



ANNUAL REPORT 2010  
ANNUAL PLAN 2011

UTILITIES REGULATION & COMPETITION AUTHORITY

“WE ARE  
COMMITTED  
TO ACHIEVING  
SUSTAINABLE  
COMPETITION  
AND PROMOTING  
CONSUMER  
INTERESTS  
THROUGH  
EFFECTIVE  
AND EFFICIENT  
REGULATION OF  
UTILITIES AND  
BROADCASTING.”

URCA MISSION STATEMENT

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## ANNUAL PLAN

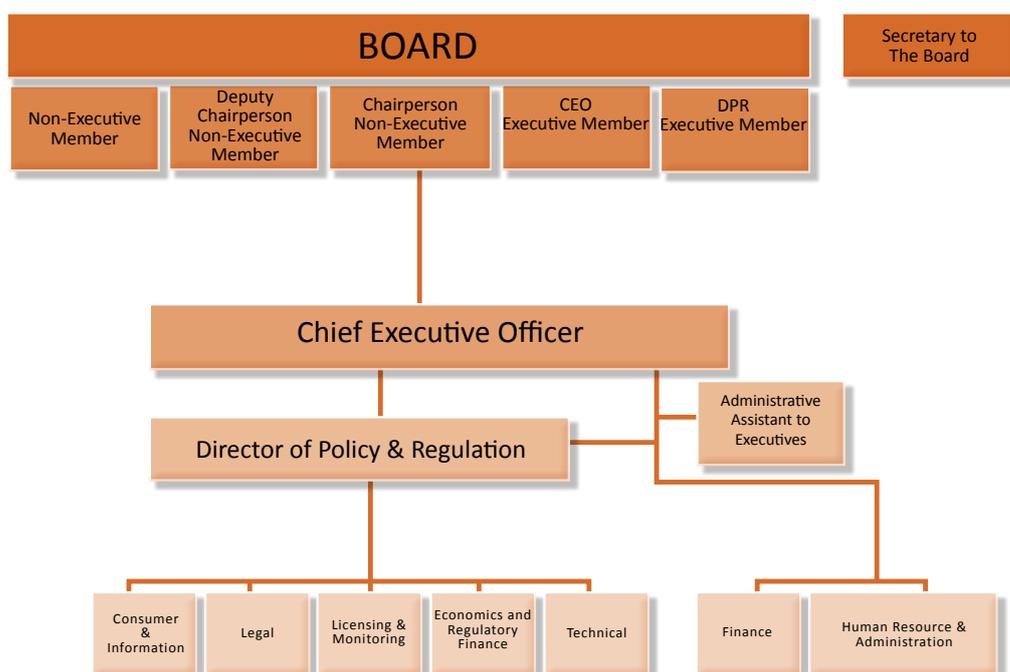
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# ABOUT URCA

The Utilities Regulation and Competition Authority is responsible for licensing and overseeing of all electronic communications in The Bahamas, comprising telephone services (fixed and mobile), Internet, and broadcasting, including cable television, and the management of radio spectrum and numbering.

As an independent regulator, the governance of the organization is overseen by a Board. The URCA Board comprises three Non-Executive Members and two Executive Members. The Non-Executive Members (including the Chairperson) are appointed by the Governor-General in accordance with the URCA Act, with all appointments effective from August 1, 2009. The Chairman, Wayne Aranha was appointed for a period of three years; and Non-Executive Members J Paul Morgan and Katherine Doehler were appointed for periods of four and two years, respectively. The Chief Executive Officer (CEO) is responsible for carrying out the day-to-day management of the Authority, including implementing regulatory policy and actions having regard to the advice of the Director of Policy and Regulation (DPR). The organization is broadly structured into two main functional areas: the Policy & Regulation led by the DPR, and the Operations team which reports to the CEO. URCA draws strength from a high percentage of professionals of widely recognized ability and experience in the appropriate fields, supported by well-chosen and skilled functional and/or clerical colleagues. This mix of expertise is essential to achieving URCA's strategy and objectives. URCA's organization chart is exhibited below.



“This report presents the results  
of URCA’s strong performance  
and sound financial management  
over the past year.”

## MESSAGE FROM THE CHAIRMAN

It is my pleasure to present the Utilities Regulation and Competition Authority’s annual report for the year ended December 31, 2010. This report presents the results of the Authority’s strong performance and sound financial management over the past year, and affords us the opportunity to demonstrate to our stakeholders – including, inter alia, consumers of electronic communications services, service providers, and Government – how URCA is fulfilling its mandate of ensuring that the objectives and vision as set out in the Electronic Communications Sector Policy are achieved.

The Sector Policy has two main objectives: (1) furthering the interests of consumers by promoting competition (through enhancing efficiency; promoting investment and innovation; promoting, encouraging and enforcing sustainable competition; and promoting the optimal use of state assets, including spectrum) and (2) furthering the interests of persons in The Bahamas in relation to the electronic communications sector (ECS). This latter objective is to be achieved through, among other things, promoting affordable access to high quality networks, maintaining public safety and security, and promoting availability of a wide range of content services of a high quality. During the year under review, URCA has remained steady to the course set by these objectives and, in doing so, has had to address the whole spectrum of issues contemplated in the policy, including adjudication on merger applications, consultations on critical topics, such as access to and interconnection of telecommunications facilities and public service broadcasting.

In order to achieve its objectives, URCA needs the participation of its stakeholders. The service providers generally participate with vigour in matters that directly affect their interests and activities. In some cases, however, the participation of consumers and citizens at large is important to the achievement of the best solutions. URCA has set up working groups to assist in developing broadcasting content codes of practice, recognising that the assistance of these groups will facilitate widespread input from the different interest groups in the development of the codes before they are subject to public consultation. It is my hope that the opportunity provided for public participation in the preparation of the content codes will ultimately result in codes that properly reflect the values of our Bahamian society.

There has been some change in the composition of the Board at the executive level with Mr. Usman Saadat, Director of Policy and Regulation (DPR), after a competitive selection process, succeeding Mr. Michael Symonette as Chief Executive Officer (CEO), following Mr. Symonette’s retirement on September 30, 2010. Mrs. Kathleen Riviere-Smith (Senior Case Officer), again after a competitive selection process, was appointed DPR in January 2011, thus returning the Board to its full statutory complement. I would especially like to thank Mr. Symonette for his contributions to the organization during an especially significant transition. Mrs. Riviere-Smith’s selection was further testimony to the successful efforts of URCA to build capacity and regulatory expertise, and I extend a warm welcome to her.

URCA is required by the Sector Policy to implement internal procedures and external guidelines to allow its proper functioning and to ensure that it is in a position to exercise its regulatory and competition law enforcement powers

effectively. When the full URCA Board first met in October 2009, it recognised the urgent need to transition from the mode of operation of the legacy Public Utilities Commission in order to meet the objectives of the Act and the Policy within the prescribed time frames and, in doing so, the Board took some decisions that subsequent events and hindsight suggest could have been conducted more transparently. Although these events have occupied public debate subsequent to the period covered by this report, they are of sufficient public importance to address in this publication.

In August 2009, a decision was made to engage a human resources (HR) consultancy firm that was known to the CEO as one that could deliver value. The entire Board, having seen the fruits of this engagement and being satisfied that URCA had received good value, endorsed this decision, and sanctioned the continued engagement of that firm via a contract that extends to June 30, 2011.

URCA's engagement of the HR firm was severely criticised on grounds of conflict, insofar as the principal of the firm was a former employee of Cable & Wireless, as was the CEO (who, as DPR, had made the recommendation). Public disquiet was also expressed about the fact that URCA had not advertised locally inviting proposals for such services. That this controversy arose during the public debate on the sale of the Bahamas Telecommunications Company (BTC) is unfortunate as it served, in part, to divert attention from the substantive issues relating to the transaction. Nevertheless, URCA sought to address the issues in the print and broadcast media in an open and transparent manner by making full disclosure of the circumstances leading to the retention of the firm in question. It is regrettable and quite unfortunate that the debate degenerated to baseless and, in some instances, irresponsible and unwarranted personal attacks on URCA's CEO, as well as ill-considered comments on URCA's processes. While URCA welcomes public debate and constructive criticism, it is of the view that the interests and reputation of The Bahamas are best served where such matters are debated in an environment of civility, sensitivity and mutual respect. It is against this background that my Board colleagues and I feel it necessary to reaffirm our confidence in the CEO.

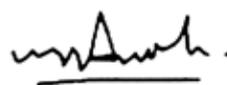
The Board, at its first meeting on October 2, 2009, implemented policies for all Board members and staff covering, amongst others, conflict of interest and confidentiality, to which there have been full compliance. The Board, Audit Committee and executive management have focused on sound administration of the organization. It is a matter of pride that these collective efforts

have resulted in the independent auditors issuing an unqualified opinion on URCA's financial statements for the year ended December 31, 2010.

In 2010 the Board met formally twelve times as required by the URCA Act. A continuing theme for the Board is transparency in all of its workings and decisions and, in this regard, I am pleased to report that URCA is one of the leaders among national and regional regulatory bodies in publishing a Quarterly Report of the Board. The current report covers our first publication of annual Key Performance Indicators ("KPIs"). Measuring and reporting on our effectiveness is an essential journey towards even greater transparency, performance management and securing best value for funds expended. As the KPIs indicate, URCA has already taken important steps in this direction and is committed to placing even greater emphasis on improving our performance over time, while continuing to confront the challenges.

The Audit Committee also met twelve times in 2010 and led the tendering and selection process for identifying and appointing URCA's auditors for the next three years. Additionally, this body assisted with developing risk management indicators, and initiated procedures geared towards strengthening financial controls. Consistent with the provisions of the Act, the Audit Committee is chaired by Mr. Philip Stubbs, a public accountant, who is not a member of the Board or a member of staff of URCA. The Board renewed Mr. Stubbs' appointment to October 31, 2011.

Last year I spoke of the atmosphere of mutual respect and trust on which the relationship of the Members of the Board is grounded. My fellow Board members and I have continued to approach our tasks cooperatively, professionally and with mutual trust and respect and, in fiscal year 2011, we will continue to work with the talented and dedicated Colleagues of URCA to perform effectively and efficiently our regulatory and competition tasks and meet our objectives. I hope that my colleagues on the Board and on staff appreciate as much as I have the collegiality that prevailed as we sought to build consensus and, through cooperative efforts, arrive at the best answers and solutions to the questions and issues that faced us.



**Wayne Aranha**  
Chairman

“The emphasis of URCA’s work in 2010 lay in implementing key regulatory safeguards, through obligations imposed on operators with Significant Market Power (SMP), the prime objective being to ensure a level-playing field in electronic communications.”

## CEO’S STATEMENT

I am pleased to present the first Annual Report to be produced under my tenure as CEO. The emphasis of URCA’s work in 2010 was in the implementation of key regulatory safeguards, through obligations imposed on operators with Significant Market Power (SMP), the prime objective being to ensure a level-playing field in electronic communications.

### LIBERALISATION OF ELECTRONIC COMMUNICATIONS

With the exception of cellular services, the electronic communications market is already liberalised, and there has been a steady number of applications for new licences. As a result, URCA has been processing and approving new licences. In particular, new licensees are authorised to provide a range of services such as pay TV services, fixed voice services and internet services. It is expected that these new entrants in the communications marketplace will provide consumers with more choice among a greater range of service options in the coming year. Consumers are also benefiting from several of URCA’s decisions: the Bahamas Telecommunications Company (BTC) was required to remove charges for incoming calls to mobile phones; Cable Bahamas Ltd. (CBL) has started to untie its pay TV service from its broadband internet service; and approvals were given for various promotions and new services.

### MARKET REVIEW AND INDUSTRY ENGAGEMENT

During the first four months of 2010, URCA concluded its market review and engagement with the industry, resulting in a landmark decision on April 22, 2010 (Obligations imposed on Operators with Significant Market Power). This decision placed a number of retail, wholesale, pro-consumer and other *ex-ante* regulatory safeguards on BTC and CBL. Since both operators are restricted by the Communications Act from entering new markets without first fulfilling these obligations, this decision gave rise to months of intensive work by the operators to implement the obligations. In this regard, provider initiatives included document preparation (such as a Reference Access and Interconnection Offer or Resale Broadband Offers), cost allocation systems (for the purposes of Accounting Separation), compliance with retail price rules, and investment in network (for example, effected for decoupling CBL’s TV and broadband offering). At the time of writing, CBL has complied with all of its obligations and BTC was expected to follow suit during the first half of 2011.

### BROADCASTING

The year 2010 proved to be a landmark for URCA’s work in the area of broadcasting. In assuming the role as regulator of broadcasting services, URCA had to deal with challenging situations in January 2010 when, owing to the repeal of codes governing political party broadcasts, Interim Codes for Political Broadcasts had to be promulgated to govern a by-election. URCA launched a consultation on the formation of a Working Group to debate and develop modern broadcasting content codes of practice. The Working Group started its proceedings and held several meetings during the year. The process is expected to be completed in 2011 with a further consultation on the proposed Codes of Practice for Broadcasting Content. Towards the end of the year, URCA published the outcome of an extensive review, analysis and research of Public

Service Broadcasting (PSB). This consultation proposed a number of recommendations on the reform of PSB in The Bahamas and is available to the public, industry and government.

## INVESTIGATING ANTI-COMPETITIVE CONDUCT

URCA also exercised its competition powers to investigate numerous complaints of anti-competitive conduct, and reviewed two mergers applications.

## ORGANIZATION AND FINANCIAL OVERVIEW

With the aim of improving performance of its human capital, URCA made good progress in embedding a number of organizational changes, and launching several human resources development initiatives.

URCA effectively managed its financial resources resulting in a comprehensive income of \$807,508 for fiscal 2010. This was largely due to unbudgeted deferred (non-cash) revenues arising from the agency agreement with the Bahamas Maritime Authority (BMA) under the Telecommunications Act. Operating expenses were over-budget by 2.97 per cent. The audited financial statements show that the balance on the Electronic Communications Fund as of December 31, 2010 is \$131,614 – this is the difference between URCA's total revenues and total expenses; it therefore represents the credit to be applied for the next financial year in accordance with section 40(2) of the URCA Act.

An amendment to the URCA Act, assented to on December 22, 2010 but retroactively effective from August 1, 2009, provided for the transfer of \$5.91 million to the Consolidated Fund of The Commonwealth of The Bahamas from the net assets of the legacy regulator, the Public Utilities Commission (PUC). The sum of \$4.31 million was paid after year end.

Acting as a fiduciary on behalf of The Government, URCA collected and transferred to Government \$13.12 million and \$0.75 million in Communications and Spectrum Fees, respectively, for the period January to December 2010.

The responsibilities bestowed on URCA are broad and the expectations of external stakeholders are high. Of greatest importance is the need to recognise that it takes time to bridge the gap between the depth and breadth of regulatory skills envisaged under the Communications Act, and the current level of regulatory expertise available and thus great emphasis has been placed on the development of human capital and the training of Bahamians.

As this report will show, there are areas where URCA has performed well, whilst there is a need to do better in others. Those whom we serve may be assured that we will continually aim for higher performance standards with organizational and industry excellence as our ultimate goal.



