

Annual Report 2014



Telecommunications Commission
Solomon Islands

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1.0 ABOUT THE COMMISSION

1.1 STATUTORY ROLE

The Commission is a statutory authority established under the Telecommunications Act 2009 (the “Act”) to undertake the technical and economic regulation of the telecommunications sector in Solomon Islands. The Commission deals with:

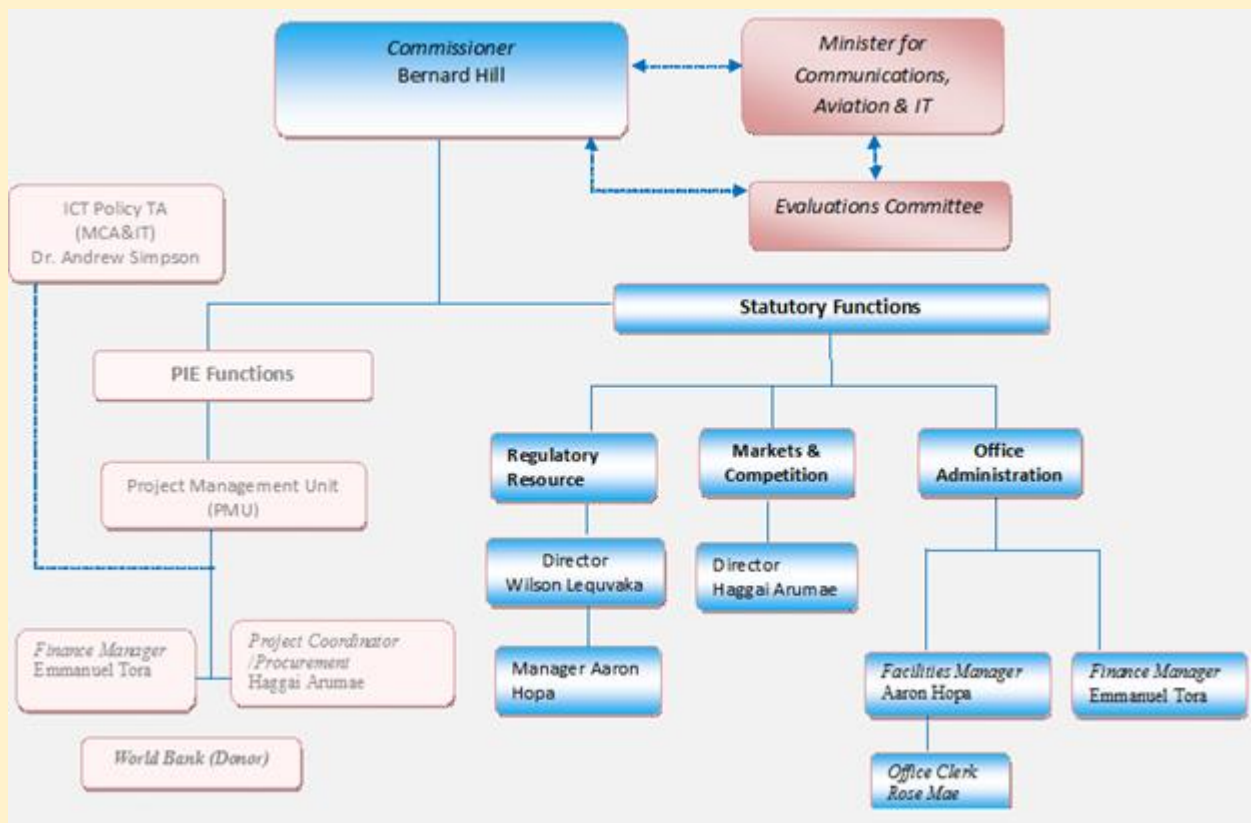
- *Fixed line telephony systems and services, including undersea cables,*
- *Mobile service networks for voice and data services,*
- *Other radio communications, including fixed wireless services,*
- *Broadcasting radio-spectrum use,*
- *Telecommunications equipment types.*

The Act aims to enhance the long term well-being, inclusiveness, and fairness of Solomon Islands society by improving the variety, availability, affordability, and quality of telecommunications services which Solomon Islanders can enjoy. This is primarily to be achieved through the introduction and maintenance of competition between private sector commercial enterprises. The Commission encourages the competitive process by maintaining one form of service licence which authorises all manner of telecommunications services, and it does not charge operators for the use of radio-spectrum.

Under the Act the Commission is not in the service of the Crown and the Commissioner and his staff are not public servants. The Commission’s operations are funded independently of parliamentary budget appropriations, through service licence fees paid to the Commission by the operators. In the exercise of its statutory powers and functions the Commission is not subject to the direction or control of government Ministers.

1.2 COMMISSION STRUCTURE

As well as exercising the Commission’s statutory powers and functions, for the time being staff of the Commission also act as the Project Implementing Entity (“PIE”) for the World Bank Telecommunications & ICT Development Project. This project provides for the development of a national Information & Communications Technology (“ICT”) Policy, as well as indirect financing of the government’s contractual obligations to Solomon Telekom Company Ltd. The Commission’s current staffing complement and organizational structure is shown below:



1.3 OPERATIONS

The day to day operations of the Commission mainly involve:

- Ensuring operator compliance with particular licensing and statutory obligations.
- Monitoring competitive conduct in urban and provincial centres.
- Facilitating the development of the telecommunications, especially in rural areas.
- Supporting the interests of telecom users within the Solomon Islands.
- Ensuring the efficient management and use of the radio frequency spectrum and telephony numbers.
- Operator and consumer dispute resolution.

Surveillance of the established telecommunications operators focuses on pricing and quality of service competition, as well as consumer considerations such as billing practices, false and misleading advertising claims, protection of customer personal information, and customer complaints.

