



URCA Annual Plan for 2013

Draft for Comment

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1. Introduction

1.1 Background

The Utilities Regulation and Competition Authority (URCA) is pleased to publish its Draft Annual Plan for 2013.

URCA came into effect on 1 August 2009, following the promulgation of the Utilities Regulation and Competition Authority Act, 2009 (the URCA Act). Pursuant to the coming into effect of the Communications Act, 2009 (the Comms Act), on 1 September 2009 URCA became the converged regulator of and competition authority for, the Electronic Communications Sector (ECS), which covers regulation of radio and television broadcasting; fixed and mobile voice, internet and data communications; pay-TV; and radio spectrum management.

URCA regulates the ECS in accordance with the Electronic Communications Sector Policy (the Sector Policy) in which Government articulates its vision for the ECS. The first Sector Policy was published on 6 October 2009 (the ECS Policy 2009) and intended to operate for a period of three years. As such the process for revision of the Sector Policy commenced with URCA sending to the Government a revised draft Sector Policy for consultation pursuant to section 6 of the Comms Act.

1.2 Strategic Outlook

In conjunction with the ECS Policy 2009, URCA outlined its Strategy and Priorities for 2009 to 2012 which were tailored toward fulfilling its mandates under the Comms Act and to implement the relevant aspects of the ECS Policy 2009. URCA also focussed during 2009 to 2012 on building an organisational culture that promotes and recognises performance as it builds institutional capacity to meet the needs of the ECS. Section 2 contains a recap of URCA's performance during 2012 in respect of the Strategy and Priorities for 2009 to 2012 (the 2009/2012 Strategic Plan).

It is URCA's view that with the ECS Policy 2009 coming to an end and consultation having begun on a revised Sector Policy, it is appropriate to review and revisit URCA's Strategy and Priorities to ensure that they continue to be aligned with the Sector Policy and the evolving needs of the sector. As such, URCA has commenced and will complete in the second quarter 2013 a process to review and update its Strategy and Priorities as necessary. The Strategy and Priorities should take effect contemporaneously with the revised Sector Policy. It should be noted that the projects identified for 2013 have been selected in contemplation of a revised Sector Policy however it is possible that the Strategic Plan and Sector Policy revision exercises may create the need to revisit some of the projects identified in this document.

1.3 Industry Overview

URCA estimates that in 2011 the electronic communications sector contributed approximately \$444 million, or 5.7% of the country's Gross Domestic Product (GDP) of \$7.787 billion. It did so while employing over 1,350 persons or 0.82% of the country's workforce.

Similarly, it is undeniable that electronic communications have a significant indirect economic impact on an economy by virtue of the enhancement of communications, business efficiencies, business methods and models, and incentives for investment that are generated by virtue of effective electronic communications.

It is of critical importance that The Bahamas, as an archipelagic nation, acknowledges and never drops the ball on electronic communications as a key enabler in development and nationhood.

Without electronic communications it would be impossible for The Bahamas to maintain external competitiveness, cohesive socioeconomic links throughout the country, or effective central Government.

It is also clear that electronic communications can have a wider impact upon the economy so that increases in take up of Information and Communications Technologies (ICTs) can materially enhance a country's productivity.

A 2009 World Bank study explored the correlation between penetration of electronic communications and economic growth and found that for high-income countries such as The Bahamas, a 10% increase in fixed telephone penetration could be associated with a 0.43% increase in GDP growth, a 10% increase in mobile telephone equated to a 0.60% increase in GDP growth, a 10% increase in internet services (narrow and broadband) equated to a 0.77% increase in GDP. Most significantly, a 10% increase in broadband internet penetration could be associated with a 1.21% increase in GDP growth. It is therefore of immense value to The Bahamas to encourage and foster growth in the electronic communications sector, and particularly in the area of broadband access to the internet.

The major operators of domestic electronic communications networks and services in The Bahamas are:

- Bahamas Telecommunications Company Limited (BTC), which operates fixed voice and data services and mobile cellular voice and mobile data services.
- Cable Bahamas Ltd. (CBL), which operates a network of fibre-optic and/or coaxial cables and provides Pay TV, high speed data services and connectivity, and fixed voice services.
- The state-owned Broadcasting Corporation of The Bahamas (BCB) (also referred to as ZNS), which operates one (1) TV station and three (3) radio stations, has the only radio station with national coverage. BCB is designated by the Comms Act as the Interim Public Service Broadcaster.

