

LETTER TO PARLIAMENT

5 November 2014

Clerk to the National Parliament
Parliament House
Honiara

I am pleased to submit the fourth annual report of the Telecommunications Commission for the National Parliament's attention. This report, which is in respect of the financial year ending 31 March 2013, has been prepared in accordance with the provisions of section 23 of the Telecommunications Act 2009. It includes the independent audit report provided by the Auditor-General.

Yours Sincerely



Bernard Hill
Telecommunications Commissioner

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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.

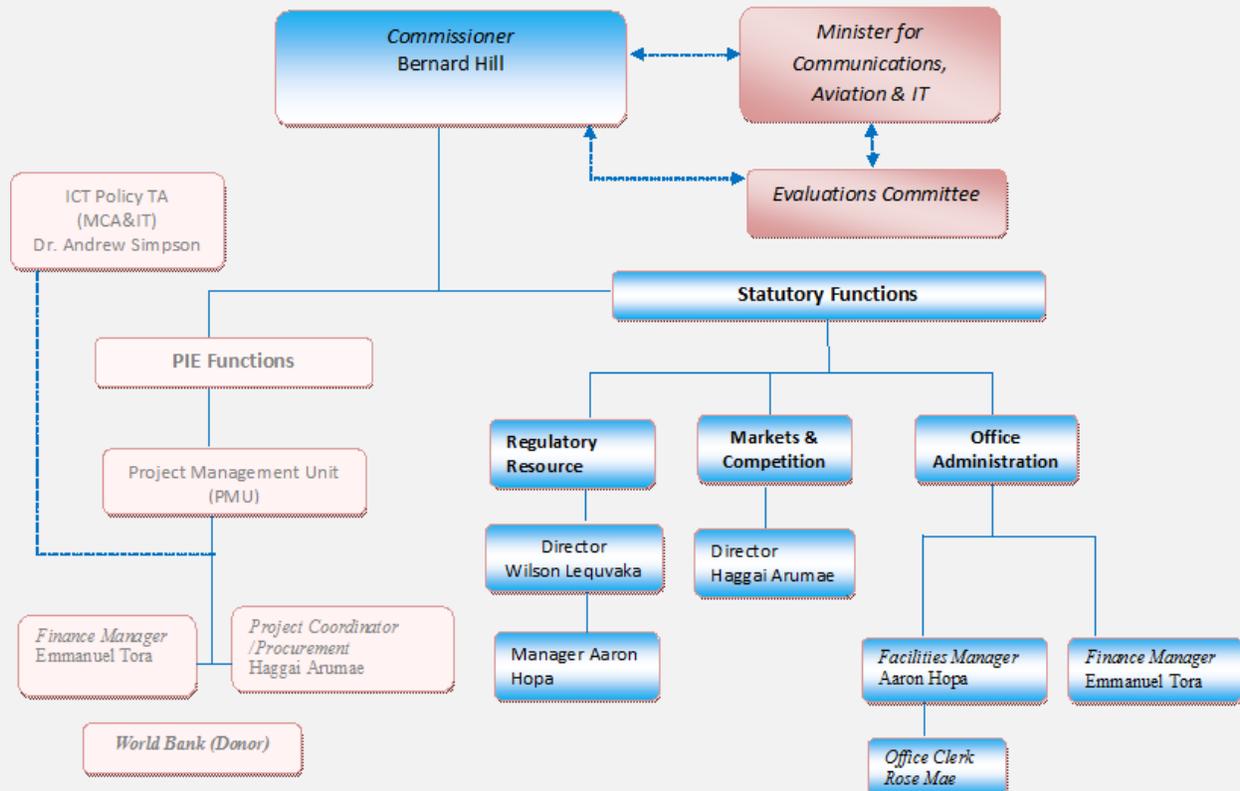
The Act aims to enhance the long term well-being, inclusiveness, and fairness of Solomon Islands society by improving the variety, availability, affordability, and quality of telecommunications services which Solomon Islanders can enjoy. This is primarily to be achieved through the introduction and maintenance 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

The Commission has an active program for upskilling its local professional staff. During the year individual staff members underwent focused training in their specialist areas. Training undertaken included the Certified Management Institute Professional Certificate in ICT-Assisted Development, as well as expert software training for radio-spectrum management and the Commission's financial management system.

Commission local staff also benefited from attendance at fellowship funded events hosted by the International Telecommunications Union, the Asia-Pacific Telecommunity, and the Pacific Island Telecommunications Association. This training included disaster management communications, internet technology training, internet services investigation and security, ICT statistics, and wireless access technology.

1.6 REGIONAL AND INTERNATIONAL AFFAIRS

Commission personnel attended relevant international telecommunications and regulator forums and conferences during 2013. The Commission's experience of administering a fully liberalised licensing regime in a developing country was a notable contribution to the international discussions on the review of International Telecommunications Regulation and wireless network planning on Next Generation Networks.

As well as ensuring that Solomon Islands interests are properly represented, attendance at such events is a valuable way for Commission staff to develop a personal perspective on the economic standards and institutional arrangements in more developed countries.