1.4 PROJECT IMPLEMENTING ENTITY ROLE

Since 2010, the World Bank has been providing transitional funding for the implementation the 2009 telecommunications reforms. Under this project, which is administered by the Commission, a technical adviser has been engaged to develop a national ICT policy for the Ministry of Communications Aviation & Information Technology. In addition, for a five year period ending in March 2015, the Commission's operations are being funded by grants, and all quarterly licensing fee revenue is being diverted to pay Solomon Telekom Company Ltd, further to the government's obligation to compensate that Company for the surrender of its former exclusive telecommunications licence.

1.5 TRAINING AND CAPACITY BUILDING

Commission continues to develop the capacity of its local staff. Training during the year included; Financial and Procurement, Spectrum management software, economics and policy, broadcasting, ICT policies, investigation processes, internet of things, regulatory and market intelligence. Significantly, the Commission maintain its stance of developing the local staff capacity in leadership through attendance of important meetings regionally and internationally.



Director and Manager Regulatory Resources attended a Training on SMS4DC organised by ITU and held in Timor-Leste August 2014

1.6 REGIONAL AND INTERNATIONAL AFFAIRS

The Policy and Regulation Forum for the Pacific (PRFP) is a sub-regional activity of the Asia-Pacific Telecommunity (APT). It's membership comprises the 14 Pacific Islands countries including Australia and New Zealand. The objectives of the forum are to bring the telecommunications and ICT policy makers and regulators from the Pacific region together to a common platform for a dialogue on issues faced by them.

The PRFP provides a formal structure for Pacific Island country regulators and the APT to interact, discuss and develop a common application of regulatory provisions for telecommunications networks and services. As a regional advisory body to the Pacific ICT Ministerial meetings, it coordinates issues relating to policy and regulation across telecommunication administrations in the Pacific region. It also provides an opportunity to the top policy makers and regulators to share information, best practice and experiences for the common benefit of the members, and facilitate regional collaboration on policy and regulatory issues. TCSI is an active participant in PRFPs work programme.

The Commission participates on various International Telecommunications Union events including standardisation, Study groups and ICT statistics.



Director Resources Mr. Wilson Leguvaka during the ITU road map for digital broadcasting workshop in June 2014 held in Honiara.

1.7 GOVERNMENT POLICY

The Commission assisted the Ministry in organising the final consultation of the draft ICT and broadcasting policy with the Technical Advisor Dr. Andrew Simpson.

In addition, discussion was held between World Bank, Prime Minister's Office, ICT Support unit Ministry of Finance on the establishment of the National Chief Information office.