After registering a decrease of approximately 7%, from \$440 million to \$428 million from 2009 to 2010, the sector revenues again grew in 2011 to \$444 million.

During 2012, URCA granted operating and spectrum licences to a number of new and prospective providers of electronic communications services. Table 1 below illustrates the number and various licences that URCA issued in 2012.

Table 1 – Type and number of licences

Licence Type	Number of Licences Issued in 2012	Total Number of Licences as at 20 December 2012
Individual Operating Licence	6	16
Individual Spectrum Licence	7	142
Class Operating Licence Requiring Registration	1	20
Class Spectrum Licence Requiring Registration	123	171

URCA continues to be vigilant in encouraging competition in key markets, in an effort to improve the accessibility, quality and affordability of electronic communications services. Competition is encouraged through new licences for fixed, pay TV, and broadband. Moreover, URCA intends to further the promotion of competition through enforcement of ex ante remedies for access and/or interconnection, ensure compliance with the competition provisions of the Comms Act and driving forward market-based approaches to spectrum licensing, making available spectrum for cross-platform services, and removing barriers to switching suppliers.

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

Fixed Voice Services

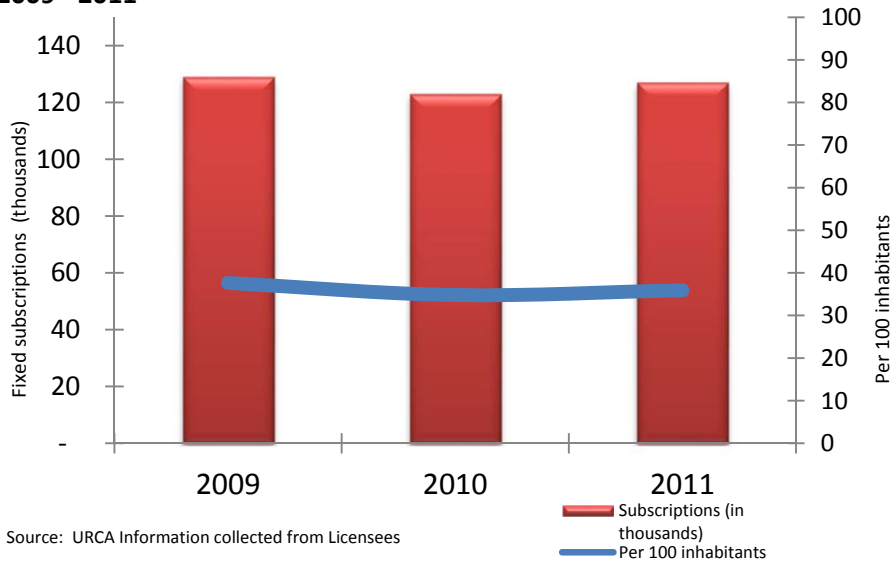
BTC has Significant Market Power (SMP) in the fixed telephone services market, and currently provides local, inter-island, and international telephone services to the Bahamian public. CBL provides the only competition to BTC in this market, having launched its services in late 2011.

Fixed-line penetration rates declined from 2009 to 2010 by 7.5% from a total of 128,726 subscribers, to 123,039 subscribers, though the period from 2010 to 2011 displayed a recovery in total subscribers,

growing by 3.2% to 127,002. This means that at the end of 2011, there were approximately **36** subscribers for every 100 persons in The Bahamas.

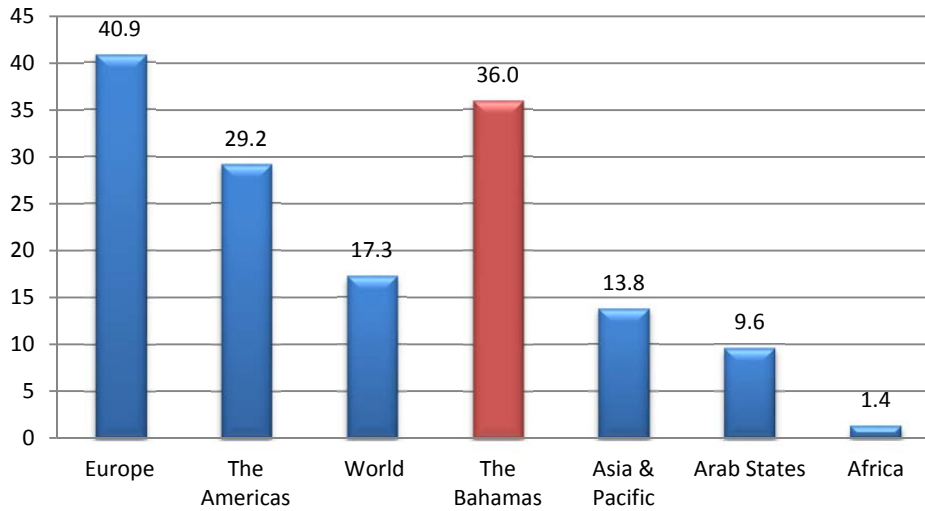
Figure 1 shows the change in number of fixed subscribers per 100 inhabitants, and total subscribers over the period from 2009 to 2011.

