall undertake cabling work in any premises except under the authority of a license issued by the Commission for that purpose. In 2012 the Network Division engaged in the control of illegal cable TV services island-wide with the assistance of the Criminal Investigation Department (CID).

Colombo Lotus Tower Project – 01st Phase

Legal , Financial & other statutory Approval for funding Process, Project implementation, Consultancy & Establishment of Progress Monitoring and Reporting mechanism.

- Statutory Approvals for the construction of Colombo Lotus Tower obtained from various relevant authorities.
- Facilitation to obtain, site clearance, geological survey & seismic evaluation reports , site mobilization and provision of infrastructure facilities for construction works.

License Administration Division

CHAPTER EIGHT

To The Licence Administration Division, carried out the following functions in 2012 in discharging 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. 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 appropriate recommendations are made to the Commission. Action is taken to inform the Commission's recommendations with regard to such requests through newspaper notices and inviting 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

The Commission in accordance with the authority conferred upon it under Section 18 of the Act, informed the public regarding proposed modifications to the licences granted to the following parties and thereby inviting representations or objections if any, to be made to the proposed modifications. The public was further informed that a draft of the proposed licence modification was available on the Commission's official web site, www.trc.gov.lk for any representations or objections.

- i) Bharti Airtel (Pvt) Ltd.

The effect of the modification was to permit Bharti Airtel (Pvt) Ltd to provide Wireless Fidelity (Wi-Fi) base data communication services for indoor applications with effect from 14/09/2012

ii) Etisalat Lanka (Pvt) Ltd

The effect of the modification was to permit Etisalat Lanka (Pvt) Ltd to provide Wireless Fidelity (Wi-Fi) base data communication services for indoor applications with effect from 22/03/2012.

8.2.3. 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.

8.2.2. The 12th Global Symposium for Regulators

2012 Global Symposium for Regulators (GSR-12) was held at the Hilton Hotel in Colombo, Sri Lanka, from October 2nd to 4th 2012.

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) hosted GSR-12 on behalf of the Government of Sri Lanka.

The GSR is an annual event sponsored by the ITU's Telecommunication

Development Sector (ITU-D) intended to strengthen exchanges of experience among regulators on the most important regulatory subjects and issues. The meeting fosters an open dialogue among

regulators and with key ICT stakeholders. The first two days of the GSR was open to regulators, policy makers, ITU-D Sector Members and other invited guests and

took the form of an Open Dialogue. The third day was reserved for interaction and discussion between regulators and policy makers.

The theme of GSR-12 was "Why regulate in a Networked Society". GSR conducted the event with a high level interactive segment, focusing on transnational regulatory issues in a converged digital era, understanding the changing business dynamics and the role of regulation. Participants discussed the challenges

they face with when implementing their broadband strategies and adopting appropriate innovative regulatory measures and tools in the digital networked society.

The 12th Global Symposium for Regulators was held under the patronage of His Excellency President Mahinda Rajapakse in the presence of over 300 high – level foreign delegates drawn from nearly 100 countries across the globe, with the support and co-ordination of the International Telecommunication Union (ITU).

Sri Lanka made a presentation on the Broadband Case study at the Symposium (https://www.itu.int/ITU-D/TReg/publication/BB-MDG_SriLanka_final.pdf)

8.2.1.2 Renewal of Licences

The names of the Operators whose licences were renewed are listed below:

Operator	Issue Date	Period
Dialog Television Private Limited	01/02/2012	5 Years
Lanka Cable and Satellite Network (Pvt) Ltd	07/06/2012	5 Years
Satnet (Pvt) Ltd	18/10/2012	5 Years
Hutchison Telecommunications Lanka (Pvt) Ltd	11/02/2012	10 Years
Sri Lanka Telecom PLC	09/02/2012	10 Years



Global Symposium for Regulators (GSR) - Opening Ceromeny



Global Symposium for Regulators (GSR) - Opening Ceromeny

Administration & Human Resources Division

CHAPTER NINE

Overview

Establishment and maintenance of proper coordination with the all divisions of the TRCSL uplift of the welfare facilities of the staff and uplift of overall administration, direction and evaluation of the commission. Creating a physical environment which is helpful to uplift the quality of the TRCSL and maintaining the same, maintaining optimum staff with higher standers which suit to the objectives and functions of the commission.

The Administration and Human Resources Division is required to perform the following services 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 pertaining to recruitment, confirmation, performance appraisal, promotions, leave records, attendance, transfers, 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 and Information & Documentation 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 life assurance and 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 31st December 2012, the TRCSL had a total staff strength of 207 out of which 07 were in Senior Managerial posts, 25 were in Middle managerial posts, 129 were in subordinate ranks and 46 were in minor grades. The number of cadre approved for the TRCSL was 265. The 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 inquiries and the like.

9.2.2. Revision of the Cadre and Organization Structure.

The Salaries and Cadres Committee had recommended the first cadre and the organizational structure for TRCSL in 1997. Between 1997 and 2012, the cadre was restructured with the concurrence of the Department of Management Services on 06 occasions. Table 9.1 indicates the changes in the strength of the cadre of TRCSL since 1997.

By 2012, the pre-existing organizational structure of the TRCSL was found not to be conducive to match the present day business environment, due to the following reasons:

- Expansion of functions and duties of the TRCSL arising from the vast development of the Telecom sector in the country

- Revenues which are derived from the license holders require to be closely monitored by the TRCSL
- Increase in the number of illegal broadcasting centres and unauthorized frequency spectrum users in the country
- Necessary steps to be taken for upgrading the standards of the International Telecommunication Services in the country
- New Scheme of recruitment and moderated cadre proposals should be introduced according to the guidelines given in the Management Circular 30 of 2006.

The TRCSL retained the expertise of Sri Lanka Institute of Development Administration (SLIDA) to study and make recommendations on the revision of the organizational structure of the TRCSL. The experts assigned by the SLIDA, having evaluated the prevailing structure and current necessities, submitted a comprehensive proposal on organizational restructuring and cadre revision. These proposals were initially approved by the Commission and referred to the National Salaries and Cadre Commission and the Department of Management Services for their endorsement.

Under the revised structure of the organization, the total number of cadre in TRCSL will be as follows :

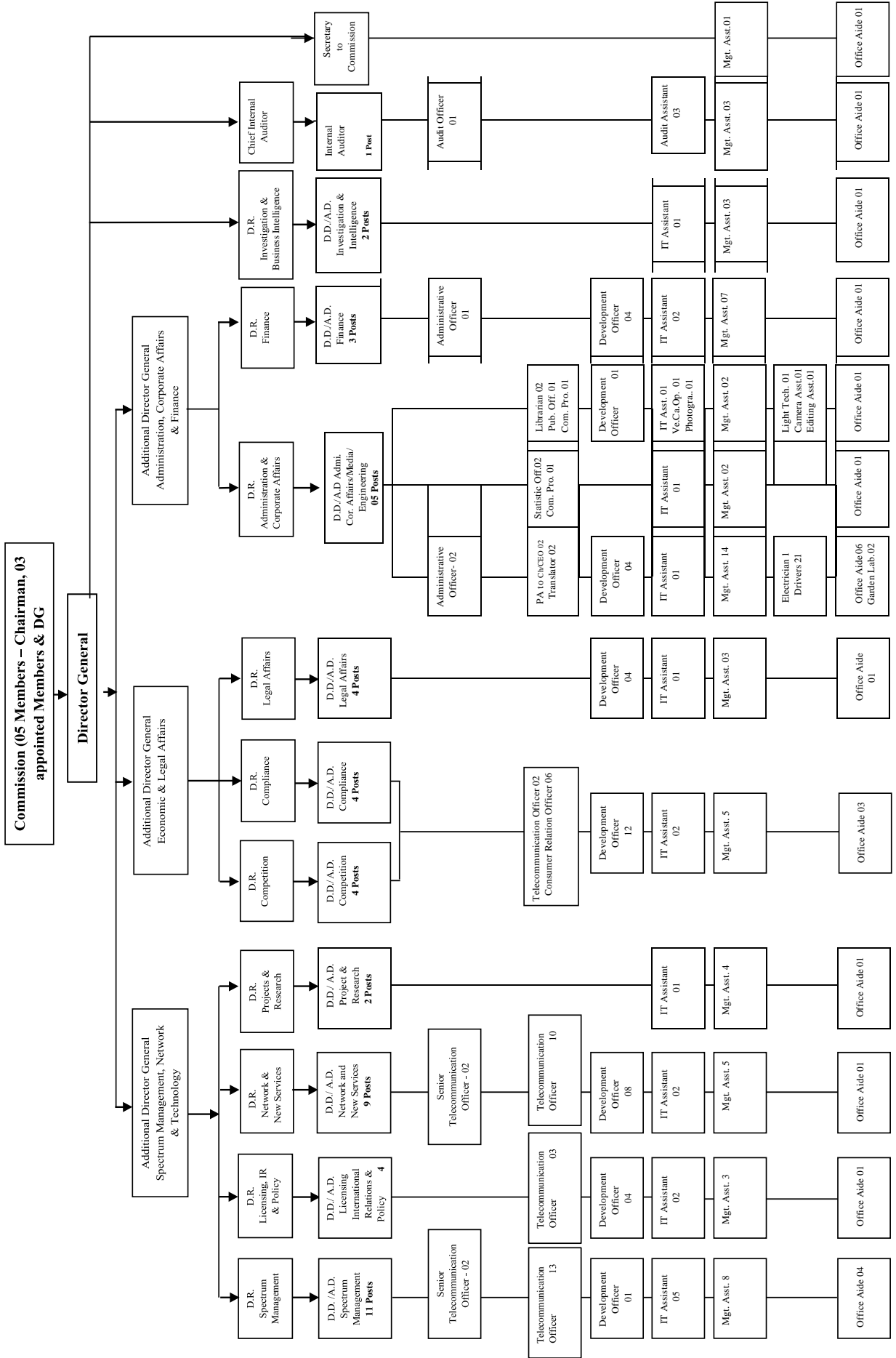
Senior Management Level	- 14
Middle Management Level	- 50 Junior
Management Level	- 08 Secondary
(subordinate) Level	- 168 Primary
Level	- <u>50</u>
TOTAL	-290

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

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

The revised organizational structure, as approved by the Commission is given in Chart 9.1.

PRESENT ORGANIZATION STRUCTURE - TRCSL (chart 9.1)



9.2.3. Issuance of Office Circulars and Introduction of Office Procedures

During 2012, the Administration & Human Resources Division issued Office circulars pertaining to following subject areas in order to streamline the respective areas and increase the productivity of the staff of the organization.