**Usman Saadat**  
Chief Executive Officer



“Electronic communications networks and services form an essential part of the backbone infrastructure underpinning the commercial and social progress of the Bahamian economy”

## MARKET OVERVIEW

Electronic communications networks and services form an essential part of the infrastructure underpinning the commercial and social progress of the Bahamian economy. URCA estimates that the size of the sector in 2009 was approximately \$460 million<sup>1</sup> or 6.2% of the country’s Gross Domestic Product or GDP (\$7.42 billion)<sup>2</sup>.

Currently, BTC operates fixed voice and data services and mobile cellular voice and mobile data services. The publicly-traded CBL operates a network of fibre-optic and/or coaxial cables providing Pay TV and high speed data services and connectivity. Both are presumed to have Significant Market Power (SMP) in certain markets<sup>3</sup>. URCA has, in accordance with the provisions of the Communications Act, placed certain obligations on BTC and CBL, as a prerequisite to being permitted to enter new sectors of the electronic communications services market<sup>4</sup>. The state-owned Broadcasting Corporation of The Bahamas (BCB), which operates one TV station and three radio stations, has the only radio station with national coverage and has been the designated interim Public Service Broadcaster by the Communications Act<sup>5</sup>.

Data on sector revenues for 2010 were not available at the time of publishing of this report. However, in 2009 overall electronic communications sector revenues are estimated to have registered a small increase of approximately 3%, from \$445 million to \$460 million<sup>6</sup>. While growth slowed in the 2008 – 2009 period (compared to growth in previous years), it should be noted that during 2009, The Bahamas’ real GDP contracted

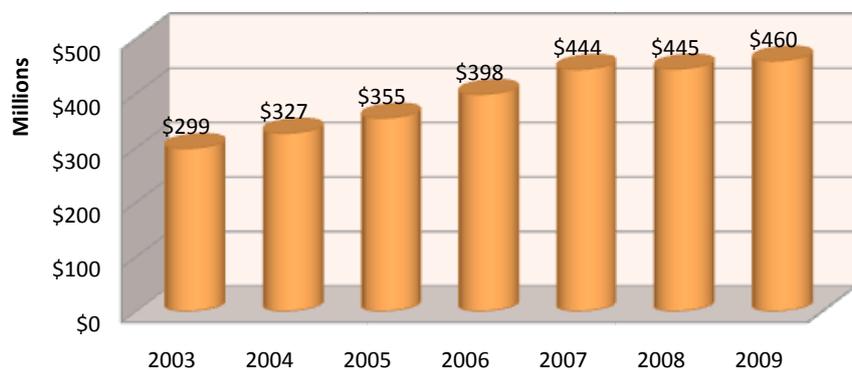


Fig. 1 – ECS Revenues from 2003 to 2009

Source: ITU Telecommunications Statistics, URCA data collected from Licensees

by 4.3%<sup>7</sup>, largely due to the effect of the global economic slowdown in tourism. The growth in sector revenues, therefore, surpassed growth in the general level of economic activity in The Bahamas. Figure 1 shows the trend in revenues in the electronic communications sector during the period from 2003 to 2009.

1 Estimates based on URCA information collected from licensees

2 ECLAC, Economic Survey of Latin America and the Caribbean 2009-2010

3 Communications Act 2009, section 116

4 URCA SMP Final Decision (<http://www.urcabahamas.bs/publications.php?cmd=view&id=41&pre=y>)

5 Communications Act 2009, section 115

6 Estimates based on URCA information collected from licensees

7 Source: ECLAC Economic Survey of Latin America and the Caribbean 2009 - 2010

The following is a brief overview of the status of each of the key markets for electronic communication services in The Bahamas.

## FIXED TELEPHONE SERVICES

BTC has been designated as having SMP in the fixed telephone services market, and provides local, inter-island, and international telephone services to the Bahamian public. In addition to BTC, Systems Resource Group Ltd. (SRG), also provides international, inter-island and local calling services to the Bahamian public. As at the end of 2009, penetration of fixed telephone services in The Bahamas stood at 37.74 subscribers per 100 population<sup>8</sup> with BTC having approximately 98% of the market<sup>9</sup>. Figure 2 shows that there was a small decrease in subscribers between 2008 and 2009.

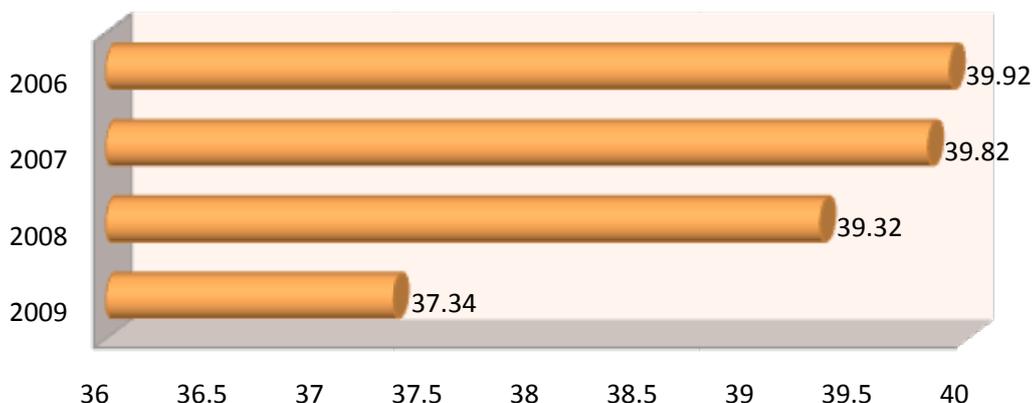


Fig. 2 – The Bahamas, Fixed Lines Per 100 persons, 2006 to 2009.

## CELLULAR MOBILE TELEPHONE SERVICES

BTC is currently the only operator licensed to offer mobile telephone services in The Bahamas. In 2009, the penetration of cellular mobile telephone services in The Bahamas was high, with 105 subscribers per 100 residents<sup>10</sup>. During the period under review The Bahamas has experienced a slowdown in growth in cellular mobile penetration (as shown in Figure 3), which is consistent with the high overall level of penetration, and the presence of a single provider.

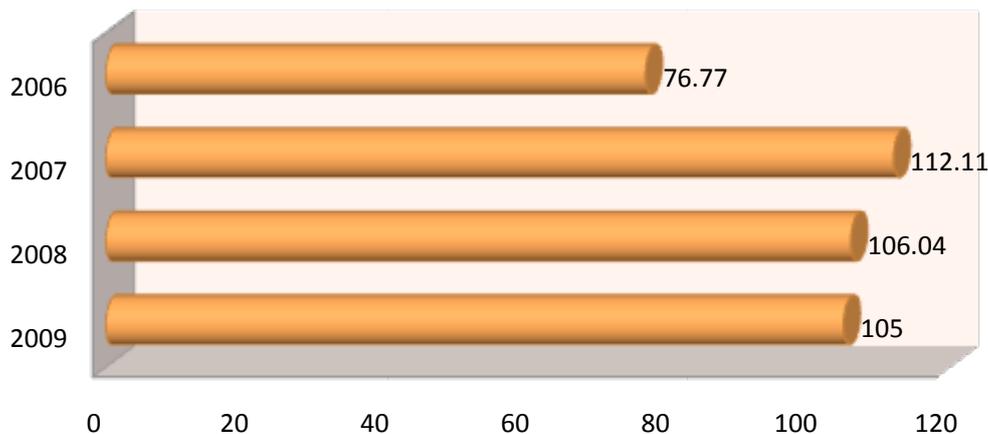


Fig. 3 – The Bahamas, Cellular Mobile Subscriptions Per 100 Persons

8 Source: ITU Telecommunications Statistics

9 Source: URCA data obtained from licensees

10 Source: ITU Telecommunications Statistics, URCA data collected from licensees

## INTERNET AND DATA SERVICES

Broadband internet services are currently provided in The Bahamas by CBL, BTC and a number of smaller ISPs. CBL was designated by the Communications Act as having SMP in the market for the provision of high speed data services and connectivity<sup>11</sup>. As at the end of 2009, total broadband penetration was estimated at 18.48 subscribers per 100 population. That figure was made up of 12.6 cable subscribers and 5.88 DSL subscribers per 100 population. The Bahamas has experienced healthy growth in broadband access by residents as shown in Figure 4.

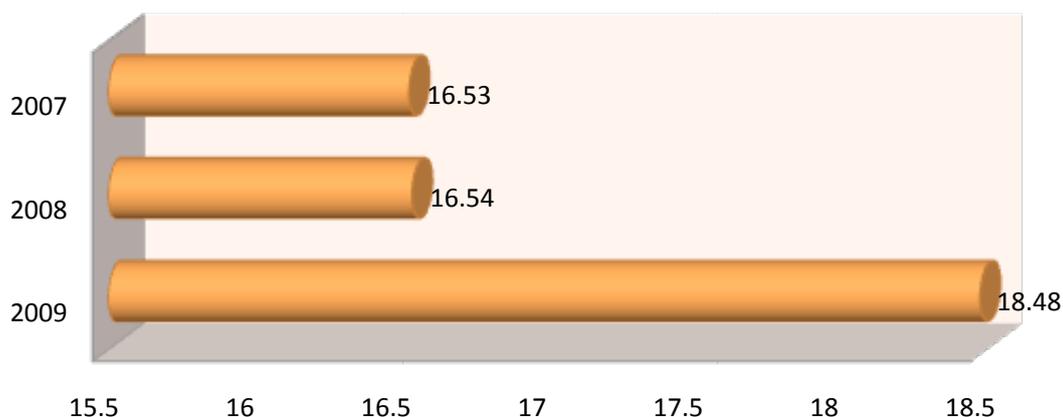


Fig. 4 – The Bahamas, Broadband Subscriptions per 100 persons, 2006 to 2009

## INTERNATIONAL NETWORKS

International connectivity to The Bahamas is provided through fibre-optic submarine cables by the following operators:

- BTC provides connectivity to Florida from New Providence and Grand Bahama; the Bahamas Domestic Submarine Network (“BDSNI”) connects the islands in The Bahamas and links Haiti to The Bahamas; it also provides connectivity to Europe and other locations through its Satellite Earth Station located at Soldier Road in New Providence.
- Caribbean Crossings Ltd., a wholly-owned subsidiary of CBL, which links four islands in The Bahamas (Grand Bahama, New Providence, Eleuthera and Abaco) to the continental United States and to Jamaica.
- Columbus Networks Inc., whose ARCOS network provides connectivity between The Bahamas, the United States and several countries in the Caribbean.

During 2010, URCA licensed an additional provider of international connectivity, Global Nexus Telecommunications Ltd, which proposes to operate a submarine cable with a landing in Freeport, Grand Bahama.

## PAY TV

Pay TV in The Bahamas is currently supplied by CBL, which provides a cable television service using a fibre optic/coaxial fibre network, and direct-to-home satellite television services. CBL was designated through the Communications Act to have SMP in the provision of Pay TV services. Penetration of Pay TV in The Bahamas was estimated to have grown from 22.4 subscribers per 100 population in 2006 to 22.95 subscribers per 100 population in 2009, as shown in Figure 5<sup>12</sup>. Satellite television services do not provide local Bahamian television stations.

<sup>11</sup> Section 116, Communications Act 2009

<sup>12</sup> Source: URCA data obtained from Licensees

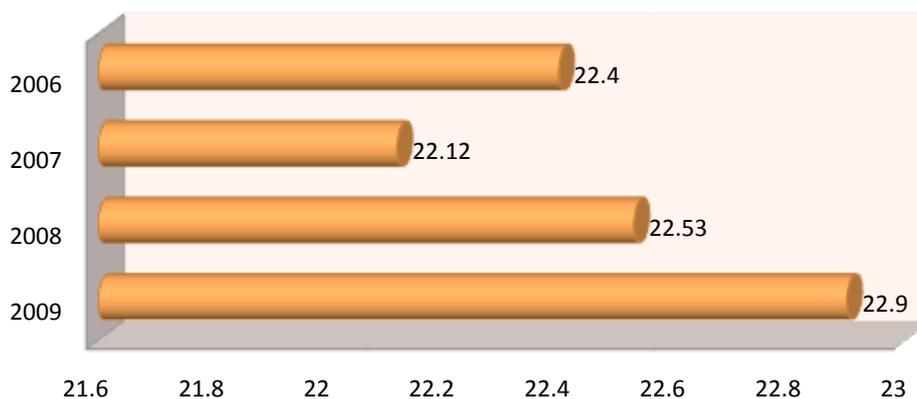


Fig. 5 – The Bahamas, Pay TV subscriptions per 100 persons, 2006 to 2009

## FREE-TO-AIR BROADCASTING

As mentioned above, BCB has the only radio station with national coverage. In addition there are 22 other entities licensed to operate free-to-air radio stations. Table 1 contains details of the radio broadcasting licences granted by URCA in 2010.

Table 1 – New Radio Broadcasting Licensees 2010

Licensee	Island	Frequency (MHz)
Bahamas National Library Service/MOE/ UNESCO	New Providence	90.1 (FM)
DKM Communications Limited	New Providence	93.9 (FM)
Classical FM Bahamas Limited	New Providence	98.1 (FM)
Neverland Productions Ltd.	South Andros	99.1 (FM)
Associated Media Group Ltd.	New Providence	99.3 (FM)
Global Communications Network	New Providence	99.5 (FM)
Turning Point Radio Bahamas Ltd.	New Providence	102.3 (FM)
Frank Rutherford & Philip Smith/ Navette Broadcasting & Entertainment Company Limited	New Providence	103.5 (FM)
LYFE Broadcasting Network Limited	New Providence	103.7 (FM)
The McKinney Media Group Ltd.	New Providence	107.5 (FM)

“URCA undertook to enhance its institutional capacity.”

## OUR PEOPLE

URCA’s Human Resource strategy for the year under review was geared towards driving people excellence and building institutional capacity through a number of initiatives. As at December 31, 2010 the URCA’s human resources complement stood at 22.

### UPSKILLING

A combination of tools were deployed to establish, assess and enhance capabilities and competencies within URCA. At the start of the year, URCA developed a Generic Competency Framework and a Leadership Competency Framework, each of which provided the basis for identifying and acquiring the skills and capabilities needed by URCA to realise its new strategy.

In meeting its strategic objectives, training played a larger role in URCA’s strategy especially in the second half of the year. Each colleague’s needs were assessed and an organization-wide training plan executed. The training programme focused on building:

- core regulatory skills (such as Competition Economics, Spectrum and Numbering administration);
- functional skills (required by Finance and Human Resources);
- general management (focusing on such key areas as communication, customer orientation, and conflict resolution validated through competency assessment); and
- leadership development.



A new integrated document management system “DocuWare” was implemented, making file management more secure and efficient.

### TOTAL COMPENSATION

During the year, the HR function successfully implemented initiatives in line with rewarding its people. The list below highlights some of these achievements:

- A new Performance Management System, which introduced a method of documenting goals and objectives, and measuring performance against those objectives.
- Institution of the Variable Incentive Plan (VIP).
- Establishment of a new pay scale across the organization with the implementation of new market tested salary bands.

## RECRUITMENT

Early in the year, URCA undertook to strengthen its recruitment processes with a view to enhancing its institutional capacity. To this end, management, with the full support of the Board, embarked on a multi-pronged approach intended to ensure that URCA attracts, maintains and develops its human capital. This included developing and implementing rigorous recruitment procedures, including the use of recognized interview assessment tools, psychometric assessments, and case studies. These new tools and procedures were used for all recruitment activity relating to senior professional staff.