1.7 GOVERNMENT POLICY

In the past, Solomon Islands governments, like governments elsewhere, have been directly involved in telecommunications service provision and the regulation of radio-communications and telephone network operators. Since the 2009 reforms, the government's main involvement is in the purchase of telecommunications services from the competing private sector companies.

Further to the Ministry of Communications Aviation & Information Technology's overall policy responsibility for communications, the Commission provided supplementary advice and recommendations to the Minister on request.

As part of its role under the PIE function, the Commission assisted the Ministry in its efforts to recruit local staff for positions in the Ministry's proposed ICT Policy Unit. Technical Advisor Dr. Andrew Simpson progressed the draft ICT policy development work plan and broadcasting policy consultation for the Ministry.

2.0 TELECOMMUNICATIONS MARKET

2.1 MARKET PERFORMANCE

During 2013 the local telecommunications market continued to develop, with service providers focusing on the launch of new services as well as strengthening their existing offerings.¹

By the year's end, the mobile market had reached a penetration rate of some 58% of the population, a marginal gain on the 55% achieved in 2012. The slower increase is partially the result of a high population annual growth rate of around 2%. In the same period, the total number of mobile subscriptions rose from 302,147 to 323,105. The Commission estimates that 2013 saw an overall increase in the level of mobile tariffs.

Accessing the internet through mobile handsets (3G) is increasing rapidly as both providers are upgrading their current 3G networks to 3-3.5G in Honiara, Auki, Gizo and Noro. At the year's end some 45,000 subscribers were using these enhanced services and that number is expected to grow as the capacity improves. In relation to this improved access, for 2013 alone the internet penetration rate increased to a level of 8.1 per 100 mobile internet users compared to 6.5% in 2012.

Increased geographic coverage to 83% by the year-end reflects the increased number of mobile sites installed by Solomon Telekom around the country, with most operational in the higher population density rural areas.

Prices for fixed and wireless broadband services during 2013 nevertheless remained expensive mainly because of the limited choices for international connectivity, and the absence of effective ISP competition at the retail level. Coverage was also largely confined to Honiara and some locations in Malaita and Western Province. Service levels and quality of service were not consistent.

However, by the end of 2013 three additional companies had registered for the benefit of the class license, with the intention of providing internet services and two of these are currently providing services to small business and private individuals.

Currently, Solomon Islands is connected to the rest of the world, via internationally owned and operated satellites, a major factor in the high cost of telecommunication services. Despite the signing of a Financing Agreement to fund a submarine cable link, and the Solomon Islands

¹The map of current coverage by mobile networks is shown in Appendix D.

Oceanic Cable Company's persistence in pursuit of viable commercial options, a definite start date has yet to be finalized.

The key market indicators by year are set out in the table below:

Indicator	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Actual	Actual
Mobile Subscriber	57,000	115,500	274,872	302,147	323,105
Mobile Penetration (calculated)^	11%	20%	53%	55%	58%
Mobile Coverage (calculated)^	**	20%	67%	80%	83%
Fixed Lines	8,801	8,400	8,391	8,060	7,618
Internet Subscriber:					
Mobile (3G)	**	8,205	21,133	35,826	44,935
Wireless	**	127	128	114	96
ADSL		1,359	1,422	1,308	1,184
DSL		1,163	1,008	824	700
Internet Penetration:					
Mobile (Broadband)		1.80%	3.90%	6.50%	8.11%
Fixed Line (ADSL)		0.2%	0.2%	0.2%	0.2%
Internet Providers (Active)		1	1	2	4
Gross Total Revenue: (USD) Million		**	39.0	43.0	48.0
GDP contribution	0.1	0.2	0.3	0.7	0.8
Number of Mobile Service Operators	1	2	2	2	2
Submarine -fiber optic					Propose date of implementation by 2015

Note: ^ Total Population and geography based on annual rate of 2%
 ^^ Calculation based on the coverage by village population
 ** Data not available

2.2 MOBILE SERVICES

For year 2013 the number of mobile subscriptions stood at 323,105, an increase of 7% over the previous 12 months. Solomon Island's mobile penetration was 58%, with time incurred on mobile SMS, voice and data totaling 144 million minutes, also a 7% increase over the previous year. An average use of 12 million minutes per month has made Solomon Islands one of the fastest growing mobile markets in the region.

