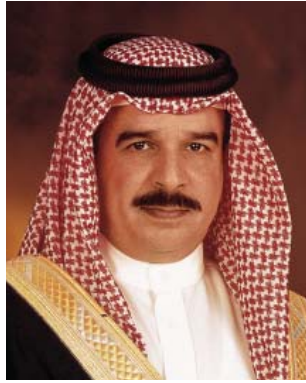




هيئة
تنظيم
الاتصالات
Telecommunications
Regulatory
Authority



H. H. Shaikh Khalifa Bin Salman Al Khalifa
The Prime Minister



H. M. King Hamad Bin Isa Al Khalifa
The King of Bahrain



H. H. Shaikh Salman Bin Hamad Al Khalifa
The Crown Prince & Deputy Supreme
Commander of the BDF

Our Vision

To develop the Kingdom of Bahrain into the region's most modern communications hub and to facilitate the development of the telecommunications market.

Our Mission

To protect the interests of subscribers and users of telecommunications services and maintain effective and fair competition between established and new entrants to the telecommunications market of the Kingdom of Bahrain.

Contents

- 02 The Board of Directors of TRA**
- 03 The Telecommunications Regulatory Authority (TRA)**
- 04 Chairman's Statement**
- 06 General Director's Statement**
- 08 Highlights of 2007**
- 11 Looking To The Future**
 - Strategic and Market Retail Review
 - TRA's Work Plan 2007–2009
- 15 Working for Consumers**
 - First consumer survey
 - Market intelligence and customer service
 - Telecoms Price Benchmarking for Arab Countries
 - Consumer protection
 - Radiation from mobile base stations
 - Consumer issues in TRA's Work Plan 2007–2009
 - The Business Users Advisory Group
 - The Consumer Advisory Group
 - Visit of UK consumer expert
 - Complaints
- 25 Building a Competitive Market**
 - National Fixed Wireless Service (NFWS) licenses
 - Competition in the Broadband market
 - Use of radio spectrum in the 1785–1805 MHz range
 - Additional mobile operators
 - Other mobile and spectrum issues
 - Voice over Internet Protocol (VoIP)
 - Telecommunications network infrastructure
 - National Numbering Plan and number portability
 - Access and Interconnection
 - Price and non-price discrimination
 - Broadband tariffs
 - International call rates
 - Treatment of confidential and non-confidential information
 - Neutel Communications
 - Lightspeed Communications
 - Zain
 - Other regulatory actions
 - Cases and Arbitrations
- 31 Forging Links**
 - Links within the Kingdom of Bahrain
 - Links with other regulators in the region
 - Links with the telecommunications world
 - Links with other countries
 - TRA communications
- 35 Inside TRA**
- 36 Statement of Accounts**
- 40 Annexes**

The Board Of Directors Of TRA

The Board of Directors of the Telecommunications Regulatory Authority (TRA) is appointed by His Majesty the King, Hamad bin Isa Al Khalifa, following the proposal from the Council of Ministers of the Kingdom of Bahrain.

At the end of 2007 the Board was as follows:



Dr. Mohammed J. K. Alghatam
Chairman



**Shaikh Hamad bin Mohammed
bin Hamad Al Khalifa**



Mr. Jameel Jaffar Ghazwan



**Mr. Rasheed Mohammed
Al Maraj**



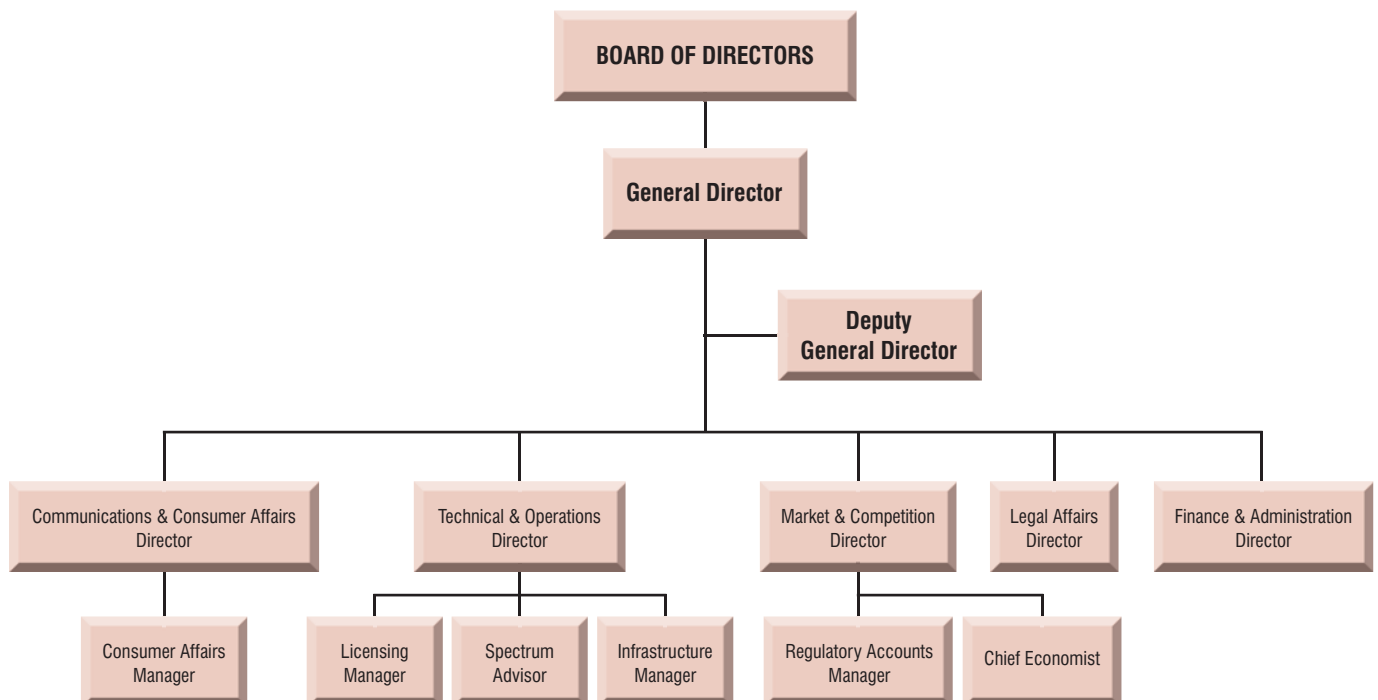
Mr. Saqer Shaheen Saqer

The Telecommunications Regulatory Authority (TRA)

TRA was set up in October 2002 by legislative Decree No. 48 under the Telecommunications Law. TRA is an independent body overseen by the Board of Directors. The General Director of TRA is responsible for the day to day operation of the organisation. The General Director is appointed by His Majesty the King, Shaikh Hamad bin Isa Al Khalifa, based on the recommendation of the Board of Directors of TRA and the proposal of the Prime Minister, and following the approval thereof by the Council of Ministers. In December 2006, Mr. Alan Horne was selected as the new General Director, and was formally appointed in March 2007 by His Majesty the King, Hamad bin Isa Al Khalifa as the General Director of TRA.

The duties of TRA include protecting the interests of subscribers and users of telecommunication service and maintaining effective and fair competition between established operators and new entrants to the telecommunications market in the Kingdom of Bahrain.

TRA carries out its duties and exercises its powers in a fair, transparent and non-discriminatory manner.



Chairman's Statement



Welcome to the fifth annual report of the Telecommunications Regulatory Authority of the Kingdom of Bahrain – TRA. This has been a very active year for our organisation. This year we have also reviewed our progress since liberalisation and set firm foundations for achieving more in the years ahead.

Such progress would not have been possible without the active support and involvement of my colleagues on the Board of Directors. I particularly valued their assistance during the period I was acting General Director. In March 2007 I was delighted to hand over this role officially to Mr. Alan Horne.

Almost as soon as he arrived, our new General Director embarked on a thorough review of every aspect of telecommunications in the Kingdom. For the first time we gathered a comprehensive set of market data, we learnt of the experiences and expectations of consumers, and we listened carefully to the views of licensees and potential licensees. We looked at how far competition had developed in different markets. We reviewed technological change and international best practice. All this evidence provided us with a robust basis for making decisions and plans for the future.

It has also meant a great deal of work for the staff of TRA. Despite being relatively few in number, they have risen to the challenge and, on behalf of the Board, I would like to acknowledge the outstanding contribution they have made during 2007.

A particular feature of 2007 has been the constructive dialogue that TRA has established both with those in the telecommunications industry and with consumers. Indeed, the year ended with TRA and operators assessing together what went well and lessons learnt. The two consumer advisory groups – representing residential and business users – are now active and helping to shape the future with the needs and concerns of consumers particularly in focus.

This spirit of dialogue and co-operation was not confined to Bahrain's boundaries. In May TRA took over the Presidency of the Arab Regulators' Network for a year and, in addition to the annual meeting, we hosted two workshops on issues of mutual interest. Throughout the year we built up strong links with countries in the region and beyond.

There has been an increasing level of international interest in our activities and in our market. The Telecommunications sector is now making a significant contribution to the economy, both by providing an increasing range of services for businesses and by attracting significant inward investment. During the year, major international operators like BT and Orange invested in the Kingdom's telecommunications sector. Zain – the new brand name for the MTC Group – chose to move their headquarters to the Kingdom.

In the period 2003-2007 telecommunications sector revenues increased by 87%. In the period 2003-2007 the number of people directly employed in the telecommunications sector increased by 28%.

Penetration of broadband internet in Bahrain has nearly doubled each year (household penetration is 45% at present). With two mobile operators, Bahrain also enjoys one of the highest number of mobile telephone subscriptions per capita in the region.

A major vote of confidence for the Bahrain telecommunications regulatory and policy environment was the decision of Zain – the new brand name for the MTC Group, a multinational mobile telecommunications company with operations in 22 countries – to choose Bahrain over Dubai and Amsterdam as a location for their international headquarters. The advanced regulatory environment in Bahrain was cited among the reasons for the choice.

When we took the first steps towards liberalisation five years ago, we set out an ambitious vision – to develop the market so that the Kingdom of Bahrain would become the region's most modern communications hub. 2007 was the year when we began to see definite signs that the vision was turning into reality.



Dr. Mohammed bin Jassim Alghatam

General Director's Statement



This has been a watershed year for TRA and telecommunications in the Kingdom of Bahrain. After three years of liberalisation it was the right time to thoroughly assess the position of our market, both in national and global terms. On the basis of that knowledge, we could then consider the options for moving ahead, make informed decisions and step forward into the next phase of development with some certainty.

The aim of the regulator is to unleash market forces by putting in place the minimum necessary regulations, encourage competition wherever possible and improve the choices and benefits for consumers. Without doubt we still have challenges ahead and an important job to carry out at TRA.

This was my first year as General Director and I would like to thank the Chairman and Board for their welcome, steadfast support and active participation in the work of TRA during 2007. The leadership of the Chairman, Dr. Mohammed Alghatam, both on the Board and as acting General Director until March was greatly appreciated by myself, the staff and all stakeholders in the industry.

As a new arrival to the Kingdom, of course, I expected to learn much about the telecommunications sector here. But through the comprehensive Strategic and Retail Market Review I believe we have all – operators, consumers, investors, potential entrants, the Government, observers – greatly increased our knowledge and understanding.

The consumer surveys showed, for example, that 99 per cent of households had mobile phones and 11 per cent had more than one. Two-thirds of households had a fixed line and about half had Broadband access. All businesses had a fixed line and about two-thirds used mobile services and had Internet access.