Following a competitive recruitment process that once again attracted applications from Bahamian candidates

and others from our region and farther afield, URCA attracted two experienced regulators to fill the posts of Senior Case Officer (SCO) in Legal and in Economics, respectively. At the end of September 2010, URCA's first CEO, Michael Symonette retired. In advance of his retirement, the Board initiated a competitive selection process for recruiting a new CEO, in accordance with section 23 of the URCA Act. The Board appointed Usman Saadat, then the DPR as Chief Executive Officer. As a result of Mr. Saadat's appointment, a similar competitive selection process was carried out for the selection of a new DPR. This resulted in the appointment of Kathleen Riviere-Smith as the new DPR in January 2011. Mrs Riviere-Smith has worked at URCA and the PUC since inception.



# YEAR IN REVIEW

## IMPLEMENTING REGULATORY SAFEGUARDS

One of URCA's strategic priorities is to implement critical regulatory safeguards in order to create a level playing field to allow sustainable competition to flourish amongst existing and new competitors. Greater powers were granted to URCA than had been provided to the PUC, through the new regulatory framework in 2009, especially in relation to implementing regulatory safeguards, monitoring *ex-ante* remedies and taking enforcement actions.



Section 116 of the Communications Act 2009 sets out presumptions of Significant Market Power (SMP) for BTC and CBL, regarding high-level markets, respectively and imposes a duty on URCA to determine which specific, if any, *ex-ante* obligations should be imposed on these two operators. The obligations are “designed to maintain ... the objective of encouraging, promoting and enforcing sustainable competition”. Both operators are required under the Communications Act to satisfy their SMP obligations before entering into new markets and, as part of this process, URCA must certify compliance.

The consultation process regarding potential SMP obligations for both operators started at the end of September 2009 with the publication of Preliminary Determinations and accompanying guidelines. This was followed by a number of consultation stages, culminating with a Final Decision on Obligations on April 22, 2010. Since then URCA has been engaged in ensuring that BTC and CBL comply with the SMP obligations imposed. In some instances, compliance required a public consultation, and in others, direct engagement and review by URCA. In all cases, both SMP operators worked constructively with URCA to comply with their respective obligations. Furthermore, both SMP operators have either fully complied, or have reached a stage where compliance is expected in the first half of 2011.

“Accounting separation is a tool employed extensively by regulators worldwide to address concerns regarding potential abuse of dominant positions.”

## ACCOUNTING SEPARATION

Accounting separation is a tool employed extensively by regulators worldwide to address concerns regarding potential abuse by regulated operators having significant market power (SMP). Using this approach, SMP operators are required to provide individual accounts for each separate, regulated business. Accounting separation specifies how financial and other operational information should be collected and reported for each regulated business.

URCA commenced work on Accounting Separation for both CBL and BTC in the first quarter of 2010, and URCA received preliminary submissions from both operators. Following a period of review, URCA shared its findings and comments on the methodology, approach and results through Preliminary Decisions, as it related to each of them. Upon receiving comments on the Preliminary Decision, URCA issued a Final Decision on Accounting Separation for each operator. For reasons of confidentiality, and, in line with URCA’s Final Decision of April 22, 2010 these decisions were not published.

In accordance with the compliance requirements:

- CBL has resubmitted its Separated Accounts and URCA has deemed CBL compliant;
- BTC resubmitted its Separated Accounts and URCA is reviewing them.

## REFERENCE ACCESS AND INTERCONNECTION OFFER

The establishment of reference offers is considered the most critical building block for the introduction of competition in the electronic communications sector. A Reference Access and Interconnection Offer (RAIO) is a standard offer document in the form of a contract. It sets out the access and interconnection services and matters relating to the price, terms and conditions under which the SMP licensee will provide such services, upon request, to another licensed operator. This allows new licensees to offer services without having to duplicate existing facilities.

BTC submitted its draft RAIO as required by the Communication Act in June 2010 and on September 7, 2010, URCA published a consultation document on BTC’s draft RAIO consistent with the compliance process outlined in the Authority’s Final Decision on SMP Obligations previously published on April 22, 2010. Following two rounds of consultation which closed on November 12, 2010, URCA published its Final Decision on January 11, 2011.

In reaching its Final Decision, URCA took into account the current state of the market, the need to balance the perspectives of all stakeholders in the market (users and operators) and, in particular, the requirement to ensure that a fit-for-purpose RAIO is introduced as soon as possible in order to facilitate the development of competition in the market.

## UNTYING PAY TV FROM BROADBAND

Tying is the practice of making the purchase of one product or service conditional upon the purchase of another product or service. CBL ties its pay TV and broadband internet services. This means that the purchase of CBL’s internet services is conditional upon consumers also purchasing one of CBL’s pay TV services. Presently, consumers would not be able to purchase broadband services from CBL without also purchasing pay TV services. This makes the pay TV market less contestable by a provider of pay TV services only. As such, when an operator offers a tied sale, with the effect of increasing its own margin and/or preventing market entry, there is clear cause for regulatory concern.

URCA therefore imposed an obligation on CBL to untie its pay TV and broadband services across The Bahamas for all customers. This is likely to result in greater consumer choice in a competitive market. Moreover, the technical solution

adopted by CBL--that of digitising the entire CBL network--will also bring to the company and its customers, such significant benefits as greater choice of channels while enjoying the digital experience.

Shortly after the period in review (fiscal 2010), CBL has complied with its initial obligation as laid down by URCA regulations and has received a compliance certificate from the Authority for the purposes of entering new markets. However, CBL must continue to demonstrate compliance with an agreed roll-out timetable, which is being independently verified by an audit firm.

## BROADBAND RESALE

Resale obligations require an SMP operator to make its retail services available for resale by other operators subject to, for example, standard service level agreements. Competitors gain access to a wholesale version of the retail service which can then be resold directly or combined or bundled together with the competitor's other products. The appropriate wholesale prices are specified as part of the resale obligation.

URCA believes that the resale obligations minimise the risk associated with an obligation to negotiate commercially and the accompanying potential disputes and delays. Yet, they do not have the costs associated with the more onerous obligations of access to broadband and access to the transmission network through an RAIO.

As a result, URCA mandated the obligation of a resale of broadband product allowing for resale of all existing retail broadband products on reasonable commercial terms and conditions.

This obligation was imposed on both BTC and CBL and both operators have complied with the obligations.

“URCA imposed retail price regulation to guard against potential market failures such as predatory pricing”

## RETAIL PRICE REGULATION

URCA imposed retail price regulation to guard against predatory pricing, cross-subsidisation or excessive pricing.

The obligations adopted require an SMP operator to submit justification for any price changes it plans to make and allow URCA to initiate investigations into current pricing levels and practices. This provides URCA with information necessary to monitor an SMP operator's pricing practices and assess whether the operator was engaging in anti-competitive behaviour.

The obligation was imposed on relevant BTC and CBL services. Whilst CBL complied with the initial filing requirements, BTC remains non-compliant with its initial filing. The retail rules have been used throughout the year, in review and approval of new services and promotions, as well as triggering investigations by URCA for non-compliance.

## ELIMINATION OF CHARGES FOR INCOMING INTERNATIONAL CALLS TO MOBILE

In 2009 URCA conducted a review of the various retail and wholesale services. The Authority concluded that BTC's practice of collecting wholesale revenues from international carriers for calls terminating on mobile phones in The Bahamas, and also charging mobile customers for incoming international calls was a form of excessive pricing and a market failure. BTC was therefore obliged to remove charges for these calls to its customers and complied by June 28, 2010.

## NATIONAL AVERAGING OF BROADBAND PRICES

Broadband internet is a retail product offered by BTC nationally, which caused URCA to become concerned about the threat of market foreclosure. URCA considered that during the period of this review there was no evidence of emerging competition in those parts of The Bahamas where BTC is the only broadband provider. URCA's concern was that BTC could employ excessive pricing in these areas, while acting more competitively in the remaining areas where there was emerging competition. URCA therefore mandated BTC to charge the same prices for broadband internet access in all areas of The Bahamas. BTC faces prospective emerging competition

for broadband internet access in those islands where CBL is present. URCA considered that this prospect of competition is likely to be sufficient to constrain BTC's adopting an excessive pricing strategy in those areas. BTC agreed to do this and was deemed compliant by URCA on June 14, 2010.

## PROMOTION OF COMPETITION

Fostering sustainable, dynamic and innovative competition in the ECS that delivers choice of high quality products and services at competitive prices is another key strategic priority for URCA.

### INVESTIGATIONS INTO ANTI-COMPETITIVE CONDUCT

During the period under review, URCA investigated allegations of anti-competitive behaviour by BTC:

- (i) Alleged price discrimination between an international operator and SRG. It was alleged that BTC was operating in breach of its previous licence condition to offer DLD termination services on non-discriminatory and cost-oriented terms. URCA's findings did not support this allegation.
- (ii) Allegation of excessive charging for interconnection circuits provided to SRG. URCA's findings did not support this allegation.
- (iii) BTC bundling its "ViBe on da Go" offering with mobile calling with the effect of (a) facilitating bypass of the price restrictions on international long distance mobile services; and (b) allowing BTC to leverage its mobile monopoly into an adjacent market that is open to competition. URCA's investigations revealed that there was merit in the first argument and BTC must seek regulatory approval prior to changing prices for the Price Regulated Bundle. However, URCA found no evidence that BTC was leveraging its mobile monopoly in an adjacent market to the detriment of competition.
- (iv) Toll-free calls offered to BTC's fixed line subscribers when calling ViBe numbers. This investigation is still open.
- (v) Alleged margin squeeze with respect to BTC's wholesale domestic long distance termination charge and BTC's ViBe offerings. This investigation is still open.

- (vi) Finally, "Talk it Up" calling card is in breach of BTC's licence conditions and relevant provisions of the Communications Act. This investigation is still open.

These are the first set of investigations conducted by URCA under the new regulatory regime. In investigating each complaint, URCA requested and obtained information from the relevant parties to understand the merits of the alleged complaint.

### MERGER CONTROL

URCA's statutory functions and objectives, as set out in the Communications Act, include enforcement of competition provisions, including merger control. URCA is required to determine whether the proposed change of control consequent to approving the merger would have or is likely to have the effect of substantially lessening competition in a market in The Bahamas and in the case of a change in control involving a media public interest whether such change in control would have an effect or is likely to have an effect contrary to public interest. In March 2010, URCA completed publication of its Competition Guidelines<sup>13</sup> which are designed to assist licensees and other interested parties in understanding how the competition provisions of the Communications Act will apply in practice.

#### MERGER NOTIFICATION OF RADIO THREE LIMITED AND DOVORO LIMITED

URCA was notified of its first merger in the communications sector by an application submitted on March 25, 2010. Radio Three Limited, applied for regulatory approval of a proposed acquisition of controlling shares in Dovor Limited, a licensee under the Communications Act providing radio broadcast services in Grand Bahama. URCA approved to the merger and approved the change in control of Dovor Limited to Radio Three Limited.

#### MERGER NOTIFICATION OF CABLE BAHAMAS LTD. AND SYSTEMS RESOURCE GROUP LIMITED

On September 17, 2010 URCA received a Full Notification Form<sup>14</sup> submitted jointly by CBL and Systems Resource Group Limited (SRG) notifying URCA of a proposed merger between the two companies. URCA received

<sup>13</sup> See URCA's compendium of Competition Guidelines ECS Comp. 1 through 9 as published on its website @ [www.urcabahamas.bs](http://www.urcabahamas.bs).

<sup>14</sup> See section 58 of the Competition Guidance Merger Control ECS Comp. 1 for additional information regarding the Simplified Notification Form.

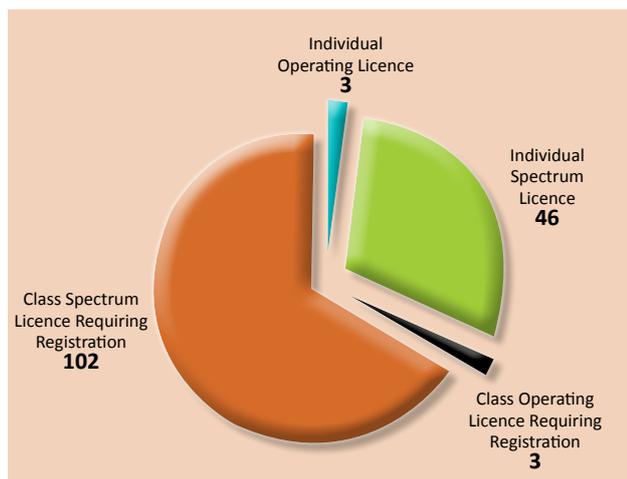
a total of nine written representations by interested parties concerning the proposed merger. URCA made a determination to open an in-depth investigation into the proposed merger. URCA issued its adjudication approving the change of control on February 5, 2011.

## LICENSING

URCA continued to issue both operating and spectrum licences which will assist with promoting competition. URCA completed the transitional licensing period under the Act in December 2009 effectively transitioning all of the PUC’s licences into URCA licences. January 2010, therefore, marked the beginning of the first full licensing period for URCA under the Act.

Under the licensing regime, URCA need only issue licences for networks and/or services which require: (i) an Individual Operating Licence; (ii) an Individual Spectrum Licence; (iii) a Class Operating Licence Requiring Registration; or (iv) a Class Spectrum Licence Requiring Registration. Refer to Figure 6 for a breakdown of the types of licences issued.

**Fig 6: Licences issued for the period 1 January – 31 December, 2010**



During the year under review, URCA processed one request for a licence upgrade, which resulted in a Class Operating Licence Requiring Registration being upgraded to an Individual Operating Licence. In circumstances, where a licensee notifies URCA of a proposed change in services it offers the public, possibly requiring a wholesale service in order to provide a retail service (for example interconnection), URCA will consider issuing an Individual Operating Licence to the notifying licensee. During the fourth quarter of 2010, URCA observed an increase in inquiries from licensees in the sector in this regard and

anticipates further licence upgrades during the next period under review.

URCA has a statutory obligation to keep a register in electronic or paper form of all Individual and Registered Class licensees. In April 2010, URCA published on its website for the first time its Public Register of Individual and Registered Class Licensees. URCA believes that while it could have maintained the legacy practice of keeping hard copies of licences for public viewing, the publication of its Public Register on its website allows for easier access and viewing by the public of licensees. The Public Register is maintained on a monthly basis.

Additionally, Licensees have an ongoing obligation to ensure that the information held by URCA is current. During December 2010, URCA sent “Declaration of No Material Change” forms and “Change of Details” forms to all Licensees issued with Individual Licences or Class Licences Requiring Registration. Licensees are required to complete and sign either the “Declaration of No Material Change” form where there has been no material change, or the “Change of Details” form where there has been a material change in the information previously provided to URCA within the preceding twelve months.

## COORDINATING WITH RELEVANT ORGANISATIONS

URCA has been actively engaged in coordinating efforts with other organizations to discharge its licensing remit under the Communications Act. The issuance of spectrum licences to maritime vessels registered under the Bahamian Flag has been executed traditionally by the Bahamas Maritime Authority (BMA) on behalf of the PUC and URCA. Under the Communications Act, the issuance of maritime spectrum licences has been delegated to the BMA, until such time as URCA determines otherwise.