2.0 TELECOMMUNICATIONS MARKET

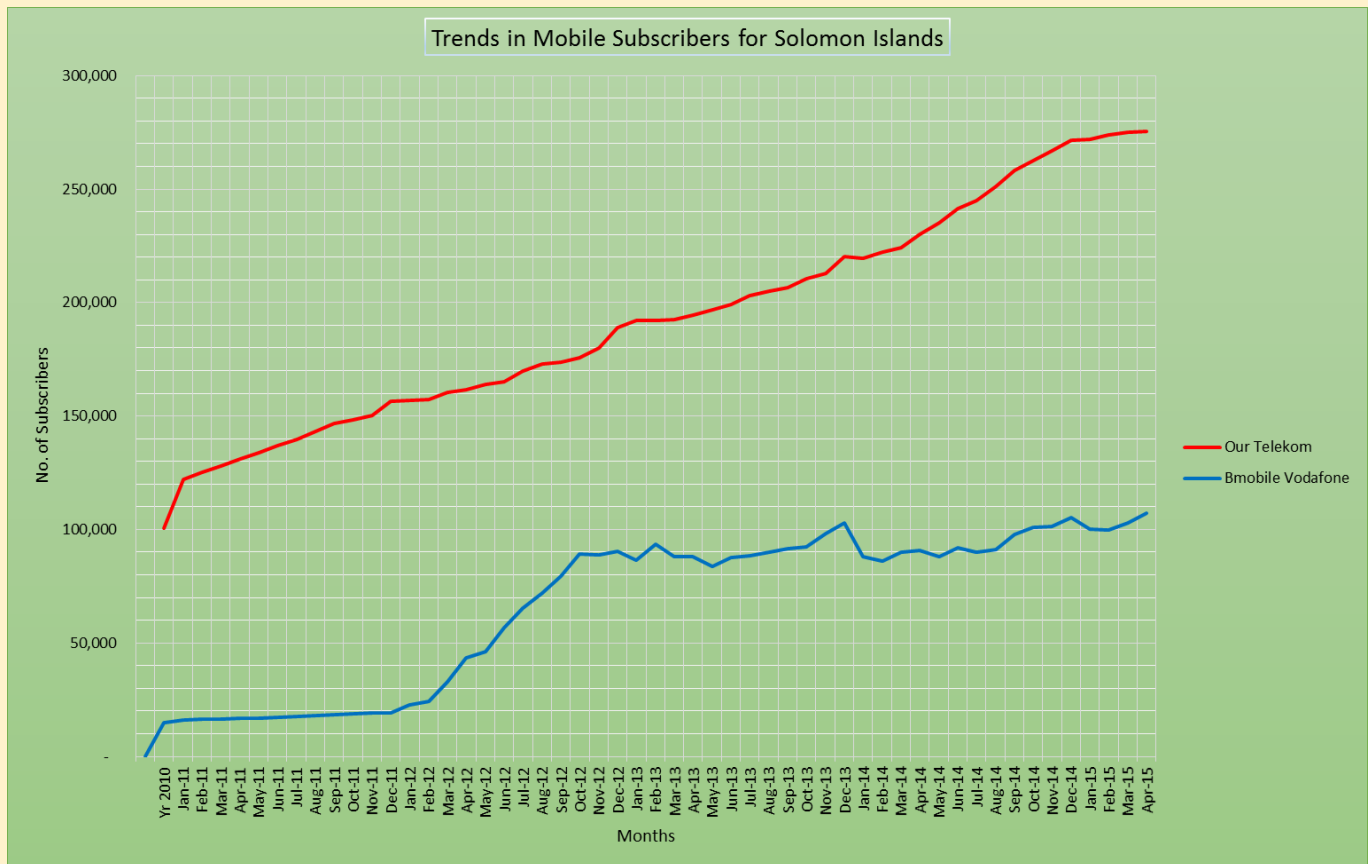
2.1 MARKET PERFORMANCE

Indicator	2013	2014
	Actual	Actual
Mobile Subscribers	323,105	376,696
Mobile Penetration (calculated)^	58%	66%
Mobile Coverage (calculated)^	83%	87%
Fixed Lines	7,618	7,525
<u>Internet Subscriber:</u>		
Mobile (3G)	44,935	74,457
Wireless	96	96
ADSL	1,184	1,335
DSL	700	641
<u>Internet Penetration:</u>		
Mobile (Broadband)	8.1%	13.7%
Fixed Line (ADSL)	0.2%	0.2%
Internet Providers (Active)	4	3
Gross Total Revenue: (USD) Million	48.0	47.6
GDP contribution *	3.78	7.1
Number of Mobile Service Operators	2	2
Inactive Class licensee	6	7
Submarine -fiber optic		2 projects are in progress. (SOCC and Interchange)

Note: ^ Total Population based on annual rate of 2%

^^ Calculation based on the coverage by geography and village population

* CBSI revised data 2014



2.2 MOBILE SERVICES

For year 2014 the number of mobile subscriptions stood at 376,696, an increase of 16% over the previous 12 months. Solomon Island's mobile penetration was 66%, with mobile phone users number of minutes spend on SMS, Voice and data totalled of 164 million minutes. An average 14 million minutes per month, makes Solomon Islands one of the fastest growing mobile users in the region.

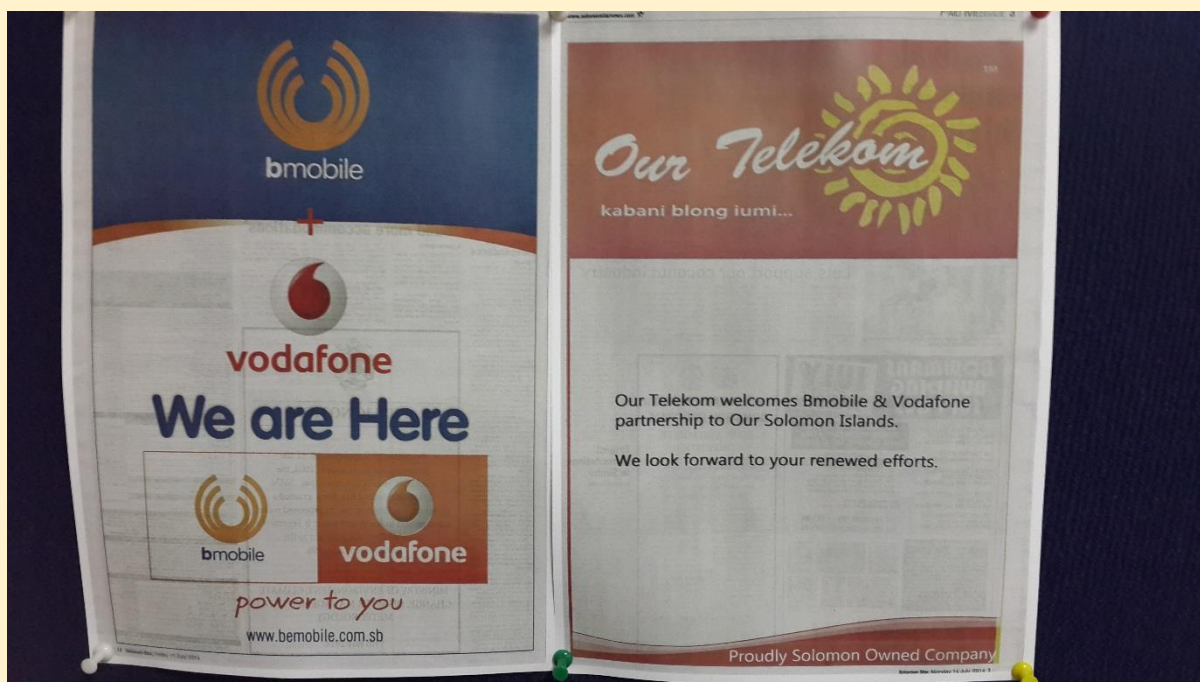
The mobile network around the islands consists of the following infrastructure:

Solomon Telekom Services include: 2G (GPRS, EDGE) on GSM 900/1800 MHz and 3G (HSDPA 3.6Mbps) on UMTS2100Mhz whilst super G (3G+ with HSDPA/HSUPA 14.4Mbps and 5.76Mbps respectively) on UMTS850Mhz.

Bemobile Vodafone Services include: 2G (GPRS, EDGE) on GSM900/1800Mhz and 3G (Honiara) on GSM2100 with 8-12 Mbps.

The two mobile network operators continued to roll out and connect rural and remotes area. The total Base stations build to date is some 173 sites and the total coverage calculated, by estimated population, is around 87%.