However, consumers believed the cost of Internet services was too high and their speed too low. The cost of international calls was also considered too high. The exception was the market for calls to south Asian countries using international calling cards. Here the market was highly competitive and prices were lower.

Another barrier to competition was the lack of number portability. Consumers said they were seriously inhibited from moving to another operator if they could not keep their number. Then again many consumers were simply not aware of the choices of service now available and how to make the best use of those choices to meet their needs.

The operators and potential operators told us of their difficulty in building new infrastructure due to the high cost of access to Batelco's ducts and barriers to access to dig streets and other land. Wholesale costs for some services on Batelco's network were high, as were prices

for international private circuits and international leased lines. With Batelco still controlling virtually the whole fixed line market and 95 per cent of the Broadband market these were serious barriers to competition.

We have already taken action on some of these issues – for example, TRA has replaced Batelco on the Central Planning Unit of the Ministry of Works, which is responsible for coordinating infrastructure matters.

By the end of the year Bahraini residents were enjoying more choices and significantly better prices for Broadband as well as a 50 per cent or more drop in international call costs on many routes. On some routes there was a staggering 90 per cent growth in international outgoing minutes.

As a result of the Strategic and Retail Market Review we are looking at implementing a package of balanced regulatory measures that will further promote competition and deliver benefits for consumers. These measures include the introduction of number portability, the unbundling of the local loop to boost the Internet Broadband market, a revision of the retail regulation framework that applies to Batelco and the possibility of awarding a third mobile network operator license.

We are proposing a more flexible price control framework for Batelco's fixed services in which Batelco has significant market power. On the other hand we intend to remove the tariff approval process for all mobile services and competitive routes for fixed international calls, thereby removing ex ante control for other prices. Measures like this will give Batelco more flexibility to compete at the same time as balancing this flexibility with sufficient safeguards to protect consumers and competition in the market. Altogether we have a full and challenging agenda ahead for 2008 and beyond.

Many of our priorities for the next three years were set out in our Work Plan for 2007–2009. Raising consumer awareness of services and consumer protection featured strongly. We are determined that consumers should be empowered through access to high quality information about the market and the services available, as well as through knowing and exercising their rights and through having a voice. I am therefore delighted that both the Consumer Advisory Group and the Business Advisory Group are now very active – and vociferous – in championing the interests of consumers.

There were many new services on offer to consumers this year. The increased choices included new mobile services and new Broadband services. Zain launched their WiMax service – the first in the region.

An issue of particular concern to many consumers in the Kingdom is the high cost of using their mobile phone elsewhere in the region. This is not an issue that one country can resolve alone. The Arab Regulators' Network

(AREGNET) was the ideal forum to tackle this issue and in May 2007 TRA Bahrain had the honour of taking over the Presidency of this Network. We succeeded in reaching an agreement of AREGNET members on a recommendation for tackling high mobile roaming charges, which forms the basis for discussion of this issue at the Arab Telecommunications and Information Council of Ministers meeting planned for June 2008.

During 2007, we took the opportunity of strengthening our links with other members of AREGNET and with countries beyond the region. We signed two Memoranda of Understanding – with Saudi Arabia and the Lebanon. The Ambassador of the USA and the Crown Prince of Belgium asked to hear about our work and achievements.

A high-level delegation went to the ITU World Radiocommunications Conference in Geneva to discuss and reach an agreement with other countries from all over the world for the development of wireless services and other radio-spectrum-based applications on a global level.

These are clear signs of confidence in a market with potential for yet more growth. Our latest figures indicate that there was a 13 per cent growth in revenue and a 19 per cent growth in employment during 2007 alone in the sector. More than 2,500 people are now employed in the Kingdom's telecommunications industry.

In addition to growing confidence another characteristic of the year was increasing co-operation. My firmly held view is that much more can be achieved by working together, exchanging views and sharing experience than by working in isolation. We adopted a policy of setting up working groups on key issues, of promoting forums for discussion and of talking directly to interest groups such as various industry groups. I was particularly pleased that when we met the group of licensed operators at the end of the year, they identified this constructive dialogue as a very positive development in 2007.

This has been a fascinating year and one in which TRA has laid firm foundations for the future. We have never lost sight of our aim of establishing fair and effective competition, giving customers the choice of high quality, value-for-money services comparable to any in the world, and contributing to the economic growth of the Kingdom. TRA staff members have developed throughout the year into a highly capable team and one I am immensely proud of. Together with the industry and users we are making steady progress and I have no doubt I will have many more notable achievements to report next year.



Alan Horne

Highlights

Of 2007

January

- Two new national fixed wireless services (NFWS) licences awarded to MTC-Vodafone (later rebranded as Zain) and Mena Telecom
- TRA holds a workshop with the industry to discuss the regulatory strategy and priorities for TRA actions

February

- TRA consults on regulatory actions related to consumer protection issues
- TRA begins its first Strategic and Retail Market Review of the Telecommunications Sector
- Nuetel Communications launches its services in Amwaj Islands
- The Business Users Advisory Group meets for the first time
- The Ambassador of the USA visits TRA

March

- TRA launches a consultation on its draft three-year work plan
- Mr. Alan Horne formally appointed as General Director

April

- TRA asks comments on assignment of spectrum in the 1785–1805 MHz band

May

- Ms. Carolyn Kimber, Chairperson of the UK Communications Management Association (CMA), visits Bahrain and meets TRA, consumers, business users and general public
- TRA proposes solutions to enable operators to build new telecommunications infrastructure

- TRA launches its first independent survey of consumer expectations from telecommunications services
- TRA issues its final Work Plan for 2007–2009 setting out priority projects
- TRA Bahrain takes over the Presidency of the Arab Regulators' Network (AREGNET) and hosts the Network's fourth annual meeting
- TRA signs a Memorandum of Understanding with Saudi Arabia's Communication and Information Technology Commission
- TRA publishes its position on the regulation of Voice over Internet Protocol (VoIP) and Internet cafes providing international calls
- TRA approves Batelco's Reference Access Offer (RAO) after issuing an order to reduce certain charges to other operators
- Jordan Telecom Group/Orange acquires controlling stake in Bahrain-based Lightspeed Communications

June

- General Director meets members of the Bahrain Businessmen Association (BBA) and highlights new options and choices in the telecommunications sector that can improve business efficiency
- General Director gives speech to the American Chamber of Commerce on the telecommunications sector and how it is supporting economic growth

July

- The Numbering Working Group meets twice to discuss issues related to the revision of the National Numbering Plan
- TRA approves a 50 per cent reduction in Batelco's Broadband tariffs for businesses
- After reviewing Batelco's Reference Interconnection Offer (RIO), TRA orders Batelco to lower certain interconnection charges offered to other licensed operators
- TRA issues a summary of the responses on the assignment of spectrum in the 1785–1805 MHz band
- TRA holds a meeting of the management team with the media

August

- The Number Portability Working Group meets for the first time
- TRA publishes the findings of the first telecommunications consumer survey
- TRA releases the Strategic and Retail Market Review document for public consultation
- TRA consults on the National Numbering Plan

September

- TRA Bahrain signs a Memorandum of Understanding with TRA Lebanon
- The MTC Group, including MTC-Vodafone – the Kingdom's mobile operator – rebrands to Zain and moves its headquarters to Bahrain
- Zain launches the region's first WiMax network
- TRA publishes a guidance paper on its treatment of confidential and non-confidential information
- TRA publishes its position paper on price and non-price discrimination
- The Director of Legal Affairs of the Iraq Communications and Media Commission, visits TRA to share experiences

- TRA meets main wireless operators to discuss public concerns over health effects of radiation from telecommunications base stations

October

- High-level delegation from the Kingdom of Bahrain, which includes TRA's representatives, attends the World Radiocommunications Conference (WRC-07) in Geneva

November

- TRA publishes an update on the potential introduction of unbundled local loops in the Kingdom of Bahrain and the recommendations of an independent report for improving competition in the Internet market including through Local Loop Unbundling (LLU)
- TRA hosts an intensive regulation master class for its staff and the industry
- TRA hosts and chairs two meetings of AREGNET working group – on consumer protection issues and international mobile roaming charges
- TRA seeks views of other licensed operators on Batelco's Reference Interconnection Offer (RIO) and Reference Access Offer (RAO)
- General Director gives two presentations on liberalisation of telecommunications sector in the Kingdom to His Royal Highness Prince Philippe the Crown Prince of Belgium and the Bahrain British Business Forum (BBBF)

December

- New Consumer and Business User Advisory Groups are formed. Shaikha Haya Bint Rashed Al Khalifa is appointed Chairperson of TRA's Consumer Advisory Group, and Mr. Ahmed bin Hindi is appointed chairperson of TRA's Business Advisory Group
- TRA holds a meeting with licensees to review achievements and actions taken in 2007



TRA invites the industry to express interest in the third mobile license

In 2007 TRA gathered evidence to assess the current position of the telecommunications sector three years after liberalisation and made plans for the next phase of development in the Kingdom of Bahrain.

The Strategic and Market Retail Review consultation brought together a wide range of views and reviews, facts and figures, and national and international indicators of progress so far and options for the future. The Work Plan set out TRA's priorities for action up to 2009.

Together these give TRA a route map for effective action, based on sound evidence, leading to further development of the market and fulfilling customers' expectations in the years ahead.

The Strategic and Retail Market Review

TRA had been regulating the liberalised telecommunications sector in the Kingdom of Bahrain for three years by July 2007. During this period there had been a rapid growth in new licenses issued and the services offered to customers. It was unclear to what extent competition had become effective in different retail markets and what expectations of services consumers held.

TRA therefore undertook a rigorous review of the sector so it could obtain a clear picture of progress in order to form its next steps. The Review comprised a consideration of the definition of relevant telecommunications markets, an assessment of the degree to which competition had become effective in each and an assessment of current and future technology developments. The Review also included collecting and analysing the views of the public (through the market survey) on the results of liberalisation of the

telecommunications sector in the Kingdom. From these inputs TRA is developing options for future regulation – to reduce regulation where competition is effective or is clearly going to be in the short term, and to actively promote competition through regulation where it has not yet taken hold.

The Review included a number of elements in order to obtain a comprehensive picture. These were:

- Assessment of current state of competition in identified specific markets
- Business consumer survey (159 interviews conducted by Nielsen)
- Residential consumer survey (1052 interviews conducted by Nielsen)
- Assessment of current and future technology developments
- Collection of data from licensees using a market data questionnaire
- Review of international best practice
- Consultations at key stages

The results of the residential and business consumer market research were published separately in August and are discussed in the next section *Working for Consumers*. This gave a clear indication of customers' needs and perceptions as well as their views on current services.

At the end of August TRA released the Review for public consultation. It contained a wealth of information and analysis of the market as well as setting out regulatory options for the future based on this.

Before issuing its Final Statement on the outcomes of the Strategic and Retail Market Review, TRA undertook a second round of consultation on the timing of TRA's regulatory revised proposals and published in February 2008 a report on the first consultation. As part of the review TRA also initiated the process of significant market power designation for Batelco.

The whole Strategic Review process culminated with the publication in June 2008 of the Final Statement and SMP determination. The main outcomes of the review, to be implemented in the next few years, include:

- Removal of tariff approval process for all mobiles services and fixed international calls to selected destinations
- Major overhaul of the retail regulation regime
- Introduction of carrier selection and improvement to carrier pre-selection processes
- Award of a third mobile network operator license
- Introduction of number portability for fixed and mobile
- Development of competition guidelines
- Periodic conduct of consumer surveys and market intelligence

This comprehensive package of proportionate regulatory actions will further promote competition and the interest of consumers.