- Office hours, late attendance and leave particulars of the staff of TRCSL
- Provision to obtain Distress Loan for the staff of TRCSL
- Assignment of Financial Authority for year 2012 in terms of Financial Regulations No. 135 – No. 139.
- Provision to obtain motor vehicle loans for TRCSL staff
- Reporting on Overseas travel for Training/Workshops/seminars/Study Group
- Guidelines for Drivers in respect of reporting for duty, maintenance of vehicles and fuel
- Usage of TRCSL bus for welfare activities of staff of TRCSL

The Administration Division also took steps to introduce office procedures into the system, through internal memoranda and official circulars, when lapses were identified in such areas of work. The senior staff closely supervised the subordinates to ensure that the latter maintain records and 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 directed towards enhancing their knowledge, development of skills and change and improvement in adoption of attitudes. Information relating to the training Programmes/Fellowships/Seminars in 2012 are given in Table 9.2

Table 9.2 - Participation of TRCSL Staff in Training Programmes/Fellowships/Seminars (2012)

a) Overseas Programmes

Scope of Training/Fellowship/Seminar	Country	Period		Number Participated
		From (m/d/y)	To (m/d/y)	
Radiocommunication Assembly & World Radiocommunication Conference	Switzerland	1/16/2012	2/17/2012	09
Practical Technologies & implementation of small scale Telecommunications Rural area	Japan	1/18/2012	1/27/2012	1
MS/PhD Degree Programme	Korea	2/1/2012	1/31/2014	1
NGN-GSI Event : Next Generation Networks Global Standards Initiative	Switzerland	2/6/2012	2/17/2012	1
Workshop on International Telecommunications Regulations	Thailand	2/6/2012	2/8/2012	2
ITU Study Group & Working Party 17 on Security	Switzerland	2/20/2012	3/2/2012	2
Mobile Telecommunications Technologies & Services	Japan	2/21/2012	3/2/2012	1
Next Generation Network & Services/ Solutions realized on NGN and their standardization	Japan	2/23/2012	2/29/2012	1
to discussion arrangements for preparation of GSR 2012 in Colombo 2012	Switzerland	2/27/2012	3/2/2012	1
Training and event on Transition on Digital Broadcasting	Thailand	2/27/2012	3/2/2012	2
Extraordinary General Meeting & 6th Annual e-Gov Africa Forum of CTO	Botswana	3/3/2012	3/9/2012	6
ITU/TRAI International Training Programme & Asia Pacific Regulators' Roundtable	India	3/30/2012	4/5/2012	1
ITU-TRAI International Training Programme	India	4/2/2012	4/4/2012	1
13th Meeting of South Asian Telecommunications Regulators Council	Nepal	4/18/2012	4/20/2012	1
International Mobile Roaming Training & Workshop	Thailand	5/7/2012	5/11/2012	1
9th Steering Committee Meeting of SAFIR	Bangladesh	5/9/2012	5/10/2012	1
FITH Key Technology & Network Design	China	5/14/2012	5/25/2012	1
Training on Mobile Internet	China	5/17/2012	5/25/2012	1
Workshop on Designing National Frequency allocation tables and International Spectrum Regulations	Iran	5/19/2012	5/24/2012	1
12th APT Policy & Regulatory Forum Meeting	Thailand	5/21/2012	5/23/2012	1

Regional Workshop on Digital Broadcasting Opportunities business and challenges	Thailand	5/25/2012	5/29/2012	1
Seminar on Smart Government for Developing Countries	China	6/1/2012	6/28/2012	1
ITU Study Group 1 & Working Party 1B	Switzerland	6/6/2012	6/15/2012	1
ITU Study Group 1 & Working Party 1A	Switzerland	6/6/2012	6/15/2012	2
HRD Expert Meeting	Thailand	6/18/2012	6/20/2012	1
Meeting of Working Party 3J	Switzerland	6/18/2012	6/27/2012	1
4th Meeting of AD-HOC Correspondence	Thailand	6/25/2012	6/27/2012	1
2012 Session of Council	Switzerland	7/3/2012	7/17/2012	3
USTTI Training on Regulatory & Privatization issues in Telecommunications	USA	7/17/2012	7/30/2012	1
Capacity Building for Developing Communications & Information environment in rural community	Japan	7/23/2012	9/8/2012	2
ASTAP, WTSA12 & WCIT	Thailand	7/29/2012	8/9/2012	1
9th Asia Pacific Telecommunications and ICT Development Forum	Thailand	8/21/2012	8/25/2012	1
Executive Committee Meeting of CTO	UK	8/26/2012	9/2/2012	1
Study Group 3 Meeting on Tariff & Accounting	Switzerland	9/2/2012	9/9/2012	1
Training on Enabling Frame Work for ICT Development - The Singapore Experience	Singapore	9/2/2012	9/8/2012	1
ITU Study Group 1 & 2	Switzerland	9/8/2012	9/23/2012	2
1st Meeting of APT Prep. For WRC-15 & APT Wireless Group Meeting	Vietnam	9/9/2012	9/16/2012	1
Country Study Visit of Master of Public Management	Thailand	9/10/2012	9/22/2012	1
ITU Study Group 4B & 4C	Switzerland	9/11/2012	9/22/2012	1
IP Metropolitan area network and its applications	China	9/11/2012	9/22/2012	1
APT Cyber Security Forum	China	9/24/2012	9/28/2012	1
Study Tour to LS Telecom	Germany	10/7/2012	10/21/2012	2
SATRC Working Group on Spectrum	Bangladesh	10/9/2012	10/12/2012	1
Women with the wave High level forum on digital inclusion of women and girls	Korea	10/9/2012	10/12/2012	1
ITU Telecom World - 2012	Dubai	10/13/2012	10/19/2012	1
Training on New Generation Mobile Telecommunications Technology & Networks	China	10/14/2012	10/26/2012	1
Workshop on Digital Economy	Indonesia	10/15/2012	10/19/2012	1
52nd Council Meeting & the 10th Annual CTO Forum	Mauritius	10/19/2012	10/28/2012	2
SATRC Working Group on Policy & Regulation	Iran	10/21/2012	10/25/2012	1
USTTI Training on Mobile/ Wireless Broadband	USA	10/23/2012	11/12/2012	2
52nd Council Meeting & the 10th Annual CTO Forum	Mauritius	10/24/2012	10/27/2012	1
Next Generation Internet Protocol - IPV6	India	10/28/2012	4/11/2012	1
5th APT Preparatory Meeting for WCIT - 12	Thailand	10/29/2012	11/2/2012	1

Practical Technologies and their Implementation of small scale Telecommunications	Japan	10/30/2012	11/12/2012	1
36th Management Committee of APT	Thailand	11/5/2012	11/10/2012	1
Computer Network Engineering & Management	India	11/7/2012	12/4/2012	1
World Telecommunications Standardization Assembly	Dubai	11/18/2012	11/30/2012	2
Training Workshop on the Use of Telecommunication/ ICT for Disaster Management	Thailand	11/19/2012	11/24/2012	1
Meeting of Joint Task Group 4-5-6-7	Switzerland	11/20/2012	11/30/2012	1
Training on Building Effective wage Policies	Italy	11/25/2012	12/1/2012	2
Actuarial Modeling of Public Pension Scheme	Italy	11/25/2012	12/9/2012	1
Training on Path to 4G	India	11/25/2012	12/1/2012	1
Cyber Security Policies and Technologies for the Broadband Communications	Japan	11/27/2012	12/8/2012	1
World Radiocommunication Seminar	Switzerland	12/2/2012	12/9/2012	1
World Conference on International Telecommunications	Dubai	12/2/2012	12/15/2012	5
Scope of Training/Fellowship/Seminar	Country	Period		Number
		From	To	Participated
		(m/d/y)	(m/d/y)	
Actions for Next Generation Mobile Communications Systems	Japan	12/3/2012	12/12/2012	1
Training on Strengthening Disaster Preparation Utilizing for Public Safety	Japan	12/3/2012	12/14/2012	1
Training on cloud computing implementation & Applications	Thailand	12/16/2012	12/22/2012	1
SATRC Workshop on Spectrum	India	12/17/2012	12/21/2012	2

b) Local Programmes

Programme	Duration & Venue	Number
		Participated
Certificate of English for Careers	For 02 months (February/March 2012) in weekends at University of Colombo	1
Certificate in Accounting & Business 1 & II	15 February 2012, Institute of Chartered Accountants of Sri Lanka (ICASL)	1
Training on Maintenance of Personal Files	28 – 29 February 2012 atNagarodaya	3
Workshop on Library Research Methodology	24 February 2012 at National Library and Documentation Services Board	2
Master of Business Management	For 02 years at University of Colombo	1
Master of Social Science/Mass Communications	For 01 year at University of Kelaniya	1
Diploma in English	For 03 months at SLIDA	1

Training on Developing Secretaries & Receptions	10 th May 2012 at Nipunathapiyasa,	1
Regional Training on Lighting Surge Protection and Grounding	07 th June 2012 at Hotel Galadari	3
International Conference on Clean & Green Energy	25 th June 2012 at Hotel Galadari	2
Seminar Series on Sri Lanka Accounting Standards 2012	Auditorium of ICASL 12,14 & 27 of June & 7,10,24 of July & 07,09 of August 2012	8
Workshop on Preparation of Tenders for Small and Medium Sales Contracts	16 June 2012 at ICAD	2
National Conference on Library & Information Science	21 June 2012 at Sri Lanka Library Association	2
2 nd Stage of Certificate Course in English	On Sundays at SLIDA for 03 months	5
Basic Training on Tamil Language	03 months at Department of Official Languages	1
Seminar for Sri Lanka Accounting Standards	21 st August 2012 at Grand Oriental Hotel Organized by PRAG Institute	4
Certificate Course in Information Technology Law	For 03 months at Bar Association of Sri Lanka	2
Workshop on Project Management	02 nd August 2012 at University of Colombo School of Computing	3
Seminar for Sri Lanka Accounting Standards – Part II	18 th September 2012 at Grand Oriental Hotel organized by PRAG Institute	3
MSc in Telecommunications and Electronic Engineering	2012/2013 at SLITT	1
Training on Spectrum and Network Analyser related radio frequency Management	At Arthur C. Clarke Institute	1
Certificate on Customer Care Relationship Management	80 hours in Saturdays at Sri Lanka Foundation Institute	6
Seminar on Sri Lanka Financial Reporting Standards	05 th November 2012 at PRAG Services	1
Design and Installation of Lighting surge protection network	22 nd November 2012 at Hotel Galadari	2
Budget Seminar	10 th November 2012 at ICTAD	1
Workshop on Preparation of Documentation Sources	14 th November 2012 at National Library & Documentation Services Board	2
Postgraduate Diploma in Library Science	National Institute of Library and Information Science	1

9.2.5 Procurement Activities

The Administration Division coordinated all the activities in the supply of 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.

During the period under review, the number of Junior and Senior Tender Board meetings held were 02 and 05 respectively. The total value of the procurements approved by the Junior Tender Board was Rs. 1.5 Mn. and it also granted approval for the maximum fixed rates for the civil Maintenance works of TRCSL. The total value of procurements approved by the Senior Tender Board was Rs 79 Mn. Cumulatively the total value of the procurements approved by the two tenderboards was Rs. 80.5 Mn.

The Administration Division ensured an 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 named 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 Fleet of Vehicles

The fleet of vehicles of TRCSL comprised of fourteen cars, three double cabs, three jeeps, four 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. 7.8 million was spent in 2012 for the repairs and replacement of tires and batteries and payment of revenue licence fees for the vehicles.

9.2.7 Annual Survey

The annual survey for year 2011 was carried out in January 2012. 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 standard procedure.

9.2.8 Coordination of activities of the Deyata Kirula Exhibition

The Deyata Kirula National Development Exhibition is an annual event sponsored by the Government of Sri Lanka State sector as well as private sector institutions participate in this exhibition. In 2012 the exhibition was held at Oyamaduwa in the district of Anuradhapura in step 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 2012 to coincide with the National Independence Day of Sri Lanka. The Administration Division was mainly responsible for organizing the stall of the TRCSL and the other Divisions/Units extended their fullest support to the Administration Division in this task. The Administration 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 be kept lodged close to the site of the exhibition for the duration of the exhibition. The stall exhibited latest developments in the telecommunication field and several thousands of people including school students visited the stall during the exhibition.

9.2.9 Global Cyberlympics Competition

The Global Cyberlympics, which

was organized by the Internal Telecommunications Union, was a series of cyber competitions that encompass Forensics, Ethical Hacking and Defense. It was held on 29th October 2012 at Miami Inter Continental Hotel, Miami, Florida, USA. The Sri Lankan Team consisted of 04 members from Sri Lanka Cert/CC and they were sponsored by the TRCSL that contributed immensely to the success of the team by providing the necessary connectivity infrastructure and other facilities and logistics for the team members to participate in the Cyberlympic. They were placed first in the Asian regional competition and participated in the 2nd World final Competition of Global Cyberlympics Competition.

9.2.10 Welfare Activities

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

- i) Staff family day at the Bentota Beach Hotel, Bentota (June 23-25,2012)
- ii) Sports meet with the assistance of the Sports Club of TRCSL
- iii) *Nelum Vilata Gee Wessak* musical programme at *Nelum Pokuna* Theatre
- iv) Donations on occasion of the death of relatives of staff members
- v) The Welfare Society the maintained a welfare shop.

9.2.10.1 Staff Family Day

This was a two day programme held on 23rd and 24th of June 2012. The programme provided entertainment and it led to the creation of cordial relationships not only among the members of the staff themselves but among their family members as well



9.2.10.2 Sports Meet

The Sports Meet was held on 01st December 2012. All the members of staff were allocated Houses i.e. namely Prakrama, Wijaya, and Gamunu on the basis of prior selection, and they actively participated in several indoor games, outdoor games and track and field events. The sports meet provided an opportunity for the staff to bond with other members

of staff outside the workplace and display their athletic prowess.