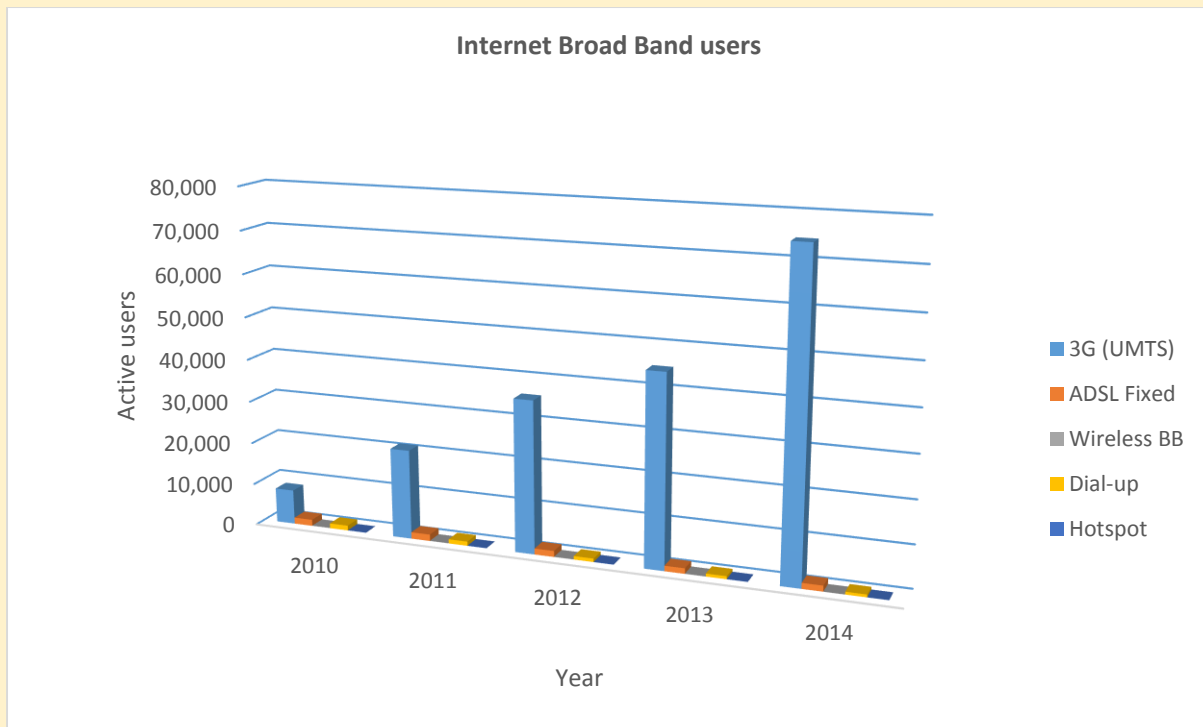
Stiff competition resulted from the partnership arrangement between the new entrant and Vodafone.



Vodafone's entering into partnership with Bmobile, was welcomed by Our Telekom

2.3 INTERNET ACCESS

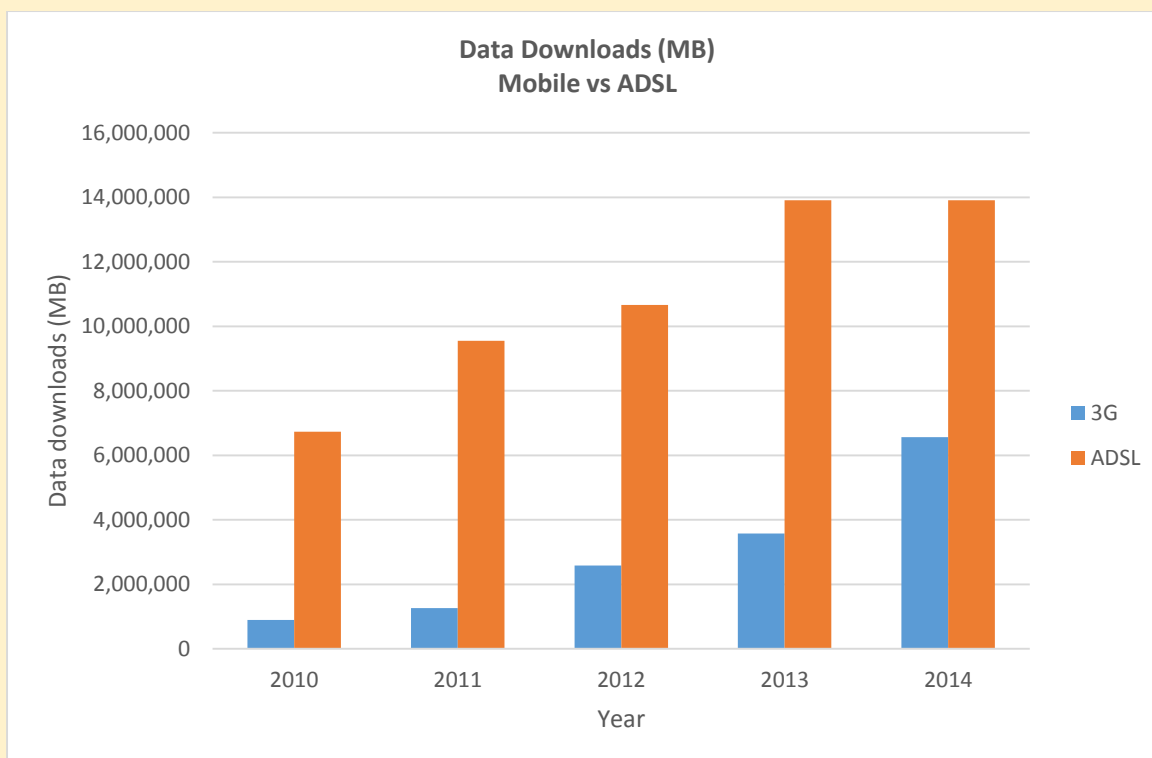
By the end of 2014 there were 74,457 broadband subscribers in Solomon Islands. Below is the chart that shows the internet users via different technology for the market since 2010. According to the operators data provided, Solomon Island's penetration for broadband using mobile smart phones handsets stood at 13.7% against just 0.2% for ADSL.