TRA'S Work Plan 2007–2009

In March 2007 TRA published a draft three-year Work Plan setting out its priorities and programme for action during 2007–2009. This was based on discussion with the Government, current and potential licensees, residential and business consumer advisory groups and the telecommunications sector as a whole.

The aim of the Plan was to support the vision of developing the Kingdom of Bahrain into the region's most modern communications hub, delivering state-of-the-art information and communications services at affordable prices for the Kingdom's consumers. The projects would enable TRA to enhance further the environment for sustainable competition, fostering competition where necessary, as well as to protect consumer rights and increase awareness of the choices in the marketplace. The Plan would also support governmental policies for national development and promote technological advances.

Following the period of consultation TRA published its final Work Plan for 2007–2009 in May. The Plan is divided into six areas:

- Enhancing the environment for sustainable competitive services;
- Fostering competition through proportionate regulatory intervention where necessary;
- Increasing customer awareness of the choices in the marketplace;
- Protecting customers' basic rights and interests;
- Developing a regulatory framework that supports national development policies;
- Ensuring regulatory procedures are streamlined, appropriate, open and transparent so they fully support, not hinder, competitive and technological advances.

The projects in the Work Plan address a wide variety of issues in these areas, including:

- Duct sharing and construction;
- International access;
- Market performance information;
- Spectrum management;
- Additional mobile licenses;
- Dispute resolution;
- Wholesale tariff control mechanisms;
- Number portability;
- Consumer awareness campaigns;
- Consumer rights protection framework.

The full list of projects with more detail can be seen on TRA's website. (www.tra.org.bh)



TRA's Board of Directors welcomes Shaikha Haya Al Khalifa as chairperson of the consumer advisory group

Consumers saw the benefits of liberalisation and a competitive market through more choices and lower prices in 2007. The cost of Broadband services and international calls for many destinations, in particular, fell significantly. Promotions in mobile services and a choice of new types of service were on offer to the Kingdom's business and residential customers.

The interests of consumers were again a high priority for TRA during 2007 and featured strongly in the Work Plan up to 2009. Consumer protection was a key theme and one TRA raised on an international agenda. The first consumer survey of both residential and business users was carried out and in February the Business Users Advisory Group met for the first time.

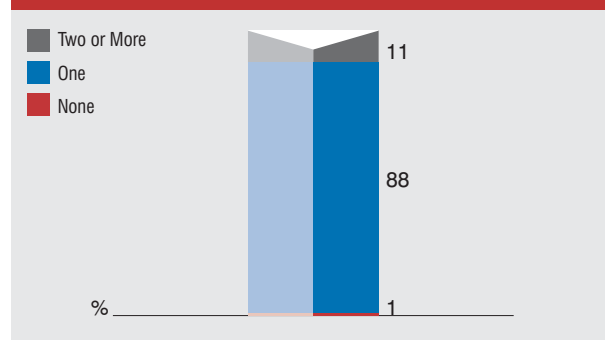
First consumer survey

At the beginning of May TRA commissioned independent research company Nielsen to undertake a comprehensive survey of over 1000 residential consumers and 150 businesses. Respondents were asked about their current telecommunications services – mobile, fixed, Internet and international calling – and their expectations of future services.

The results of the survey were published in August and formed part of the evidence base for the Strategic and Market Retail Review. These were some of the main findings:

- Virtually 100% of households surveyed had a mobile phone and 11% of individuals had more than one mobile phone or SIM card (Figure 1).

Figure 1: Proportions of households by number of mobile connections



- Fixed telephony remained important with about two-thirds of households surveyed having a fixed line and 53% an Internet connection (Figures 2 and 3).

Figure 2: Percentage of households with a fixed line

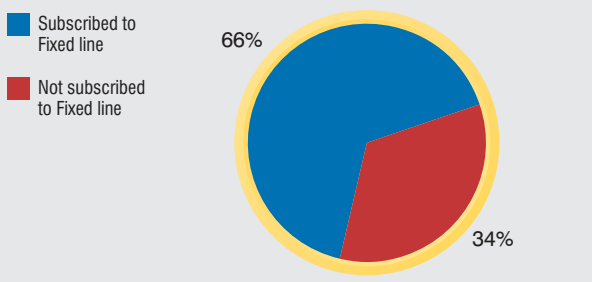
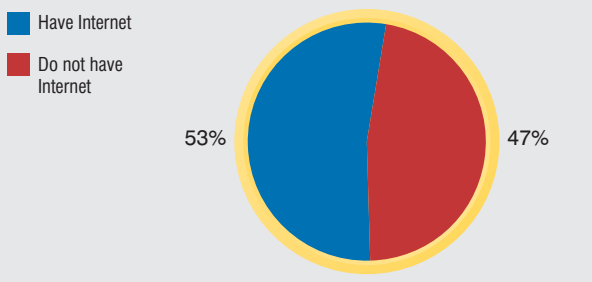
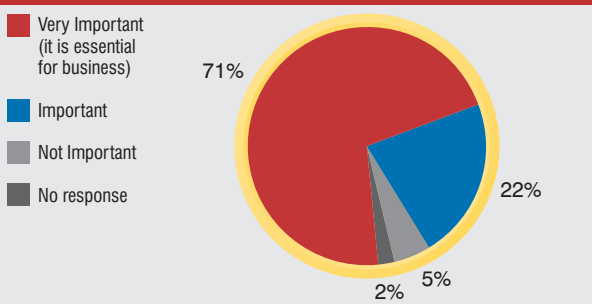


Figure 3: Percentage of households with an Internet connection



- 93% of businesses considered being able to retain their number when changing providers important (Figure 4).

Figure 4: Importance of retaining existing phone number for business users



- 100% of businesses used a fixed line, 64% also used mobile services, and 67% also had a Broadband connection (Figures 5 and 6).

Figure 5: Percentage of businesses with mobile phones

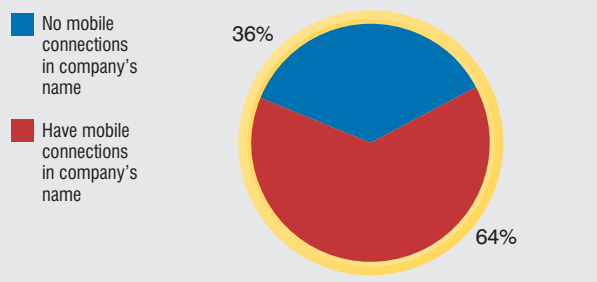
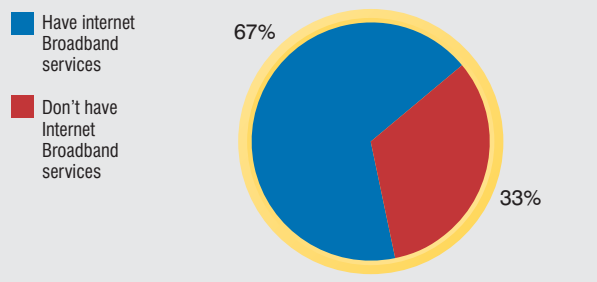
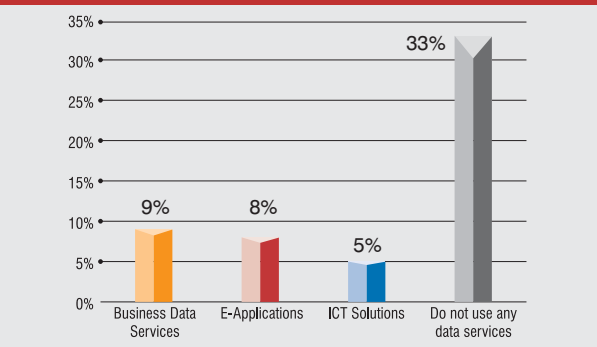


Figure 6: Broadband penetration in the business community



- The findings showed that the data market has room to grow: only 9% of businesses surveyed used data services, 8% used e-applications and only 5% used information and communications technology solutions (Figure 7).

Figure 7: Data Service used in organisations: An untapped growth potential



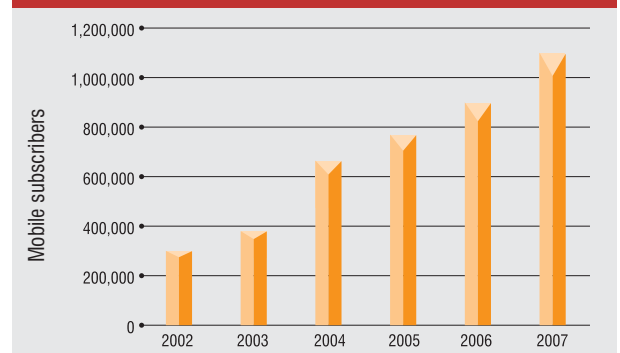
- The survey showed that Internet services were considered relatively slow and Internet charges were still considered expensive, especially when compared with leading countries in the world. The current speeds and prices appeared to be discouraging the growth of more sophisticated uses of the Internet.
- The results of the survey showed that consumers in the Kingdom of Bahrain were still learning about the capabilities of telecommunications and they had relatively low awareness of the various service choices available.

Market intelligence and customer service

There is a large number of market players in the Kingdom. As of December 2007 TRA has issued 152 licenses to 68 companies. Out of these 68 companies 16 operators currently provide a wide range of telecommunications services (see table below)

Market statistics showed a particularly strong growth in the number of mobile subscribers – in line with the survey results and worldwide trends (Figure 8). By the end of 2007 there were above one million active mobile handsets, compared to 650k mobile subscribers in 2004 and 300k in 2002.

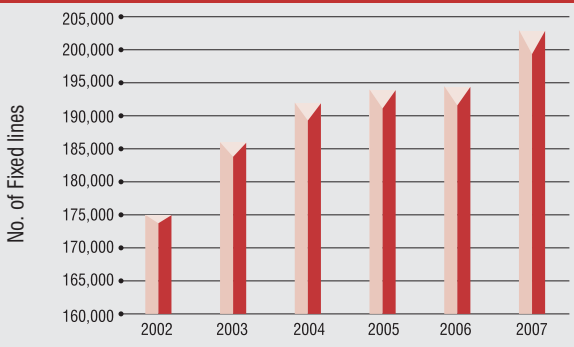
Figure 8: Mobile subscribers' growth in the Kingdom of Bahrain (2002 - 2007)



Services offered by Licensees							
	Operator Name	National Fixed	International Calls	Mobile	Internet	Leased line	Other data services
1	2Connect	✓	✓		✓	✓	✓
2	ANIS		✓				✓
3	Batelco	✓	✓	✓	✓	✓	✓
4	BT Solutions Ltd.		✓				✓
5	Business Communication Networks		✓				✓
6	Etisalcom	✓	✓		✓	✓	✓
7	Fakhro IT Services		✓				✓
8	Fastelco (TeleGulf)		✓				✓
9	Kalaam Telecom	✓	✓		✓	✓	✓
10	Light Speed	✓	✓		✓	✓	✓
11	Mena Telecom		✓		✓		
12	Northstar		✓		✓		
13	Nuetel Communications	✓	✓		✓	✓	
14	Orbit		✓		✓		
15	Viacloud		✓		✓		
16	Zain (Bahrain)	✓	✓	✓	✓		
	Total	7	15	2	10	6	6

Not surprisingly, the growth observed in the number of fixed lines has been less dramatic (Figure 9). By the end of 2007, there were 200,000 fixed lines compared to 175,000 in 2002.

Figure 9: Total number of Fixed Lines (2002 – 2007)



Broadband subscribers and 8 per cent were dial-up subscribers. The growth of Internet subscribers has accelerated since Q3 2006. The drop of dial-up subscribers is more than compensated for by the rapid growth of Broadband subscribers.