9.2.10.3 Nelum Vilata Gee Wessak musical programme at Nelum Pokuna Theatre

A melodious musical show “Nelum Vilata Gee Wessak” was held on 27th July 2012 at the *Nelum Pokuna* Theatre in aid of the Welfare Society of TRCSL. A number of popular and talented local artists provided high quality entertainment to an audience which comprised staff members, their families and distinguished guests including a visiting team of IT trainers from South Korea.

9.2.10.4 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 easing some of the burden of funeral expenses borne by a staff member.

9.2.10.5 Welfare Shop

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

9.2.11. Logistics Support

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

9.2.12 Recommendation/Approval of Payments

An important activity of the Administration Division is granting approval for 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.

Legal Division

CHAPTER TEN

The Legal Division is authorized to perform the following services as per the Sri Lanka Telecommunications Act.

10.1. Services

- 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 Counsel seeking advice on complex legal issues including litigation.

- Represent the Commission in litigation and all matters relating thereto including drafting and filing papers 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 purposes under the **Sri Lanka Telecommunications Act**, Finance Act, No. 11 of 2004, rules, regulations, licenses, orders, determinations etc.
- Provide legal assistance to other institutions.

10.2. Performance

The Legal Division provided legal assistance to the Commission and other Divisions/Units of the TRCSL on regulatory matters such as frequency licensing, vendor licensing, tariffs, compliance issues, consumer matters and in house legal matters relating to administration and human resources. Officers of the Division appeared in courts on behalf of the TRCSL. In respect to certain court cases TRCSL obtained the services of the Attorney-General's Department and in other cases the services of private Counsel. The Budget allocation for year 2011 for legal expenses has been utilized by the Commission. A brief account of notable services rendered by the Legal Division in 2012 is given below.

10.3 Litigation

In 2012 there were several law suits filed against TRCSL. Some of the suits had challenged the exercise of the regulatory authority of the Commission and are summarized below:-

10.3.1. Cases filed in the Supreme Court / Court of Appeal

The Commission proceeded against Television and Radio Network (TRN), a Television Broadcasting Company, for the use of the frequencies allocated for digital transmissions, in violation of the license issued to them under Section 22 of the Telecommunications Act, No. 25 of 1991. An inquiry was held and a Section 22 license issued to TRN was revoked by the Commission. TRN (B.A.C Abeywardena) has challenged in the Court of Appeal the action taken by the Commission by way of a Writ application bearing No 329/2011 and an Appeal bearing No. CA/Tele/Reg/01/2013. Both these cases are pending before the Court of Appeal.

A case has been filed by Electroteks Limited, in the High Court of the Western Province (Exercising Civil Jurisdiction) bearing case No 137/2011 for recovery of upfront frequency fee paid to the Commission for the allocation of frequency Slot 1777.5 - 1785 MHz paired with 1872.5 - 1880 MHz and Radio Frequency slot 1785 - 1795 MHz. This case is also pending before the High Court.

10.3.2. Other Courts/ Tribunals/ Orders

In 2012 some foreign web sites/addresses were blocked from being accessed from Sri Lanka on court orders and on the instructions of other government authorities having power to regulate such sectors. A District Court case was also filed by an individual challenging the blocking of a web site where the Commission and the operators were made defendants.

In year 2012 the Legal Division attended to several cases and inquiries filed against the Commission and others which continued from previous years ranging from human resources matters filed in Labour Courts, Industrial Courts, Magistrates Courts and District Courts etc.

The Legal Division has also contributed to regulatory initiatives taken by the Commission to ensure compliance by vendors of mobile phones and other telecommunication apparatus as well as users of the radio frequency spectrum.

The Legal Division has advised and assisted other Divisions of the Commission and law enforcement officers in framing charges and filing action against delinquent parties in respect to offences committed under the Sri Lanka Telecommunications Act such as illegal cable operations and use of frequencies.

The Legal Division also liaises with the operators in respect to execution of Court Orders issued by Magistrate Courts requesting information pertaining to lost Phones (IMEI), Subscriber information and technical data to conduct investigations by the Police.

Information and 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

A summary of the major items of work carried out by the IT Unit is given in Table 11.1

Selected Items of work performed by the IT Unit-2012 (Table 11.1)

Activity	Description
Renewal of the licence of the ESET Smart Security	A virus guard was installed to provide security for the computers and Rs.163,000.00 was spent in 2012 as annual licence fee to renew the licence fee of the security guard in 2012.
Procurement of 11KVA UPS for TRCSL servers	We installed the UPS for TRCSL server because we are experiencing great difficulties due to frequent power failures. The total cost of installation of the UPS was Rs 453,600.00
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 and completed all the configuration work in 2012.
Redesigning of the website of TRCSL and TRC office automated project	It is a mandatory requirement that the websites of Government institutions should be in all the three languages (Sinhala, Tamil and English). Therefore, action was taken to redesign the website of TRCSL. Also there is a direction from DG that all the Divisions need to be computerized and integrated in order to provide a quick and efficient service to the public. A Committee was appointed for this purpose. Procurement procedure was complied with to select a suitable web designing company. During the selection process interviews were held with the companies to get details of their proposals. All the primary work has been completed.

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 facility services of other libraries such as the 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
- Progressive development of the library
- Organize Seminars for the TRCSL staff
- Disposal of redundant and out of date 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 related 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

patrons of the library were comprised mainly of internal staff, university students, teachers, school students, researchers and librarians. It provided information to the patrons using internet and other library databases. Photocopy facilities were also made available to the patrons on their request. Email and internet facilities, fax facilities and telephone facilities of the library were used to provide necessary information to the patrons 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 TRCSL in 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 acquisition of institutional membership, members of the TRCSL staff were able to use the services of the above libraries easily. The acquisition of institutional membership enabled the TRCSL staff to obtain books/magazines etc. from the mobile library service of the Public Library. The Mobile library visited TRCSL premises on 24 occasions during 2012.

11.43 Liaising with other institutions for obtaining inter library loan facility

The Library Services Unit liaising with the National Library and other institutions such as the National Institute of Business Management (NIBM), Labour Department, National Science Foundation (NSF) etc. in respect to providing inter library loan facility services to the TRCSL staff.

11.44 Collection of important information and preparation of indexes.

The 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 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 candidates who apply for the Amateur Radio Examination conducted by TRCSL in collaboration with the Department of Examinations.

11.45. 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.

11.46. Development of the library

The Library Services Unit took steps to replenish the library stock by purchasing books from local and foreign book agents. The value of the books purchased from foreign agents was Rs. 136,478.00 and International Telecommunication Union for chf 577.00. The value of the locally purchased books was Rs. 55,867.40. The library also received books and magazines as donations from individuals and institutions and subscribed to new magazines to provide current and valuable information for our users (Rs. 8380.00) and renewed annual subscriptions to both local magazines (Rs. 6944.00) and foreign magazines (Rs. 305,230.43)

11.47. Disposal of redundant materials

A stock of old newspapers was handed over to the Administration Division for purpose of disposal.

Media Unit

CHAPTER TWELVE

12.1. The following events were covered by the Media Unit during 2012

- 02.01.2012 – Ceremony to commemorate the advent of the new year
- 03.01.2012 - Colombo Lotus Tower Project Contract Signing Ceremony (TRC)
- 09.01.2012- Inspection of proposed land to construct Lotus Tower and Photographing of its surroundings
- 10.01.2012- Inspection of land by Director General among others

- 12.01.2012- Meeting with Kuban - Sri Lanka Ambassador and Director General
- 12.01.2012- Removal of unauthorized constructions on proposed Construction site of the Lotus Tower.
- 13.01.2012- Clearing of proposed Construction site of Lotus Tower.
- 15.01.2012- Holding of Bahira wa Pooja at Lotus Tower construction site.
- 17.01.2012- Sod Cutting Ceremony at Lotus Tower construction site.
- 19.01.2012- Making Arrangements to lay foundation stone at Lotus Tower construction site.
- 20.01.2012- Laying of foundation stone to Lotus Tower construction site
- 04.02.2012- Dayata Kirula- Oya maduwa
- 09.02.2012- Inspection of Lotus Tower construction site by a group of Chinese CEIEC Engineers
- 13-02.2012- 17.02.2012- Africa – Asia Regulatory Conference
- 07.05.2012- Vesak Lanterns Competition – TRC
- 09.05.2012- MOU on Colombo Lotus Tower Project Signing Ceremony
- 09.05.2012- Inspection of illegal Telecommunications Towers
- 17.05.2012- World Telecommunications Day Ceremony
- 18.05.2012- Meeting with Bangladesh Ambassador and Director General
- 14.06.2012- Visit of Mr. Sharma to the Broadband Unit at TRCSL.
- 22.06.2012- Dengue Prevention Programme (Cleaning of Government Institutions)
- 06.07.2012- Documentary programme recordings - GSR Conference – Jaffna , Delft
- 13.07.2012 - Documentary programme recording for GSR Conference - Galle
- 20.07.2012 - Documentary programme recordings for GSR Conference Ratnapura- Palmadulla
- 21.07.2012 - Documentary programme recording for GSR Conference -Kuragala
- 22.07.2012 - Documentary programme recording for GSR Conference - Madunagala
- 24.07.2012- Donation of equipment to Maharagama Cancer Hospital
- 27.07.2012- Nelum Wilata Gee Wassak- Musical Programme

- 28.07.2012 - Documentary programme recordings for GSR Conference - Dedugala
- 02.08.2012- KVI- Korea IT
- 03.08.2012- Gammaduwa(Alanmathiniyaramaya)
- 11.08.2012 - Documentary programme recordings for GSR Conference - Nuwaraeliya
- 11.08.2012- Inspection of temporary constructed office at Lotus Tower construction site.
- 16.08.2012- Broadband Test-TRC
- 18.08.2012 - Documentary programme recordings for GSR Conference Hambanthota
- 25.07.2012 - Documentary programme recordings for GSR Conference – Mannar
- 31.08.2012 Documentary programme recordings for GSR Conference – Dahaatawanguwa, Arugambe
- 15.09.2012 - Documentary programme recordings for GSR Conference – Kandy
- 18.07.2012 - Documentary programme recordings for GSR Conference – Badulla Train
- 02.10.2012 – 04.10.2012 - GSR Conference – Hotel Hilton
- 15.11.2012- Planting Ceremony –TRC
- 01.12.2012- Sport Meet- TRC
- 28.12.2012- Introduction of Dialog -4 G – TRC

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, The 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
- Appraisal 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 abovementioned tasks and convene Audit Committee meetings
- Preparation and circulation of the decisions of the Audit Committee to Heads of Divisions to take appropriate action.
- Submission of reports to the Auditor General's Department every six months
- 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

The work performance of the internal audit division is as follows:

Four Audit Committee meetings were held during the year and following seventeen numbers of internal audit reports were discussed:

Report No	Date of the Report	Topic
CIA/12/01	12/01/2012	Calculation of EPF
CIA/12/02	12/01/2012	Insurance Policies
CIA/12/03	26/01/2012	Checking of pay sheets – 2011
CIA/12/04	14/03/2012	Checking of Leave Register
CIA/12/05	25/03/2012	Payment of Contract Employees' salaries
CIA/12/06	25/03/2012	Due fees from System Operators
CIA/12/07	26/03/2012	Frequency Debtor Balances as at 31 st December 2011
CIA/12/08	24/04/2012	Festival Advances
CIA/12/09	18/06/2012	Preparation of Bank Reconciliation Statement
CIA/12/10	25/06/2012	Cess fees
CIA/12/11	10/07/2012	Reports submitted by Auditor General's Department
CIA/12/12	08/08/2012	Encashment of Unutilized vacation leave & salaries
CIA/12/13	05/09/2012	Lease of a building for coordinating office
CIA/12/14	05/09/2012	2/3 rd reimbursement of interest on housing loans
CIA/12/15	10/10/2012	No Pay Leave – S.A.W.B. Silva
CIA/12/16	14/10/2012	Physical Verification of Library Books
CIA/12/17	13/12/2012	Reports submitted by Auditor General's Department

Finance Division

CHAPTER FOURTEEN

14.1. Overview

The primary function of the Finance Division is the Financial Management of all monetary dealings of the Commission. Collection of Revenue and the optimum usage of such funds by way of proper investment are key responsibilities. Not only that the controlling and spending are second to none , especially within the statutory requirements such as relevant rules and regulations of Financial Regulations, relevant Circulars and Commission decisions.