During the period, slight growth was seen in Mobile broadband take-up with parallel increase in the international bandwidth usage, and at times traffic congestion in peak times often affects the speed of downlink and uplink. The current aggregated international bandwidth capacity is around 222 MBPS.

Speeds continued to increase, so that at the end of this reporting period, 97% of all broadband subscriptions were offering data speeds equal to or greater than 5 Mbit/s up from 2.5 Mbit/s at the end of December 2013.

Although mobile data continues to increase at faster rates, large data downloads in megabits is by ADSL users, due to the cost associated with data upload and downloads. Various data plans services are offered for postpaid services from the operators to encourage internet subscribers using the 3G to access internet. The chart below shows downloads via 3G and ADSL in Mega Bytes.



Downloads via 3G handsets and ADSL for all service operators

The internet access coverage shows that 4 % of the population accessed speed less than 2Mbps and 9% access to 3Mbps and above. Fixed line internet only caters for 0.2% due to its cost and affordability. Access by technology type were;

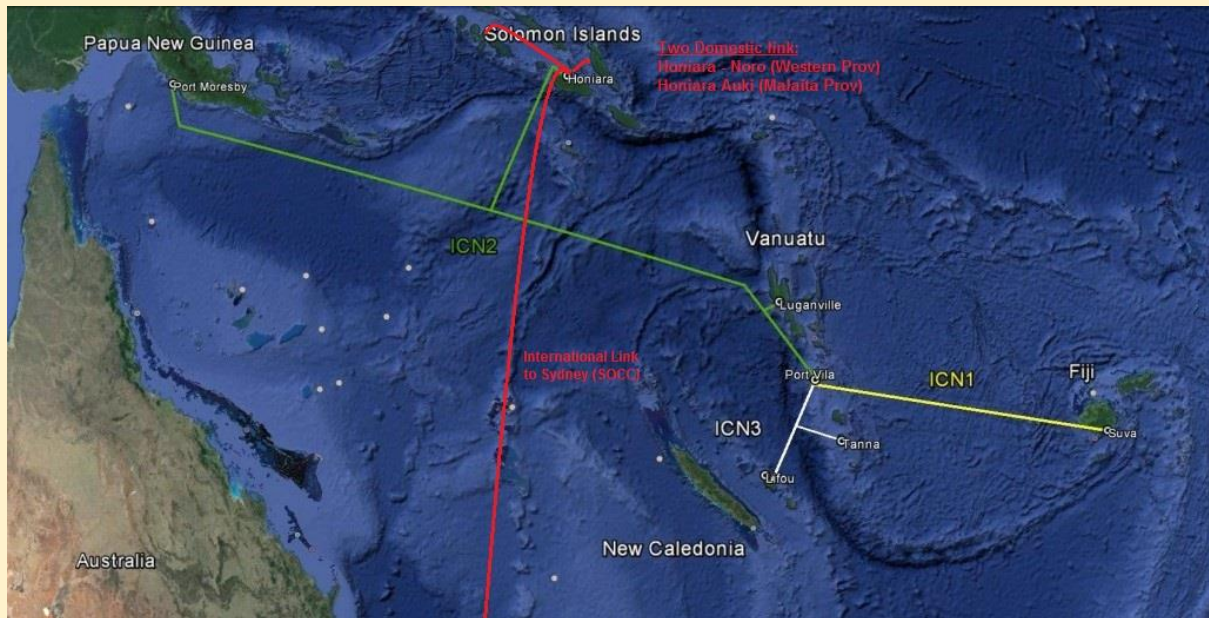
- i) Mobile handsets = 13.7% of Population
- ii) ADSL = 0.2% of Population (Cafés & Business)
- iii) DSL = 0.1% of Population (small business)
- iv) Wireless hotspot =0.02% of Pop (Hotspot)

2.4 INTERNATIONAL CONNECTIVITY

International submarine cable system projects in progress were;

- [Project1:](#) International Cable linking Honiara to Sydney with two domestic cable from Honiara to Auki in Malaita Province and Noro Western Province had been managed by the Solomon Oceanic Cable Company. Bidding for the project closes in December 2014. Ready for service timing is scheduled for second half of 2016.