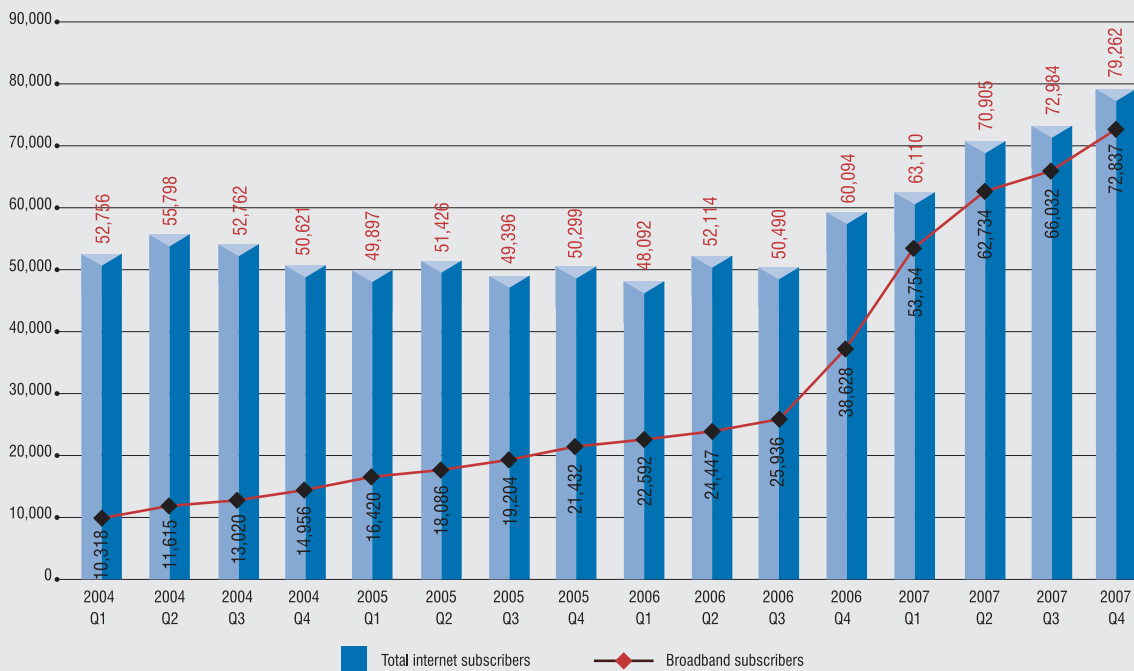
In 2007 consumers were offered an increasing choice in services from operators. For example, a new bitstream service was introduced allowing other licensed operators to offer Broadband Internet services to consumers over Batelco's infrastructure. An increase in the level of advertising by service providers showed how active the market is becoming, with real choice for consumers.

The mean monthly bill for fixed line services (national calls, international calls and line rental) in 2007 was BD29.

At the end of 2007 there were about 80,000 Internet subscribers (Figure 10), of which 92 per cent were

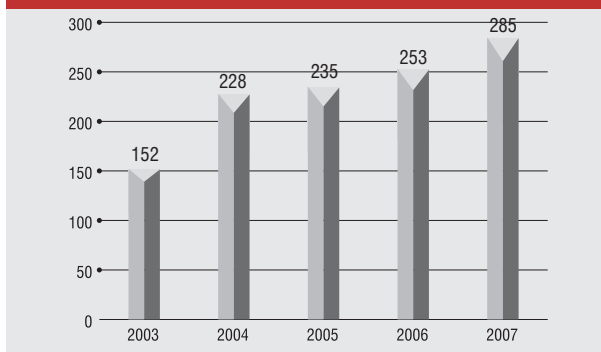
Market revenues have grown by 87% since market liberalisation in 2003, or 20% per annum. From a base of

Figure 10: Total Internet subscribers



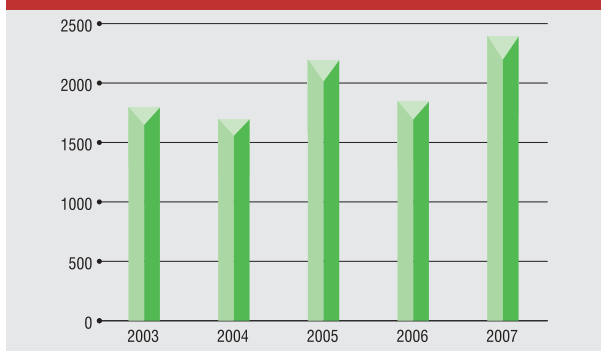
BD152 million in 2003, the telecommunications industry generated over BD285 million in 2007 (Figure 11).

Figure 11: Growth in the telecommunications market's revenues



The telecommunications sector is an important source of employment for the country. Between 2003 and 2007, 500 jobs were added as the number of employees grew from 1,800 to above 2,300 (Figure 12)

Figure 12: Number of employees in telecommunications market



Telecoms Price Benchmarking for Arab Countries

Prices of telecoms services are important to customers. Accordingly, TRA commissioned Teligen to conduct a price benchmarking study. The study covers Fixed Voice (PSTN), Mobile Telephony, Leased Lines and Broadband ADSL.

The figures below are a result of Teligen benchmarking study of June 2008 (Telecoms Price Benchmarking for Arab countries).

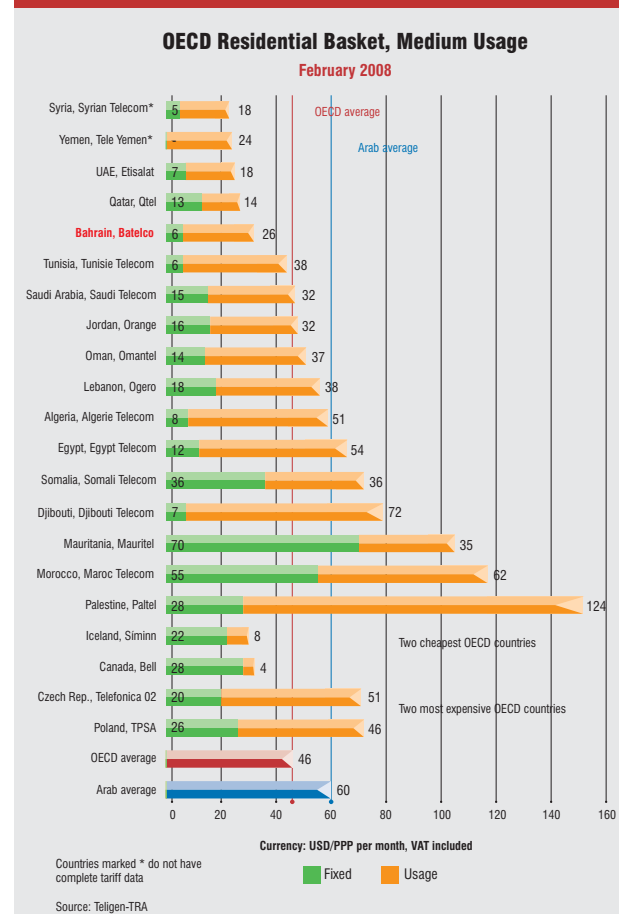
The full report of the benchmarking study is available on TRA's website (www.tra.org.bh).

Fixed voice (PSTN) basket

The Fixed Voice (PSTN) basket includes fixed charges for installation and rental, and usage charges covering local through to national calls, calls to mobiles, and international calls to other Arab countries plus a few others.

Figure 13 shows that Bahrain is one of the cheapest countries. Most Arab countries have fixed costs well below the OECD countries, causing the usage element to dominate.

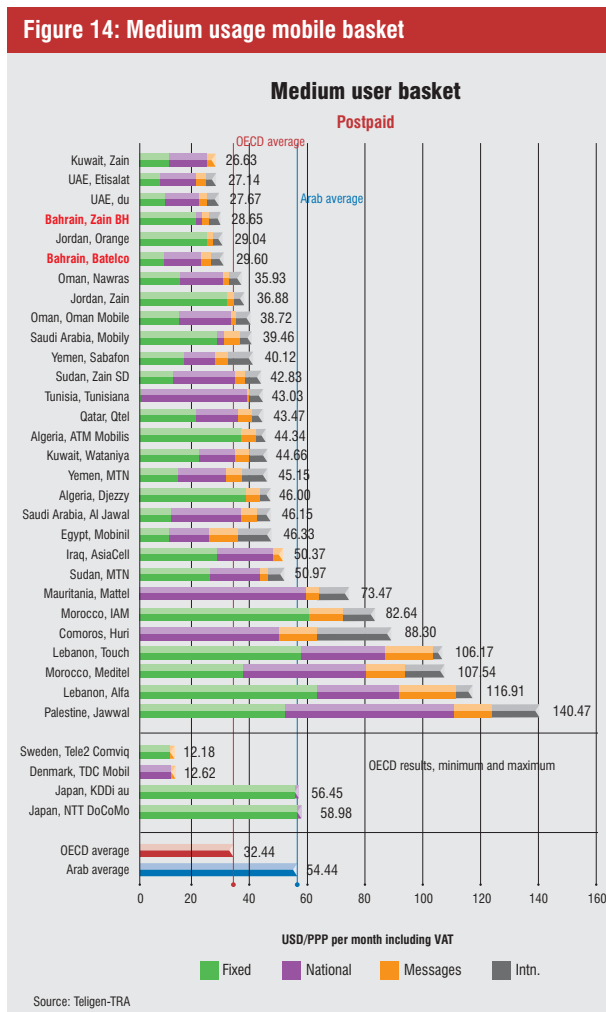
Figure 13: Fixed line medium usage basket



Mobile basket

The Mobile basket includes fixed charges for connection and rental, calls to fixed networks, on-net and off-net mobile and international calls to Arab and other countries, as well as charges for SMS, MMS and voicemail calls.

As shown in figure 14, Bahrain is one of the cheapest countries. Most Arab countries are around or above the OECD average. The average across Arab countries is 50-60% above the OECD average.



Broadband basket

The Broadband basket covers ADSL services with the speeds offered by each provider. The tariff data comprises the installation charge, modem cost (if applicable), monthly rental, usage allowances and any usage charges.

Figures 15 and 16 show that prices of high speed Broadband in Bahrain are higher than in Europe.