Figure 1. Bahamas Fixed Subscriptions, Total and per 100 Inhabitants, 2009 - 2011



The following chart demonstrates The Bahamas' 2011 fixed penetration in comparison to global penetration statistics:

Figure 2. Comparison of Fixed Subscriptions per 100 Inhabitants 2011



Regions are based on the ITU BDT Regions, see: <http://www.itu.int/ITU-D/ict/definitions/regions/index.html>

Source: ITU World Telecommunication /ICT Indicators database, URCA information collected from Licensees.

The Bahamas' fixed penetration rates therefore compare well globally.

Prices for fixed telephone services provided by BTC have remained steady over the past five years, with the last significant price change being made in November 2005. Residential access is currently provided at \$15.00 per month (\$12.00 for qualifying senior citizens), while business access is provided for \$36.00 per month. Calls within the local charging area are 'free' (i.e., part of the monthly subscription fee), while domestic long distance calls cost \$0.18 per minute. BTC charges for international calls at rates ranging from \$0.47 for calls to the USA, to \$0.85 for Cuba and countries outside the Caribbean and North America.

CBL, which provides fixed voice service through its subsidiary Systems Resource Group Limited (SRG), offers packages at prices starting at \$14.99 per month, which includes unlimited local and on network calls with over 12 calling features. CBL's voice services are offered in New Providence, Grand Bahama, Abaco and Eleuthera.

Mobile Services

BTC is currently the only operator licensed to offer mobile telephone services in The Bahamas, a monopoly which is enshrined in the Communications Act, 2009 to continue until 2014 at the earliest.

Mobile (voice) penetration in The Bahamas rate decreased from 102 subscriptions per 100 inhabitants in 2009, to 84 subscriptions per 100 inhabitants in 2011. This represents a decrease of more than 90,000 in the total number of subscriptions. URCA's information indicates that much of this decrease has resulted from more effective and aggressive treatment of dormant prepaid accounts and significant

improvements in the accuracy of reported information; however it is noted that a monopoly in the provision of cellular services is not considered to be optimal for encouragement of growth.

Figure 3 shows the change in number of mobile subscribers per 100 inhabitants of the period from 2009 to 2011.

Figure 3. Bahamas Cellular Subscriptions, Total and per 100 Inhabitants, 2009 - 2011