A significant milestone for URCA was the Memorandum of Understanding (MOU) executed with the BMA in August 2010. The MOU outlines the basis for cooperation and coordination between URCA and the BMA and demarcates the arrangements agreed between the two organisations regarding the discharge of their respective responsibilities in the issuance of maritime spectrum licences and the billing, collection and remittance of such spectrum fees consequential thereto. While the MOU aims to preserve the respective jurisdictions of URCA and the BMA, it aims to ensure that powers delegated to the BMA are executed in a highly coordinated and organised manner.

## SPECTRUM MANAGEMENT

Spectrum is an important and scarce national resource. URCA has the statutory responsibility to manage, allocate and assign all radio spectrum, act on behalf of the Government in the billing and collecting of spectrum fees, and ensure the protection of licensed radio spectrum bands from interference.

In 2003, the PUC invested in a mobile spectrum monitoring system to assist with the investigation and resolution of interference complaints. By 2009, owing to changing technology and industry use, limitation in the geographic deployment, and depreciation of the original system, URCA recognized that there was a need for a robust digitally based, multiple-site spectrum management tool. As a result URCA invested in an upgrade to the existing spectrum management facilities by constructing a \$1.8m National Spectrum Monitoring System (NSMS) and training personnel to operate and manage the system efficiently.

Under the NSMS, the objectives of maximising geographic coverage whilst ensuring the highest level of security for these assets were achieved through the cooperation of The Royal Bahamas Police Force and The Royal Bahamas Defense Force. Both organizations have committed the necessary resources on which to construct the sites and ensure that these assets are always under optimum security.

### SPECTRUM INVESTIGATIONS AND CO-ORDINATION

The scope of services provided by the NSMS will give URCA a strategic advantage that will result in the effective and efficient discharge of its statutory responsibilities and improve the ability to resolve complaints of interference expeditiously. In 2010, in a continuing effort to meet its objective, URCA conducted investigations and spectrum monitoring exercises in New Providence, Grand Bahama, Abaco, and Eleuthera. In March 2010, URCA conducted a frequency coordination exercise with the United States Federal Communications Commission (FCC) to license an AM Broadcasting station in Southchase, Florida.

### OPENING NEW SPECTRUM BANDS

URCA initiated a public consultation to formulate a framework to ensure that the opening of new spectrum bands is achieved in a manner consistent with Part V of the Communications Act. The consultation document also served as an invitation for expressions of interest in spectrum in certain bands.

The Public Consultation opened on October 1, 2010 and closed on November 16, 2010. URCA is in the process of completing its response document. This document will set out a summary of the responses to each of the questions in the Consultation Document. After considering the responses URCA will publish separately the final version of the "Guidelines for the Opening of New Spectrum Bands."

## NUMBERING

Numbering is the assignment of telephone numbers to service providers and is a critical tool in the provision of services. As regards the administration of numbering resources, section 79 of the Communications Act requires URCA to publish a numbering plan for The Bahamas, making rules for the allocation and assignment of numbers to licensees.

The Act also requires URCA to comply with applicable international numbering standards, including the North American Numbering Plan Administration practices, since The Bahamas is a member of the North American Numbering Plan, sharing country code 1 with North America, Bermuda and other countries in the Caribbean.

In May 2008, PUC initiated a Public Consultation process on a National Numbering Plan (NNP) for The Bahamas. The completion of this consultation was delayed with the introduction of new electronic communications sector legislation in 2009.

URCA published the Statement of Results for the initial NNP consultation, along with the National Numbering Plan as a draft document on May 25, 2010, with responses submitted by July 30, 2010. Work is underway to finalise the NNP in 2011.

## NUMBER PORTABILITY

Number Portability is a facility which would enable subscribers to retain their telephone numbers when changing their service providers, and is a key enabler of competition. URCA is charged with determining when and how to introduce Number Portability in The Bahamas.

During September and October 2010, URCA conducted a Survey on Number Portability to ascertain the extent to which local residents desire this facility, assuming competition in various market segments.

Respondents to the survey expressed a desire for Number Portability in respect of all voice services (fixed and mobile). A majority of respondents were generally interested in changing their service provider, and a vast majority indicated that the ability to retain their number when changing service provider would increase their willingness to do so. Finally, about half of the respondents indicated that they would be willing to pay to keep their number when changing service providers.

## PUBLIC INTEREST

### CONTENT CODES

Part IX of the Communications Act requires URCA to develop codes of practice (Content Codes) that are to be observed by licensees providing audiovisual media services in The Bahamas. URCA cannot censor programmes before they are broadcast. With the repeal of some sections of the Broadcasting Act, the previous Codes were dissolved. Therefore, in January 2010, URCA promulgated an Interim Code of Practice for Political Broadcasts to accommodate the Elizabeth Constituency by-election. To ensure that the Codes covered areas other than political broadcasts, an Interim Code of Practice for Broadcasting Content was promulgated in April 2010.

Section 55 of the Communications Act allows URCA to develop the codes in consultation with industry groups. In February 2010, URCA launched a public consultation which identified URCA's proposed approach to developing the Codes, using industry groups in consultation with URCA. Based on the responses to the public consultation, an industry working group was established in June 2010. The group includes representatives from BCB, the designated Public Service Broadcaster; CBL; government ministries; private broadcasters; the business community and representatives from the Family Islands. Other stakeholders with an interest in a subject area were invited and have participated in the working group meetings.

Some of the topics discussed by the industry group include:

- Advertising, sponsorship and non-programme material
- Elections, referendums and political broadcasts
- News and factual programmes
- Protection of young people, and social values

Section 53 of the Communications Act lists numerous

standards that may be included in the Codes, amongst which are:

- Time devoted to advertising
- Kinds of sponsorship announcements that may be broadcast
- Captioning of programmes for the hearing impaired, Teletext and ancillary services
- Sports and national events broadcasting
- National emergency and disaster conditions.

Once the industry group has completed its deliberations, URCA will draft the Codes based on the principles discussed and agreed upon. URCA is also tasked with developing procedures for handling complaints from the public about programme content or compliance with the Codes. URCA will consult on the draft Codes and the complaints handling procedure during 2011.

### PUBLIC SERVICE BROADCASTING

Public Service Broadcasting (PSB) has been a topic of interest over the past few months in The Bahamas, particularly since the organizational restructuring of BCB in October 2010. As PSB is not currently defined in The Bahamas, it is important that the definition and scope of PSB is fit-for-purpose for The Bahamas. Countries such as the United Kingdom and Canada have enjoyed the benefits of PSB via television and radio for many years through the BBC and CBC, respectively.

The Communications Act requires URCA to publish a report with recommendations to the Minister responsible for broadcasting about:

- the role of public service broadcasting in The Bahamas;
- the remit and corporate governance rules of the BCB
- the preferred method of funding any public service broadcasting obligations that are recommended; and
- necessary amendments to the Broadcasting Act.

To ensure the report to the Minister is comprehensive, URCA adopted an evidence-based approach using international best practices by reviewing other PSB models, corporate governance arrangements around the world, and with various types of local research gathered from individuals, broadcasters, producers and others and analysis of the research. The gathering of evidence started from October 2009 and lasted for about a year.

URCA commissioned three complementary strands

of audience research to assess levels and priorities of programming. The audience research did not focus solely on New Providence but incorporated results from nine other islands. The research was a mix of focus groups, individual diaries and a telephone survey.

URCA published a consultation document on December 31, 2010 that sets out URCA's conclusions and preliminary recommendations regarding PSB in The Bahamas.

## CONSUMER PROTECTION

### GENERAL

URCA's mandate covers the protection of consumers and ensuring that they receive fair terms and value from their service providers. The organization strives to keep consumers and all stakeholders informed of their rights and obligations and to enhance awareness of work done by URCA.

During the period under review, a media campaign was also launched to assist consumers in understanding their rights and obligations. Radio advertising focused on the consumer toll-free and help lines along with consumer complaints handling procedures. These ads may have been a contributing factor to the increase in complaints and enquiries about certain services.

URCA maintained contact with consumers ensuring their complaints were handled and rights upheld. This was done by assisting consumers with resolving complaints. Consumers were afforded various ways to access URCA with complaints, including the Consumer Help-line for Nassau residents [393-0263] and the Toll-free Consumer Help-line for Family Island consumers [1-242-300-URCA].

Both Help-lines give consumers direct access to address their concerns or complaints to URCA, or to ask questions. Complaints received by URCA generally consisted of issues related to cable television, billing, late and disconnection fees, quality of service issues and insertion of local advertising on cable television. Those complaints that were related to the telephone, focused mainly on service issues, delays in land lines installation and repairs, and radio interference. URCA was able to work along with the service providers to ensure that many of the complaints were resolved in a timely and effective manner.

There is still work to be done to encourage individuals to first seek assistance from the service provider, and in time, they will form effective well-informed consumer advocacy groups which will help them to protect their own interests better.

## COMPLIANCE BY LICENSEES

During the fourth quarter of the year under review, URCA required all Operators issued with an Individual Operating Licence or a Class Operating Licence Requiring Registration to submit to URCA information on:

- Minimum-term contracts for each service provided to the public
- Codes of Practice for handling customer complaints
- Steps taken to maintain the proper and effective functioning of its network
- Details of measures it will take to resolve planned or unplanned interruptions and to notify customers of such interruptions
- Details of measures implemented to safeguard the confidentiality of subscribers' information; and
- Steps it has in place to safeguard the confidentiality of communications;

The information provided will be reviewed and, where necessary, regulatory measures to enforce compliance with the consumer protection licence conditions will be issued.

## INTERNATIONAL PARTICIPATION

In the regional and international arena, URCA participated in a number of events and meetings. With the recent delegation of URCA as the primary point of contact, on behalf of the Government, for regional and international organisations, this participation is expected to increase in 2011.

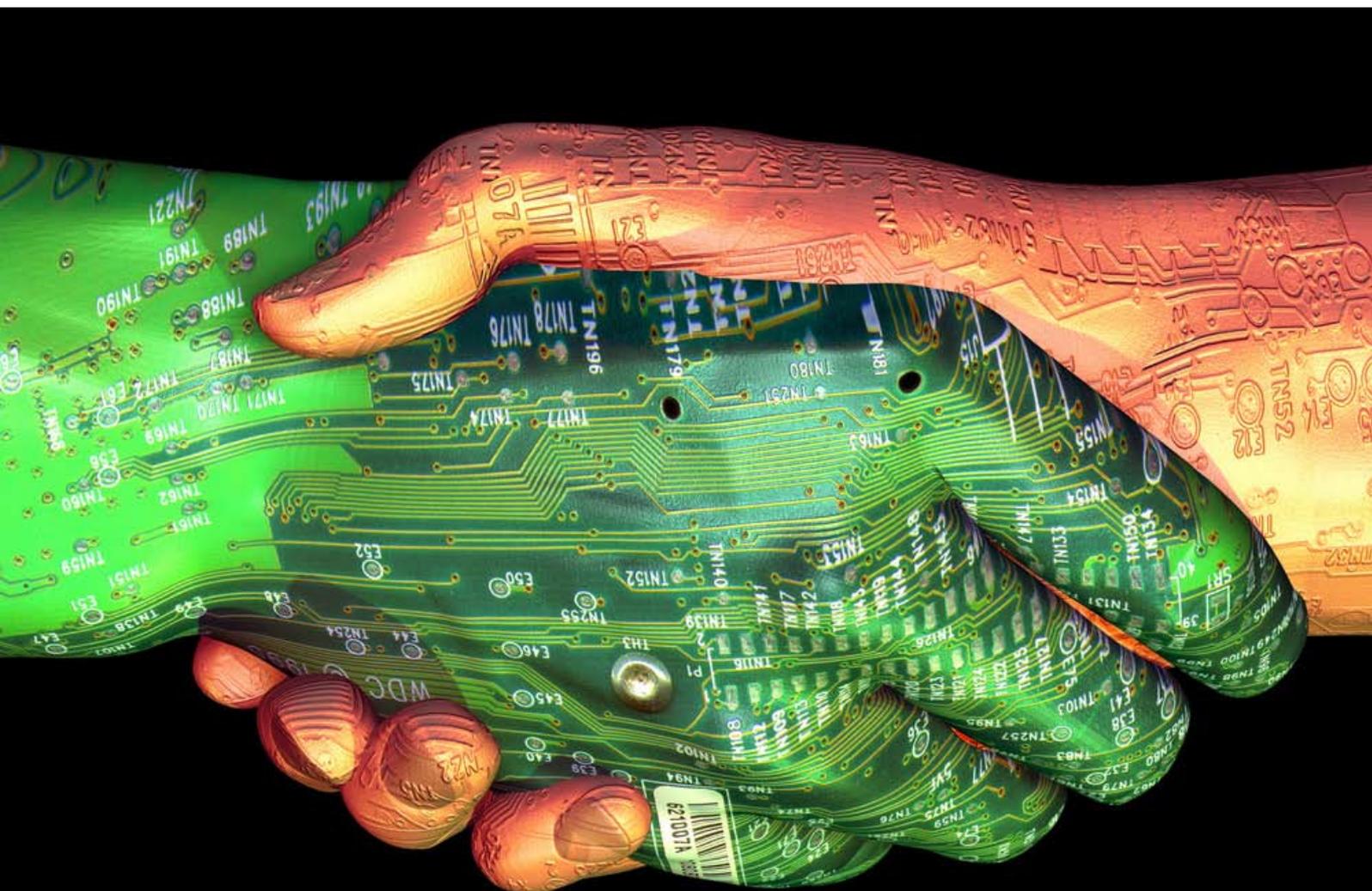
The team at URCA participated in workshops of the HIPCAR project (Harmonisation of ICT Policies, Legislation and Regulatory Procedures in the Caribbean) which was conceived by the ITU, Caribbean Community (CARICOM) and the CTU. The aim of this EU-funded Project is to support the harmonisation of ICT policies, legislation and regulatory procedures in the Caribbean. The Project supports the region in improving its competitiveness and brings together various stakeholders, such as the Caribbean governments, regulators, service providers,

civil society, private sector, regional and international organizations involved in ICT.

URCA is a member of the Organisation of Caribbean Utility Regulators (OOCUR) and members of staff and the Board attended the 8th Annual Conference held in Ocho Rios, Jamaica in early November. At meetings of the OOCUR Executive Committee held at the same time, URCA was appointed to the Executive Committee.

In light of the studies being carried out by the Government, with advisory assistance from the Inter-American Development Bank (IDB), to reform the energy and water sectors, and as part of URCA's preparation for the possible regulation of those sectors, the Board approved a Memorandum of Understanding (MOU) with the Nova Scotia Utility Review Board. This MOU is a regulatory co-operation agreement. URCA will benefit from the Canadian experience to regulation of these sectors, and will obtain assistance with training and knowledge transfer through short-term placements of URCA team members in Halifax, Canada.

“In the regional and international arena, URCA participated in a number of events and meetings.”



# KEY PERFORMANCE INDICATORS

## FINANCIAL PERFORMANCE

An overview of URCA's financial performance is provided in Table 2 below.