Figure 15: Residential high speed Broadband (1 – 4 Mb/s)

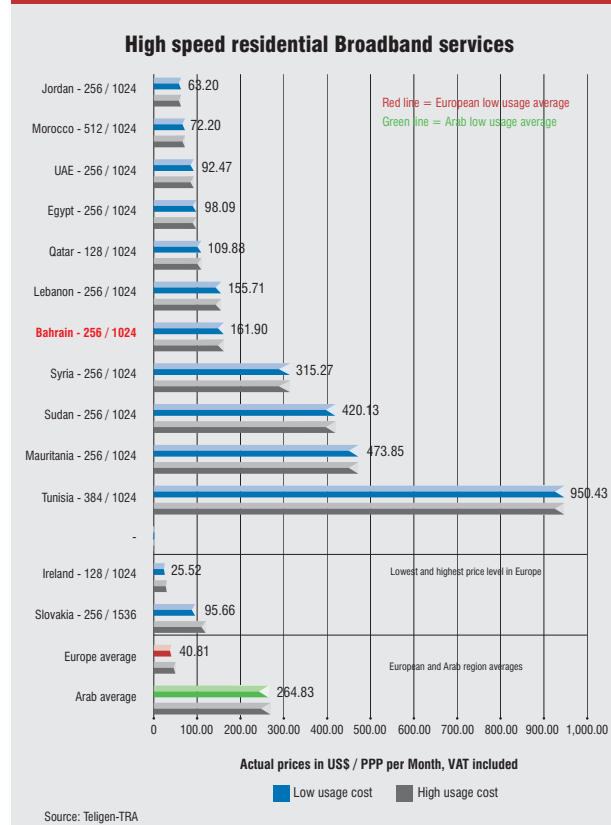


Figure 16: Business high speed Broadband (1 – 4 Mb/s)

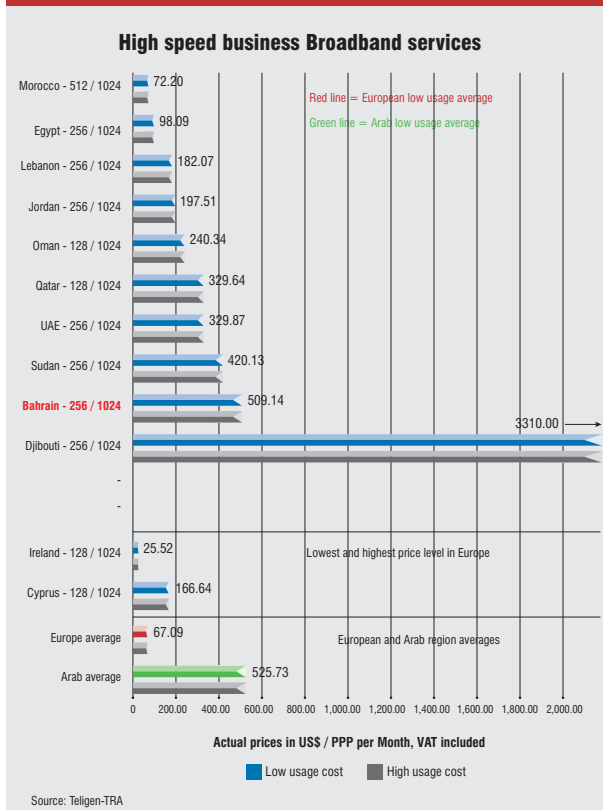
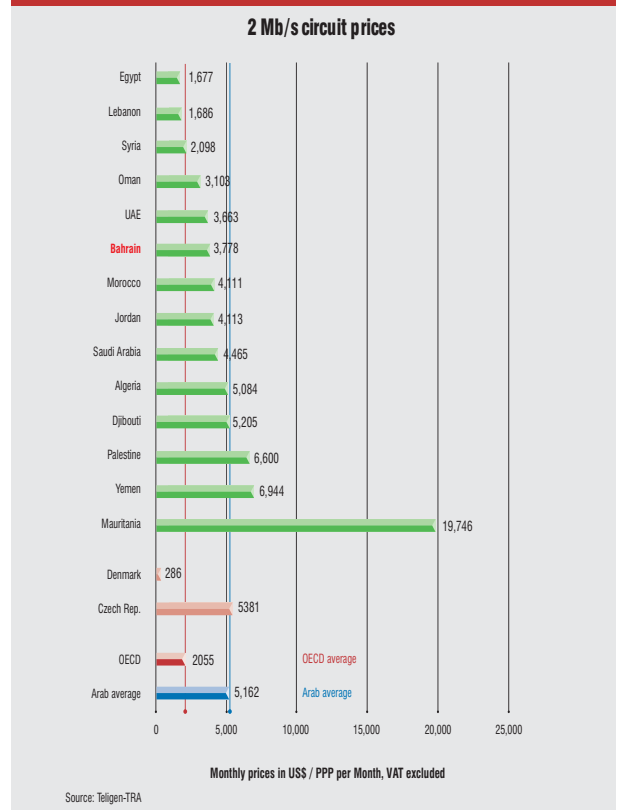


Figure 17: 2 Mb/s Leased Lines basket



Leased Lines basket

The Leased Lines basket covers speeds 64kb/s, 2 Mb/s and 34 Mb/s for the national circuits. 6 specific distances are used: 2 km, 20 km, 50 km, 100 km, 200 km and 500 km. Each distance is weighted in order to calculate a weighted average price for one circuit.

Figure 17 shows that Bahrain has prices lower than those of the most expensive OECD country. However, most Arab countries are more expensive than the OECD “best-in-class”.

Consumer protection

Following the first stage of the consultation on consumer protection, launched in 2006, on 4 February TRA launched its second consultation on consumer protection. It proposed:

- An ‘opt-out’ system for bulk SMS implemented through a code of practice
- The safeguard of a bank guarantee to protect consumers against the insolvency of telecommunications providers offering prepaid services
- An industry code of practice to protect consumers from unfair disconnection practices in case of non-payment of the bill

Consumer protection was the subject of a working group for members of the Arab Regulators Network (AREGNET) in October, hosted by TRA Bahrain during its

Presidency year. The working group agreed to prepare Consumer Protection Guidelines to be presented in the General Meeting of AREGNET. A second workshop discussed mobile roaming charges – another subject of consumer concern (see *Forging Links*).



AREGNET's consumer protection working group



AREGNET's roaming working group

Radiation from telecommunications base stations

TRA was aware of growing public concern regarding exposure to electromagnetic fields (EMF) radiated from telecommunications base stations. In September TRA met to discuss this issue with representatives from the main wireless operators as well as representatives from the Directorate of Communications at the Ministry of the Interior.

TRA's spectrum advisor, Mr. Karl van Heeswijk, updated the meeting on guidelines on EMF exposure levels accepted by the World Health Organisation (WHO). The meeting also discussed the results of two independent surveys of EMF radiation from telecommunications base stations in Bahrain. The first was commissioned by TRA and conducted by the German consulting company

Rohde and Schwarz at the end of 2005 and the most recent was carried out by the University of Bahrain.

The meeting also noted the views of Professor Paolo Vecchia, Chairman of the International Commission on Non-Ionizing Radiation Protection, and an internationally renowned expert on the effects of EMF exposure, who visited the Kingdom of Bahrain the week before the meeting and examined the University of Bahrain's study. Professor Vecchia advised that best international practice was to adopt the EMF exposure guidelines accepted by WHO.

Both studies involved detailed measurements of the level of EMF emitted from telecommunications base stations in Bahrain. The measurement results of both studies fell well below the levels accepted by WHO. TRA undertook to work with all operators to ensure that members of the public are not exposed to EMF levels in excess of those in the internationally accepted guidelines.

Consumer issues in TRA's Work Plan 2007–2009

Consumer protection issues were identified as a priority for TRA in its Work Plan published in May. TRA undertook to put in place a basic protection framework for consumer rights, particularly in relation to billing, collection and payment processes, and standard subscriber agreements. Resolving number portability issues and, longer term, the possibility of implementing universal access or universal service schemes also featured.

TRA will also run more consumer awareness campaigns in future. Together with improved information on tariffs and quality of service levels, these will enable customers to make fully informed choices about the services they are being offered. Engagement through representative groups and in other ways will also benefit consumers.

The Business Users Advisory Group

This group met for the first time in February to provide feedback to TRA on telecommunications issues from the perspective of the business user in the Kingdom. The

group is independent of TRA and members, who join voluntarily, serve for one year which may be renewed.

The initial Group comprised the following members:

- Bahrain Aluminium Company (Alba) – Mr. Abdulhameed Husain
- Bahrain Businessmen's Association – Mr. Ahmed Bin Hindi
- Bahrain Chamber of Commerce & Industry – Mr. Obaidly Al Obaidly (Chairperson)
- Bankers' Society of Bahrain – Mr. Michael B. Gehrman
- Central Informatics Organisation – Mr. Mohammed Al Yasi
- Central Informatics Organisation – Mr. Abdulraheem Al Abbasi
- Arab Banking Corporation – Mr. David Clarke
- Gulf Petrochemical Industries Co. – Mr. Yousif Abdulla Yousif

At its first meeting the Group set out five key aims:

- To raise issues with Licensees;
- To provide input to TRA on issues that affect business users;
- To discuss in advance with TRA issues for consultation so that the business perspective is fully reflected;
- To improve TRA's services as they affect business;
- To promote awareness of new services in the business community.



First Business Users Advisory Group

The Consumer Advisory Group

This was first set up in 2006 to raise issues of concern to consumers with TRA. Again membership is for one year and renewable.

In December Shaikha Haya Bint Rashed Al Khalifa was officially appointed as the Chairperson of the New Consumer Advisory Group. Shaikha Haya is a lawyer and is currently a member of the International Chamber of Commerce's (ICC) International Court of Arbitration.

She is also the Kingdom of Bahrain's permanent delegate to the United Nations Educational, Scientific and Cultural Organization (UNESCO). During 2006-2007 Shaikha Haya was the Head of the United Nations General Assembly.

At the end of the year TRA was in the process of appointing a further nine members of the group. The selection criteria were designed to appoint members who represent a cross-section of the community.

Visit of UK consumer expert

Both Consumer Advisory Groups were invited to a presentation in early May from Ms. Carolyn Kimber, the Chairperson of the Communications Management Association (CMA) in the United Kingdom, to share experiences with businesses and consumers on consumer protection issues and empowering consumers. The CMA is a not-for-profit organisation and has represented the interests of its members – mainly businesses relying on telecommunications technology – for nearly 50 years. It provides information on the latest developments for its members and represents their interests to the UK regulator Ofcom.

Complaints

In June TRA reminded customers with a complaint or enquiry about their telecommunications service to contact their service provider first. Consumers had been calling TRA's helpline (17520044) set up in 2006 but the majority had not contacted their service provider. Once raised with the service provider, if the complaint is not resolved within 60 days then customers can refer the matter to TRA for investigation. TRA's website has a step-by-step guide to making complaints. TRA also urged customers to keep a full record of any steps they take.

During 2007 TRA received a total of 17 complaints from consumers relating to matters they were not able to resolve with their service provider. This compares with 11 in 2006. Most concerned billing issues and disconnection of service. TRA resolved most of these cases within the year.



The Award of National Fixed Wireless Licences to Mena Telecom and Zain

All the indicators showed a real growth and confidence in the Kingdom's telecommunications sector during 2007. There was significant interest and inward investment which led to new services and laid a firm foundation for the future. Through establishing a fair and competitive market the regulatory framework delivered results for consumers, providers and the economy.

There was a 13 per cent growth in revenue and a 19 per cent growth in employment in the sector during the year. Since liberalisation in 2004, the telecommunications market has grown by 74 per cent and employment by 30 per cent to over 2,300 employees.

National fixed wireless service (NFWS) licenses

In January TRA officially awarded two new national fixed wireless service (NFWS) licenses, won by MTC-Vodafone Bahrain (later rebranded as Zain) and Mena Telecom in an auction held in December 2006. The licensees' systems will operate in the 3.4 to 3.6 GHz band.

Fixed wireless services allow for rapid start up of a telecommunications network because the final link to the end user – the most resource-intensive part to build and maintain in a fixed network – is provided by wireless technology.

Both NFWS licensees have to launch their services to customers within 18 months of the date of the award, and achieve coverage of at least 40% of the population by the same time. This coverage requirement increases to at least 95% of the population within 48 months of the license award date. The licenses require the two companies to offer local voice telephony and, subject to obtaining the appropriate additional licenses, they can also provide international calls, Internet and other services.

The two NFWS operators have sufficient bandwidth to offer a full range of telecommunications services,

both voice and data, direct to every customer, paving the way for a significant boost to competition in telecommunications services in the Kingdom of Bahrain.

In September Zain launched its fixed wireless service – zain@home – providing voice and Broadband services for residential customers. This was the first network of its kind in the region.