Also, maintenance of accurate financial records is one of the main responsibilities of the Finance Division because the Commission takes vital decision on same. All government institutions are bound by law to submit the financial statements to the Auditor General to determine the accuracy & completeness of the transactions and to ensure that all financial policies are in conformity with the Generally Accepted Accounting Principles and Accounting Standards published by the Institute of Chartered Accountants of Sri Lanka and the financial procedures comply with the Financial Regulations of the Government. In the year under review we have submitted our Financial Statements to the Auditor General on the due date. The functions of the Finance Division encompass not only recording of historical data in the Financial Statements but also Financial Administration , cost control , project evaluation, development planning , and participating in strategic decision making being important functions of the Division.

14.2. Functions

- Reporting financial results , variation with budget/forecast and reasons for same
- Preparation of the annual budget/ forecast
- Establishing & maintaining internal control system
- Maintaining records of all Fixed Assets and ensuring the security and optimum usage of same.
- Guiding & assisting the senior management staff implementing the Capital & Revenue expenditure programs.
- Tax planning and compliance with relevant statutory authorities.
- Reviewing and analyzing periodic operational and financial report such as Auditors Report and Audit Committee Reports and taking corrective/appropriate action to rectify the deviations , if any.
- Ensuring and following up prompt collection of different levies imposed by the Government and Acts of Parliament.
- Ensuring the prompt remittance of funds due to the Government Treasury.
- Ensuring the Optimum usage of the excess funds, if any by way of low risk , high return investment for the development of the industry.
- Preparing quarterly and annual Financial Statements of the Commission.

- Maintaining statistical records of Revenue, Expenditure, and Assets & Liabilities and provide information to the top management as and when they are requested.

14.3. Performance

14.3.1. Revenue

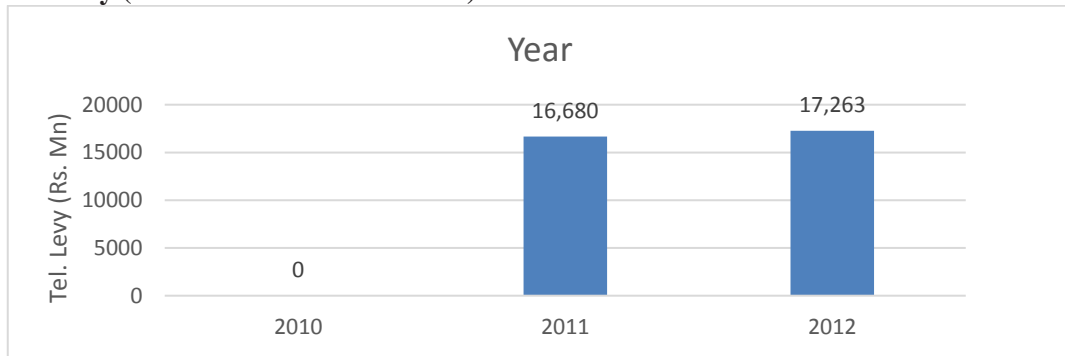
The Statutory power to earn and collect the revenue of the Commission is vested in the Commission by the Telecommunications Act, No. 27 of 1996. Accordingly, the Commission earns/collects Revenue by way of “Radio License Fees, Cess Fees, System Operator License Fees, Vendor License Fees and other related fees from Public Switched Telephone Network (PSTN)operators and Radio Frequency users. Furthermore the Commission’s Revenue collection has been increasing year by year which is highlighted below.

Revenue of the Commission from 2010-2020 (Table 14.1)

Source of Income	2012 (Rs. '000)	2011 (Rs. '000)	2010 (Rs. '000)
System Operator License Fees	1,418,318	24,388	235,598
Cess Fees	3,514,976	2,377,597	340,095
Radio Frequency License Fees	6,532,361	6,073,988	5,116,864
Frequency Upfront Fees	367,347	1,758,967	
Vendor License Fees	8,800	11,825	6,077
Amateur Radio License Fees	94	52	30
Ship Station License Fees	260	302	296
Aircraft License Fees	405	307	230
Codeless phone dealer charges	20,055	3,739	1,927
Examination Fees	12	13	07
Application Processing Fees	7,143	2,245	206
Short Code Charges	6,122	5,612	3,608
Sundry Income (Interest Income from fixed deposits, staff loans etc.)	823,950	87,572	8,830
Total	12,699,643	10,346,607	5,713,768

Having abolished the 12% VAT (Valued Added Tax), 10% MSL (Mobile & Fixed Subscribers Levy), 3% NBT (National Building Tax) & 2% ECL (Environment Conservation Levy), the Government imposed a Telecommunications Levy of 20% on telecommunication services provided by the operators in its Budget proposals of 2011.

Telecommunication Levy (From 2010-2012 in Rs. Mn) Chart 14.1



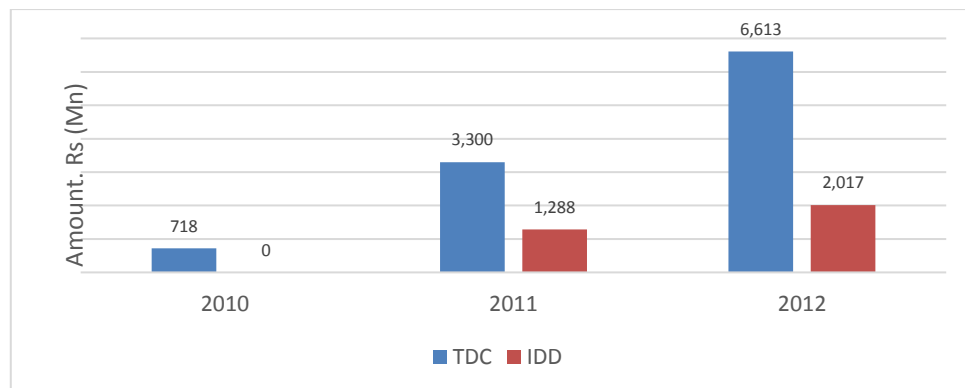
Further, a 2% CESS fee was introduced by the Government on the annual gross turn over of the operators in place of the system operator license fee and Cess fee.

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

US \$0.30 per minute as a TDC (Telecommunication Development Charge) and a Levy of Rs. 2.00 per minute from incoming and outgoing International Calls respectively from International Telecommunication Operators.

The following chart displays last three years increasing pattern on same.

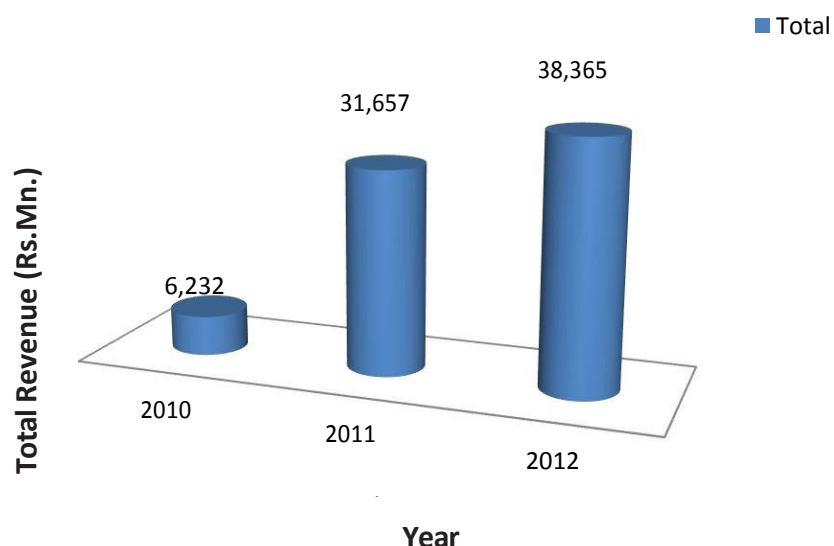
International Telecommunication Operators' Levy (From 2010 – 2012 in Rs. Mn) Chart 14.2



The rapid growth of the total Revenue of the TRC over the period 2010-2012 could

also be observed from the Chart No. 14.3 set out below:

Total Revenue of TRCSL (From 2010 to 2012 in Rs. Mn.) Chart 14.3



14.3.2. Remittance to the Consolidated Fund

In 2012, a sum of Rs. 37.5 Bn. was remitted to the Government Treasury by TRC. It represents a 28% increase in revenue compared to the year 2011.

14.3.3. Property, Plant & Equipment

Money amounting to Rs. 1.515 Bn and Rs. 33.8 Mn were deployed to purchase the Land for the Landmark Lotus Tower project and further improvement/ construction of the Kokavil Tower respectively, out of an additional sum of Rs. 1.575 Bn granted to the PPE during the year 2012.

14.3.4. Investment

The Commission invested a sum of Rs. 7.039 billion in Government Securities under a Re-Purchase agreement in year 2012 and a sum of Rs. 1,577 million was

invested in the form of Fixed Deposit with the Peoples' Bank to earn interest income. In addition, 50% of the collection of the Telecommunication Development Charges amounting to Rs.9.094 billion was placed in the State Institution Temporary Surplus Trust Fund to earn interest income.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2012

(Expressed in Sri Lanka Rupees)

	<u>NOTES</u>		<u>31.12.2011 (Re-stated)</u>	<u>31.12.2010</u>
ASSETS				
NON-CURRENT ASSETS				
PROPERTY, PLANT & EQUIPMENT	4	2,077,020,071	562,739,426	304,822,367
WORK IN PROGRESS	5	2,053,278,670	3,237,415	258,438,062
INVESTMENTS	6	2,566,137,811	7,412,615,501	7,749,665,954
TOTAL NON-CURRENT ASSETS		6,696,436,552	7,978,592,342	8,312,926,383
CURRENT ASSETS				
Government Securities under Re-Purchase Agreement		7,039,684,939	3,034,654,795	-
Accounts Receivable	7	1,476,877,387	1,671,871,743	2,698,708,649
Other Receivables		890,000	610,000	610,000
Distress Loans		16,927,119	21,198,207	23,165,326
Pre Payments		927,261	521,020	322,500
Special Advances		575	-	13,575
Festival Advances		130,258	137,258	123,758
Motor Vehicle Loans		50,311,034	55,428,682	57,005,466
Housing Loans		4,642,847	5,700,209	6,612,609
Motor Cycle Loans		926,585	1,261,354	2,101,329
VAT Control Account		140,432,740	64,408,810	-
Purchase Advances		122,140	208,784	292,080
Outstanding Staff Loans Recoverable		2,461,764	-	-
Air Ticket Receivable		516,790	653,836	285,906
Air Ticket Receivable - World Bank		-	2,919,651	-
Air Ticket Receivable - SAFIR		1,930	-	-
Salary Deduction Recoverable		12,987	25,587	12,982
Interest Receivable on Fixed Deposits		100,440,927	47,746,536	1,664,313
Commissioner General of Inland Revenue (WHT)		1,289,954	899,278	713,080
Claimable Economic Service Charges		16,980,862	12,434,119	-
TDC Receivable		1,295,355,335	496,320,394	-
IDD Receivables		334,255,272	207,469,292	-
Telecom. Levy Receivables		1,524,622,591	1,429,765,820	-
Cash at banks	8	332,648,145	136,059,478	1,474,454,041
Cash in hand	8B	56,197	96,207	16,525
TOTAL CURRENT ASSETS		12,340,515,638	7,190,391,060	4,266,102,139
TOTAL ASSETS		19,036,952,191	15,168,983,402	12,579,028,522

EQUITY AND LIABILITIES**EQUITY**

Government Contributions via			
- World Bank Credit Agreement	298,572,434	298,572,434	298,572,434
- United Nations Development Program	19,533,906	19,533,906	19,533,906
Other Government Contributions	208,108,404	208,108,404	208,108,404
Accumulated Surplus	8,635,122,294	3,638,317,459	1,042,798,508
Revaluation Surplus	53,580,000	53,580,000	53,580,000
TOTAL EQUITY	9,214,917,038	4,218,112,203	1,622,593,252