**Table 2 – Performance against budget**

	Actual	Budget	Variance
Fees	5,448,633	4,718,040	730,593
Other Income	276,285	-	276,285
Total Income	5,724,918	4,718,040	1,006,878
Expenses:			
Non-Executive Honoraria and Expenses	189,643	186,384	(3,259)
Executive Members' Compensation	414,449	437,229	22,780
Staff Costs	1,600,623	1,458,832	(141,791)
Conference, Training and Travel	205,612	223,800	18,188
Professional Services	1,667,313	1,270,500	(396,813)
Advertising, Consumer and Public Relations	64,637	155,600	90,963
Rent and Communications	407,128	302,400	(104,728)
Information Technology	59,156	60,000	844
Office Services	134,527	80,300	(54,227)
General and Administrative Expenses	25,410	66,720	41,310
Depreciation	171,925	534,000	362,075
Provision for Doubtful Accounts	(23,013)	-	23,013
Total Operating Expenses	4,917,410	4,775,765	(141,645)
<b>Comprehensive Income/(Loss)</b>	<b>807,508</b>	<b>(57,725)</b>	<b>865,233</b>

Fees earned by URCA significantly surpassed budget due to the relevant deferred (non-cash) and other fees payable under the Telecommunications Act being recognized during the year. During fiscal 2010, URCA billed \$4,891,000 in URCA fees, and another \$558,000 in fees from radio communications and operator licences. Additional revenues were received from application and merger fees, as well as \$221,000 from interest income. Total income surpassed budget by 21 per cent.

In comparison, expenses were over budget by 2.97 per cent. The reasons for the variance along the major line items were as follows:

- Non-Executive expenses were slightly more than budgeted due to travel costs associated with the attendance in The Bahamas at the monthly meeting of the Board by the two non-resident Board members;
- Staff Costs were significantly higher than budgeted due to the Human Resource initiatives implemented during the year. The implementation of the recommendations emanating from the study of compensation paid to colleagues was done during the year, however, the cost of implementation was not budgeted for;
- Conference, training and travel costs were below budget due to less than anticipated overseas travel in the year;
- Professional Services were significantly higher than the budget allocation largely due to the breadth and depth of work that needed external expertise in the first half of the year, in the lead up to the Final Decision on Obligations Imposed on SMP Operators;
- Rent and Communications was slightly higher than budgeted due to the delay in occupying the new premises at the UBS Annex;
- Office Services was higher than budgeted due to increased insurance for contents at the new office premises and insurance for the new spectrum equipment;
- Depreciation was significantly less than budgeted due to the unanticipated delay in completing the various capital expansion projects;
- There was no movement in provision of doubtful accounts included in the budgeting exercise.

**Table 3: Finance KPIs**

KPI	Value
Cost of Finance Function	6.35 %
Period end cycle time	11.25 days
Year end cycle time	26 days
Budgeting accuracy	-2.97%
Cost of licensing invoice	\$1,362
Debtor days	25 days
Number of billing adjustments	9
Value of adjustments	\$169,019
Long outstanding debt as percentage of total debt	82.55%

Table 4: Regulatory KPIs

KPI	Definition & Comments
Publication of Draft Annual Plan before end of financial year	2010 Draft Annual Plan published on December 30, 2009 2011 Draft Annual Plan published on December 10, 2010
Publication of Annual Report and Final Annual Plan by 30 April	2009 Annual Report and Annual Plan published on April 30, 2010.
Final determination to be published within one month from end of consultation	Only one Final Determination was published by URCA in 2010. On February 15, 2010, URCA issued a Final Determination, closing the consultation on January 22, 2010 (i.e. in 24 days).
Public consultations started in period stated in Annual Plan	<p><b>Consultations started in period as stated in Annual Plan:</b></p> <ul style="list-style-type: none"> <li>• Consultation on Content Regulation: Procedures for Developing Codes (Q1) – February 3, 2010</li> <li>• Final SMP Decision (Q2) – published April 22, 2010</li> <li>• Draft National Numbering Plan (Q2) – published May 25, 2010</li> </ul> <p><b>Work started in period as stated in Annual Plan:</b></p> <ul style="list-style-type: none"> <li>• Compliance with Retail Pricing framework (Q2) – started in June</li> <li>• Review of BTC's RAI0 (Q2) – started on June 15, 2010</li> <li>• Review of Accounting Separation (Q2) – started on May 31, 2010</li> <li>• Review of compliance with other SMP obligations (Q2) – various dates between May-June, 2010</li> <li>• Issuance of Public Register of Licensees (Q1) – published on April 1, 2010</li> <li>• Publication of National Spectrum Plan (Q1) – published on March 12, 2010</li> </ul> <p><b>Work delayed in 2010 or postponed until 2011</b></p> <ul style="list-style-type: none"> <li>• Consultation Opening new bands (Q2) – published October 1, 2010</li> <li>• Refarming of spectrum – delayed</li> <li>• Consultation on Infrastructure Sharing (Q3) – internal preparations started but publication postponed until 2011</li> <li>• Consultation on Number Portability (Q3) – internal preparation started, including undertaking a consumer survey, but consultation postponed until 2011</li> <li>• Price and Quality benchmarking for raising consumer awareness – data collection started in 2010</li> <li>• Compliance with Licence Conditions (Q3) – engagement and data collection started in Q4</li> <li>• Universal service regulations (Q2) – delayed until 2011</li> <li>• Consultation on Public Service Broadcasting (Q2) – published December 31, 2010</li> <li>• Consultation on Broadcasting Codes of Practice (Q3) – delayed until 2011 due to on-going efforts of the Working Group.</li> </ul>
Time to publish results, decisions after close of consultation	<ul style="list-style-type: none"> <li>• SMP Determination Closing Section 100 Procedure (consultation closed on January 22, 2010) – 24 days.</li> <li>• Final SMP Decision (consultation closed on January 22, 2010) – 90 days (as per section 116 of the Comms Act).</li> <li>• Content Regulation: Process for Developing Codes (consultation closed on March 12, 2010) – 82 days</li> <li>• BTC RAI0 (consultation closed on November 12, 2010) – 60 days.</li> <li>• Draft National Numbering Plan (consultation closed July 30, 2010) – pending</li> <li>• Opening New Spectrum Bands (consultation closed November 16, 2010) - pending</li> </ul>
Number of regulatory measures appealed	No decisions were appealed in the courts or with the Utilities Appeal Tribunal (UAT).
Consumer complaints	42

**Table 5: Individual Operating Licence**

Month	Total Number of Applications Received	Total Number of Applications Processed within Thirty (30) days	Total Number of Applications Processed outside of Thirty (30) days	Average Processing Time [Days]	Target (Percentage % of Applications Processed in Thirty (30) Days)	Pending	Incomplete	Total Number of Licences issued
January - August 2010	0	-	-	-	-	-	-	-
September 2010	1	1	0	25	100%	0	0	1
October 2010	0	-	-	-	-	-	-	-
November 2010	3	2	0	19	100%	0	1	2
December 2010	1*	1	-	-	-	-	-	-
<b>TOTAL</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>22</b>	<b>100%</b>	<b>0</b>	<b>1</b>	<b>3</b>

\* Application Form was submitted to URCA on December 13, 2010 and Licence was issued on January 12, 2011 [i.e. within the Thirty (30) day Target].

**Table 6: Individual Spectrum Licence**

Month	Total Number of Applications Received	Total Number of Applications Processed within Thirty (30) days	Total Number of Applications Processed outside of Thirty (30) days	Average Processing Time [Days]	Target (Percentage % of Applications Processed in Thirty (30) Days)	Pending	Incomplete	Incomplete Applications Processed	Total Number of Licences issued
December 2009	25*								
January 2010	8	32	0	13	100%	0	1	0	32
February 2010	3	2	0	13	100%	0	1**	0	2
March 2010	5	5	0	13	100%	0	0	0	5
April 2010	2	2	0	23	100%	0	0	0	2
May 2010	1	1	0	16	100%	0	0	0	1
June 2010	0	-	-	-	-	-	-	-	-
July 2010	0	-	-	-	-	-	-	-	-
August 2010	1	1	0	7	100%	0	0	0	1
September 2010	3	1	0	8	100%	1***	1	0	1
October 2010	2	1	0	22	100%	0	1	1	2
November 2010	0	-	-	-	-	-	-	-	-
December 2010	4	0	0	0	0	2	2	0	0
<b>TOTAL</b>	<b>54</b>	<b>46</b>	<b>0</b>	<b>16</b>	<b>89%</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>46</b>

\* Twenty Five (25) of the Applications submitted in December, 2009, were processed in January, 2010 within the Thirty (30) Day target.

\*\* In February, 2010, one (1) Applicant submitted two applications for one (1) service.

\*\*\* In September 2010, an Application was made to URCA requesting the use of a spectrum band that has not been opened. Therefore this application is in pending mode until the decision is made to open the requested spectrum band.

**Table 7: Class Operating Licence Requiring Registration**

Month	Total Number of Applications Received	Total Number of Applications Processed within Forty Five (45) days	Total Number of Applications Processed outside of Forty Five (45) days	Average Processing Time [Days]	Target (Percentage % of Applications Processed in Forty Five (45) Days	Pending	Incomplete	Incomplete Applications Processed	Total Number of Licences issued
December 2009	1*								
January 2010	0	-	-	-	-	-	-	1	1
February 2010	0	-	-	-	-	-	-		-
March 2010	0	-	-	-	-	-	-		-
April 2010	0	-	-	-	-	-	-		-
May 2010	0	-	-	-	-	-	-		-
June 2010	0	-	-	-	-	-	-		-
July 2010	1	1	0	21	100%	0	0		1
August 2010	1	1	0	7	100%	0	0		1
September 2010	0	-	-	-	-	-	-		-
October 2010	0	-	-	-	-	-	-		-
November 2010	1	-	-	-	-	-	1**		0
December 2010	0	-	-	-	-	-	-		-
<b>TOTAL</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>14</b>	<b>100%</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>3</b>

\* One (1) Application submitted on December 31, 2009, Licence was issued in January 14, 2010 within the Forty Five (45) Day target.

\*\* Application was rejected due to applicant not meeting licensing criteria as stipulated in Licensing Guidelines ECS – 15/2009.

**Table 8: Class Spectrum Licence Requiring Registration**

Month	Total Number of Applications Received	Total Number of Applications Processed within Forty Five (45) days	Total Number of Applications Processed outside of Forty Five (45) days	Average Processing Time [Days]	Target (Percentage % of Applications Processed in Forty Five (45) Days	Pending	Incomplete	Incomplete Applications Processed from previous month (s)	Total Number of Licences issued
December 2009	5*								
January 2010	10	9	0	18	100%	0	1	1*	10
February 2010	9	9	0	18	100%	0	0	3*	12
March 2010	14	14	0	22	100%	0	0	0	14
April 2010	9	9	0	7	100%	0	0	1*	10
May 2010	9	9	0	17	100%	0	0	0	9
June 2010	6	6	0	10	100%	0	0	0	6
July 2010	1	1	0	17	100%	0	0	0	1
August 2010	2	2	0	20	100%	0	0	0	2
September 2010	7	7	0	9	100%	0	0	0	7
October 2010	11	11	0	16	100%	0	0	0	11
November 2010	12	12	0	9	100%	0	0	0	12
December 2010	11	8	0	4	100%	0	3**	0	8
<b>TOTAL</b>	<b>106</b>	<b>97</b>	<b>0</b>	<b>14</b>	<b>100%</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>102</b>

\* Five (5) of the Applications submitted in December, 2009, were processed in January, February and April 2010 respectively.

\*\* Three (3) of the Applications received in December 2010 were processed in January 2011 within the Forty Five (45) day target.

**Table 9: HR and IT KPIs**

KPI	Value
Cost of HR function (% of total cost)	5.88%
Cost of HR function per employee	\$13,354
Ratio of total personnel to HR personnel	11:1
Average number of training days per employee	6 days
Leavers as a percentage of total personnel	13.04%
Days lost through sickness p.a.	7 days
Investment in learning & development as a percentage of payroll	9.9%
Cost of advisors as a percentage of total payroll	44.8%
Percentage of roles filled by Bahamians	86.4%
Average lapse time from vacancy to acceptance of offer	60 days
Cost of recruitment per vacancy	\$16,048
Percentage of people in role after 12 months	91%
Percentage of Staff receiving annual appraisal	100%
Cost of IT Function	0.61%
ICT investment	0.31% or \$704 per user
Percentage of users able to access network remotely	73%

# FINANCIAL STATEMENTS INDEPENDENT AUDITORS REPORT

JANUARY 1 – DECEMBER 31, 2010

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**INDEPENDENT AUDITORS' REPORT**

**To the Members of the Utilities Regulation and Competition Authority**

We have audited the accompanying financial statements of the Utilities Regulation and Competition Authority, which comprise the statement of financial position as of 31 December 2010, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*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 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 auditors' 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 auditors consider 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.

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 Utilities Regulation and Competition Authority, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Chartered Accountants  
Nassau, Bahamas**

**5 April 2011**

## THE UTILITIES REGULATION AND COMPETITION AUTHORITY

(Established under the laws of the Commonwealth of The Bahamas)

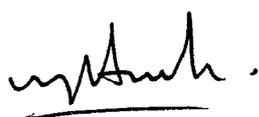
### STATEMENT OF FINANCIAL POSITION

As of 31 December 2010

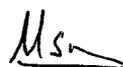
(Expressed in Bahamian dollars)

	2010 \$	2009 \$ <b>Restated</b> <b>[Note 15]</b>
<b>ASSETS</b>		
Cash on hand and at banks	4,459,728	4,946,087
Accounts receivable (Note 4)	5,678,669	7,094,733
Due from agent (Note 5)	-	83,325
Prepaid expenses and other assets	367,933	353,127
Pension asset (Note 6)	159,553	163,206
Property, plant and equipment (Note 7)	<u>2,564,204</u>	<u>173,019</u>
<b>Total assets</b>	<b><u>13,230,087</u></b>	<b><u>12,813,497</u></b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	212,664	467,223
Due to agent (Note 5)	-	41,089
Due to the Consolidated Fund (Note 8)	5,910,000	-
Deferred revenue (Note 9)	<u>5,712,097</u>	<u>5,807,367</u>
<b>Total liabilities</b>	<b><u>11,834,761</u></b>	<b><u>6,315,679</u></b>
<b>NET ASSETS</b>	<b><u>1,395,326</u></b>	<b><u>6,497,818</u></b>
<b>REPRESENTED BY:</b>		
Contributed surplus (Note 8)	1,263,712	6,753,410
Electronic communications fund	<u>131,614</u>	<u>(255,592)</u>
<b>Total net assets</b>	<b><u>1,395,326</u></b>	<b><u>6,497,818</u></b>

**APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD AND SIGNED ON ITS BEHALF BY:**



Chairperson



Chief Executive Officer

01 April 2011

Date

The accompanying notes are an integral part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2010

(Expressed in Bahamian dollars)