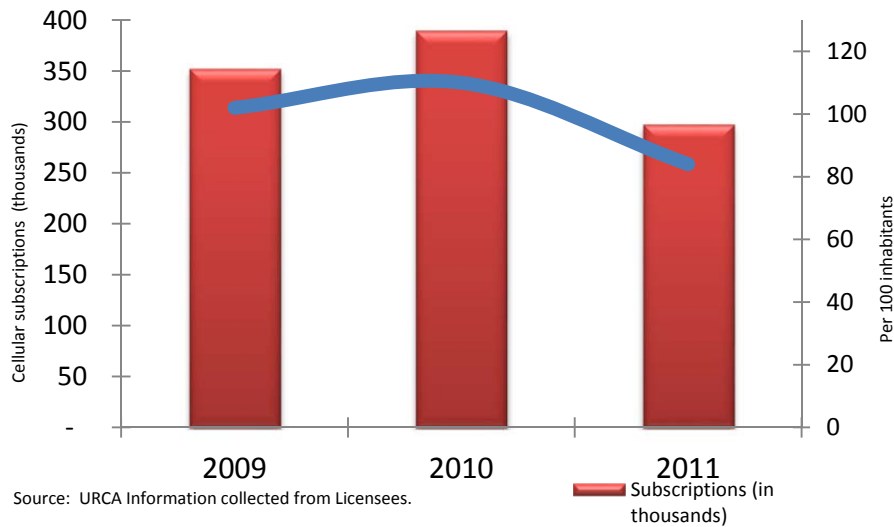
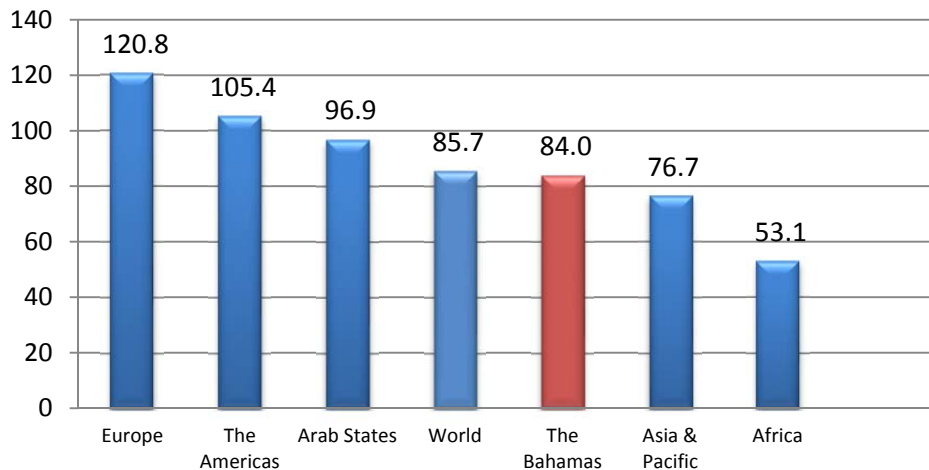


Figure 4 below shows The Bahamas' mobile penetration in comparison with key global regions.

Figure 4. Comparison of Cellular Subscriptions per 100 Inhabitants, 2011



Regions are based on the ITU BDT Regions, see: <http://www.itu.int/ITU-D/ict/definitions/regions/index.html>
 Source: ITU World Telecommunication /ICT Indicators database, URCA information collected from Licensees

Broadband Internet Services

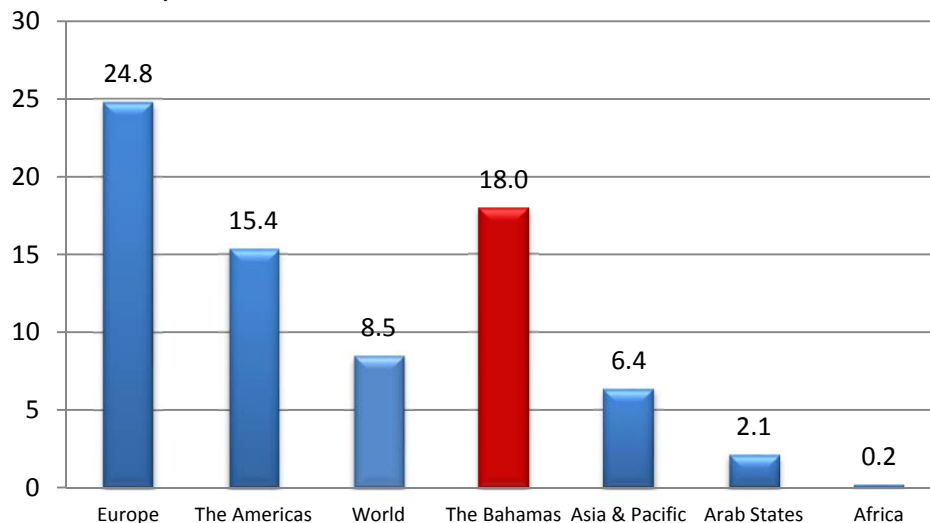
Broadband Internet services are currently provided in The Bahamas by CBL, BTC and a number of smaller ISPs. CBL was designated by the Comms Act as having SMP in the market for the provision of high speed data services and connectivity.

In The Bahamas, fixed broadband internet penetration remained fairly static experiencing a slight decrease from 19 subscribers per 100 inhabitants in 2009 and 2010, to 18 subscribers per 100 inhabitants in 2011.

The Bahamas' 2011 fixed broadband penetration at 18 subscribers per 100 inhabitants places The Bahamas in 41st place globally, between Cyprus and the Czech Republic. The top penetration in the world is achieved in Liechtenstein at 71.6 subscribers per 100 inhabitants, while The UK is at 32.7, the US at 28.7 and Singapore at 25.5. Barbados is the only regional country which is ahead of The Bahamas at 22.1.