NON-CURRENT LIABILITIES

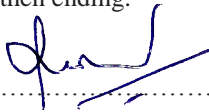
International Telecommunications Operators Levy Fund	9,094,658,010	6,006,025,299	21,254,347,225
LESS :Transferred to Consolidated Fund	(5,000,000,000)	-	(13,815,293,949)
TOTAL NON-CURRENT LIABILITIES	4,094,658,010	6,006,025,299	7,439,053,276

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2012***(Expressed in Sri Lanka Rupees)**(Contd...)*

	<u>NOTES</u>		<u>31.12.2011 (Re-stated)</u>	<u>31.12.2010</u>
CURRENT LIABILITIES				
Accounts Payable	9	53,939,097	45,099,366	27,125,752
Outstanding Staff Loan Recoveries		-	1,175	1,175
OverRecoveries of Special Advance		-	4,175	-
Deferred Income (Grant)		111,083	166,624	-
Miscellaneous Creditors		172,750	-	-
Projects Payable		59,061,792	-	-
VAT Control Account		-	-	87,450,766
Provision for Income Tax		228,253,039	22,868,313	236,409,096
C.T.O Telecenter Project Payables		924,492	924,492	924,492
Construction Creditors		751,650	751,650	751,650
Revenue Received in Advance		2,786,337,939	2,898,667,108	2,715,896,911
Refundable Deposits for Tender		1,298,774	1,173,132	1,153,612
Refundable Deposits -Employees		2,086,843	2,086,843	-
Advances Received for 1800 MHz Band		57,500,000	57,500,000	307,635,000
Provision for Gratuity		11,632,109	23,403,160	21,533,040
ICT for Effective Disaster Management Summit		34,210	34,210	34,210
50% TDC Payable to Treasury		652,745,143	248,160,197	118,458,552
IDD Payable to Treasury		334,255,272	207,469,292	-
Telecom . Levy Payable to Treasury		1,536,326,947	1,431,845,604	-
Subscribers Levy Payable to Treasury		-	75,335	-

Environment Con. Levy Payable to Treasury	-	423,942	-
Construction of PSTN Cubicles - Kokavil	1,937,438	4,135,901	-
Unclaimed Employees Benefit	8,567	55,381	7,738
TOTAL CURRENT LIABILITIES	5,727,377,143	4,944,845,900	3,517,381,994
TOTAL LIABILITIES	9,822,035,153	10,950,871,199	10,956,435,270
TOTAL EQUITY AND LIABILITIES	19,036,952,191	15,168,983,402	12,579,028,522

The accounting policies and notes to the financial statements from page 07 to 21 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 2012 and its surplus for the period then ending.

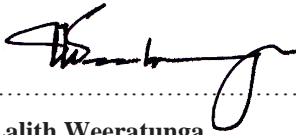


A.S.Hapuarachchi

Deputy Director (Finance)

The Commission are responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Commission.



Lalith Weeratunga

Chairman



Anusha Palpita

Director General

Telecommunications Regulatory Commission of Sri Lanka

Notes to The Financial Statements - 31.12.2012

(In the notes all amounts are shown in Sri Lanka Rupees unless otherwise stated)

1. General Information

Telecommunications Regulatory Commission of Sri Lanka is a independent body and established under the Sri Lanka Telecommunication Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunications Amendment Act, No. 27 of 1996 to regulate the telecommunication sector.

The registered office of the Commission is located at No.276, Elvitigala Mawatha, Colombo 8.

2. Basis of Preparation

The Commission prepares its financial statements in accordance with the Sri Lanka Accounting Standards (“SLFRS”) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements and Sri Lanka Accounting and Auditing Standards Act No.19 Of 1995.

The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards (“SLFRS”) and to require enterprises to apply these standards effective for years beginning on or after 1st January 2012.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these

financial statements are set out below.

These policies have been consistently applied to the years presented, unless otherwise stated.

3.1 Basis of preparation

The Financial Statements of TRCSL have been prepared in accordance with Sri Lanka Reporting Standards (SLFRS). The financial statements have been prepared under the historical cost convention. No adjustment has been made for inflationary factors affecting these Accounts.

Notes to The Financial Statements (contd)

3.1.1 Post Balance Sheet Events

All material events occurring after the Balance Sheet date has been considered and where necessary, appropriate adjustments have been made in the accounts.

3.1.2 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

3.1.3 Previous Year Adjustments

Previous year adjustments are presented in the accounts under the Retrospective Treatment method as stated in Sri Lanka Accounting Standard (LKAS 8) Accounting Policies, Changes in Accounting Policies and error

Item	Amount 2011	Adjustment	Restated Amount 2011
Kokavil Tower Project	16,265,738	10,137,600	26,403,338
International Outgoing Call Levy	1,258,570,192	29,327,091	1,287,897,283
Depreciation	62,114,591	(1,183,949)	60,930,642
Frequency Upfront Fees	1,758,967,041	250,135,000	2,009,102,041
Telecommunication Levy	16,667,767.978	11,703,784	16,679,471,762
Contribution to the Consolidated Fund Participating in Regulatory Affairs Work	26,976,338,170	41,031,445	27,017,369,615
Interest Income from Deposit	13,836,866	(2,875,361)	10,961,505
Income Tax	83,782,577	178,081	83,960,658
Economic Service Charge	31,771,388	(7,652,319)	24,119,069
	4,172,176	(1,280,523)	2,891,653

Notes to The Financial Statements (contd.)

3.2 Assets and the bases of their valuation

3.2.1 Property, Plant and Equipment

(a) Cost

All the Property, Plant and Equipment are stated at cost less accumulated depreciation or impairment loss. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent cost incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or flow future economic benefits associated with the item to the Commission has been treated as capital

expenditure. The carrying amounts of replaced parts are derecognized. All other repairs and maintenance are charged to the comprehensive income during the financial period in which they are incurred.

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/- and the depreciation for revalued vehicles has been provided at the rate of 12.5% for the year ended 31.12.2010.

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

(b) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Estimated Useful Lives of PPE

Buildings	Over 20 Years
Telecommunication Tows	Over 10 Years
furniture & Fittings	Over 10 Years
Office Equipment	Over 10 Years
Computers	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
FMMS Equipment	Over 10 Years
Mobile Surveillance Vehicles	Over 08 Years

Notes to The Financial Statements (contd.)

3.2.1 Property, Plant and Equipment (contd.)

(b) Depreciation (contd.)

Full provision is made in the year of purchase and none in the year of disposal. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or losses on de-recognition of the assets is included in the Statement of Comprehensive income in the year the asset is de-Recognized.

3.2.2 Investments

Investments include fixed deposits and treasure bills under Re-purchase agreements which are held for less than three months. These investments are stated at cost plus Accrued interest up to the year end.

3.2.3 Accounts Receivable

Accounts receivable are recognized and carded at original invoice amount and any allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable.

3.2.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits at bank

3.3 Liabilities Cash Equivalent

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

Obligation payable on demand or within one year of the statement of financial position date. Are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the statement of financial position date are treated as non-current liabilities in the statement of financial position.

3.3.1 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.

Notes to The Financial Statements (contd.)

3.3 Liabilities and Provisions (contd.)

3.3.2 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 LKAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

3.3.3 Employee Benefit

(a) Provision for Retiring Gratuity

The Commission has adopted the benefit plan as required under the payment of Gratuity Act, No.12 of 1983 for all eligible employees. The benefit plan is unfunded. Defined Benefit plan define an amount of brunet that an employee will receive on retirement.

The liability recognized in the statement of financial position in respect of defined benefit plan is calculated annually by the Commission using the projected unit credit method prescribed in Sri Lanka Accounting Standard-LKAS 19: Employee Benefits.

Gains and losses arising from changes due to over or under provision in the previous year are charged or credited to statement of comprehensive income. In the period in which they arise. Gratuity over charged for the year is recognized immediately in statement of Comprehensive income. The amount equals to the gratuity obligation is invested in fixed Deposit by the Commission.

provision for gratuity is made by the Commission taking account of the following assumptions.

Rate of interest	12% per annum
Rate of salary increase	1% - 2.5%
Retirement Age	60 years

The Commission will continue as a going concern

(b) Defined Contribution Plane

Obligation for contributions to a defined contribution plans are recognized as an expenses in the statement of comprehensive income as incurred.

The Commission contributes a sum not less than 15% and 3% of the gross emoluments of Employees to Employees' Provident Fund (EPF) and to the Employees' Trust Fund (ETF) Respectively.

Notes to the Financial Statements (contd.)

3.4 Revenue Recognition

Revenue is recognized on an accrual basis in terms of Sri Lanka Accounting Standard LKAS 18 Revenue.

3.4.1 Cess Fees is charged as a percentage on Operators' Turnover and being collected after the end of Operators' Financial Year.

As Financial Year ending dates of Operators and the Commission are different, Cess 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 201 1 is as follows.

	Cess Fees
Estimate Revenue For year 2011	188,558,253.59
Actual Revenue For year 2011	533,668,778.96
Effect of or change in Accounting estimate	345,110,525.37

3.4.2 Telecommunication Levy
Telecommunication Levy received from the telecom operators under the Telecommunication Act, No. 21 of 2011 are recognized as revenue and subsequently Remitted to the State Consolidated Fund.

3.4.3 Telecommunication Development Charges

Telecommunication Development Charges received from the External Gateway Operators under the Part III of the Finance Act, No.11 of 2004 are recognized as revenue. 50 percentage of this revenue were subsequently remitted to the State Consolidated Fund.

3.4.5 International Outgoing Call Levy

International Outgoing Call Levy received from the External Gateway Operators under the Part I 11 of the Finance Act, No.11 of 2004 and the Regulations published in Extraordinary Gazette Notification No. 1738/15 dated 29th December 2011 are recognized as revenue and subsequently remitted to the Stat Consolidated Fund.

Note to The Financial Statements (contd.)

3.4 Revenue Recognition

4.6 Interest Income

Interest income comprises interest income on funds invested in short- term fixed deposit and short-term Government Securities under Re-purchase agreements. Interest income is recognized as it accrues in gain or Joss on the maturity date.

3.4.7 Government Grants

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

1.4.8 Income Taxes

The Commission is exempt from income tax on its main source of income. An Income Tax expense is only recognized in interest income.

3.4.9 Economic Service Charge(ESC)

ECS is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

3.5 EXPENDITURE

Expenses are recognized in the comprehensive income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All Expenditure incurred in the running of the Commission and in maintaining the capital Assets in a state of efficiency has been charged to revenue m arriving at the surplus for the Year.

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

(Expressed in Sri Lanka Rupees)

	<u>NOTES</u>		<u>31.12.2011</u>	<u>31.12.2010</u>
			<u>Restated</u>	<u>Restated</u>
Revenue				
Income	10	12,474,894,517	10,391,504,083	5,513,712,066
Telecommunications Levy		17,263,323,924	16,679,471,762	-
Telecom Development Charges	10B	6,613,130,847	3,300,756,510	718,414,520
International Outgoing Call Levy		2,016,899,365	1,287,897,283	-
Total Operating Income		38,368,248,653	31,659,629,638	6,232,126,586
Less: Regulatory Expenses	11	(272,988,566)	(114,766,771)	(63,894,040)
Net Total Operating Income		38,095,260,087	31,544,862,867	6,168,232,546
Less : Other Expenses				
Administration & Establishment	12	368,473,770	330,602,583	287,338,563
Repairs & Maintenance	13	40,078,606	29,617,301	34,027,414
Finance & Others	14	4,533,860	2,863,980	8,420,405
Provision For Bad Debtors		5,783,816	19,904,080	158,553,234
(Gain) / Loss on Foreign Currency Transactions		(7,619,806)	(1,430,869)	(1,643,316)
Total Expenditure		411,250,247	381,557,075	486,696,300
Profit for the Year from Continuing Operations Before Income Tax		37,684,009,841	31,163,305,793	5,681,536,246
Less: Income Tax		(230,219,972)	(24,119,069)	(1,766,905,489)
Profit for the Year from Continuing Operations After Income Tax		37,453,789,869	31,139,186,724	3,914,630,757
Other Comprehensive Income				
Gain/(Loss) on Gratuity Provision		14,763,118	-	-
Total Other Comprehensive Income for the Year		14,763,118	-	-
Total Comprehensive Income for the Year After Tax		37,468,552,987	31,139,186,724	3,914,630,757
Less: Contribution to the Consolidated Fund	15	(32,471,748,152)	(28,543,667,772)	(3,800,000,000)
Total Comprehensive Income for the Year after Contributing the Consolidated Fund Add:		4,996,804,834	2,595,518,952	114,630,757