	2010 \$	2009 \$ [Note 2(1)]
<b>REVENUE</b>		
Electronic communications operating licence fees	4,891,049	1,733,868
Telecommunications, radio communications and other fees	<u>557,584</u>	<u>794,727</u>
<b>Total revenue</b>	<b><u>5,448,633</u></b>	<b><u>2,528,595</u></b>
<b>EXPENSES</b>		
Salaries and employee benefits (Note 6)	2,163,715	859,867
Legal, professional and consultancy fees	1,667,313	1,114,379
Rent and occupancy costs	349,588	75,914
Depreciation (Note 7)	171,925	98,916
Training	178,079	19,119
Office services	134,527	64,030
Travel	68,533	15,635
Advertising and public relations	64,637	25,520
Information technology	59,156	47,610
Communications	57,540	15,977
Provision for doubtful accounts (Note 4)	(23,013)	6,685
Premises repairs and maintenance	16,986	6,704
Automotive maintenance	5,967	2,345
Professional membership	2,457	(4,625)
Agency fees	<u>-</u>	<u>41,184</u>
<b>Total expenses</b>	<b><u>4,917,410</u></b>	<b><u>2,389,260</u></b>
<b>Operating income</b>	<b>531,223</b>	<b>139,335</b>
Interest income	220,816	68,323
Other income	<u>55,469</u>	<u>-</u>
<b>Total comprehensive income</b>	<b><u><u>807,508</u></u></b>	<b><u><u>207,658</u></u></b>

The accompanying notes are an integral part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 31 December 2010

(Expressed in Bahamian dollars)

	<b>Contributed Surplus \$</b>	<b>Electronic Communication Fund \$</b>	<b>Total \$</b>
Initial contributed surplus	6,290,160	-	6,290,160
Total comprehensive income [Notes 2(l) and 15]	<u>463,250</u>	<u>(255,592)</u>	<u>207,658</u>
<b>Balance as of 31 December 2009</b>	<b>6,753,410</b>	<b>(255,592)</b>	<b>6,497,818</b>
Transfer to the Consolidated Fund (Note 8)	(5,910,000)	-	(5,910,000)
Total comprehensive income	<u>420,302</u>	<u>387,206</u>	<u>807,508</u>
<b>Balance as of 31 December 2010</b>	<b><u>1,263,712</u></b>	<b><u>131,614</u></b>	<b><u>1,395,326</u></b>

The accompanying notes are an integral part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2010  
(Expressed in Bahamian dollars)

	2010 \$	2009 \$ [Note 2(l)]
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total comprehensive income	807,508	207,658
Adjustments for:		
Depreciation	171,925	98,916
Provision for doubtful accounts	(23,013)	6,685
Interest income	(220,816)	(68,323)
Gain on sale of property, plant and equipment	(48,306)	-
(Increase)/Decrease in operating assets:		
Accounts receivable	1,439,077	(6,284,048)
Due from agent	83,325	291,110
Prepaid expenses and other assets	(14,806)	(284,917)
Pension asset	3,653	(14,681)
Increase/(Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(254,559)	288,717
Due to agent	(41,089)	(138,340)
Deferred revenue	(95,270)	4,389,143
Interest received	222,087	81,568
<b>Net cash from/(used in) operating activities</b>	<b><u>2,029,716</u></b>	<b><u>(1,426,512)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (increase)/decrease in term deposits with original contractual maturities greater than 3 months	115,681	(58,969)
Purchase of property, plant and equipment	(2,583,986)	(22,660)
Proceeds from sale of property, plant and equipment	69,182	-
<b>Net cash used in investing activities</b>	<b><u>(2,399,123)</u></b>	<b><u>(81,629)</u></b>
<b>Decrease in cash and cash equivalents</b>	<b>(369,407)</b>	<b>(1,508,141)</b>
Cash and cash equivalents as of beginning of year/period	<u>2,825,571</u>	<u>4,333,712</u>
<b>Cash and cash equivalents as of end of year/period (Note 3)</b>	<b><u>2,456,164</u></b>	<b><u>2,825,571</u></b>

The accompanying notes are an integral part of these financial statements.

## 1. General Information

The Utilities Regulation and Competition Authority (the Authority) was established on 1 August 2009, as a corporate body, under the Utilities Regulation and Competition Authority Act, 2009 (the Act). The offices of the Authority are located at the UBS Annex, East Bay Street, New Providence, Bahamas.

The functions of the Authority are to: i) regulate the electronic communications sector to further the interests of consumers by promoting competition; ii) apply competition rules in exercising its regulatory powers; iii) represent the Government of the Commonwealth of The Bahamas (the Government) in regional and international organisations; iv) charge licence fees in accordance with relevant legislation; v) act on behalf of the Government in billing and collecting communications licence fees; and vi) perform any other duties or functions assigned to it under relevant legislation.

Currently, the Authority only regulates electronic communications. It will commence regulating the other regulated sectors on dates to be determined by the Government, and following the necessary amendments to the legislation governing those sectors. The electronic communications sector is regulated in accordance with the Communications Act, 2009 (the Communications Act) and the Electronic Communications Sector Policy. Prior to the coming into force of the Communications Act and the Electronic Communications Sector Policy, the Authority regulated radio communications and telecommunications (including internet) in accordance with the Telecommunications Act, 1999 and the Telecommunications Sector Policy.

In addition to establishing the Authority, the Act dissolved the Public Utilities Commission (the PUC) and the Television Regulatory Authority (together, the predecessor regulators); repealed the Public Utilities Commission Act; and made provisions for the property and contracts, together with all functions and powers of the predecessor regulators, to be transferred to the Authority to ensure the effectiveness and continuity of regulation. The Utilities Regulation and Competition Authority (Amendment) Act, 2010 (the Amendment Act), assented to on 22 December 2010 and deemed to have come into force on 1 August 2009, provided for the transfer of \$5,910,000 out of the net assets of the PUC to the Consolidated Fund of the Commonwealth of The Bahamas (the Consolidated Fund); see Notes 8 and 16.

Further, the Utilities Appeal Tribunal Act, 2009 has come into force and provides for the Tribunal that will adjudicate all matters relating to a sector regulated by the Authority.

## 2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention. The preparation of financial statements in accordance with IFRS requires management to exercise its judgment in the process of applying its accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 2(d), 2(g) and 2(h).

Amendments and interpretations to published standards that became effective for fiscal periods beginning on or after 1 July 2009 were not relevant to the Authority's operations and accordingly did not impact the Authority's accounting policies or financial statements.

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Authority's accounting policies or financial statements in the period of initial application.

**(b) Foreign currency translation**

The financial statements are presented in Bahamian dollars, which is the Authority's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year end exchange rates are recognised in the statement of comprehensive income.

**(c) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, call accounts at banks and term deposits with original contractual maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**(d) Accounts receivable**

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables.

The amount of provision is the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income. When an account receivable is uncollectible, it is written off against the provision for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

No provision is made against accounts receivable from the Government, or entities which it controls, except to discount expected future cash flows.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	Lesser of lease term and 10 years
Information systems	3 – 5 years
Vehicles	5 years
Furniture and office equipment	5 years

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**(e) Property, plant and equipment (continued)**

The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when an event has occurred that indicates a need to re-evaluate useful lives. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

**(f) Accounts payable**

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(g) Income and expense recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Authority.

Revenue from licensing activities is recognised over the period of the applicable licence, with amounts billed in relation to future periods being deferred in the statement of financial position. Certain licence fees are fixed and others are based on the revenues of the licensees. For licence fees based on licensee revenue, the Authority makes an estimate of the fee based on the latest available financial information of the licensee and recognises any increase or decrease in that estimate upon receipt of the final revenue amounts of the licensee for the applicable licence period. The applicable revenues for fee purposes are those earned in the licensee's fiscal year ending within the licence period.

Interest income is recognised using the effective interest method. Agency fees are recognised at the time that they are incurred, which generally coincides with disbursement. All other income and expenses are recognised on the accrual basis of accounting.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Employee benefits**

The Authority operates a defined benefit pension plan, which requires contributions, determined by periodic actuarial calculations, to be made to a separately administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset/liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government bonds that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the defined benefit obligation are charged or credited to the statement of comprehensive income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in employee benefits expense, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Salaries and other employee benefits are recognised on the accrual basis of accounting.

**(i) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating lease are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**(j) Taxation**

The Authority is established under the laws of the Commonwealth of The Bahamas and therefore is not subject to income or capital gains taxes.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**2. Summary of Significant Accounting Policies (Continued)**

**(k) Fiduciary activities**

The Authority collects certain fees from licensees on behalf of the Government. The assets associated with these activities are excluded from these financial statements, as they do not belong to the Authority.

**(l) Corresponding figures**

Where necessary, the corresponding figures are adjusted to conform with changes in presentation in the current year. The corresponding figures are for the period 1 August 2009 (date of establishment) to 31 December 2009.

**3. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise:

	<b>2010</b>	<b>2009</b>
	\$	\$
Cash on hand and at banks	4,459,728	4,946,087
Term deposits with original contractual maturities greater than 3 months	(2,000,000)	(2,115,681)
Accrued interest	(3,564)	(4,835)
<b>Total</b>	<b><u>2,456,164</u></b>	<b><u>2,825,571</u></b>

**4. Accounts Receivable**

	<b>2010</b>	<b>2009</b>
	\$	\$
Trade receivables	5,741,359	7,180,436
Provision for doubtful accounts	(62,690)	(85,703)
<b>Total</b>	<b><u>5,678,669</u></b>	<b><u>7,094,733</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**4. Accounts Receivable (Continued)**

Movements in provision for doubtful accounts are as follows:

	<b>2010</b>	<b>2009</b>
	\$	\$
Opening balance	85,703	79,018
Provision for doubtful accounts	<u>(23,013)</u>	<u>6,685</u>
<b>Closing balance</b>	<b><u>62,690</u></b>	<b><u>85,703</u></b>

**5. Agency Agreement**

On 4 September 2002, the Minister responsible for telecommunications approved a vesting order effective 25 March 2000, transferring from The Bahamas Telecommunications Company Limited (BTC) to the PUC all property, rights and liabilities relating to the regulatory undertakings of BTC. Included in the rights transferred to the PUC was an agency agreement dated 4 June 1998, between BTC and the Bahamas Maritime Authority (BMA), which authorised BMA to process and issue radio communications licences on behalf of BTC. Under the agreement BMA, a related party, collected all licence revenues for the PUC, with a percentage of the revenues being payable to BMA for its services. The agency arrangement was transferred to the Authority on dissolution of the PUC and subsequently terminated upon the coming into force of the Communications Act. Balances outstanding as of 31 December 2009 were settled subsequent to the period end.

Under the Communications Act, the Authority is responsible for the granting of class spectrum licences requiring registration; enforcing conditions attached to such licences; billing and collecting fees consequential thereto and remitting all spectrum licence fees to the Consolidated Fund. The Authority and BMA signed a memorandum of agreement effective 30 August 2010 in which there was a delegation of authority from the Authority to BMA to issue spectrum licences to maritime vessels registered under the Bahamian flag on behalf of the Authority. Under the terms of the memorandum, the BMA will bill, collect and remit spectrum fees on behalf of the Authority for the Government. Additionally under the terms of this memorandum neither party will be compensated for the services performed regarding the billing, collection and remittance of spectrum fees on behalf of the Government.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**6. Employee Benefits**

The Authority's pension plan (the Plan) is a non-contributory defined benefit pension plan established for the provision of pension benefits to the members of the Plan. As of 31 December 2010, there are 16 (2009: 17) members participating in the Plan. All assets of the Plan are invested in a fund managed and administered by an independent investment manager. The Plan is subject to an actuarial valuation at least every 3 years, and the latest actuarial valuation was performed by an independent actuary as of 31 December 2010.

The following tables summarise the components of net pension benefit expense and the funded status and amounts recognised in the statement of financial position for the Plan as determined as of the date of the last actuarial review.

Pension benefit expense comprises:

	2010	2009
	\$	\$
Current service cost	103,383	48,226
Interest cost	65,210	26,379
Expected return on plan assets	(32,776)	(33,292)
Net actuarial gain recognised during year	<u>(1,994)</u>	<u>-</u>
<b>Total, included in salaries and employee benefits</b>	<b><u>133,823</u></b>	<b><u>41,313</u></b>
<b>Actual return on plan assets</b>	<b><u>47,291</u></b>	<b><u>25,296</u></b>

The pension plan asset is analysed as follows:

	2010	2009
	\$	\$
Present value of obligations	1,158,684	1,050,545
Fair value of plan assets	<u>(1,522,740)</u>	<u>(1,384,962)</u>
	(364,056)	(334,417)
Unrecognised actuarial gain	<u>204,503</u>	<u>171,211</u>
<b>Asset in statement of financial position</b>	<b><u>(159,553)</u></b>	<b><u>(163,206)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**6. Employee Benefits (Continued)**

Movements in the benefit obligation comprise:

	<b>2010</b>	<b>2009</b>
	\$	\$
Present value of obligation, beginning of period	1,050,545	1,052,799
Current service cost	103,383	48,226
Interest cost	65,210	26,379
Benefits paid	(39,683)	-
Actuarial gain on obligation	(20,771)	(76,859)
<b>Present value of obligation, end of period</b>	<b><u>1,158,684</u></b>	<b><u>1,050,545</u></b>

Movements in the fair value of plan assets comprise:

	<b>2010</b>	<b>2009</b>
	\$	\$
Fair value of plan assets, beginning of period	1,384,962	1,303,672
Expected return on plan assets	32,776	33,292
Contributions	130,170	55,994
Benefits paid	(39,683)	-
Actuarial loss on obligation	14,515	(7,996)
<b>Fair value of plan assets, end of period</b>	<b><u>1,522,740</u></b>	<b><u>1,384,962</u></b>

Movements in the asset in the statement of financial position comprise:

	<b>2010</b>	<b>2009</b>
	\$	\$
Asset, beginning of period	(163,206)	(148,525)
Pension benefit expense	133,823	41,313
Contributions	(130,170)	(55,994)
<b>Asset, end of period</b>	<b><u>(159,553)</u></b>	<b><u>(163,206)</u></b>

The principal assumptions used are shown below:

Discount rate	5.75%	5.75%
Expected rate of return on plan assets	5.50%	5.50%
Future salary increases	4.00%	5.00%

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**6. Employee Benefits (Continued)**

Mortality rates have been taken from the 1994 Group Annuity Mortality Table.

The Plan is responsible for making full pension payments to public officers transferred to the Authority for their period of employment in the Public Service and the PUC (that is, the pension will be based on combined employment with the Public Service, the PUC and the Authority). The Plan has the right to claim reimbursement from the Government for pension payments made to these persons in relation to the period of employment in the Public Service. Currently, no pension payments are being made to these persons.