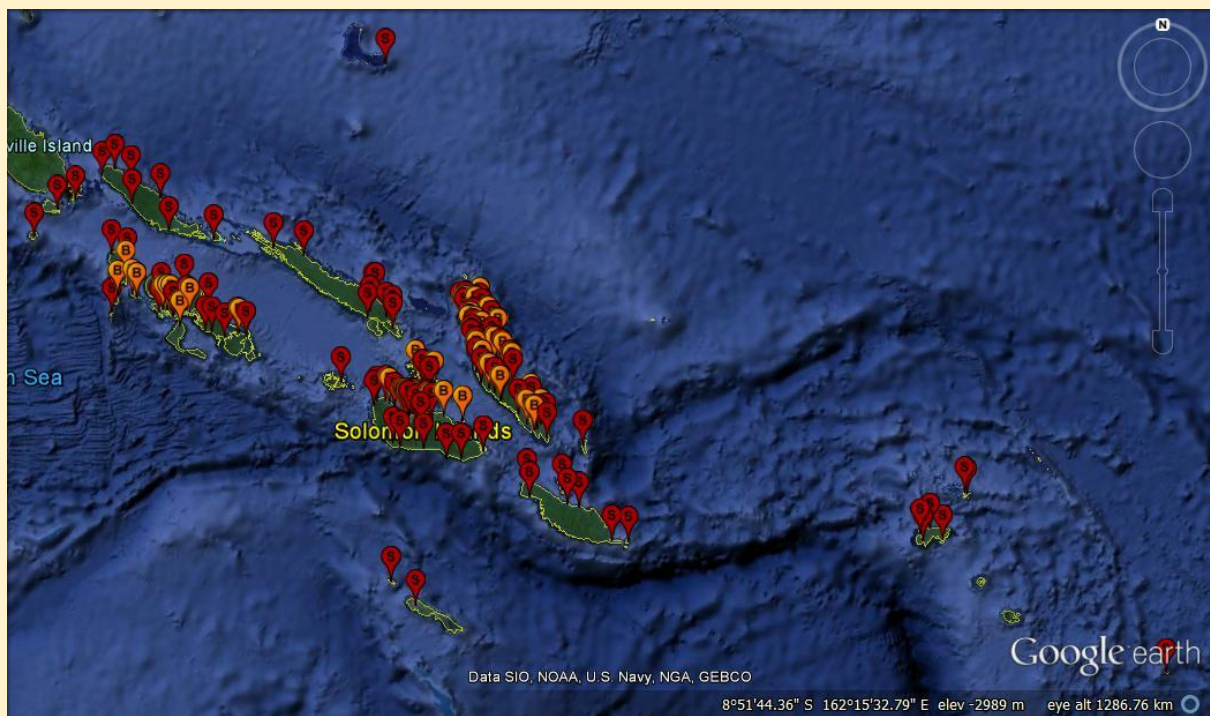
- **Project 2:** International cable linking Vanuatu through Solomon Islands to Papua New Guinea had been progressed by Interchange Group based in Vanuatu. Negotiations is also progressing between Dataco, SOCC and Interchange. The project called ICN-2 expected to be ready for service in mid 2016.



Current submarine Fibre-optic cable in progress (SOCC and ICN2)

2.5 MOBILE COVERAGE

Commission's coverage map has been developed using up to date data supplied by the service operators. Using google earth is a step forward for the Commission in enhancing its capacity in pin pointing the exact location of the sites across the islands. The map will be accessed via our website in 2015.



Coverage map of telecommunications network (*B = bemo, S = Solomon Telekom*)

3.0 ACTIVITIES OF THE COMMISSION

(Section 23(1) (a) of the Telecommunications Act 2009)

3.1 THE COMMISSIONER

At the end of 2014, Bernard Hill contract renewed for further 2 years as the Telecommunications Commissioner, and the Commission employed four local professional staff members to carry out the Commission's statutory functions under the Telecommunications Act 2009, and its temporary role as the "Project Implementing Entity" (PIE) under the World Bank funded *Solomon Islands Telecommunications & ICT Development Project (P1131480)*.

3.2 THE EVALUATION COMMITTEE

The Evaluation Committee constituted under section 7 of the Telecommunications Act 2009, maintained financial and administrative oversight of the Commission. The Committee reviews the Commission's budgets and activities plans.

There has not been any changes to current members of the Evaluation Committee, who are appointed *ex officio*;

Mr. Denton Rarawa (Chair) - Governor of the Central Bank of Solomon Islands

Mr. Tony Koraua - Chairman of Solomon Islands Chamber of Commerce and Industry

Mr. Douglas Hou - Public Solicitor

3.3 DETERMINATIONS, ORDERS AND DIRECTIONS

Determinations, Orders and Directions gazetted during 2014 was;

- a) Telecommunications (Telecommunications Commissioner Appointment) Order 2014.(TCSI Order No.01 of 2014)

3.4 STEPS TAKEN IN CONNECTION WITH UNIVERSAL ACCESS

The Commission considers that competition between the network operators is continuing to result in a satisfactory rate of network deployment. At this rate, Commission felt that implementing a Universal Access Scheme will distort the market. The ongoing 3G rollout and upgrading by the operators into provincial centers would see an alternative demand-side subsidy measures, to assist remote communities' affordable access to internet access services.

There are no financial accounts of the Universal Access Special Fund to be submitted along with this Report because no funds were directed to, or received by the Commission for the benefit of that Special Fund in 2014.

3.5 APPLICATIONS, DISPUTES AND COMPLAINTS

The Commission received formal complaint about possible anti-competitive conduct in relation to the International Airport Advertisement. As a result of enquiries undertaken by the Commission, the particular circumstances of the complaint were eventually resolved between the parties involved. The Commission further emphasise that legal process is there and forewarned of any future allegations will result in severe penalties.

During the year few Provincial Governments requested the operators to settle their business licenses dues. However, the Commission stated that the Individual and Class Licence issued to operators enable them to carry on providing point of access to the telecommunications services in the provinces and villages.

The Commission was also alerted to a severe text scam (receiving texts on their mobile phones asking for their details), action was taken immediately by issuing a press release, educating the public against falling into such deceitful traps. Majority of Solomon Islanders were new to such scam and indeed creates panic across the whole country. As a result, the press release aired continuously during the day via SIBC and other radio stations and repeated for the rest of the week. A surge in outgoing calls from Solomon Islands, is an indicator that quite a few people accessed the initial voicemail.

3.6 INVESTIGATIONS

During the year, Commission investigate allegations of anti-competitive behaviour in top up services by the incumbent operator and highlighted the rules on competition and penalties involved.

The Commission's fourth and final report, which confirmed Solomon Telekom was in compliance, was provided to the Government and the donors in November 2014. Its investigations included Commission staff physically visiting each and every rural local loop location and testing all the local loop's functionalities.