Total Comprehensive Income Brought Forward	3,638,317,460	1,042,798,508	928,167,751
Total Comprehensive Income Carried Forward	8,635,122,294	3,638,317,460	1,042,798,508

Note :

Total contribution to the Consolidated Fund

From Comprehensive Income	32,471,748,152
From International Telecommunications Operators Levy Fund	5,000,000,000
Total Contribution to the Consolidated Fund during the Year	37,471,748,152

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

(Expressed in Sri Lanka Rupees)

		<u>2011</u>	<u>2010</u>
Cash flows from operating activities			
Profit from continuing operation before income tax	37,681,012,681	29,350,461,445	5,577,306,273
Adjustments for			
Depreciation on Property, Plant and Equipment	67,981,271	62,114,591	58,971,222
Provision for Bad & Doubtful Debtors	5,783,816	19,904,080	158,553,234
Provision for Gratuity	0	2,663,638	2,368,570
Gratuity	918,592	0	0
Interest on Gratuity Provisin	180,000	0	0
Gain on damaged Antenna FMMS Project	2,780,848	(2,800,053)	0
(Gain) / Loss on Foreign Currency Transactions	(7,619,806)	(1,430,869)	1,643,316
Expenses for Kokavil Project	(1,302,616)	0	(1,203,093)
Overstated Interest Income from Fixed Deposit	(7,103)	0	0
	68,715,002	80,451,387	220,333,248
Profit from continuing operation before working capital changes	37,749,727,683	29,430,912,832	5,797,639,521
Changes in Working Capital			
(Increase) / Decrease in Government Securities under Re-Purchase Agreement	(4,005,030,144)	(3,034,654,795)	0
(Increase) / Decrease in Accounts Receivable	189,210,540	1,006,932,825	1,909,823,712
(Increase) / Decrease in Other Receivable	(280,000)	0	0
(Increase) / Decrease in Distress Loans	4,271,088	1,967,119	859,735
(Increase) / Decrease in Pre Payments	(406,241)	(198,520)	492,500
(Increase) / Decrease in Special Advances	(575)	13,575	(11,500)
(Increase) / Decrease in Festival Advances	7,000	(13,500)	(7,900)
(Increase) / Decrease in Motor Vehicle Loans	5,117,648	1,576,784	(1,195,967)
(Increase) / Decrease in Housing Loans	1,057,362	912,400	1,000,393

(Increase) / Decrease in Motor Cycle Loans	334,769	839,975	929,241
(Increase) / Decrease in Special Loans	-	-	27,723
(Increase) / Decrease in VAT Control Account	(76,023,930)	(64,408,810)	-
(Increase) / Decrease in Purchase Advances	86,644	83,296	114,440
(Increase) / Outstanding Staff Loans Recoveries	(2,461,764)	-	-
(Increase) / Decrease in Air Ticket Receivable	137,046	(367,930)	(285,906)
(Increase) / Decrease in Air Ticket Receivable - World Bank	44,291	(44,291)	-
(Increase) / Decrease in Air Ticket Receivable - SAFIR	(1,930)	-	-
(Increase) / Decrease in Salary Deduction Recoverable	12,600	(12,605)	(12,982)
(Increase) / Decrease in Interest Receivable on Fixed Deposits	(52,694,391)	(46,082,224)	1,138,117
(Increase) / Decrease in Commissioner General of Inland Revenue (WHT)	(568,757)	(8,117)	63,061,296
(Increase) / Decrease in Claimable Economic Service Charges	(5,827,266)	(11,153,596)	68,246,253
(Increase) / Decrease in TDC Receivable	(799,034,941)	(496,320,394)	261,804,594
(Increase) / Decrease in IDD Receivables	(185,440,162)	(178,142,201)	-
(Increase) / Decrease in Telecom. Levy Receivables	(106,559,985)	(1,418,062,606)	-
Increase / (Decrease) in Accounts Payable	10,142,348	16,670,997	(74,690,933)
Increase / (Decrease) in Outstanding Staff Loan Recoveries	(1,175)	-	(57,430)
Increase/ (Decrease) in OverRecoveries of Special Advance	(4,175)	4,175	-
Increase / (Decrease) in Deferred Income (Grant)	(55,541)	166,624	-
Increase / (Decrease) in VAT Control Account	-	(87,450,766)	(256,844,657)
Increase / (Decrease) in Insurance claim received for damaged Antenna			(4,899,602)
Increase / (Decrease) in Mis.Creditors	172,750	-	(3,465,549)
Increase / (Decrease) in Project Payable	59,061,792	-	-
Increase / (Decrease) in Revenue Received in Advance	(112,329,169)	182,770,197	663,053,997
Increase / (Decrease) in Refundable Deposits for Tender	125,642	19,520	2,500
Increase / (Decrease) in Refundable Deposits -Employees	(0)	2,086,843	-
Increase / (Decrease) in 50% TDC Payable to Treasury	404,584,946	129,701,645	118,458,552
Increase / (Decrease) in IDD Payable to Treasury	156,113,071	178,142,201	-
Increase / (Decrease) in Telecom . Levy Payable to Treasury	116,185,127	1,420,141,820	-
Increase / (Decrease) in Subscribers Levy Payable to Treasury	(75,335)	75,335	-
Increase / (Decrease) in Environment Con. Levy Payable to Treasury	(423,942)	423,942	-
Increase / (Decrease)in Construction of PSTN Cubicles - Kokavil	(2,198,463)	4,135,901	-
Increase / (Decrease)in Unclaimed Employees Benefit	(46,814)	47,643	7,738
	(4,402,800,037)	(2,390,207,538)	2,747,548,366
Recoveries from court cases	630,000		-
Gratuity paid	(707,367)	(702,667)	(131,910)
Insurance Cliam Received	-	2,800,053	-
Income Tax paid	-	(235,021,450)	(2,980,203,258)
	(77,367)	(232,924,064)	(2,980,335,168)
Net Cash Generated Through Operating Activities	33,346,850,279	26,807,781,230	5,564,852,720

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

(Contd...)

(Expressed in Sri Lanka Rupees)

		<u>2011</u>	<u>2010</u>
<u>Cash flow from investing activities</u>			
Purchases of Lands - Lotus Tower	(1,515,212,127)	(2,121,668)	-
Renovation of Building	(5,810,198)	(4,875,683)	-
Purchahses of Computers	(8,237,227)	(14,502,046)	-
Purchases of Other Office Equipment	(5,556,730)	(892,970)	-
Purchases of Mobile Phones	(22,824)	(79,990)	-
Purchahses of Office Furniture	(1,062,380)	(55,944)	-
PurchasesMMS Project Equipment	-	(3,117,726)	-
Purchases of Vedio Unit Equipment	(2,748,760)	-	-
Purchases of Air Condition	(416,159)	-	-
Construction of Kokavil Tower	(33,837,013)	(40,047,981)	-
Construction of Vuniya Tower	-	(3,598,126)	-
Purchases of Property, Plant & Equipment	-	-	(14,964,719)
Construction Work	-	-	(154,581,012)
Sales of fixed assets	4,898,410	-	-
Construction of Lotus Tower	(2,053,278,670)	(3,057,415)	-
Surplus Fund Remitted to Consolidated Fund	(32,471,748,152)	(26,976,338,170)	(3,800,000,000)
Fixed Deposit	(1,459,149,515)	(122,236,660)	(2,844,765)
State Institution's Temp. Surplus Trust Fund-1	4,547,420,950	2,526,146,864	7,998,145,742
State Institution's Temp. Surplus Trust Fund-2	1,758,206,256	(2,066,859,752)	-
International Telecommunications Operators Levy Fund	3,088,632,711	(1,433,027,978)	(8,265,116,797)
International Telecommunications Operators Levy Fund Remitted to the Treasury	(5,000,000,000)	-	-
<i>Net cash flow in investing activities</i>	(33,157,921,428)	(28,144,665,245)	(4,239,361,551)
<i>Net cash flow in financing activities</i>	Nil	Nil	Nil
<i>Net Increase in cash and cash equivalents</i>	188,928,851	(1,336,884,012)	1,325,491,169
<u>Analysis of cash and cash equivalents</u>			
Cash and cash equivalent at beginning of the period			
Cash at bank	136,059,478	1,474,454,041	150,584,615
Cash in hand	96,207	16,525	38,098
	136,155,685	1,474,470,566	150,622,713
Cash and cash equivalent at end of the period			
Cash at bank	332,648,145	136,059,478	1,474,454,041
Cash in hand	56,197	96,207	16,525
	332,704,342	136,155,685	1,474,470,566
Change in cash and cash equivalent during the period	196,548,657	(1,338,314,881)	1,323,847,853

Effect of exchange rate change	(7,619,806)	1,430,869	1,643,316
Change in cash and cash equivalent during the period	188,928,851	(1,336,884,012)	1,325,491,169

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2012

(Expressed in Thousands of Sri Lanka Rupees)

	Government Contributions	Revaluation Surplus	Accumulated Surplus / (Deficits)	Total Equity
Balance at 01st January 2011	526,214,744	53,580,000	1,042,798,508	1,622,593,252
Total Comprehensive Income for the Year Ended 31st December 2011	-	-	2,342,351,887	2,342,351,887
Restated	-	-	253,167,065	253,167,065
Balance at 31st December 2011	526,214,744	53,580,000	3,638,317,460	4,218,112,204
Balance at 01st January 2012	526,214,744	53,580,000	3,638,317,460	4,218,112,204
Total Comprehensive Income for the Year Ended 31st December 2012	-	-	4,996,804,834	4,996,804,834
Balance at 31st December 2012	526,214,744	53,580,000	8,635,122,294	9,214,917,038

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2012

(Contd...)

(Expressed in Sri Lanka Rupees)

4 PROPERTY, PLANT & EQUIPMENT

COST	BALANCE	BALANCE	For the Year 2012		BALANCE
	AS AT	AS AT	ADDITIONS	DISPOSALS/ TRANSFERS	AS AT
	01.01.2011	01.01.2012			31.12.2012
Lands	136,475,810	148,235,572	-	-	148,235,572
Land Lotus Tower	-	-	1,515,212,127	-	1,515,212,127
Lease Hold Lands	345,502	345,502	-	-	345,502
Buildings	133,274,155	138,149,837	8,864,966	-	147,014,803
Kokavil Tower	-	253,662,836	42,671,996	-	296,334,832
Vauniya Tower	-	29,900,741	-	-	29,900,741
Vehicles	104,157,002	104,157,002	-	3,375,000	100,782,002
Air conditioners	8,972,573	8,972,573	416,159	-	9,388,732
Elevators	4,683,848	4,683,848	-	-	4,683,848
Generators	2,665,428	2,665,428	-	-	2,665,428
Computers	35,407,534	49,909,580	8,237,227	-	58,146,807
Web Server	2,213,661	2,213,661	-	-	2,213,661
Other Office Equipment	17,514,612	18,407,582	5,556,730	-	23,964,312
Mobile Phones	542,086	622,076	22,824	-	644,900
Office Furniture	11,461,760	11,517,704	1,062,380	-	12,580,084
Technical Equipment	15,601,280	15,601,280	-	-	15,601,280
FMMS Project Surveillance Vehicles	5,800,000	5,800,000	-	-	5,800,000
FMMS Project Equipment	303,615,202	303,819,128	-	-	303,819,128
Video Unit Equipment	6,541,475	6,541,475	2,748,760	-	9,290,235
	789,271,928	1,105,205,825	1,584,793,169	3,375,000	2,686,623,993

DEPRECIATION	BALANCE	BALANCE	For the Year 2012		BALANCE
	AS AT	AS AT	ADDI- TIONS	DISPOS- ALS/ TRANS- FERS	AS AT
-	01.01.2011	01.01.2012 (Restated)			31.12.2012
Buildings	77,237,806	83,816,068	7,350,740	-	91,166,808
Kokavil Tower	-	26,050,799	29,633,483	-	55,684,282
Vauniya Tower	-	2,990,074	2,990,074	-	5,980,148
Vehicles	30,287,550	43,224,363	12,514,938	843,750	54,895,551
Air Conditioners	7,498,608	7,746,003	289,010	-	8,035,013
Elevators	4,683,848	4,683,848	-	-	4,683,848
Generators	2,665,428	2,665,428	-	-	2,665,428
Computers	27,247,375	34,834,680	8,857,196	-	43,691,876
Web Server	2,213,661	2,213,661	-	-	2,213,661
Other Office Equipment	12,564,053	13,563,026	1,542,893	-	15,105,919
Mobile Phones	295,452	348,410	48,740	-	397,150
Office Furniture	6,749,010	7,632,514	977,727	-	8,610,241
Technical Equipment	5,021,056	6,387,413	1,359,956	-	7,747,369
FMMS Project Surviel- lance Vehicles	725,000	1,450,000	725,000	-	2,175,000
FMMS Peoject Equip- ments	301,723,637	299,449,491	639,654	-	300,089,145
Video Unit Equipment	5,537,077	5,410,626	1,051,859	-	6,462,485
	484,449,560	542,466,402	67,981,270	843,750	609,603,922
NET BOOK VALUE	304,822,368	562,739,423			2,077,020,071

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.