**7. Property, Plant and Equipment**

	<b>Leasehold Improve- ments \$</b>	<b>Information Systems \$</b>	<b>Vehicles \$</b>	<b>Furniture and Office Equipment \$</b>	<b>Total \$</b>
<b>Cost</b>					
31 December 2009	440,733	611,950	53,200	230,911	1,336,794
Additions	713,552	1,672,700	-	197,734	2,583,986
Disposals	(440,733)	-	-	(210,881)	(651,614)
<b>31 December 2010</b>	<b><u>713,552</u></b>	<b><u>2,284,650</u></b>	<b><u>53,200</u></b>	<b><u>217,764</u></b>	<b><u>3,269,166</u></b>
<b>Accumulated Depreciation</b>					
31 December 2009	440,733	496,293	44,240	182,509	1,163,775
Depreciation expense	47,570	99,429	5,240	19,686	171,925
Disposals	(440,733)	-	-	(190,005)	(630,738)
<b>31 December 2010</b>	<b><u>47,570</u></b>	<b><u>595,722</u></b>	<b><u>49,480</u></b>	<b><u>12,190</u></b>	<b><u>704,962</u></b>
<b>Net book value as of:</b>					
<b>31 December 2010</b>	<b><u>665,982</u></b>	<b><u>1,688,928</u></b>	<b><u>3,720</u></b>	<b><u>205,574</u></b>	<b><u>2,564,204</u></b>
<b>31 December 2009</b>	<b><u>-</u></b>	<b><u>115,657</u></b>	<b><u>8,960</u></b>	<b><u>48,402</u></b>	<b><u>173,019</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**8. Contributed Surplus**

As disclosed in Note 1, the Act dissolved the PUC and transferred its net assets to the Authority, and the Amendment Act required the Authority to transfer \$5,910,000 to the Consolidated Fund. The net assets transferred to the Authority were designated as contributed surplus based on legislation enacted at the time, and revenue earned from transferred deferred revenue relating to regulatory activities no longer performed or from which fees are no longer earned by the Authority are allocated to contributed surplus; see Note 15. With the enactment of the Amendment Act, the Authority has recognised the transfer of contributed surplus prospectively from the date of enactment.

Further, with the transfer to the Consolidated Fund, the Board reversed its appropriation of \$3,000,000 of contributed surplus to a separate fund for utilisation in preparing to regulate the energy and water sectors.

The net assets transferred from the PUC to the Authority on 1 August 2009 comprised:

	\$
<b>ASSETS</b>	
Cash on hand and at banks	6,408,504
Accounts receivable	817,370
Due from agent	374,435
Prepaid expenses and other assets	68,210
Pension asset	148,525
Property, plant and equipment	<u>249,275</u>
<b>Total assets</b>	<b><u>8,066,319</u></b>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	178,506
Due to agent	179,429
Deferred revenue	<u>1,418,224</u>
<b>Total liabilities</b>	<b><u>1,776,159</u></b>
<b>NET ASSETS</b>	<b><u><u>6,290,160</u></u></b>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**9. Deferred Revenue**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Electronic communications operating licence fees	5,282,172	4,957,140
Telecommunications, radio communications and other fees	<u>429,925</u>	<u>850,227</u>
<b>Total</b>	<b><u>5,712,097</u></b>	<b><u>5,807,367</u></b>

All electronic communications operating licence fees are current. The current portion of other fees total \$251,227 (2009: \$420,302), with the remaining balance to be recognised over periods up to 4 years.

**10. Balances and Transactions with Related Parties**

Related parties comprise: i) Government ministries and departments; ii) Government corporations and agencies; iii) entities controlled by the Government; iv) entities in which the Government has a significant ownership interest; and v) key management personnel. Balances and transactions with related parties, not otherwise disclosed in the financial statements, include:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<i>Assets</i>		
Cash at bank	4,130,114	3,599,389
Accounts receivable	4,229,234	5,362,599
<i>Liabilities</i>		
Accounts payable and accrued expenses	3,500	11,910
Deferred revenue	4,035,466	3,427,755
<i>Revenue</i>		
Electronic communications operating licence fees	3,767,620	1,558,071
Telecommunications, radio communications and other fees	26,818	321,673
<i>Expenses</i>		
Occupancy costs	33,843	10,150
Communications	52,514	14,362

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**10. Balances and Transactions with Related Parties (Continued)***Key Management Compensation*

Key management personnel comprise the members of the Board, the chairman of the Audit Committee and members of the Executive Committee. The executive members of the Board and four other members of the Authority's senior management currently constitute the Executive Committee. Compensation of key management personnel for the year for salaries and other short term benefits amounted to \$1,141,399 (2009: \$418,394).

**11. Commitments and Contingencies***Commitments*

The Authority signed a five-year lease for new office space, which commenced 1 June 2010. Future minimum rental payments required under the operating lease are as follows:

	\$
2011	283,200
2012	290,400
2013	297,600
2014	304,800
2015	128,250

*Contingencies*

The Authority is party to several legal cases involving its major licensees in the electronic communications sector, including a related party. In most instances, the cases involve breaches of the Telecommunications Act and Telecommunications Sector Policy asserted by the Authority, or challenges against the rulings by the Authority brought by licensees. Costs associated with these legal cases are uncertain, and will depend on whether or not the Authority is successful; which is not possible to predict. Accordingly, no provisions have been made in these financial statements relative to the legal proceedings.

**12. Financial Risk Management**

The Authority engages in transactions that expose it to credit risk, liquidity risk and interest rate risk in the normal course of business. The Authority's financial performance is affected by its capacity to understand and effectively manage these risks.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**12. Financial Risk Management (Continued)**

**(a) Credit risk**

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Authority's exposure to credit risk is concentrated in its cash at banks, accounts receivable and due from agent. The Authority mitigates the risk associated with cash at banks by placing its deposits with financial institutions in good standing with the Central Bank of The Bahamas. The monitoring of payment history before continuing to extend credit to licensees mitigates the risks associated with accounts receivable from non-related parties. Accounts receivable from related parties and due from agent are considered to have minimal credit risk, as this risk is with the Government.

The Authority in its effort to minimise credit risk exposure monitors the account receivable balances ensuring that all efforts are expended in order to reduce accounts with long overdue balances. The aged analysis of accounts receivable comprises:

	<b>2010</b>	<b>2009</b>
	\$	\$
<i>Days Outstanding</i>		
0 – 90 days	5,330,877	6,913,249
91 – 180 days	7,143	15,233
181 – 365 days	168,577	34,585
More than 365 days	234,762	217,369

Based on its experience, the Authority considers balances less than 180 days to have acceptable credit quality. Of the balances with an aging greater than 180 days, approximately 59% (2009: 60%) represents receivables from related parties.

Accounts receivable include balances due from a major licensee that are currently being disputed by the licensee. The Authority is of the opinion that it has sufficient legal bases to support its claims and therefore has not made any provision against these amounts. The Authority has several courses of action to pursue payment, some of which have been initiated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

## 12. Financial Risk Management (Continued)

### (b) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Authority's financial commitments as they become due. The Authority maintains a level of liquid assets that mature in the short term or could be redeemed immediately to meet cash requirements for normal operating purposes. The Authority has the ability, under the Act, to charge supplemental fees to licensees in order to cover operating expenses.

As of 31 December 2010, all of the Authority's liabilities, except deferred revenue (see Note 9), are due within one year.

### (c) Interest rate risk

Interest rate risk is the risk that future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to cash flow interest rate risk is concentrated in its time deposits, and the Authority has elected not to hedge this risk as it is not considered significant. The Authority does not have any significant fair value interest rate risk.

## 13. Fair Value of Financial Instruments

Financial instruments utilised by the Authority include the recorded financial assets and liabilities, and their estimated fair values approximate their carrying value due to the relatively short term nature of these instruments.

## 14. Capital Management

The Authority's objectives when managing capital are to: i) safeguard its ability to continue as a going concern; and ii) maintain a capital base sufficient to support the expected expansion of its regulatory powers and associated operations.

## 15. Prior Period Adjustment

On 1 August 2009, the Authority recognised assets and deferred revenue relating to regulatory activities for which the PUC was responsible and from which it was earning fees. Certain of these activities no longer fall under the remit of the Authority with the coming into force of the Communications Act.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

(Continued)

**15. Prior Period Adjustment (Continued)**

In the prior period, the recognition of deferred revenue in the statement of comprehensive income over the period covered by the fees was allocated to the electronic communications fund. During 2010, the Authority changed its accounting policy to allocate revenues from activities no longer generating fees for the Authority to contributed surplus. This treatment is considered a more accurate presentation of the financial performance of the Authority and more specifically its activities in regulating the electronic communications sector.

This change has been applied retrospectively resulting in an increase in total comprehensive income for the period ended 31 December 2009 allocated to contributed surplus of \$463,250 and an equal decrease in the amount allocated to the electronic communications fund. There was no overall impact on total net assets as of 31 December 2009. The opening statement of financial position for the period ended 31 December 2009 was not impacted by this change, and accordingly an opening statement of financial position has not been presented.

**16. Subsequent Events**

In January 2011, the Authority remitted \$4,310,000 to the Consolidated Fund in partial settlement of \$5,910,000 required to be transferred pursuant to the provisions of the Amendment Act (see Notes 1 and 8). The parties have not yet agreed a schedule for settlement of the remaining balance.

## THREE-YEAR STRATEGY & ANNUAL PLAN FOR 2011

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# THREE-YEAR STRATEGY & ANNUAL PLAN FOR 2011

## 1. INTRODUCTION

### 1.1 SCOPE

The Utilities Regulation and Competition Authority (“URCA”) is pleased to publish its Final Three Year Strategy and Annual Plan for 2011. The remainder of this document encompasses:

- A recap of URCA’s broad priorities for the three years 2011 – 2014;
- A synopsis of URCA’s activities and achievements for the period from August 2009 to December 2010 (the period covered by the previous Annual Plan), and URCA’s proposed key activities for the forthcoming financial year, commencing January 1, 2011 and ending December 31, 2011 (fiscal 2011);
- A series of key performance indicators which URCA shall use to measure its performance during fiscal 2011;
- The level of remuneration to be received by non-executive and executive members for fiscal 2011; and
- URCA’s budget for fiscal 2011.

### 1.2 BACKGROUND

The legislative framework for the regulation of the Electronic Communications Sector (ECS) is set out in the Communications Act, 2009 (Comms Act), which empowers URCA as the independent regulator of the sector with the regulatory tools and powers required for effectiveness. In addition, in 2009 the Government articulated a new vision for the Sector in its Electronic Communications Sector Policy (“Sector Policy”) that provided for the immediate full liberalisation of the ECS on September 1, 2009, with the exception of cellular services.

URCA came into effect on August 1, 2009 as the new converged regulator and competition authority for the ECS – covering radio and television broadcasting, radio spectrum, internet and data, pay-tv and voice telephony<sup>1</sup>. URCA currently regulates the ECS through the Comms Act, although URCA may regulate other sectors over time (such as energy and water), if given specific responsibilities to do so under other sector specific legislation.

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<sup>1</sup> It replaced the legacy regulators for radio spectrum and telecommunications, the Public Utilities Commission (“PUC”), and radio and broadcasting, the Television Regulatory Authority.

## 2. VISION AND VALUES

### 2.1 VISION

URCA's vision for the electronic communications sector involves:

- realisation of a fully sustainable competitive market with adequate choice of service providers for consumers;
- improved value-for-money propositions (price and quality);
- consumers to be well informed and protected;
- presence of modern converged infrastructure, all of this geared to making the people, society, and economy of The Bahamas more productive.

URCA aims to create the key enablers that support the smooth functioning of a competitive market, promoting innovation in converging platforms and services, and permitting all stakeholders to make well-informed decisions in a leading regulatory regime that is transparent and predictable.

In its efforts to attain this vision and in carrying out its mission, URCA is committed to performing its functions in a manner that is transparent, proportionate, non-discriminatory and objective.

### 2.2 VALUES

URCA aspires to succeed in its Mission through the adoption of the following values.

#### VALUES

1. **Think Customer** - *We understand our stakeholders so that we can deliver effectively and efficiently for them.*
2. **Keep our promises** - *We are passionate about doing what we say we will.*
3. **Champion professional conduct** – *We act with integrity and take personal responsibility.*
4. **Do what's right** – *We do what matters for our stakeholders.*
5. **Succeed together** – *We debate, decide and collaborate as a team.*
6. **Open communications** – *We encourage open and honest dialogue.*
7. **Skilled and motivated colleagues** – *Our team is skilled and motivated to do their best.*

## 3. STRATEGY AND PRIORITIES FOR 2011-2014

In recognition of the importance of the ECS to the economic and social welfare of The Bahamas, the objectives of the Policy, as set out in the Comms Act<sup>2</sup> are to further the interests of consumers by promoting competition through:

- Enhancing the efficiency of the electronic communications sector and the productivity of the Bahamian economy;
- Promoting investment and innovation in electronic communications networks and services;
- Encouraging, promoting and enforcing sustainable competition;
- Promoting the optimal use of state assets, including radio spectrum;
- Promoting affordable access to high quality networks and carriage services in all regions of The Bahamas;
- Maintaining public safety and security;
- Contributing to the protection of personal privacy;
- Limiting public nuisance created by usage of electronic communications;
- Limiting any adverse impact of networks and carriage services on the environment; and
- Promoting availability of a wide range of content services which are of high quality and which provide social and cultural value to Bahamians and the public at large.

The Sector Policy, published by the Government, sets out its direction to URCA as to URCA's priorities over the three-year period, 2009 – 2012. These are grouped under the following headings:

- Setting internal and external procedures and guidelines;
- Transition of Existing Licensees and Processing of New Licences;
- Interim Determinations of Significant Market Power (SMP) and SMP Obligations;
- National Spectrum Plan;
- Cellular liberalisation;
- Market Reviews;
- Universal Service Obligations;
- Content Regulation and Public Service Broadcasting; and
- Consumer Protection.

The strategic and business priorities for URCA have been

<sup>2</sup> Copies of this document may be downloaded from [www.urcabahamas.bs](http://www.urcabahamas.bs)

developed not only in the context of the objectives under the Comms Act, and the Sector Policy, but also URCA's experience and assessment of ongoing and envisaged trends in the markets that URCA regulates.

Based on the foregoing, URCA has identified and decided that for 2011 to 2014 it would continue to focus on five broad Strategic Priorities that were identified last year:

- **Implementation of Regulatory Safeguards** that are necessary for a level-playing field, eliminating barriers to entry and competition, and allowing for effective regulation of the sector, in terms of access and interconnection, retail price regulation, and fostering competition through relevant provisions of the Comms Act.
- **Promotion of Competition** in converging markets through new licences for fixed telephony, Pay TV, and broadband; driving forward market-based approaches to spectrum licensing, making available spectrum for cross-platform services; and removing barriers to switching suppliers for consumers.
- **Establishment of Public Interest** policies that deliver on the objectives of providing quality public service broadcasting and protecting consumers through content regulation and supporting new approaches to online issues.
- **Institution of Consumer Protection** that empowers the public to make informed choices through education programmes, and encompasses developing and enforcing consumer protection policies, and driving improvements in quality of service.
- **Building of Institutional Capacity** – The four key policy strategies will be delivered through developing institutional capacity by ensuring that URCA has skilled and trained colleagues and is sufficiently resourced to carry out its functions.

URCA's work-plan for the period from September 2009, when the new regime came into effect, to the end of 2010, sought to address certain key activities that were immediately necessary in furtherance of the above strategic priorities. For 2011-2014, URCA is seeking to build on the foundation laid during that period by maintaining the strategic direction with a view to enhancing predictability of the regulatory regime.

In addition to the focus on effective regulation, URCA is mindful of the policy and strategic objectives which relate to the improvement of the social and economic well-being of the public in The Bahamas. URCA has noted that the Government of The Bahamas has recently engaged on a number of initiatives to enhance access to ICTs, including an e-Government platform which is expected to be launched in 2011.

URCA is assessing ways to support the Government's effort by promoting and participating in educational programmes on the use and development of ICTs in The Bahamas. URCA's work in the areas of Universal Service and Public Service Broadcasting is directly relevant to the promotion of access by Bahamians to ICTs. URCA will continue to ensure that its projects and its regulation of the ECS assist with wider adoption of ICT services and enhance national productivity and competitiveness.