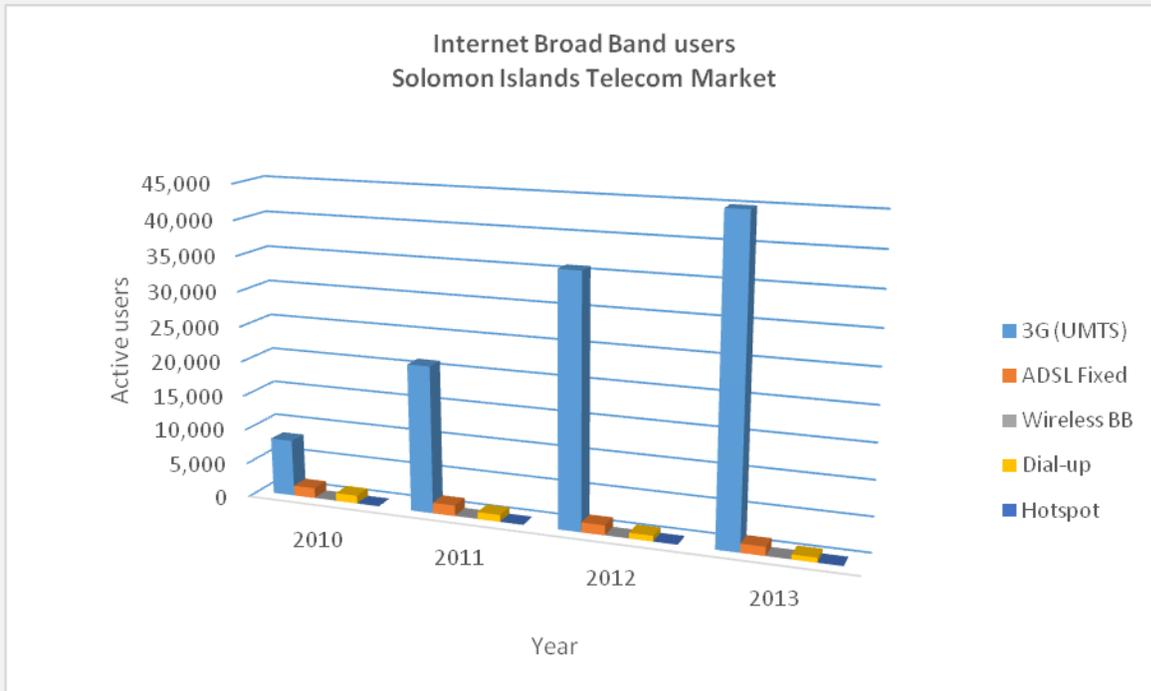
The mobile networks around the islands incorporate the following infrastructure:

- (i) 125 -2G Base Stations, (ii) 18 -3G 2100 Nodes, (iii)19 - 3G 850 Nodes
- Connected by microwave and Satellite link
- International connectivity by Satellite
- 3G (HSDPA) in 3 major centres (Honiara, Auki & Gizo). Most of the islands access to 2G (EDGE & GPRS)
- All traffic linked to Honiara where (MCS) located.
- Technology: GSM, 3-3.5G (UMTS) 2.5G (EDGE and GPRS)
- Smart phones handsets: (Samsung, Nokia, Alcatel, others.)
- Network services: (Fixed Line, Mobile, Wireless, Internet, Broadband)
- Submarine fibre-optic cable project in progress

The total number of base stations operated by the two mobile operators is 140. *Appendix D shows the coverage map for the mobile networks.*

2.3 INTERNET ACCESS

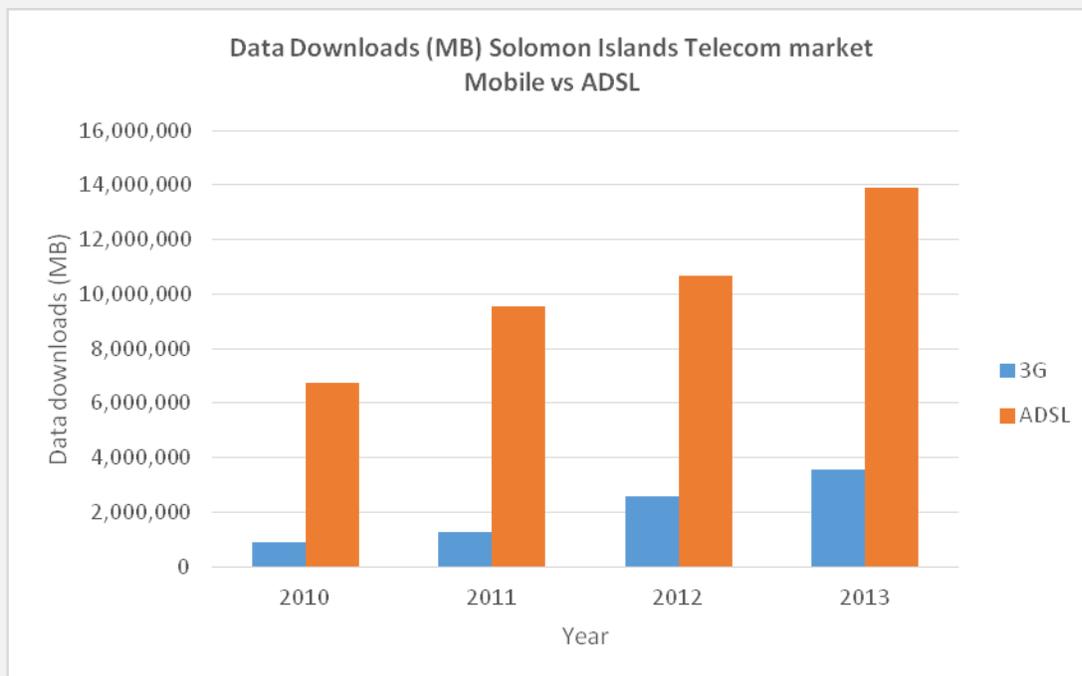
As of December 2013 there were some 45,000 broadband subscribers in Solomon Islands, an increase of 25% on 2012. The chart below shows internet use via the different available technologies. According to operator provided data, Solomon Island's penetration for broadband using mobile smart phones handsets stood at 8% against just 0.2% for fixed line ADSL.