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2012

(Contd...)

(Expressed in Sri Lanka Rupees)

5 WORK IN PROGRESS

	BALANCE	BAL- ANCE	For the Year 2012		BALANCE
	AS AT	AS AT	ADDITIONS	(TRANS- FERS)	AS AT
	01.01.2011	01.01.2012			31.12.2012
Construction of Boundry Wall- Kadirana	9,638,094	-	-	-	-
Ren. of Entrance Lobby & Main H/O Building	180,000	180,000	-	180,000	-
Construc. of Tower at Vauniya	26,302,615	-	-	-	-
Construc. of Tower at Kokavil	222,234,637	-	-	-	-
Construction of Lotus Tower	82,716	-	2,053,278,670	-	2,053,278,670
Renovation of Wash Room	-	3,057,415	3,030,584	6,087,999	-
	258,438,062	3,237,415	2,056,309,254	6,267,999	2,053,278,670

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2012

(Contd...)

(Expressed in Sri Lanka Rupees)

6 INVESTMENTS

		<u>31.12.2011</u>
Treasury Deposits	354,000,000	354,000,000
Fixed Deposit (Gratuity Provision)	23,403,160	21,533,040
State Institution's Temp. Surplus Trust Fund-1	302,801,760	4,850,222,710
State Institution's Temp. Surplus Trust Fund-2	308,653,496	2,066,859,752
Fixed Deposit -People's Bank	1,577,279,395	120,000,000
	2,566,137,811	7,412,615,502

7 <u>ACCOUNTS RECEIVABLE</u>	<u>31.12.2011</u>	
<u>TRADE DEBTORS</u>		
Radio Frequency Fees	1,160,892,851	1,759,562,017
Operator Fees	-	-
Cess Fees	598,014,477	188,558,253
Amature Radio	20,888	18,486
	1,758,928,216	1,948,138,756
Less - Provision for Bad Debtors **	(282,050,829)	(276,267,013)
	1,476,877,387	1,671,871,743

Note:

Provision for Bad Debtors

	<u>Debtors</u>		<u>Provisions</u>
		<u>%</u>	
More Than 02 Years	270,849,427	100	270,849,427
More Than 01 Year Less Than 02 Years	112,014,024	10	11,201,402
More Than 6 Months & Less Than 01 Year	308,303	-	-
More Than 2 Months & Less Than 6 Months	195,733,279	-	-
More Than 01 Month & Less Than 2 months	6,727,373	-	-
Less Than 01 Month	575,281,339	-	-
	1,160,913,744		282,050,829

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 - 31.12.2012

(Contd...)

(Expressed in Sri Lanka Rupees)

8 <u>CASH AT BANK</u>	<u>31.12.2011</u>	
People's Bank - Narahenpita Branch, (Deposit Account)		
A/c NO.119/RFC/SA/USD/0032	66,211,454	57,579,486
People's Bank - Narahenpita Branch, (Collection Account)		
Current A/c No.119-1-001-4-3693169	201,276,102.78	45,134,200
People's Bank - Narahenpita Branch, (ITO Levy)		
Current A/c No. 119-1-001-3-3693264	57,857,683	22,913,151
Bank of Ceylon - Narahenpita Branch		
Current A/c No.2323167	7,302,905	10,432,641
	332,648,145	136,059,478

8B CASH IN HAND

Petty Cash - Head Office	10,000	10,000
Petty Cash - Kadirana	5,000	5,000
Petty Cash - Admin & HR Division	5,000	-
Petty Cash - Kokavil	10,000	-
Cash In Hand (Collection Account)	17,630	25,826
Unclaimed Employee Benefits	8,567	55,381
	56,197	96,207

9 ACCOUNTS PAYABLE**ACCRUED EXPENSES**

Telephone - Office	318,418	340,250
- Bungalow	38,549	47,472
Salaries Control (Contract Employees)	1,305,669	902,833
Salaries Payable	112,884	112,884
W & O.P. Payable	57,195	-
Electricity	3,354,008	2,355,547
Water	107,024	79,362
Janitorial Services	822,814	973,023
Security Services	923,396	1,461,411
Overtime	474,016	467,780
E.P.F	257,701	177,208
E.T.F	30,923	21,265
Internet	308,418	-
Medical Insurance Claims	243,575	236,586
Staff Welfare	259,500	203,524
News Papers & Notifications	142,895	137,485
Audit Fees	1,193,240	1,571,400
Lease Rental	992,244	660,000
Bonus	4,103,990	1,421,375

10 INCOME

System Operator License Fees	1,418,317,869	24,387,756
Cess Fees	3,514,975,583	2,377,597,067
Radio Frequency Fees	6,532,360,699	6,073,987,753
Frequency Upfront Fees	367,346,939	2,009,102,041
Vendor License Fees	8,799,690	11,824,746
Amateur Radio License Fees	94,082	51,556
Ship Station License Fees	260,851	302,378
Aircraft Station License	405,204	306,939
Cordless Phone Dealer Charges	20,054,795	3,738,658
Examination Fees	12,237	13,293
Application Processing Fees	7,142,858	2,244,902
Short Code Charges	6,122,450	5,612,292
Sundry Income (10 A)	826,946,847	90,550,416
	12,702,840,105	10,599,719,797
Less :Nations Building Tax	(227,945,588)	(208,215,714)
	12,474,894,517	10,391,504,083

10A SUNDRY INCOME

Interest Income from Staff Loans	3,392,142	3,624,327
Interest Income from Deposits	820,302,868	83,960,658
Other Income (Grant)	55,541	55,541
Gain / (Loss) on Disposal of Fixed Asset	2,367,160	-
Recoveries from Court Cases	630,000	-
Gain / (Loss) on Damaged Antenna FMMS Project	-	2,800,053
Miscellaneous	199,136	109,836
	826,946,847	90,550,416

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2012

(Contd...)

*(Expressed in Sri Lanka Rupees)***10B TELECOM DEVELOPMENT CHARGES**

TDC Revenue	7,265,875,990	3,548,916,707
Less:		
50% TDC Payable to Treasury	(652,745,143)	(248,160,197)
	6,613,130,847	3,300,756,510

31.12.2011**(Restated)**

11 REGULATORY EXPENSES

ITU Annual Subscription	23,108,189	19,671,086
APT Annual Subscription	1,765,131	1,398,845
SAFIR Annual Subscription	1,004,149	693,113
Library Annual Subscription	434,428	5,343
CTO Annual Subscription	9,586,728	8,674,659
National Numbering Data Base	-	-
Public Awareness Programmes	3,462,377	1,600,780
Participating in Regulatory Affairs Work	35,632,386	10,961,505
Filing & Depending Court Actions	3,720,025	1,283,957
Public Awareness on Telecom Development	-	1,102,115
Network Development Monitoring	-	33,761
Conduct Research Studies	491,166	31,076
Monitor Mobile & TV Cable	22,202	-
Connect School/Con.Commu.	6,109,692	258,722
SATRC Meeting	-	7,047,306
Contribution for SATRC Action Plan	-	-
Telecenter Project	-	-
Communi. Facilities for People with Special Needs	4,500,000	645,854
Telecom Related Survey	1,124	250,000
Social Responsibility	6,674,000	1,010,000
Visiting of Foreign Delegates	648,772	52,783
Internet Speed Testing	283,496	159,697
School Develop.Project	-	32,693,760
Kokavil Tower Project	-	26,403,338
Vaunia Tower Project	-	171,235
Africa Asia Regulators Conference	13,232,673	-
Global Symposium for Regulators	141,890,000	-
Organizing Seminars	5,180	-
Global Cyber Olympics	158,419	-
Survey of Payphone Industry	17,914	-
Net Internet Safe Child	1,840	-
Magazine & Publication	341,608	-
Cyber Security Sponsorship	350,000	-
Lotus Tower Project	19,547,067	617,836
	272,988,566	114,766,771

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2012

(Contd...)

(Expressed in Sri Lanka Rupees)

12 ADMINISTRATION & ESTABLISHMENT EXPENSES

Salaries	68,322,937	63,727,279
E.P.F. (15% Contribution)	9,325,219	8,827,443
E.T.F. (3% Contribution)	1,865,044	1,765,489
Cost of Living Allowance	12,976,599	12,698,163
Transport Allowance	15,966,751	16,412,699
House Rent Allowance	5,294,251	5,349,732
Other Allowances	1,085,486	330,298
Performance Incentive	13,589,631	13,837,417
Special Allowance	6,902,750	2,707,415
Bonus	4,088,990	2,803,518
Overtime	7,223,995	7,689,920
Chairman's Remuneration	450,000	400,000
Unutilized Vacation Leave	3,477,670	3,434,126
Commission's Contribution for Pension	973,726	52,353
Travelling Concession - Rail	-	2,180
Bungalow Telephones	664,049	487,947
Uniforms	259,732	328,887
Staff Welfare	8,319,488	5,883,768
Development of Sports Activities	1,430,480	808,321
Staff Professional Membership Subcrip.	281,156	275,593
Local Training	1,165,950	1,126,972
Commission Members Allowance	91,264	25,500
Housing Loan 2/3 Interest Reimbursement	3,812,284	4,107,294
Travelling & Subsistence	97,001	190,052
Gratuity	918,592	2,663,638
Electricity	47,433,944	26,887,876
Water	1,213,845	1,409,645
Janitorial Services	3,124,272	3,383,447
Security	5,807,661	6,729,720
Rates & Taxes	78,893	-
Economic Service Charge	-	2,891,653
Library Books	274,050	-
Printing and Stationery	7,588,437	5,414,898
Fuel	5,377,359	4,699,140
Electrical Goods	161,112	131,802

Postage	906,520	651,070
Telephone, Fax and PABX	4,420,538	4,398,443
Insurance (Property & Medical)	38,906,001	41,040,026
Internet Charges	887,883	78,517
Newspapers & Notifications	6,743,223	10,367,248
Consultancy fees	15,830	-

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO ACCOUNTS - 31.12.2012

(Contd...)