Competition in the Broadband market

Broadband is a key enabler of modern economies. TRA's strategy for promoting competition in the Broadband area is to encourage infrastructure-based competition at the deepest level possible while ensuring that an appropriate suite of access products is available for other licensed operators to compete with Batelco.

Use of radio spectrum in the 1785–1805 MHz range

This band was not allocated for any particular service or technology in the Spectrum Policy published jointly

by the Ministry of Transportation and TRA in 2006. In April, following the receipt of a number of expressions of interest in this band, TRA requested comments regarding the licensing of this band for commercial services.

At the end of July TRA published the responses it had received. These expressed concern over possible interference with services using adjacent spectrum, and support for licensing services in the band.

Additional mobile operators

TRA believes in the benefits of open and free entry in the telecommunications market. As an outcome of the Strategic Review, TRA decided to allow the entry of a third mobile network operator to compete with Batelco and Zain.

Further entry into the market is expected to shake up the competitive dynamics and bring benefits to consumers in terms of prices, choices and quality.

Other mobile and spectrum issues

In October the Kingdom of Bahrain helped shape the future use of global radiocommunications when a high-level delegation attended the World Radiocommunications Conference (WRC-07), the International Telecommunications Union's (ITU) major event held every four years.

The purpose of the conference was to debate the future use of the radiocommunications spectrum taking account of a wide range of services such as fixed, mobile, radio and TV broadcasting, International Mobile Telecommunications (IMT), satellite communications, scientific research, maritime and aeronautical safety communications, and public safety services. (See *Forging Links* for more information on the delegation's activities at the conference.)

TRA began the development of a national spectrum planning and allocation policy in consultation with all relevant stakeholders in the Kingdom with the assistance of an independent consultant.

The issue of tackling excessive charges for international roaming calls is discussed under *International call rates* below.

Voice over Internet Protocol (VoIP)

VoIP technology enables voice calls to be sent via modern data networks, including the Internet. Over the past few years it has been at the cutting edge of technological development in telecommunications and allows providers to offer services at prices much lower than those on offer by traditional service providers – in some cases free of charge.

In May TRA published a position paper on the regulation of VoIP in the Kingdom of Bahrain, as well as guidelines for Internet cafes and shops (so-called 'Call Shops'), in order to ensure their services complied with the Telecommunications Law.

The first paper outlined TRA's approach to the regulation of VoIP service providers, and in particular international services that can be accessed from Bahrain. It also addressed the issue of consumer protection. Consumers using VoIP services must be aware that foreign VoIP operators may fall outside the legal powers of TRA and so TRA cannot protect their consumer rights. There are certain services, such as access to emergency numbers, that are not always provided through VoIP services.

The second paper set out the requirements for Call Shops reselling the services of Bahraini licensed operators. It explained how Call Shops can comply with the regulatory regime by adopting the reselling/agency model. Call Shop owners need a license if they want to offer telecommunications services of their own and not if they are acting as resellers or agents of other licensees.

Telecommunications network infrastructure

Many current and prospective telecommunications licensees identified the restrictions on constructing ducts as a major barrier to developing new networks.

Batelco held unique rights on the planning, building, maintenance and protection of the telecommunications network infrastructure. These concerns emerged from TRA's ongoing dialogue with the industry.

Batelco had been the only licensed operator involved in the system for co-ordinating infrastructure matters operated by the Central Planning Unit (CPU) of the Ministry of Works, Power and Water. TRA looked at four options, which ranged from introducing additional safeguards to the current system to appointing an independent body to provide the interface between the CPU system and the telecommunications industry.

By the end of the year plans were in hand to set up a Telecommunications Technical Office to provide the interface between the industry and CPU for the planning and deployment of any new telecommunications infrastructure. This will help to promote effective and fair competition among licensed operators.

National Numbering Plan and Number Portability

TRA invited all licensed operators to attend two Numbering Working Group meetings held in early July. Working Groups are being set up by TRA as a forum for open and constructive discussion resulting in recommendations for action on certain issues relating to the telecommunications industry.

Operators, consumers and other interested parties were invited to a second Working Group – for Number Portability – at the beginning of August. The consumer survey highlighted this as an issue of particular concern to business customers.

Following these meetings, at the end of August, TRA issued a public consultation on the National Numbering Plan. This aimed to resolve numbering issues raised in previous consultations, with an emphasis on the need for nomadic numbering, and taking into account number portability. The emergence of new technologies and services, such as fixed wireless networks and

Voice over Internet Protocol (VoIP), made it essential to discuss further the requirement for new numbering designations.

At the end of the year TRA was considering responses and the best way forward.

Access and Interconnection

A key issue for effective competition is to ensure that competing telecommunications operators can link their networks – or interconnect – on fair terms. This allows calls from customers on one network to be delivered to customers on another network, and vice versa. If there is a dominant operator then competing operators also need to be sure they can get access on fair terms to wholesale services on that operator's network.

As the operator determined to have a dominant position in relevant markets, Batelco's terms and conditions for provision of its wholesale (i.e. access and interconnection) services must be published in a reference interconnection offer (RIO) and reference access offer (RAO). Under the Telecommunications Law TRA reviews Batelco's RIO and RAO every six months. The wholesale rates charged in the RIO and RAO directly affect the retail charge to the customer.

TRA issued an order to Batelco on their RAO at the end of May concerning certain wholesale services provided to other licensed operators. As a result, charges for a number of services went down including per-minute dial-up Internet termination, per-minute fixed and mobile transit, international private leased circuits, wholesale DSL residential port, and business and residential Bitstream services.

Batelco's RIO was approved in February. On 17 July TRA issued an order to Batelco in relation to its RIO requiring it to lower certain interconnection charges. Having reviewed the RIO and discussing the issue with Batelco's team, TRA was not satisfied that all charges were fair and reasonable. As a result, TRA decided that a number of interconnection charges should be

reduced, including:

- Mobile call terminating access by 8.5 per cent
- SMS terminating access by 8.7 per cent
- Freephone from a mobile phone by 8.5 per cent
- International fixed call termination by 7.6 per cent
- International mobile call termination by 6.8 per cent

At the end of November TRA issued a consultation document on Batelco's existing RIO and RAO. This sought the views of other licensed operators as to whether the terms and conditions required amendment and, if so, what proposed amendments the operators considered necessary.

Price and non-price discrimination

In September TRA set out its position on price and non-price discrimination. The paper provided guidance on what TRA considered to be discrimination by dominant operators in their transactions with their own retail arm and other retail operators. This gave existing and potential operators clarity on how TRA considered the concepts of equivalence and non-discrimination in the wholesale market.

Broadband tariffs

At the beginning of July TRA approved Batelco's proposed 50 per cent reduction of its 256 Kbps Internet Broadband tariff for business users. Batelco's proposed 50 per cent tariff reduction for higher bit-rates was also approved. To enable other operators to provide competitive Internet services, TRA requested Batelco to reduce its wholesale access price to these operators for 256 Kbps Broadband.

TRA was also concerned that customers should understand the conditions of the new offers, and therefore requested that all advertising and promotional material carried clear information about the terms of the offers and the time period they covered.

International call rates

Batelco's international direct dial (IDD) call rates to Gulf Cooperation Council countries (Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) were reduced following agreement with TRA in September. The reduction covered calls to these countries dialled from customers' fixed line telephones in the Kingdom. This not only benefited consumers through lower prices but also the country's competitiveness and the strength of links in the region.

In May, at the fourth Annual Meeting of the Arab Regulators' Network (AREGNET), members reached an agreement on recommendations for lowering tariffs for mobile roaming among Arab countries (see *Forging Links*). This would mean customers being charged less for calls made on their mobile phones when outside the Kingdom but within the region. The issue of tackling excessive rates for international roaming calls was discussed further at an AREGNET working group meeting in November.

Treatment of confidential and non-confidential information

This paper, published in September, provided guidance on what information TRA considered confidential or not, especially in the context of dealing with complaints. For example, information with a commercial value, or which relates to somebody's personal particulars or private affairs, would be considered confidential.

Nuetel Communications

Nuetel Communications launched its services in the Amwaj Islands in February. TRA welcomed the launch, Nuetel's investment in new telecommunications infrastructure and its intention to offer a range of innovative services to benefit both business and residential customers.

In November Nuetel announced that BT (British Telecommunications plc), one of the world's leading

providers of global telecommunications with operations in 170 countries, would be operating Nuetel's infrastructure for three years and roll out new services and provide technical support. This agreement arose from the strategic relationship between Nuetel and BT covering technical consultancy and services development, joint marketing, and the resale of BT's worldwide services.

At the end of November Nuetel announced agreement on the next step – for a telecommunications voice node enabling competitive wholesale connectivity for service providers throughout the region and supporting the development of next generation networks. This would be BT's first global gateway outside Europe.

Lightspeed Communications

Another major move in the Kingdom's telecommunications market came in May when Jordan Telecom Group, backed by its strategic shareholder France Telecom – which trades under the Orange brand – announced the acquisition of a controlling stake in Bahrain-based Lightspeed Communications. This heralded another substantial investment in telecommunications in the Kingdom over the next two years.

By the end of the year Lightspeed was offering a choice of new competitive Broadband voice and Internet services to both residential and business customers. Lightspeed began offering services in the Kingdom in 2005.

Zain

On 10 September the MTC Group, provider of mobile services in 21 countries across the region including the Kingdom of Bahrain (as MTC-Vodafone), rebranded to become Zain. The Group announced their intention to rebrand all their current and future operating companies to this single name. The Group also moved their headquarters to Manama and one of the key decision criteria was the open regulatory environment in the Kingdom of Bahrain.

Other regulatory actions

During 2007 the following licenses were issued:

- 2 international telecommunications facilities licenses (IFL)
- 8 international telecommunications service licenses (ISL)
- 2 national fixed wireless service licenses (NFWS)
- 1 VSAT license
- 4 value added service licenses
- 2 Internet exchange licenses
- 4 Internet service provider licenses (ISP)

During 2007 there was 1 license (value added services) revoked.

TRA decided not to oppose the six transactions it considered during the year under the Telecommunications Mergers and Acquisitions Regulation.

During the year TRA processed a total of 544 requests for approval of telecommunications equipment compared to 187 in 2006.

A full list of telecommunications license holders is given in Annex A and a full list of consultations issued in 2007 in Annex B. A complete summary of regulatory actions during the year is given in Annexes C and D.

TRA also maintains a register of information as specified in section 52a of the Telecommunications Law.

Cases and Arbitrations

The arbitration commenced by Batelco in 2006 against TRA, challenging the TRA's RAO Order of 12 July 2006, was withdrawn by Batelco in June 2007. This occurred after TRA had issued its subsequent RAO Order on 23 May 2007.

In January 2007 ATCO Clearwire Telecom Ltd ("ATCO") commenced an action in the High Court against TRA challenging TRA's award of the NFWS licenses to MTC-Vodafone (Bahrain) BSC (now Zain) and Mena Telecom WLL (please refer to pages 19-21 of TRA's 2006 Annual Report). As at May 2008 the case has not been determined and is before the Administrative Section of the High Court of the Kingdom of Bahrain.



TRA Bahrain taking over the presidency of AREGNET from TRA UAE

TRA has been very active this year in building constructive relationships – within the Kingdom of Bahrain, within the region and within the global telecommunications environment. Establishing constructive dialogue is vital to realising TRA's ambitions for the years ahead. The increasing international interest in the liberalisation of the market in the Kingdom is also an encouraging sign of significant progress.