3.7 PROCUREMENT AND OUTSOURCING

The Commission under its "PIE" function of the World Bank funded Telecommunications & ICT Development effected procurement of capital items and recurrent expenses in

accordance with the World Bank's requirements and an approved procurement plan. This included the purchase of a light motor vehicle for inspection to replace the old one. The Commission finally settled in its new rented office premises at the start of the year.

3.8 MATERIAL LITIGATION

There was no further material litigation during the year.

3.9 STATUTORY OBJECTIVES

The Commission considers that during 2014 satisfactory progress was made towards the principal objective in the Telecommunications Act in terms of improvements in the “... *availability, affordability, quality of service and kinds of telecommunications services in Solomon Islands.*”

Services in Solomon Islands are of course predominantly mobile services and their better availability is demonstrated in part by the rapid increase in the number of mobile subscriptions nationally from some 323,105 at the beginning of 2014 to some 376,696 by year's end.

Network coverage grew from around 83% of the population at the beginning of the year to some 87% at the year's close, as a result of mobile infrastructure expansion into the remote areas. High capex and opex cost of deployment into the rural areas is still an issue for the operators which accounted for 60% of the total cost.

The affordability of mobile voice calls did improve during 2014, reflecting the level of effective competition in that sector. The Commission estimates that prices for mobile network voice calls fluctuated by some 22% during the year. Text messaging prices fluctuates for the other operators whilst remain constant for the other. However, regular price specials on weekends were common. Mobile data plans for prepaid and postpaid were also provided with various data access options. Data services coverage was mainly in Honiara, Auki , Gizo and Noro with plans in progress for the other locations.

The upgrade and rollout of mobile network services by both the GSM mobile operators did contribute to an overall improvement in services availability and quality of service.

The Commission's plan of activities to advance progress towards the statutory objectives is outlined in *Appendix A*.

3.10 SUMMARY OF INCOME AND EXPENDITURES

Under the Telecommunications Act, the Commission is to be funded by annual licence fees and special levies from service licensees. The Act caps the upper limit of license fees at 2% of

a licensee's gross revenue, and the current Fees Regulations¹ fix fees at that level for all licensees. In 2014 the amount of license fees collected was SBD\$7.2 million.

Further to the Act, and the Settlement Agreement between Solomon Telekom and the Government, for a five year transitional period, which will end in October 2015, but subject to the Commission maintaining a cash sufficiency, all licence fee revenue is nevertheless being diverted to the payment of compensation to Solomon Telekom. This project is scheduled to end in March 2015. By the end of 2014, cumulatively, some 91% of the the Grants (SBD\$40.0 million) had been expended.

The summary statement of the Commission's 2014 income and expenditure is set out in *Appendix A*.

3.11 LIST OF LICENCES AND EXEMPTIONS

In 2014, neither the service operators applied for exemption. The new class licensees register for 2014 were:

Operators	Type of Licence	Fixed Line Telephony	Mobile	Internet	Leased lines	International Calls	TV
Smile Solomon Islands Limited	Class					X	
Gen Transnational Limited	Class			X	X		
Hans Corporation (SI) Limited	Class			X			
Satsol Limited	Class			X	X	X	X
Big Interaktif SMS Limited	Class		X(SMS)				

3.12 LIST OF INTERCONNECTION AGREEMENTS FILED IN 2014

There has been no interconnection or access agreements were filed during 2014. The two Mobile operators continues with the commercial arrangements that the original sender keeps all agreement for traffics terminating on their network.

¹ Licence fees are fixed under the *Telecommunications (Transitional Licence Fees) Regulations 2010*.

3.13 SUMMARY OF RADIO FREQUENCIES ALLOCATED

The radio spectrum licenses issued during 2014 were in the table below;

Type of Radio Spectrum Licence	Licensees during 2014
Amateur	14
Aeronautical	1
Maritime	64
Land mobile	17
VSAT Satellite	7
Handheld	None
Fixed Station	19
Broadcasting	4
Television	6

3.14 SUMMARY OF REGULATED PRICES

There was no prices for any telecommunications services were subject to price regulation during 2014. However, The Solomon Islands Government pass the amended Sales Tax (Amendment) Bill 2014 (No 12 of 2014), levying 10% on all telecommunications services nationally.

4.0 OTHER DEVELOPMENTS

4.1 NATIONAL BROADCASTING AND ICT POLICY²

i) National Broadcasting Policy

The draft National Broadcasting Policy is now being finalized, after consideration of all written submissions and comments provided, and discussion held in October 2014. Key features of the draft National Broadcasting Policy include:

- Statement of a Vision for broadcasting in Solomon Islands.
- Repeal of outdated laws regarding licensing of television sets.
- Establishment of a Broadcasting and Media Board (superseding the Television Board), with responsibility for licensing and oversight of Codes of Conduct and complaints handling.
- Introduction of a statutory framework for industry Codes of Conduct.
- Introduction of a broadcasting industry complaints handling framework, to be overseen by the Broadcasting and Media Board.
- Introduction of a revenue-based broadcasting levy, to fund the reasonable operating costs of the Broadcasting and Media Board.

ii) National ICT Policy

The Consultant has prepared an issues paper that outlines a national ICT vision, objectives, strategies and policy principles to guide ICT in Solomon Islands in coming years.

Key features of the proposed draft National ICT Policy are:

- Statement of a Vision for ICT in Solomon Islands.
- Establishment within Government of an office of the Chief Information Officer.
- Definition of nine ICT Objectives for Solomon Islands:
 - Create an environment conducive to investment in ICT infrastructure and services
 - Enact or amend laws, and establish or reform administrative and enforcement bodies, to create an environment that supports deployment and use of ICT

² National ICT and Broadcasting issues paper prepared by Dr. Andrew Simpson Technical Advisor Policy for Ministry of Communication, Aviation and IT.