(Expressed in Sri Lanka Rupees)

		<u>31.12.2011</u>
		<u>(Restated)</u>
Seminars & Conferences	-	85,833
Audit Fees	1,280,000	540,000
Legal Expenses	33,394	129,741
Rentals for Leased Premises	931,634	498,000
Vehicle Hiring Charges	-	1,608
Rentals for Internet Leased Line	3,579,149	1,144,216
Depreciation	67,981,271	60,930,642
Administration Miscellaneous	1,484,085	2,690,910
Purchases & Supplies Miscellaneous	1,439,210	276,209
Operating Cost Miscellaneous	222,412	285,937
	368,473,770	330,602,583

13 REPAIRS & MAINTENANCE EXPENSES

Office Equipment Maintenance	1,653,444	1,700,544
Elevator Maintenance	744,520	179,874
Generator Maintenance	15,861	122,831
Vehicle Maintenance	8,249,241	8,765,098
Building Maintenance	2,630,442	1,241,978
Technical Equip. Maintenance	1,310,139	528,926
Software Maintenance & Development	25,393,945	14,356,603
Upgrade Lotus Dominon Server	-	1,532,024
Monitoring System Upgrade	-	543,150
Rep. & Maint.Misc	81,013	646,275
	40,078,606	29,617,301

14	<u>FINANCE & OTHER EXPENSES</u>		
	Bank Charges	207,325	136,575
	Bank Debit Tax	-	1,178,114
	Stamp Duty	1,545,687	1,549,291
	Interest on Gratuity Provision	2,780,848	-
		4,533,860	2,863,980

15 **CONTRIBUTION TO THE CONSOLIDATED FUND**

	Contribution under Telecommunication Act	10,200,000,000	9,050,000,000
	<u>Contribution under Finance Act</u>		
	Telecommunication Levy Paid	17,275,006,382	16,679,472,332
	50% Telecommunication Development Charges	2,980,192,851.97	1,526,298,157
	International Outgoing Call Levy Paid	2,016,548,919	1,287,897,283
		32,471,748,152	28,543,667,772

The Chairman

Telecommunications Regulatory Commission of Sri Lanka

Report of the Auditor General on the Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2012 in terms of Section 14(2)(c) of the Finance Act. No. 38 of 1971

The audit of financial statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the income statement, statement of changes in equity and cash flow statement for the year 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 Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Commission on 19 April 2013

1.2 Management's Responsibility for Financial Statements

The Management is responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control 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 an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act. No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the 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 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Telecommunications Regulatory Commission of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

- (a) According to the Standard 16, the Provision for depreciation of property, plant and equipment should be made from the date of use of the assets for operating activities. Nevertheless, the Commission had adopted an accounting policy in terms of which the assets are depreciated for the full year of purchase and not depreciated in the year of disposal.
- (b) Out of a land 112 acres 01 rood 10.5 perches in extent belonging to the Commission, about 50 per cent is occupied by an external party and a sum of Rs. 45,000,000 had been shown under the property, plant and equipment as the value of the entire land. This had been shown as a note to the accounts during the 10 preceding years. Action had not been taken in terms of the Accounting Standard No. 16 to revalue this asset and to

account for under the fair value.

- (c) According to Standard No. 16, all unrecoverable taxes relating to the assets should be added to the cost of the assets. Nevertheless as a result of debiting the Value Added Input Tax Control Account, the cost of fixed assets had been understated by a sum of Rs. 1,592,106.
- (d) The fixed assets costing Rs. 355,893,265 fully depreciated by 31 December 2012 but being used for operating activities had been shown at the zero cost over periods ranging from 01 year to 11 years without being revalued contrary to the provisions in Sri Lanka Accounting Standard No. 16.
- (e) According to Sri Lanka Accounting Standard No. 7, the short term investments less than 03 months should be included as the cash and cash equivalents in the preparation of the cash flow statement. Nevertheless, a sum of Rs. 7,039,684,939 invested by the Commission in Treasury Bills had not been included therein.

2.2.2 Accounting Deficiencies

The accounting deficiencies observed during the course of audit are given below.

- (a) Goods valued at Rs. 1,375,067 purchased under the Information Technology Capacity Building Project had not been brought to account as assets of the Commission.
- (b) Even though the investment income amounting to Rs.823,695,010 shown in the cash flow statement of the current year should be deducted from the operating profit before the adjustment of tax and shown under the investment activities, it had not been so done.

2.2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The trade debtors balance of the Commission as at the end of year under review amounted to Rs.1,758,928,216. Out of that a sum of Rs.270,830,588 had been older than 02 years and included debtors balances existing for over 20 years. It had not been possible to recover or settle a sum of Rs. 244,906,844 of the above debtors balances even up to the end of the year under review.
- (b) The Commission had not taken action even by the end of year under review to credit to the Consolidated Fund the International Telecommunication (outgoing) call charges and the penalty on the delays in the payment of Telecommunication Operators Tax amounting to Rs. 350,147 and Rs. 5,067,475 respectively. The

above sum of Rs. 350,147 had not been shown as a liability payable in the financial statements .

2.2.4 Lack of Evidence for Audit

The following items could not be satisfactorily vouched due to the unavailability of audit evidence indicated against them.

	Item	Value Rs.	Evidence not made available
(a)	Investment in the Government Institutions Temporary Surplus Trust Fund	611,455,256	Letters of Confirmation of Balances
(b)	Balances of 05 debtors	244,906,844	Letters of Confirmation of Balances

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

Non- Compliance with the following laws, rules, regulations etc. were observed during the course of audit.

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a)	Section 11 of the Finance Act, No. 38 of 1971, the Public Finance Circular No. PF/PE/09 of 27 June 2000 and the Public Enterprises Circular No. PED/56 of 27 January 2011	Even though the Commission had invested a sum of Rs.8,616,964,334 in fixed deposits in a Bank and Treasury Bills, the Treasury approval for investments had not been obtained.
(b)	Financial Regulation 757(2)	The Commission had not conducted a survey of assets as at the end of the year under review and furnished a copy of the report to the Auditor General
(c)	National Procurement Guidelines 2006	
	Section 1.2.1(c)	The Commission had purchased a video camera valued at Rs. 3,671,000 by inviting quotations from only one institution .
	Section 8.9.3	An agreement on the above purchase had not been signed with the supplier

2.2.6 Transactions Not – Supported by Adequate Authority

The following observations are made.

- (a) Allowance for unavailed leave and the reimbursement of 2/3 of the interest on housing loans amounting to Rs. 3,477,670 and Rs. 3,812,284 respectively had been paid in the year under review without the approval of the General Treasury

- (b) According to the letter No.NSCC/3/ABC/24 dated 13 June 2007 of the National Salaries and Cadre Commission, the institution concerned should not pay 10 per cent of the salary of the employees as house rent. Contrary to that provision, the Commission had paid a sum of Rs.5,294,251 as house rent to its employees without formal authority.

3. Financial 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.37,681,012,681 as compared with the corresponding surplus of Rs.31,160,505,741 for the preceding year, thus indicating an improvement of Rs.6,520,506,941 in the financial results for the year under review.

3:2 Analysis of Changes in the Financial Results

Reconciliation of the income and expenditure of the Commission for the year under review with that of the preceding year indicated variances ranging from (138) per cent to 5716 per cent.

Particulars	31 December 2012	31 Decem- ber 2011	Difference	Percentage of Difference
	Rs.Millions	Rs.Millions	Rs.Millions	%
<u>Income</u>				
International Telecommunication Operator Fees	6,613.131	3,300.756	3,312.374	100
Profit on Foreign Exchange Transactions	7.620	1.431	6.189	433
Operator Licence Fees	1,418.318	24.388	1,393.930	5,716
Prepayment of Frequency Fees	367.347	2,009.102	(1,641.755)	(82)
Line Free Telephone Fees	20.055	3.739	16.316	436
Application Fees	7.143	2.245	4.898	218
Sundry Income	823.950	87.750	736.199	839
<u>Expenditure</u>				
Regulatory Expenditure	272.989	114.767	(158.222)	(138)

4. Operating Review

4:1 Performance

The manufacture of a telecommunication equipment as a trade, import, sale, offer for sale, transfer, hire, lease, demonstrate operation, maintenance or repair are carried out by any person in Sri Lanka, such person should obtain a licence issued by the Commission in terms of Section 21 of the Telecommunication Act, No. 25 of 1991 as amended by the Telecommunications (Amendment) Act, No. 27 of 1996. The Commission had not taken action on the institutions functioning contrary to that law.

4:2 Operating Inefficiencies

The following observations are made.

(a) The Commission had been deprived of US\$28,441 or Rs.3,698,054 received by the Telecommunications Regulatory Commission under the World Bank aid for the Information and Communication Technology Regulatory Capacity Building Project due to the failure to utilize the money during the specified period. The fixed assets planned for purchase from that aid had been purchased from the Commission funds at a cost of Rs.4,945,698.

The Chairman informed that the purchase was made by the Commission due to the failure of the Treasury to take action in accordance with the instructions of the World Bank Group Leader.

(b) In terms of the Inland Revenue Act, No. 10 of 2006 and the subsequent amendments thereto, the Pay As You Earn Tax should be recovered from the respective officers and remitted to the Department of Inland Revenue. Nevertheless, the Commission had paid a sum of Rs.1,877,634 to the Department of Inland Revenue as the Pay As You Earn Tax for the year 2012.

(c) As a formal methodology had not been introduced for the recovery of frequency income, it had not been possible for the recovery of penalty or for taking legal action in instances of defaulting the payment of frequency fees. In addition, due to the delay on the part of the Commission to issue invoices to the institutions concerned, income amounting to Rs. 165,568,352 relating to the preceding years had been received in the year under review.

(d) According to the Telecommunications Tax Act, No. 21 of 2011, the Telecommunication Tax at 20 per cent should be collected by the Telecommunication Operators and remit to the Commission before the fifteenth day of the month following. Nevertheless, two institutions had not taken action accordingly. Even though two institutions had to pay a sum of Rs. 2,366,897 as penalty for such delays, the Commission had failed to recover that amount even by the end of the year under review.

(e) In terms of a Notification published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1986/4 dated 27 December 2010, the Telecommunication Operators should pay the cess with the effect from 01 January 2011. Nevertheless, 04 institutions had not paid the cess from the year 2011 while 02 institutions had not paid the cess for 06 months of the year 2012. Action had not been taken to compute and recover the cess.

4:3 Identified Losses

The Telecommunications Regulatory Commission had maintained 02 Investment Fund Accounts and out of the invested funds a sum of Rs. 8,000,000,000 had been withdrawn by the Treasury without any approval whatsoever of the Commission. As the investments had been discounted before maturity the Commission had incurred a capital loss of Rs. 1,096,232,067. The Chairman informed that the capital loss had resulted from the weak funds management of the relevant Bank and that inquiries have already been made.

4:4 Staff Administration

(a) Even though the approved cadre of the Commission as at 31 December 2012 had been 265, the actual cadre had been 201. Even though 31 employees had been recruited on contract basis and secondment basis, the approval of the Department of Management Services had not been obtained for that recruitment. The details appear below.

Category of Employees	Cadre as at 31 December 2012		Number of Vacant Posts	Excess Posts
	Approved	Actual		
-----	-----	-----	-----	-----
Executive/ Staff Grades	57	24	33	--
Support Staff	164	110	54	--
Minor Employees	44	36	08	--
Secondment Basis	--	04	--	04
Contract Basis	--	27	--	27
	-----	-----	-----	-----
Total	265	201	95	31
	=====	=====	====	====

- (b) The educational certificates produced by the employees at the time of recruitment by the Commission had not been properly examined, and as a result, the Commission had recruited an employee on counterfeit certificates. It was observed that his services had been terminated based on the subsequent disclosure.

5. Accountability and Good Governance

5:1 Corporate Plan

- (a) The Corporate Plan prepared for the years 2009 to 2013 had not been revised and the human resources administration, the policy methodologies of the Financial and Supplies Divisions, the operating activities of the Commission, the persons responsible for those activities and the periods thereof had not been included in the current Corporate Plan. A review of the operating results of 03 preceding years had not been included therein. The above Corporate Plan had not been prepared in a manner to build up the connectivity between the Action Plan and the budget to enable the Commission to achieve its Vision and Mission.
- (b) Even though a sum of Rs. 22,231,205 had been paid to a private institution for the preparation of the Corporate Plan for the years 2000-2001, a Corporate Plan of an acceptable form had not been prepared. Even though it was informed that the Criminal Investigation Department was conducting an investigation on the matter there was no progress thereon.

5:2 Action Plan

Even though action for the achievement of the expected targets should be taken by preparing an Action Plan before the commencement of the year and review the extent of achievement of the expected targets within specified periods, the Action Plan for the year under review had been prepared and submitted to the Commission for approval only on 26 July 2012. As such the objective of the preparation of the Action Plan had not been achieved.

5:3 Procurement Plan

The Commission had not prepared the Procurement Plan for the year under review and submitted to audit. As the procurement had not been done according to a plan it had not been made use of as instrument of procurement control.

5:4 Budgetary Control

Reconciliation of the financial budget with the actuals financial values revealed substantial variances. The variances ranged between Rs.89.8 million to Rs.2,060.3 million. In addition, a reconciliation of the budgeted amounts with the actual

amounts revealed variances ranging from 5 per cent to 212 per cent.

6. 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) Budget
- (b) Purchases
- (c) Debtors
- (d) Investments
- (e) Tax Management

H.A.S. Samaraweera

Auditor General

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