Links within the Kingdom of Bahrain

At the start of the year TRA held a high-level meeting with licensed operators and potential investors in the telecommunications industry to discuss issues of particular concern to operators. This was part of a series of meetings with stakeholders in telecommunications, including residential and business users. The two main issues which emerged as a priority were the need to increase competitive availability of international connectivity and to enable competing operators to have access to end customers. The participants also discussed the relationship between new operators and the incumbent in terms of the supply of services and access to infrastructure at wholesale prices.

At this meeting TRA announced its intention to set up a licensees' group and a series of working groups. The aim was to find solutions and ways forward, through the industry and interested parties working together, so as to ensure that customers benefit from a growing number of high quality competitive services.

In July TRA set up the first working group on numbering which held two meetings that month. A second working group, on number portability, was set up in August (see *Building a Competitive Market* for more on numbering issues).

In June the General Director met members of the Bahrain Businessmen Association (BBA) and gave a

presentation on how telecommunications can improve business efficiency. He highlighted new options and choices now available for business customers in the Kingdom and emphasised the importance of information and communication technologies (ICT) in economic development. He also invited members of the BBA to play a more active role in providing TRA and telecoms operators with feedback and concerns.

In September the General Director gave a presentation on the Telecommunications Strategic and Retail Market Review, soon after it was published, to an audience of residential and business consumers.

In July TRA's management team met with representatives from the Kingdom's media. The aim was to brief them on the role of TRA, recent developments in telecommunications and the choices now available for consumers. The media are a key channel for increasing awareness among consumers and enabling people to make well-informed choices.

In October TRA organised an intensive three-day master class on telecommunications regulation for representatives from the main operators and TRA staff. Apart from gaining a wider knowledge of current developments, such as next generation networks, it also enabled participants to discuss issues and better understand their different viewpoints.

At the end of the year TRA met with licensees to review what worked well in 2007 and what lessons could be

learned to enable TRA and the telecommunications industry to do better in 2008. It was a wide-ranging discussion but the licensees all agreed that a positive development in the year had been the improved dialogue with TRA and the actions resulting from it.

Links with other regulators in the region

TRA Bahrain took over the presidency of the Arab Regulators' Network (AREGNET) at their Fourth Annual Meeting, held over two days on 23-24 May. AREGNET was established in April 2003 and comprises regulators from 20 Arab countries in total, of which 13 sent delegations to the meeting. The presidency runs for one year.

The meeting and the presidency were excellent opportunities to strengthen links with other regulators in the region and raise issues of mutual concern. TRA took full advantage of them.



AREGNET Fourth Annual Meeting under TRA Bahrain presidency

AREGNET members agreed on the four main priorities for the year 2007/2008 and formed the Working Groups to address these issues. The priorities established were the following:

- Consumer protection framework
- Regional benchmarking
- The licensing framework to take account of convergence of technologies and services.
- International Mobile Roaming

As a result TRA hosted and led two AREGNET working group meetings in November. The first focused on consumer protection and the second on mobile roaming charges.

Participants in the first meeting discussed how best to

protect consumers and their rights in a liberalised and competitive market. Issues covered by the workshop included access to services and information, ensuring fair contracts, managing complaints and empowering consumers and their representative groups.

Several international experts contributed to the roaming working group discussion. They included a strong contingent from Europe where customers are now benefiting from lower prices when travelling within the European Union.

AREGNET members also agreed to host workshops in order to share experience and best practice. The subjects agreed were: number portability, spectrum management, ducts and right of way, cyber security and next generation networks.

During the year TRA Bahrain signed two Memoranda of Understanding (MoU) with other AREGNET members showing our commitment to closer working ties.

At the AREGNET meeting in May, a MoU signed with the Communication and Information Technology Commission of Saudi Arabia set out an undertaking to cooperate on various regulatory issues. On 24 September a MoU signed with TRA Lebanon covered various issues of bilateral and multilateral interest, including consumer affairs, spectrum management, exchange of expertise and training.



TRA signs a Memorandum of Understanding with TRA Lebanon

The Director of Legal Affairs at the Iraqi Communications and Media Commission visited TRA in September. The aim of the visit was to develop cooperation and exchange experiences. The regulatory framework, licensing regime and issues around liberalisation were among the areas discussed.

Links with the telecommunications world

In October the Ministry of Transportation's Under-Secretary responsible for telecommunications matters, Shaikh Mohammed Al Khalifa, and TRA's General Director led a senior delegation from the Kingdom of Bahrain to the World Radiocommunications Conference (WRC-07). This event is organised by the International Telecommunications Union (ITU) and is held in Geneva every four years.

The purpose of the conference was to debate the future use of the radiocommunications spectrum taking account of a wide range of services such as fixed, mobile, radio and TV broadcasting, International Mobile Telecommunications (IMT), satellite communications, scientific research, maritime and aeronautical safety communications, and public safety services.

The Kingdom's delegation had a private meeting with Dr. Hamadoun I. Toure, the Secretary General of the ITU. The discussions covered a number of subjects including ITU support for the Kingdom in terms of training, and ways to ensure the security of consumer information when using radiocommunications networks. Members of the Kingdom's delegation took part in one or more of seven committees established during the plenary session, to address the wide range of demands on the radiocommunications spectrum.

Links with other countries

In February HE William Monroe, the Ambassador of the United States of America, visited TRA and discussed inward investment opportunities for the Kingdom within



TRA welcomes the US Ambassador

the US Free Trade Agreement. In particular the talks focussed on the importance of access to advanced telecommunications services and to international capacity at competitive prices to encourage investment.

The General Director paid a return visit – to the American Chamber of Commerce – in June and gave a speech on how an effective competitive telecommunications environment is supporting economic growth in Bahrain.

Ms. Carolyn Kimber, the Chairperson of the Communications Management Association (CMA) in the United Kingdom, visited in May and addressed the two consumer advisory groups. The CMA represents mainly business interests and works closely with the UK regulator Ofcom.

The General Director gave a presentation on the liberalisation of the market in Bahrain to His Royal Highness Prince Philippe, the Crown Prince of Belgium, during his visit to the Kingdom in November.

Also in November the General Director spoke to over 90 business people from the UK and Bahrain at a Bahrain British Business Forum luncheon. He updated the audience on the telecommunications sector in the Kingdom.

TRA communications

In addition to the events and speeches mentioned above, TRA continued to publish as much information as possible about its regulatory activities. This is a vital part of TRA's open and transparent approach to regulation. All the significant regulatory actions and documents were published on TRA's website and press notices were issued to draw media and public attention to the latest developments. Visitors can choose to enter the site from the perspective of a consumer, an operator or somebody looking for legal information.



TRA's staff and families karting at Bahrain International Circuit

At the beginning of the year the Chairman of the Board, Dr. Mohammed J. K. Alghatam, was the acting General Director. In March Mr. Alan Horne, the General Director designate, was formally appointed to the post by His Majesty King Hamad bin Isa Al Khalifa. In February Mr. Tomas Lamanauskas joined TRA as the Deputy General Director.

During the year TRA was restructured to ensure it was set up to deliver the three-year Work Plan and strategic ambitions developed during the year. During 2007, two new Directors, for Communications and Consumer Affairs and Market & Competition, a Manager for Consumer Affairs, and a Chief Economist have joined TRA. In addition, TRA continued to extend its expertise in various fields, such as Legal, Economics, Technical, and Communications & Consumer Affairs. By the end of 2007 the total number of staff had increased to 25.

As in previous years training continued to be an important part of TRA's policy for developing our staff. Once again, during the year every member of staff attended off-site training in their area of specialisation. In addition, TRA commissioned consulting firm The Partnership to conduct team-building training. As a result TRA took away many action points for implementation in 2008 that will improve the effectiveness of the Authority.

Statement Of Accounts

Independent Auditors' Report to the Board of Directors of Telecommunications Regulatory Authority

We have audited the accompanying financial statements of Telecommunications Regulatory Authority ("the Authority") which comprise the balance sheet as at 31 December 2007 and the statements of income, accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

5 May 2008

Manama, Kingdom of Bahrain

Balance Sheet

as at 31 December 2007 (expressed in Bahraini Dinars)

	2007 BD	2006 BD
ASSETS		
Non-current asset		
Furniture and equipment	26,093	50,189
Current assets		
Licence fees receivable	151,466	20,663
Prepayments	44,995	18,880
Accrued interest and other receivables	5,319	2,071
Bank balances and cash	7,551,017	5,825,185
	7,752,797	5,866,799
Total assets	7,778,890	5,916,988
ACCUMULATED SURPLUS AND LIABILITIES		
Accumulated surplus	54,856	19,467
Reserve for commitments	1,210,694	485,050
	1,265,550	504,517
Current liabilities		
Accounts payable	1,057,870	131,392
Accrued expenses	61,514	165,904
Deferred income	5,393,956	5,115,175
	6,513,340	5,412,471
Total accumulated surplus and liabilities	7,778,890	5,916,988

The financial statements were authorised for issue in accordance with a resolution of the directors on 5 May 2008.

Dr. Mohammed J.K. Alghatam
Chairman of the Board of Directors

Geoffrey Alan Horne
General Director

Statements

Of Income And Accumulated Surplus

as at 31 December 2007 (expressed in Bahraini Dinars)

STATEMENT OF INCOME

	2007 BD	2006 BD
Income		
Licence fees	2,888,963	2,559,448
Interest income	-	76,275
	2,888,963	2,635,723
Expenses		
General and administration	1,691,247	1,611,532
Consultancy fees	152,648	445,456
Publicity and promotions	120,572	201,586
Directors remuneration and expenses	115,696	101,229
Depreciation	28,300	37,647
	2,108,463	2,397,450
Surplus for the year	780,500	238,273

STATEMENT OF ACCUMULATED SURPLUS

	Accumulated surplus BD	Reserve for commitments BD	Total BD
Balance at 31 December 2005	1,097,753	266,244	1,363,997
Payment to the Ministry of Finance	(1,097,753)	-	(1,097,753)
Surplus for the year	238,273	-	238,273
Net transfer to the reserve	(218,806)	218,806	-
Balance at 31 December 2006	19,467	485,050	504,517
Payment to the Ministry of Finance	(19,467)	-	(19,467)
Surplus for the year	780,500	-	780,500
Net transfer to the reserve	(725,644)	725,644	-
Balance at 31 December 2007	54,856	1,210,694	1,265,550

Statement Of Cash Flows

as at 31 December 2007 (expressed in Bahraini Dinars)

	2007 BD	2006 BD
OPERATING ACTIVITIES		
Surplus for the year	780,500	238,273
Adjustments for:		
Depreciation	28,300	37,647
Interest income	-	(76,275)
Operating surplus before working capital changes	808,800	199,645
Receivables and prepayments	(160,166)	727,535
Accounts payable	926,478	(712,240)
Accrued expenses	(104,390)	(345,753)
Deferred income	278,781	5,077,175
Net cash from operating activities	1,749,503	4,946,362
INVESTING ACTIVITIES		
Deposit matured during the year	-	1,033,604
Purchase of furniture and equipment	(4,204)	(14,082)
Interest received	-	81,658
Payment made to Ministry of Finance	(19,467)	(1,097,753)
Net cash (used in) from investing activities	(23,671)	3,427
INCREASE IN CASH AND CASH EQUIVALENTS	1,725,832	4,949,789
Cash and cash equivalents at beginning of the year	5,825,185	875,396
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	7,551,017	5,825,185