- Utilize ICT at all levels of government to promote good governance and facilitate delivery of public services
 - Improve policing, peace and order by innovative use of ICT
 - Improve healthcare and health service delivery by innovative use of ICT
 - Improve the availability and quality of education throughout Solomon Islands by innovative use of ICT
 - Promote the availability, affordability and use of ICT to support economic growth, private sector development and employment creation
 - Utilize ICT to manage and protect Solomon Islands' natural resources and environment, and to respond effectively to natural disasters and climate change
 - Promote access to and use of ICT in order to promote gender equality, empowerment of women, and inclusive development.
- Identification of short-term and longer-term strategies for accomplishing the ICT Objectives.
 - Scheduled monitoring, evaluation and improvement of the National ICT Policy in coming years

4.2 DISASTER RISK MANAGEMENT

In April 2014, the Commission has witnessed a devastated flood damaged the centre of the city of Honiara and other surrounding provinces causing the death of some 22 people. Experience learned during the disaster is that the two mobile operator's quick response in providing free call and SMS to these disaster stricken areas as well as to the National Disaster Management office.



Devastated flood that destroyed the centre of Honiara city in April 2014.

4.3 NATIONAL CHIEF INFORMATION OFFICE

A briefing paper was discussed with PMO on establishing National Chief Information Office (NCIO) to provide leadership and coordination of electronic information technology matters for the nation. As planned the new office to support the NCIO would come under the Prime Minister's Office to ensure effective leadership of the client ministries. Whilst the Ministry of Communication, Aviation & IT maintain responsibility for international telecommunications matters.

The briefing paper highlighted, that an international consultant be recruited for this position as soon as possible, with the available funding sought from World Bank e-governance Project, administered by Ministry of Finance.

4.4 GOVERNMENT NETWORK

ICT Support Unit at the Ministry of Finance continued its connection of other agencies and Ministries to its installed wireless network to the centralized managed data center. The new platform provides for services such as: - E- government - E-education - E-commerce - Mobile banking.

4.5 MAJOR EVENTS IN 2014

January	Office movement to new Premises
February	Press release issued on text scam causing havoc nation wide
March	Telecommunications Commissioner appointment gazetted
April	Devastated April Flood in Honiara. Demand guarantee bond release to Bemobile.
June	Roadmap for the Transition from Analogue to Digital Terrestrial Television Broadcasting in Solomon Islands by ITU
July	Bemobile signed partnership with Vodafone UK. Attend the APT – PRFP7 held in Nadi
August	Discussing of National Chief Information office in the Prime Minister's Office
October	ICT and Broadcasting Policies final consultation
November	Our Telekom signed agreement with Kacific satellites
December	Received allegations of anti-competitive behaviour at international airport advertisement

5.0 PLAN OF ACTIVITIES

The Commission is set to focus its efforts over the next 12 months on the following:

- Arrange with Solomon Telekom and Ministry of Finance to retain the quarterly service license fees for its normal operation since World Bank grant funding arrangements restrict creation of reserve funds.
- Settlement of International Telecommunication Union membership arrears.
- Bring to Cabinet the draft ICT and Broadcasting policy for possible endorsement.
- Supporting the proposal for the establishment of the National Chief Information Office in the Prime Minister's Office.
- Supporting the development of new ICT, broadcasting and e-government policies.
- Raising consumer awareness, especially in the provinces (including awareness of potential/opportunities arising from high speed broadband via the new submarine cable), and increased awareness about the role of the Commission.
- Assist in establishment of the communications policy unit in the Ministry of Communications, Aviation & IT.

APPENDIX A SUMMARY OF INCOME AND EXPENDITURES

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 (SBD)	2013 (SBD)
FINANCING		
IDA & PRIF grants	9,355,495	8,528,137
IDA grants direct payment	-	-
Other Receipts		
Service licence fees	7,159,082	7,262,088
Radio spectrum application fees	65,600	49,200
Interest income	4,220	9,908
Miscellaneous income	136,982	672,853
TOTAL FINANCING	16,721,379	16,522,186
EXPENDITURE:		
Operational expenses		
Commission remuneration	4,603,083	4,299,335
ICT Policy consultant	-	109,489
Legal Advice	-	-
Fixed line audit	149,787	55,241
International memberships and subscriptions	56,487	65,883
Office rent	640,080	420,500
Telecommunications	393,972	315,813
Utilities-Electricity,Gas & Water costs	86,911	272,178
Stationery, printing and publications	136,456	54,294
Vehicles & Vessel maintenance & operation	222,764	180,110
Bank & Tax Charges	22,001	9,265
General Repair & Maintenance	25,134	-
Insurance	91,561	37,846
Professional Training & development	294,894	282,382
Workshops & Participation	815,339	571,720
Miscellaneous	960,285	51,447
	8,498,753	6,725,503
Capital Expenses		
Office accessories	-	-
ICT equipment	54,673	254,936
ICT maintenance	-	4,474
Office equipment	329,880	58,481
Furniture & fittings	84,226	100,371
Motor vehicle	645,472	388,098
Motor Vessel	-	1,029,696
Capital & Office fit-out	593,688	388,164
	1,707,939	2,224,220
Other Expenses		
Tax on Interest Income	-	52
Our Telekom Compensation	7,156,192	8,413,264
Bmobile Performance Bond	6,682,289	-
Non-Grant Fund	159,226	461,760
	13,997,707	8,875,076
TOTAL EXPENDITURES	24,204,398	17,824,799
Surplus(Shortfall)	(7,483,020)	(1,302,612)