Figure 5 compares The Bahamas' 2011 fixed broadband internet penetration with key global regions.

Figure 5. Comparison of Fixed Broadband Subscriptions per 100 Inhabitants, 2011



Source: ITU World Telecommunication /ICT Indicators database, URCA information collected from Licensees.

The most recent survey of internet users was conducted with the 2010 census, and revealed that 65% of all persons in The Bahamas are internet users¹. This places The Bahamas at #41 worldwide and twelfth among developing countries in internet users. Iceland reported the highest number of internet users

¹ Source: Bahamas Department of Statistics, <http://statistics.bahamas.gov.bs/key.php?cmd=view&id=304>

with 95% while the UK reported 82% internet users and the US 77.9%. Regionally, only Antigua & Barbuda reported a higher number of internet users².

Residential broadband access prices from CBL range from \$38.70 per month for a download speed of 3Mbps, to \$70.70 per month for a download speed of 9Mbps, with unlimited usage. BTC, having recently begun to increase the speeds offered through its ADSL broadband internet service, has packages starting at \$29.99 per month, and increasing to \$39.99 per month for up to an 8Mbps download speed³.

Pay TV

Pay TV in The Bahamas is currently provided by CBL, which provides a cable television service using a fibre optic/coaxial fibre network. CBL was presumed by the Comms Act to have SMP in the provision of Pay TV services, and is the only major provider of the services in The Bahamas. Penetration of Pay TV (Cable) in The Bahamas at the end of 2011 was 22.89 subscribers per 100 inhabitants, having remained more or less static during the period from 2009 to 2011.

Prices for cable television range from \$30 per month for a package containing 51 Analogue/Digital channels to \$100 per month for over 200 Digital channels.

Free to Air Broadcasting

The state-owned Broadcasting Corporation of The Bahamas (BCB/ZNS), which operates one (1) TV station and three (3) radio stations, has the only radio station with national coverage. In addition, as at the end of 2011, there were 31 other persons licensed to operate free to air radio stations, with coverage of varying islands or groups of islands throughout The Bahamas.

International Networks

Currently, international connectivity to The Bahamas is provided by the following operators:

- BTC, which operates the Bahamas 2 cable system which provides connectivity to Florida from New Providence and Grand Bahama; the Bahamas Domestic Submarine Network (“BDSNi”) cable system which connects the islands in The Bahamas and links Haiti to The Bahamas, and also provides connectivity to Europe and other locations through its Satellite Earth Station located at Soldier Road in New Providence.
- Caribbean Crossing Ltd., a wholly-owned subsidiary of CBL, which operates a fibre-optic submarine cable system linking four islands in The Bahamas (Grand Bahama, New Providence, Eleuthera and Abaco) to the continental United States, providing telecommunications transmission capacity for the carriage of data and Internet services for other licensees. With the

² Source: ITU Statistics available from <http://www.itu.int/ITU-D/ict/statistics/index.html>

³ BTC’s download speeds for its \$29.99 package range from 1 Mbps to 4Mbps while the \$39.99 package speeds currently range from 2Mbps to 8Mbps, in each case depending on BTC’s network capabilities at the subscriber’s location.

advent of competition, CCL may provide capacity to other licensees operating voice telephony services.

- Columbus Networks Inc., whose ARCOS network provides connectivity between The Bahamas, the United States and several countries in The Caribbean, and Central and South America.

2. URCA's Achievements in 2012

2.1 Overview of 2012

2012 was in many ways a transitional year for URCA. From a planning perspective, 2012 marked the end of URCA's previous Strategic Plan which was geared toward the formation of an effective regulatory body, supported by a robust regulatory framework. This occurred against the backdrop of the end of the ECS Policy 2009, which was expressed to remain in effect for three years from its publication, that is, until October 6 2012.

The term of office of URCA's Chairperson, Mr. Wayne Aranha also came to an end on 31 July 2012, and the Governor General, acting on the advice of the Prime Minister, appointed Mr. Randol Dorsett as URCA's new Chairperson. URCA's Board also experienced changes in its Executive membership with the appointment in April 2012 of Mrs. Kathleen Riviere Smith, URCA's former Director of Policy and Regulation (DPR), as its Chief Executive Officer (CEO), and in July 2012 of Mr. Stephen Bereaux as DPR. Mr. C. Vincent Wallace Whitfield was appointed to the position of General Counsel and Secretary to the Board in August 2012.