During 2013, there was slower growth in mobile broadband take-up with an increase of 24% against 66% in 2012. In addition satellite take-up grew by 58% of total international bandwidth usage, but traffic congestion slowed speeds considerably during peak periods.

At the end of December 2013, 97% of all broadband subscriptions were offering data speeds equal to or greater than 5 Mbit/s up from 2.5 Mbits/s.

Although mobile data use continues to increase, fixed line ADSL was mostly responsible for big data downloads and uploads due the higher price of mobile data. Various data plan services are on offer for postpaid services provided by the mobile operators to encourage internet subscribers to use 3G access internet. The chart below shows downloads via 3G and ADSL in Mega Bytes.



2.4 COMPETITION

Maintaining a healthy competitive process in telecommunications service provision is the Commission’s most important priority. The Commission’s monitoring of the statutory competition conduct rules during 2013 included oversight of changes in the ownership of Bemobile’s parent company, and proposals for a management arrangement between Bemobile and Vodafone Fiji.

In March 2013, Bemobile’s individual telecommunications license was surrendered, and the company subsequently registered as a class licensee. The class license enables Bemobile to compete with Solomon Telekom across the full range of telecommunications services and technologies.

The Commission also maintained close surveillance of operator advertising practices, and pricing behavior. Both operators regularly offered targeted discounts and special pricing, and both undertook significant marketing activities in Honiara, and some provincial centers. This resulted in some conflict situations over signage rights. The Commission was able to informally resolve these situations.

2.5 SPECTRUM MANAGEMENT

In association with Bemobile's move to class licensee status, and in response to the concerns of both GSM mobile operators about the effectiveness of their base station coverage in Honiara, the Commission assigned them the remaining spectrum in the 800 MHz, 900 MHz and 1800 MHz bands.

With the emergence internationally of new "4G" technology, which uses different spectrum, the Commission will liaise with other developing countries in the resolution of an international approach to the spectrum range for the new technology. In due course the Commission will undertake a public consultation on the national band plan, taking account of the significance of the next generations of wireless technology.

In November 2013, staff from Resource/Technical section of the Commission attended the SMS4DC training arranged by ITU in its capacity in developing database for managing the radio spectrum.

3.0 ACTIVITIES OF THE COMMISSION

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

3.1 THE COMMISSIONER

At the end of 2013, Bernard Hill remained 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

In addition to its role of recommending appointments to the position of Commissioner, the Evaluation Committee constituted under section 7 of the Telecommunications Act 2009, is the body responsible for maintaining financial and administrative oversight of the Commission. The Committee reviews the Commission's budgets and activities plans.

The current members of the Evaluation Committee, who are appointed *ex officio*, are:

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

In December 2013 the Committee approved the three year rolling budget submitted by the Commission. *The Commission's Activities Plan for 2014 is included in this Report as Appendix A.*

3.3 DETERMINATIONS, ORDERS AND DIRECTIONS

Determinations, Orders and Directions gazetted during 2013 were;

- a) Telecommunications (Bemobile Change of control) Administrative Order 2013. *(TCSI Order No.01 of 2013)*
- b) Telecommunications (Class Licence Amendment) Administrative Order 2013. *(TCSI Oder No. 2 of 2013)*

3.4 STEPS TAKEN IN CONNECTION WITH UNIVERSAL ACCESS

During the year no further steps were undertaken by the Commission concerning a Universal Access scheme. The Commission considers that competition between the network operators is continuing to result in a satisfactory rate of network deployment. In the medium term, and in conjunction with the advent of undersea cable connectivity to Solomon Islands, the Commission intends to advance public discussion about 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 2013.

3.5 APPLICATIONS, DISPUTES AND COMPLAINTS

The Commission received one semi-formal complaint about possible anti-competitive conduct in relation to the distribution of pre-paid top-ups. As a result of enquiries undertaken by the Commission, the particular circumstances of the complaint were eventually resolved without formal action by the Commission.

The Commission did not receive any written complaints from users and consumers concerning prices and discounts or other value added services, although complaints were reported in the media about aspects of the services of the mobile operators.

3.6 INVESTIGATIONS

No formal competition rules or regulatory compliance investigations were undertaken by the Commission in 2013.

Further to an agreement reached with the Government, the Commission did however undertake an investigation into Solomon Telekom's compliance with certain contractual obligations under the 2009 Settlement Agreement, relating to Solomon Telekom's surrender of its exclusive telecommunications license.

The Commission's third report in this regard, which confirmed Solomon Telekom was in compliance, was provided to the Government and the donors in October 2013. 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 Land Cruiser vehicle and an inspection and outreach motor vessel. The Commission also made plans to rent new office premises in 2014.

3.8 MATERIAL LITIGATION

There was no further material litigation during the year. However, Bemobile withdrew its proceedings against the Commission concerning the exercise of the demand guarantee, given by the company upon the issue of its individual telecommunications licence in 2010.

3.9 STATUTORY OBJECTIVES

The Commission considers that during 2013 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 302,147 at the beginning of 2013 to some 323,105 by year's end.