*It should be noted that the 3 year Strategy and Annual Plan may be revised, when there is greater clarity on the timing of reforms and timing of the transfer of regulatory responsibility to URCA for other sectors. URCA's current financial and human resources, as well as governance, are geared towards the electronic communications sector, and the budget is set solely to meet the regulatory needs of this sector, and hence recovered from various fees from the ECS.*

## 4. PLANNED ACTIVITIES FOR 2011

During the period 2009 to 2010, guided by its Annual Plan, URCA undertook and completed a number of key initiatives in each of the strategic priorities identified below, thereby seeking to ensure a solid foundation for the regulation of the electronic communications sector in The Bahamas. URCA intends during 2011 to build upon those foundations, in the context of its responsibility for regulation and the encouragement of competition in the ECS. To that end, URCA has identified a number of specific projects that it will focus on in fiscal 2011.

### 4.1 IMPLEMENTING REGULATORY SAFEGUARDS

*Implement critical regulatory safeguards such that there is a level playing field for sustainable competition to flourish amongst existing and new competitors.*

URCA will continue to ensure that key regulatory safeguards are in place by focusing on the projects set out in Table 1 below:

**Table 1 - Implementing Regulatory Safeguards 2011**

Planned Projects and Activities	Description of Output	Starting Timeframes
Accounting Separation and Cost Accounting	Public Consultation on Audit and Publication Requirements for Separated Accounts	Q2, 2011
Assessing Significant Market Power	Public Consultation on a Methodology for Market Reviews	Q2, 2011
Regulating SMP Operators	Study of BTC's Efficiency*	Q3, 2011
	Identifying operators with SMP in Call Termination*	Q3, 2011
Addressing Disputes between Operators	Public Consultation on an Alternative Dispute Resolution process for the Electronic Communications Sector	Q2, 2011

\* These projects are an outcome of the current consultation on BTC's RAI0

It should also be noted that due to the dynamic nature of the sector, URCA subjects its regulatory guidelines and procedures to continuous review and validation to ensure that they remain appropriate and fit for purpose.

#### 4.2 PROMOTING COMPETITION

*Foster sustainable, dynamic and innovative competition in the ECS that delivers choice of high quality products and services at competitive prices*

URCA intends in fiscal 2011 to focus on the following specific new activities:

**Table 2 - Promoting Competition 2011**

Planned Projects and Activities	Description of Output	Starting Timeframes
Lowering barriers to entry and other key regulatory issues	Consultation on Number Portability	Q2, 2011
Ensuring fair and non-discriminatory Regulation	Public Consultation on revisions to the Fees Schedule for 2012	Q3, 2011

#### 4.3 CONSUMER PROTECTION

*Empower the public to make informed choices through education programmes, developing and enforcing consumer protection policies, and driving improvements in quality of service.*

URCA intends in fiscal 2011 to focus on the following specific new activities:

**Table 3 – Empowering the Consumer 2011**

Planned Projects and Activities	Description of Output	Starting Timeframes
Consumer Advocacy and Awareness	Formation of a Consumer Advisory Council	Q2, 2011
Universal Service Obligations	Public consultation on regulations for Universal Service*	Q2, 2011
Facilitating and addressing Consumer Complaints	Public consultation on a Consumer Complaints Code of Practice	Q2, 2011

\* This is dependent on receiving greater clarity and direction from the Government on various aspects of universal service policy.

#### 4.4 PUBLIC INTEREST

*Ensure and encourage the provision of quality public service broadcasting, protect consumers through content regulation and support and encourage new approaches to online issues.*

URCA intends in fiscal 2011 to focus on the following specific new activities:

**Table 4 – Promoting the Public Interest 2011**

Planned Projects and Activities	Description of Output	Starting Timeframes
Content Regulation	Conduct public consultation on draft codes of practice.	Q3, 2011
Digital Switchover	Develop approach and policy to shut-down of analogue signals and switchover to digital by the internationally set date of 2015	Q4 2011

#### 4.5 OTHER REGULATORY PROJECTS AND ACTIVITIES

It is worth mentioning that the substantive projects outlined above constitute URCA's current best view of the work that it will undertake during the Annual Plan period. These are presented to provide as much certainty as possible. However, there are a number of factors that may impinge on the work programme, namely:

- external dependencies that may affect our timing;
- interdependencies between streams of work, that may entail knock-on effects in the event of delays; and
- external events that are difficult to predict and which URCA is required to respond to.

Consequently, the projects and their timings are indicative in nature. URCA will update its plans and make adjustments to its work programme, and publish as necessary, to make

sure it keeps pace with the rate of market change and any critical issues affecting licensees and consumers.

#### 4.6 INSTITUTIONAL CAPACITY BUILDING

*URCA will continue to build the skills and expertise needed to regulate effectively and to establish itself as a leading regulator.*

Figure 1 below illustrates the relationship between URCA’s organisational strategy, Human Resources (HR) strategy and the key HR initiatives.

During fiscal 2011 URCA’s HR priorities will be to:

- Strengthen regulatory and functional expertise to build local capacity – this will be achieved through upskilling of colleagues and continued emphasis on knowledge transfer;
- Continue to build management and leadership capabilities and behaviours through formal training and on-the-job experiences;
- Initiate an annual opinion poll of colleagues, to garner views and opinions of colleagues on various components of their work life. This may

be used to assess engagement, revisit processes, communications, and other areas of improvement that create challenges in any organization; and

- Implement an Employee Recognition Programme – This is an opportunity to create a more positive work environment and build loyalty by demonstrating tangible appreciation to colleagues.

## 5. EVALUATING OUR EFFECTIVENESS

In line with good management practice, and to ensure accountability to relevant stakeholders, URCA proposes to evaluate its effectiveness through:

- Measurement and monitoring in line with key performance indicators (KPIs); and
- Publication of an Annual Report on its operations and performance.

For 2011, URCA proposes to use the KPIs provided in Table 5 and include these within the 2011 Annual Report to be published before the end of April 2012.

Figure 1 – Human Resources Strategy

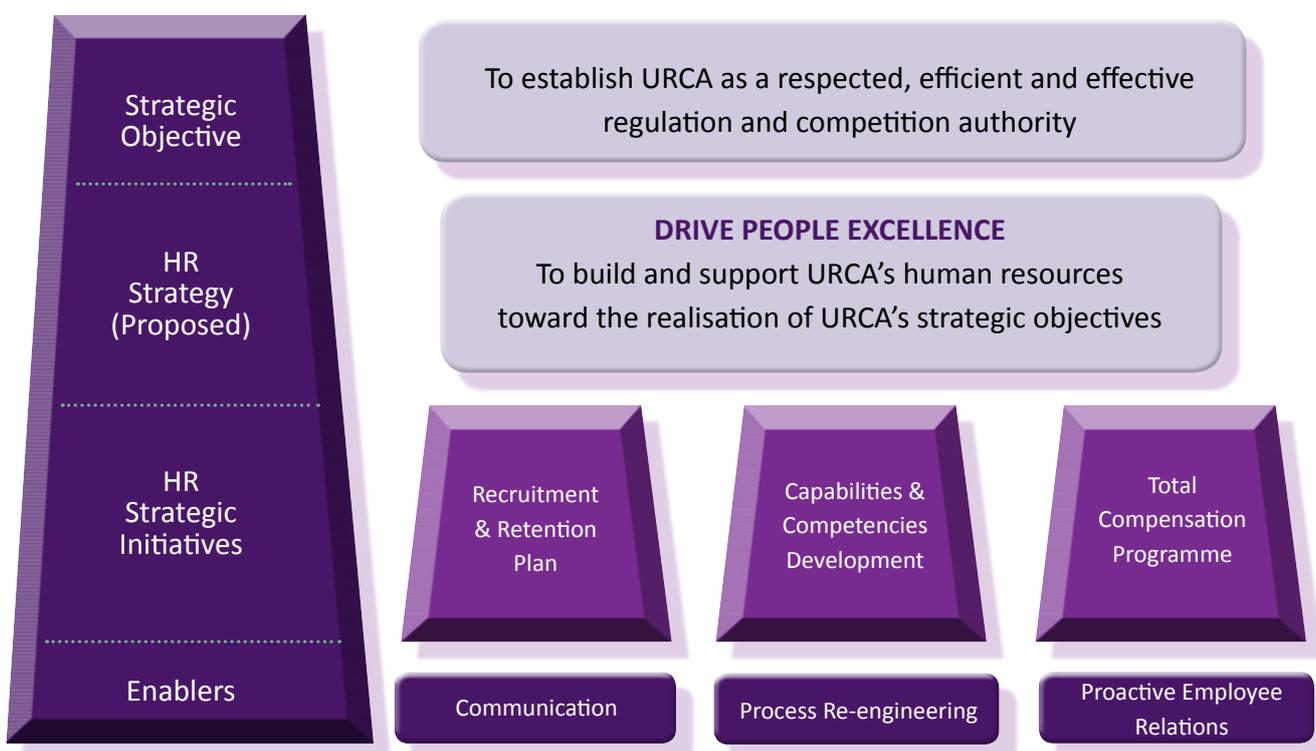


Table 5 – URCA Key Performance Indicators 2011

Statutory/ Regulatory	Finance	HR	IT
Draft annual plan and strategy published before end of financial year	Cost of Finance function as a percentage of expenditure	Cost of HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
Annual report and final annual plan published within 4 months of year end	Period-end cycle time		
Year-end Cycle time	Cost of HR function per employee	Organizational ICT spend (investment in ICT infrastructure and hardware across the organization)	
Final determinations to be published within one month from end of consultation	Forecasting accuracy	Ratio of employees (full time equivalent) to HR Staff	Percentage who are able to access the network and system remotely
Public consultations started in period stated in Annual Plan	Cost of Licensee Invoicing	Average days for full time employee per year invested in learning and development	
Time to publish results, decisions and other regulatory measures after close of consultation: - within 30 days, 31-60 days, 90 days, >90 days	Debtor Days	Leavers as percentage of the average total staff	
Compliance with key Obligations by SMP Operators	Number and Value of Creditor Notes and Adjustments	Sick days per employee per annum	
Number of URCA Regulatory measures appealed or litigated	Long outstanding debt		
Consumer complaints: Total received; Resolved as percentage of total;		Cost of learning and development activity as percentage of total payroll	
Licences issued within: - 30 days/45 days - Volume of licences processed in the year		Cost of advisors as a percentage of the total payroll	
		Percentage of roles filled by Bahamian staff	
		Average lapse time (working days) from a vacancy/advertisement occurring to the acceptance of an offer for the same post.	
		Cost of recruitment per vacancy	
		Percentage of people in role 12 months of service	
		Percentage of staff who received annual face to face performance appraisal	

## 6. URCA BUDGET

URCA's aim is to be an effective and professional regulator and to provide value for money for our stakeholders. URCA will ensure that it has sufficient finances to meet its regulatory mandate and will make sure that it delivers the best possible service to its stakeholders. In so doing, URCA will provide a full accounting of its activities as required by Section 41 (1) (b) of the URCA Act. The full-time staff complement is twenty-two.

Therefore, in order to illustrate the difference in the 2011 annual budget and the previous 12 month (2010) budget, Table 6 provides budgetary details. As in the past, the 2011 Budget reflects URCA's strategy for the year and the level of expenditure estimated to implement this Annual Plan. As Table 6 indicates, the amount of Operating Expenditure (OPEX) has increased by \$373,273 (8.8%) when compared to the level of 2010 budgeted operating expenditure however, total budgeted expenses (inclusive of depreciation) for 2011 have increased by 10 over total budgeted expenses for 2010.

**Table 6 – URCA Operating Budget (B\$)**

	2010	2011
Non-Executive Members' Honoraria and Expenses	186,384	185,000
Executive Members' Compensation	437,229	470,388
Staff Costs	1,458,832	1,708,350
Conferences, Training, Travel	223,800	291,000
Professional Services	1,270,500	1,043,500
Advertising and Public Relations	155,600	108,000
Premises Rent and Communications	302,400	408,000
Information Technology	60,000	74,600
Office Services	80,300	144,700
General and Administrative Expenses	66,720	181,500
<b>Total Operating Expenditure (OPEX)</b>	<b>4,241,765</b>	<b>4,615,038</b>
Depreciation	534,000	670,000
<b>Total</b>	<b>4,775,765</b>	<b>5,285,038</b>

Further details on each expense category are as follows:

- Non-executive members' compensation includes honoraria of \$11,000 per month (for the three non-executive members of the Board), and business travel and accommodation expenses of the two who do not reside in The Bahamas. This remains flat at approximately 3.9% and 3.5% of the operating expenditure for the respective 2010 and the 2011 budgets.
- Executive members' compensation includes salaries and other benefits for the executive members and represents about 9% of the operating expenditure for the year.
- Staff costs include salaries and benefits for the staff and have increased by 2% over prior year, increasing to 32% of the operating budget due to increase in staff complement and cost associated with market-tested salaries and newly implemented performance management system.
- Conferences, training and travel include expenses for training, cost of attending various international and regional conferences/workshops, and local work related travel such spectrum monitoring. Additionally, it reflects travel associated with representing the Government in international organizations such as the ITU and CTU.
- Professional Services include continued expenditure for regulatory advice (\$650,000), legal fees (\$282,000) and other professional services covering external audits, and accounting support (\$87,000) and HR (\$24,000). Whilst this represents a significant portion, 20%, of the operating budget, it reflects that as a relatively new regulatory agency with additional responsibilities including broadcasting and competition powers, URCA continues to need expertise and assistance in the new areas as well as other broader and complex regulatory issues that require access to international best practice. Emphasis continues to be placed on knowledge transfer from the external providers to the local professional staff.
- Advertising and Public Relations aims to improve the dialogue and engagement between the sector stakeholders and URCA.
- Premises Rent and Communications reflect the rental of office accommodations and the respective utilities to support URCA's operation. The move to the new premises was necessitated by the need for adequate floor space, including meeting and conference rooms and other facilities absent at the previous premises, and to adequately accommodate the current and future staff complement.
- Information Technology includes support for the maintenance of computers, software and maintenance of new network systems and enhanced website.
- Office Services includes expenses for office supplies, printing, additional insurance needed to adequately cover new acquisition of spectrum equipment and office facilities and miscellaneous items.
- Other General and Administrative Expenses include membership fees, automobile expenses, repairs and maintenance. This has increased from 1.5% to 3.5% of the total budgeted costs, due to the recent delegation to URCA, by the Government of The Bahamas, of representing the country and paying the memberships fees for the ITU and the CTU.
- Depreciation captures the systematic expensing of fixed assets over their useful lives. During the prior year (2010), capital expenditure was approximately \$3 million which covered the cost of two major projects: (i) approximately \$2 million for new spectrum monitoring equipment and (ii) (approximately) \$ 1 million for relocation of URCA's offices. In light of the extensive capital expansion having been completed during 2010, the capital expenditure for 2011 has been significantly reduced. The budgeted expenditure for 2011 is allocated to cover the cost of an IT upgrade necessary to enhance the efficiency of URCA's operations and other minor capital expenditures.



ANNUAL REPORT 2010  
ANNUAL PLAN 2011



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