Annex A

Telecommunications Licences issued to operators as of 2007

CLASS LICENSE FOR INTERNET SERVICES

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03
MTC-Vodafone Bahrain B.S.C. (closed)	18-Aug-03
Gateway Gulf Company B.S.C. (closed)	25-Sep-03
Tasameem Est for Information Technology	29-Sep-03
Arabian Network Information Services W.L.L.	4-Apr-04
2Connect W.L.L.	6-Sep-04
Mena Telecom W.L.L.	3-Nov-04
Northstar Technology Company W.L.L.	22-Mar-05
Business Communications Networks	11-May-05
Kalam Telecom Bahrain B.S.C. (closed)	11-May-05
Nuetel Communications S.P.C.	15-May-05
Etisacom Bahrain Company W.L.L.	26-Jul-05
Central Informatics Organization (CIO)	28-Aug-05
Orbit Communications Company W.L.L.	28-Aug-05
Viacloud W.L.L.	21-Sep-05
Lightspeed Communications W.L.L.	22-Sep-05
Tele Gulf W.L.L.	18-Jan-06
Voice Stream S.P.C.	22-Jun-06
Elephant Talk Bahrain W.L.L.	11-Jul-06
Ascentech Technical Services	1-Nov-06
Kuwait Establishment General Trading & Contracting	11-Feb-07
Circletel Consultancies Company W.L.L.	21-Mar-07
Golden Star Telecommunications W.L.L.	2-Apr-07
Skyfi Networks W.L.L.	23-Jul-07
Bahrain Petroleum Company	8-Aug-07
Rawabi Telecommunications and Software Co. Ltd.	17-Oct-07
Golden Sands Electronics and Phone	4-Nov-07
ICOL Plus W.L.L.	12-Nov-07

CLASS LICENSE FOR VALUE ADDED SERVICES (VAS)

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03
MTC-Vodafone Bahrain B.S.C. (closed)	18-Aug-03
Socite International De Telecommunications Aeron	31-Aug-03
Gateway Gulf Company B.S.C. (closed)	25-Sep-03
BT Solutions Ltd. (Bahrain Branch)	20-Mar-04
Arabian Network Information Services W.L.L.	4-Apr-04
Bahrain Call	20-Jun-04
Infonet	27-Jun-04
Star Telemedia	12-Jul-04
Rawabi Al Bahrain Co. W.L.L.	25-Oct-04
Mena Telecom W.L.L.	3-Nov-04
2Connect W.L.L.	4-Dec-04
Mobile Information Services	8-Feb-05
ICOL Plus W.L.L.	15-Feb-05
Etisacom Bahrain Company W.L.L.	19-Mar-05
Northstar Technology Company W.L.L.	22-Mar-05

Kalam Telecom Bahrain B.S.C. (closed)	18-Apr-05
Fakhroo Information Technology Services W.L.L.	19-Apr-05
Lightspeed Communications W.L.L.	26-Apr-05
Kasiopia NetCom-KNC, (Bahrain)	27-Apr-05
Viacloud W.L.L.	27-Apr-05
Business Communications Networks	11-May-05
Nuetel Communications S.P.C.	15-May-05
Orbit Communications Company W.L.L.	28-Aug-05
Star Gate Telecommunication W.L.L.	21-Sep-05
Fusion Bahrain W.L.L.	25-Sep-05
Access Telecommunication W.L.L.	15-Oct-05
Tele Gulf W.L.L.	15-Oct-05
Bahrain Broadband Co. W.L.L.	1-Nov-05
Media Phone Plus General Trading	7-Jan-06
Smart Marketing Co.	7-Jan-06
Neema Graphics	1-Feb-06
Digi Connect Co. W.L.L.	1-Feb-06
Invita Company B.S.C. (closed)	28-Feb-06
Mobilink Co. W.L.L.	28-Feb-06
Cellucom W.L.L.	7-May-06
Swiftel International Co. W.L.L.	8-May-06
Red Moon Communications S.P.C.	4-Jun-06
Voice Stream S.P.C.	22-Jun-06
Ascentech Technical Services	28-Jun-06
Elephant Talk Bahrain W.L.L.	11-Jul-06
First International Network	14-Jan-07
Golden Star Telecommunications W.L.L.	2-Apr-07
OSS Telecommunication W.L.L.	1-Jul-07
Rawabi Telecommunications and Software Co. Ltd.	30-Oct-07
Mena Business Services (Foreign Branch)	28-Nov-07

INDIVIDUAL LICENSE FOR INTERNATIONAL TELECOMMUNICATIONS FACILITIES

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03
MTC-Vodafone Bahrain B.S.C. (closed)	9-May-04
Mena Telecom W.L.L.	3-Nov-04
Kasiopia NetCom-KNC, (Bahrain)	27-Feb-05
Viacloud W.L.L.	27-Feb-05
Northstar Technology Company W.L.L.	22-Mar-05
FLAG Telecom Group Limited-Bahrain (Branch Office)	20-Apr-05
Nuetel Communications S.P.C.	15-May-05
Orbit Communications Company W.L.L.	28-Aug-05
Gateway Gulf Company B.S.C. (closed)	17-Oct-05
Etisacom Bahrain Company W.L.L.	25-Aug-06
Kuwait Establishment General Trading & Contracting	11-Feb-07
Golden Star Telecommunications W.L.L.	2-Apr-07
OSS Telecommunication W.L.L.	1-Jul-07

INDIVIDUAL LICENSE FOR INTERNATIONAL TELECOMMUNICATIONS SERVICES

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03
MTC-Vodafone Bahrain B.S.C. (closed)	1-Jul-04
IMC Telecom W.L.L.	29-Aug-04
Mena Telecom W.L.L.	3-Nov-04
Digi Connect Co. W.L.L.	3-Nov-04
2Connect W.L.L.	4-Dec-04
Socite International De Telecommunications Aeron	13-Mar-05
Etisacom Bahrain Company W.L.L.	19-Mar-05
Northstar Technology Company W.L.L.	22-Mar-05
Kalam Telecom Bahrain B.S.C. (closed)	18-Apr-05
Fakhroo Information Technology Services W.L.L.	26-Apr-05
Lightspeed Communications W.L.L.	26-Apr-05
Kasiopia NetCom-KNC, (Bahrain)	27-Apr-05
Viacloud W.L.L.	27-Apr-05
Business Communications Networks	11-May-05
Nuetel Communications S.P.C.	15-May-05
Arabian Network Information Services W.L.L.	5-Jun-05
Voice Stream S.P.C.	18-Jun-05
BT Solutions Ltd. (Bahrain Branch)	23-Jul-05
Orbit Communications Company W.L.L.	28-Aug-05
Star Gate Telecommunication W.L.L.	21-Sep-05
Fusion Bahrain W.L.L.	25-Sep-05
Access Telecommunication W.L.L	15-Oct-05
Tele Gulf W.L.L.	15-Oct-05
Gateway Gulf Company B.S.C. (closed)	17-Oct-05
Allied Engineering Group W.L.L.	24-Oct-05
Bahrain Broadband Co. W.L.L.	1-Nov-05
EGN B.V. Equant Global Network (Foreign Branch)	15-Nov-05
Swiftel International Co. W.L.L.	8-May-06
Ascentech Technical Services	5-Jul-06
Elephant Talk Bahrain W.L.L.	11-Jul-06
First International Network	14-Jan-07
Kuwait Establishment General Trading & Contracting	11-Feb-07
Golden Star Telecommunications W.L.L.	2-Apr-07
OSS Telecommunication W.L.L.	1-Jul-07
Rawabi Telecommunications and Software Co. Ltd.	30-Oct-07
Al Zubara International Trading	25-Nov-07
Hawar Telecommunications Company W.L.L.	9-Dec-07

INDIVIDUAL LICENSE FOR MOBILE TELECOMMUNICATIONS

Licensed Company Name	Date of Issue
MTC-Vodafone Bahrain B.S.C. (closed)	22-Apr-03
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03

INDIVIDUAL LICENSE FOR NATIONAL FIXED SERVICES

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03
Lightspeed Communications W.L.L.	26-Apr-05
Nuetel Communications S.P.C.	15-May-05
2Connect W.L.L.	1-Aug-05
Kalam Telecom Bahrain B.S.C. (closed)	14-Aug-05
Mena Telecom W.L.L.	23-Jan-06
Etisacom Bahrain Company W.L.L.	15-May-06
Elephant Talk Bahrain W.L.L.	11-Jul-06
Golden Star Telecommunications W.L.L.	2-Apr-07

INDIVIDUAL LICENSE FOR PAGING SERVICES

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03

INDIVIDUAL LICENSE FOR PUBLIC ACCESS MOBILE RADIO SERVICES

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03

INDIVIDUAL LICENSE FOR VERY SMALL APERTURE TERMINAL (VSAT)

Licensed Company Name	Date of Issue
Bahrain Telecommunications Company (BATELCO) B.S.C.	21-Jun-03
Bahrain Car Racing Circuit (BCRC)	14-Mar-04
Gulf Aluminum Rolling Mill Co. B.S.C. (GARMCO)	9-May-04
MTC-Vodafone Bahrain B.S.C. (closed)	9-May-04
Bahrain Petroleum Company	27-Oct-04
Court of Crown Prince	20-Jan-05
Bahrain Training Institute	13-Mar-05
BNP Paribas	15-May-05
Awal Bank B.S.C. (closed)	21-Oct-07

INTERNET EXCHANGE LICENSE

Licensed Company Name	Date of Issue
Bahrain Internet Exchange	14-Mar-04
Gateway Gulf Company B.S.C. (closed)	13-May-07

NATIONAL FIXED WIRELESS SERVICES LICENSE (NFWS)

Licensed Company Name	Date of Issue
Mena Telecom W.L.L.	8-Jan-07
MTC-Vodafone Bahrain B.S.C. (closed)	8-Jan-07

Annex B

CONSULTATIONS

Consultation	Date of Issue
Second Consultation on Consumer Protection Related Issues	4-Feb-07
Consultation on the TRA Draft Work Plan for the Years 2007/2009	11-Mar-07
Request of Comments Regarding Assignment of Spectrum in the 1785-1805 MHz Band	4-Apr-07
Consultation on Telecommunications Network Infrastructure	8-May-07
Public Consultation on Strategic and Retail Market Review	27-Aug-07
Short Consultation on National Numbering Plan	28-Aug-07
Public Consultation on Possible Changes to Batelco's RIO RAO	29-Nov-07

Annex C

REGULATIONS, DETERMINATIONS AND DECISIONS

No.	Regulations, Determinations and Decisions	Date of Issue
Case No. 03/06	Decision on TRA Case Reference No. 03/06 - Nooraddin/Etiscalcom Bahrain W.L.L./ Etiscalcom Holding W.L.L.	8-Jan-07
Case No. 01/07	Decision on TRA Case Reference No. 01/07 - Cable and Wireless PLC/Hawar Holding Company	21-Feb-07
Case No. 02/07	Decision on TRA Case Reference No. 02/07 - Jordan Telecom Group/ Lightspeed Communications	27-Feb-07
Case No. 03/07	Decision on TRA Case Reference No. 03/07 - F. Bader/M. Alzeera/Star Gate Telecommunication	15-Mar-07
Case No. 04/07	Decision on TRA Case Reference No. 04/07 - Kalaam Telecom Bahrain B.S.C.(c)	10-May-07
Case No. 05/07	Decision on TRA Case Reference No. 05/07 - IMC Telecom W.L.L - IMC Telecom Inc. Transfer of Shares to R. Debbane/M. Kaddoura/ N. Saikali/P. Jabre/A. Kettanah	27-Dec-07

Annex D

ORDERS

Order No.	Orders	Date of Issue
Order No. 1 of 2007	Batelco Reference Access Offer	23-May-07
Order No. 2 of 2007	Batelco Reference Interconnection Offer	17-Jul-07