Network coverage grew from around 80% of the population at the beginning of the year to some 83% at the year's close, as a result of new mobile base stations. Importantly both Solomon Telekom and Bemobile were allocated additional spectrum on the GSM band to meet demand, improve service quality and ease the expansion of service coverage. Spectrum was allocated for the establishment of the Solomon Islands Government Network project.

The affordability of mobile voice calls did improve during 2013, reflecting the level of effective competition in that sector. The Commission estimates that prices for mobile network voice calls fluctuated by some 20% during the year. Text messaging prices remained constant following a 50% drop in 2010, but 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 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 Regulations² fix fees at that level for all licensees. In 2013 the amount of license fees collected was SBD\$7.3 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. Since 2010 the Commission has been funded by the grants under the World Bank Telecommunications & ICT Development Project. This project is scheduled to end in March 2015. By the end of 2013, some 67% of the the Grants (SBD\$29.8 million) had been expended.

The audit report and summary statement of the Commission's 2013 income and expenditure is set out in *Appendix B*.

² Licence fees are fixed under the *Telecommunications (Transitional Licence Fees) Regulations 2010*.

3.11 LIST OF LICENCES AND EXEMPTIONS

No exemption orders were in force during 2013. The 2013 licensees were:

Operators	Type of License	Technology	Fixed Line (Voice)	Mobile (Voice)	Internet (Data)	Leased lines (ADSL)	International Calls	TV
Solomon Telekom Company Ltd	<i>Individual</i>	<i>GSM</i>	<i>X</i>	<i>2G,3G</i>	<i>3G (UMTS/HSPA), 4G</i>	<i>X</i>	<i>X</i>	<i>X</i>
Bemobile Solomon Islands Ltd*	<i>Class</i>	<i>GSM</i>		<i>2G,3G</i>	<i>3G</i>		<i>X</i>	
Smile Solomon Islands Ltd	<i>Class</i>	<i>GSM</i>		<i>Propose LTE, 4G</i>	<i>Propose LTE, 4G</i>			
Alpha Network Solutions (SI) Ltd	<i>Class</i>	<i>VSAT</i>			<i>X</i>			
Daltron Solomon Islands Ltd	<i>Class</i>	<i>VSAT</i>			<i>X</i>			
Dema Investments Ltd**	<i>Class</i>	<i>VSAT</i>			<i>X</i>			<i>X</i>
Solomons Oceanic Cable Company Ltd	<i>Class</i>	<i>Submarine-fiber optic cable</i>			<i>X</i>			
Leeming International Consulting Ltd	<i>Class</i>	<i>VSAT</i>			<i>X</i>			
Gibson's Communication Ltd	<i>Class</i>	<i>Wireless</i>			<i>X</i>			
Interchange Ltd	<i>Class</i>	<i>Linking Interchange Sub-cable (Vanuatu)</i>			<i>X</i>			
Gilat (S.I) Ltd	<i>Class</i>	<i>Telecom Equipment</i>						<i>X</i>
China United (S.I) Corporation Ltd	<i>Class</i>	<i>VSAT</i>			<i>X</i>			

*Individual Licence amended to Class Licence in March 2013, **100% owned by Satsol Ltd

3.12 LIST OF INTERCONNECTION AGREEMENTS FILED IN 2013

No interconnection or access agreements were filed during 2013. The two GSM mobile operators had sporadic negotiations concerning commercial arrangements for infrastructure sharing.

3.13 SUMMARY OF RADIO FREQUENCIES ALLOCATED

The radio spectrum licenses issued during 2013 are identified in *Appendix C*.

3.14 SUMMARY OF REGULATED PRICES

No prices for any telecommunications services were subject to price regulation during 2013.

Appendix E provides a comparison of tariff rates across the Pacific region.

4.0 OTHER DEVELOPMENTS

4.1 NATIONAL ICT AND BROADCASTING POLICY

- A scoping and draft National ICT policy plan is in progress under World Bank project
- Broadcasting policy launched (18th Oct)
- Consultations on the Broadcasting Issues Paper
- New website created for ICT policy project (www.ictsolomons.info).

4.4 UNDERSEA FIBRE OPTIC CABLE

In response to the expected greater demand for and benefits from global connectivity, Solomon Islands has undertaken steps necessary for the country to be included in the global network. Such connectivity is also expected to eventually lower telecommunications service costs in Solomon Islands.

The initial plan to link Solomon Islands to an existing branching unit on the international cable (PPC-1) was not responded to by the cable owners. Solomon Oceanic Cable Company has continued to explore other options including a link direct to Sydney and Port Moresby, to be implemented in 2015. The original financing agreement signed in 2012 still stands. A separate cable project being considered by Interchange of Vanuatu, would link Port Vila (Vanuatu) via Honiara to Port Moresby.

4.5 MOBILE BANKING

The stable regulatory environment for telecommunications and financial services in Solomon Islands has provided the platform for trading banks to launch mobile banking services. In line with the Pacific Financial Inclusion Project (PFIP), customers have a new and convenient way to do their everyday banking using their mobile phones. The new services allow customers to send money to family and friends, pay their bills, purchase airtime top-up vouchers and view their account balances and history using their mobile phones.

This new services runs on all mobile operators network platform using USSD coding. Mobile banking services branded names were as follows;

- ANZ- go money,
- BSP – branchless bank,
- Westpac – banking on the go.

4.6 GOVERNMENT NETWORK

Metro Network (SIG Connect) currently installed on a wireless network and that will be connect all Government Ministries and agencies to the centralised managed data centre. The new platform provides for services such as:

- E- government
- E-education
- E-commerce
- Mobile banking

5.0 APPENDICES

APPENDIX A: PLAN OF ACTIVITIES

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

- 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.
- Consumer protection with particular focus on top-up services.
- Settlement of International Telecommunication Union membership arrears.
- Discussions with the Government and World Bank concerning extension of the Project grants beyond March 2015.
- Office relocation to new premises.
- Development of the National Radio Frequency Band Plan.
- Internet Domain modelling.



INDEPENDENT AUDITOR'S REPORT

To the Telecommunications Commissioner of Solomon Islands

Report on the Financial Statements

I have audited the accompanying financial statements of the Telecommunications Commission of Solomon Islands, which comprise the Statement of Cash Receipts and Payments (by category of expenditure), the Statement of Cash Receipts and Payments (by component), the Statement of Comparison of Budget and Actual Amounts, the Statement of Special Account Reconciliations, notes for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Statement of Cash Receipts and Payments

The Telecommunications Commission of Solomon Islands is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting (Cash Basis IPSAS) and the Grant Agreements between Solomon Islands, the International Development Association, AusAID and RAMSI and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

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 International Standards on Auditing. 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

This opinion is being given to satisfy the requirements of the Grant Agreements between Solomon Islands, the International Development Association, AusAID and RAMSI. In giving this opinion, I do not accept or assume responsibility for any other purpose or to any other

person to whom this report is shown or in the hands it may come save where expressly agreed by my prior consent in writing.

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

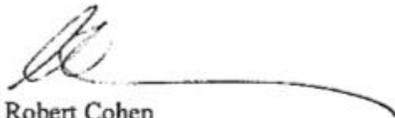
Opinion

In my opinion, the financial statements present fairly, in all material respects, the receipts and payments of the Telecommunications Commission of Solomon Islands for the year ended 31 December 2013 in accordance with Cash Basis IPSAS.

Report on Other Requirements

As required by my terms of reference, I also report that, in my opinion, in all material respects:

- (a) The cash receipts reported on the Statement of Cash Receipts and Payments were used for the purposes of the Project and not for other purposes;
- (b) The receipts and payments reported on the Statement of Cash Receipts and Payments were in accordance with the Grant Agreements between Solomon Islands, the International Development Association, AusAID and RAMSI;
- (c) Adequate supporting documentation has been maintained to support the payments reported on the Statement of Cash Receipts and Payments.



Robert Cohen
Auditor-General (A/g)

Office of the Auditor General
Honiara, Solomon Islands

29 October 2014

**STATEMENT OF CASH RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURE)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012
	(SBD)	(SBD)
FINANCING		
IDA & PRIF grants	8,528,137	7,481,207
IDA grants direct payment	-	-
<u>Other Receipts</u>		
Service licence fees	7,262,088	6,322,057
Radio spectrum application fees	49,200	59,835
Interest income	9,908	35,899
Miscellaneous income	672,853	-
TOTAL FINANCING	16,522,186	13,898,998
EXPENDITURE:		
<u>Operational expenses</u>		
Commission remuneration	4,299,335	4,555,157
ICT Policy consultant	109,489	-
Legal Advice	-	66,196
Fixed line audit	55,241	99,185
International memberships and subscriptions	65,883	87,820
Office rent	420,500	342,000
Telecommunications	315,813	394,838
Utilities-Electricity, Gas & Water costs	272,178	116,387
Stationery, printing and publications	54,294	60,838
Vehicles & Vessel maintenance & operation	180,110	84,806
Bank services	9,265	9,124
Insurance	37,846	29,028
Professional Training & development	282,382	87,135
Workshop & Participation	571,720	219,533
Miscellaneous	51,447	133,566
	6,725,503	6,285,613
<u>Capital Expenses</u>		
Office accessories	-	2,341
ICT equipment	254,936	71,688
ICT maintenance	4,474	
Office equipment	58,481	3,000
Furniture & fittings	100,371	36,512
Motor vehicle	388,098	209,000
Motor Vessel	1,029,696	56,657
Office fit-out	388,164	
	2,224,220	379,197
<u>Other Expenses</u>		
Tax on Interest Income	52	696
STL Compensation	8,413,264	4,879,320
Non-Grant Fund	461,760	253,390
	8,875,076	5,133,406
TOTAL EXPENDITURES	17,824,799	11,798,216
Net increase/(decrease) in cash and cash	- 1,302,612	2,100,782
Cash at beginning of the period	12,930,197	10,919,143
Unrealised exchange rate difference on foreign currency conversions	2,227	- 89,728
Cash at end of the period	11,629,811	12,930,197

APPENDIX C: LIST OF RADIO FREQUENCIES ALLOCATED

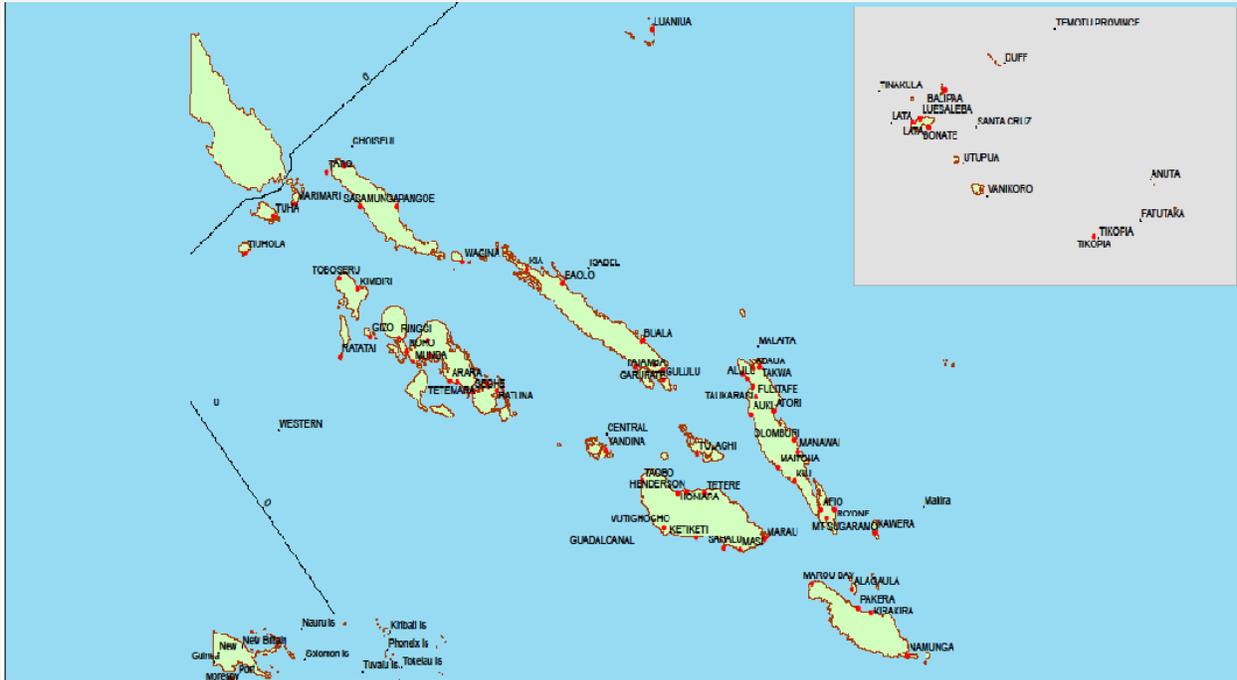
Type of Radio Spectrum Licence	Licensees during 2013
Amateur	Bernard Stefan (Germany) David Quan (Solomon Islands) Ferdinando Rubino (Italy) Geoff Williams (Australia) Gregory Parkhurst (Australia) Hermann Pietsch (Germany) Hirotaka Horiuchi (Japan) IOTA (Solomon Islands) Michael J McGirr (USA) Ralph Kluge (Solomon Islands) Robert William Young (Australia) Siegfried Hari (Germany) Temotu Aid Radio Club (Solomon Islands)
Aeronautical	Solomon Airlines Ltd
Maritime	Aggressor Solomon Ltd (Solomon Islands) Anglican Church of Melanesia (Solomon Islands) Anolpha Enterprises Ltd (Solomon Islands) Avenue Development Ltd Solomon Islands) Bikoi Shipping Ltd (Solomon Islands) Bilikiki Cruises Ltd (Solomon Islands) Billy Lester Tagolo (Solomon Islands) Blossom (SI) Company Ltd (Solomon Islands) Blue Ocean Shipping Company Ltd (Solomon Islands) C-Corp Ltd (Solomon Islands) Concrete Industries Ltd (Solomon Islands) Dalgro SI Ltd (Solomon Islands) DIDAO Development Corporation Ltd (Solomon Islands) Earth Movers Solomons Ltd (Solomon Islands) Elite Shipping Services Ltd (Solomon Islands) Fairwest Shipping Company Ltd (Solomon Islands) Franjti Shipping Company Ltd (Solomon Islands) Frank Afu (Solomon Islands) Golden Springs Int SI Co Ltd (Solomon Islands) Goodwood (Solomons) Ltd (Solomon Islands) GRP and Associates Ltd (Solomon Islands)

	<p>H P Shipping Services Company Ltd (Solomon Islands)</p> <p>Isabel Development Company Ltd (Solomon Islands)</p> <p>John Iromea (Solomon Islands)</p> <p>John Wesley Timbers Ltd (Solomon Islands)</p> <p>Lopia Resort Ltd (Solomon Islands)</p> <p>Max Land (SI) Ltd (Solomon Islands)</p> <p>Maximus International Ltd (Solomon Islands)</p> <p>Middle Island Investment Pty Ltd (Solomon Islands)</p> <p>National Fisheries Development Ltd (Solomon Islands)</p> <p>Olifasia Shipping Services Ltd (Solomon Islands)</p> <p>Pacific Ace Pty Ltd (Solomon Islands)</p> <p>Pacific Towing SI Ltd (Solomon Islands)</p> <p>PM Shipping Company Ltd (Solomon Islands)</p> <p>Silentworld Shipping and Logistics Ltd (Solomon Islands)</p> <p>Solomon Tropical Products Ltd (Solomon Islands)</p> <p>Solomon Ventures Ltd (Solomon Islands)</p> <p>Transol Shipping Co. Ltd (Solomon Islands)</p>
Land mobile	<p>Augustine Wateani (Watts Security Services)</p> <p>Embassy of Japan</p> <p>Frangipani Ice Ltd</p> <p>Focus Security Services Ltd</p> <p>Heritage Park Hotel</p> <p>Michael Lindsay (Ace Fourth Taxi Service)</p> <p>Russel Island Plantation Estate Ltd</p> <p>Tropic Glass & Aluminium Ltd</p>
VSAT Satellite	<p>CTBTO (USA)</p> <p>Embassy of Japan (</p> <p>NZ High Commission (Solomon Islands)</p> <p>Punjas Solomons Ltd (Solomon Islands)</p> <p>Solomon Gold Ltd (Solomon Islands)</p>
Handheld	<p>None</p>
Fixed Station	<p>Anglican Church of Melanesia</p> <p>Blossom SI Co Ltd</p> <p>C-Corp Ltd</p> <p>Earth Movers Solomons Ltd</p> <p>GRP & Associates Ltd</p>

	<p>Maximus International Ltd Middle Island Investment Pty Ltd National Fisheries and Development Ltd Solfish Ltd Solomon Ventures Ltd</p>
Broadcasting	<p>G-FM Liberty Communications SDA Church (Hope Radio FM) U-FM Ltd</p>
Television	<p>Eternity Broadcasting Network (EBN) Media Solomon Islands Ltd One News Ltd Satsol Ltd Seventh Day Adventist Church (SDA) Telekom Television Ltd</p>

APPENDIX D: COVERAGE MAP OF MOBILE NETWORKS

Our Solomon Telekom sites



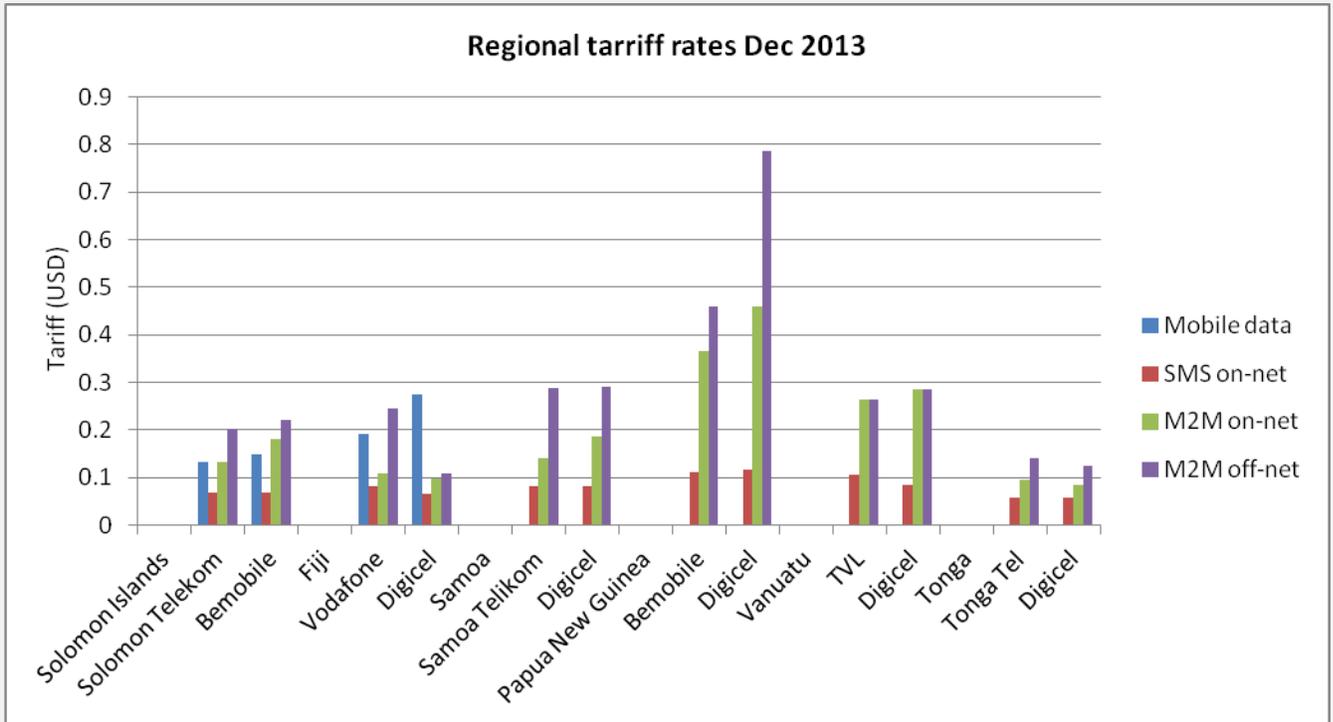
Source: our Solomon Telekom –Red dots indicated the sites.

Bemobile sites



Source: Bemobile

APPENDIX E: REGIONAL COMPARATIVE TARIFFS



Source: ITU, Wireless Intelligence & TCSI