A further highlight of 2012 was URCA's hosting of the 10th Annual Conference of the Organisation of Caribbean Utility Regulators (OOCUR) at the Radisson Grand Lucayan Hotel in Freeport, Grand Bahama from the 7 to 9 November. The conference was a significant success, with participation by 80 regulatory and other professionals from 18 countries and which provided a forum for discussion of regulatory best practices among regulators, policy makers, academics and consultants.

2012 was an appropriate year for URCA to consolidate the work done throughout its three year existence, ensure that key priorities were completed, and review its strategic priorities going forward in the context of a regulator and regulatory framework moving from the formative developmental phase into a more implementation focussed environment. As such, this year URCA commenced a review of its Strategic Plan, as well as advising the Government on revisions to the Sector Policy. URCA's 2013 plan, while still expressed in the context of the 2009/2012 Strategic Plan, will signal the shift towards URCA's new strategic plan, which will itself be aligned to the revised Sector Policy.

URCA 2009/2012 Strategic Plan focussed on the achievement of the key priorities identified in the ECS Policy 2009, within the context of the provisions and objectives set out in the Comms Act 2009. To that end, it focussed on five broad Strategic Priorities:

- **Implementing Regulatory Safeguards** that are necessary for a level-playing field, eliminate barriers to entry and competition, and allow for effective regulation of the sector, such as 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, 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.
- **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.
- **Consumer Protection** that empowers the public to make informed choices through education programmes, developing and enforcing consumer protection policies, and driving improvements in quality of service.
- **Institutional Capacity Building** – 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.

In 2012, URCA made significant progress in relation to each of these Strategic Priorities, as set out in the remainder of this section.

2.2 Performance in 2012 against URCA’s Strategic Priorities

2.2.1 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 considers that this Strategic Objective would be achieved through:

- Designing and implementing pro-competitive measures that are proportionate and efficient to their purpose
- Ensuring that SMP operators do not have an ability to foreclose markets to prevent new market entry
- Ensuring the availability of appropriate wholesale products where key components of an electronic communications network are uneconomic to replicate

- Ensuring that reasonable requests for access and interconnection by licensees are not unduly withheld, agreements for access and interconnection are established in a timely manner, and terms and conditions are transparent, non-discriminatory and charges are appropriately derived
- Fair and effective application of the regulatory controls and safeguards introduced
- Monitoring the application of ex-ante remedies following market analysis
- Taking enforcement action against licence breaches, ex-ante obligations for SMP operators, and any alleged anti-competitive behaviour

A number of URCA's activities in 2012 were designed to advance this strategic priority through URCA's *ex ante* framework for regulation of competition in relation to operators with Significant Market Power.

Study of Efficiency of BTC

As part of URCA's review of BTC's draft Reference Access and Interconnection Offer (RAIO), URCA noted that while for the most part the charges contained in BTC's current RAIO are cost oriented, BTC's unit costs and interconnection charges were above those of comparator operators considered in the analysis. The regulatory framework for regulation of SMP providers is premised upon the establishment of regulated wholesale charges which reflect efficiently incurred costs. In this way, inefficiencies in SMP operators are not passed on to competitors, which in turn ensures that competition brings benefits to consumers.

To that end, in 2011 URCA conducted a study of the efficiency of BTC's network in an effort to determine the extent to which the RAIO charges were reflective of efficiently incurred costs. URCA issued a consultation document on that efficiency study in February 2012, followed on 27 July 2012 by URCA's publication of its "BTC Cost Efficiency - Statement of Results and Final Decision" (ECS 20/2012) in which URCA found that BTC's costs were above those of comparator operators in other jurisdictions due to inefficiencies in BTC's network, and that adjustments to the RAIO rates to compensate for those inefficiencies would be appropriate.

Review of BTC's RAIO Rates

Having established that BTC's RAIO rates were not reflective of efficiently incurred costs, URCA then commenced a process to make appropriate adjustments to BTC's RAIO rates. URCA initially sought to use information produced by BTC in connection with its separated accounting requirements, however, upon analysis this proved to be inappropriate due to a lack of stability between BTC's separated accounts for 2010 and 2011, suggesting that the information contained in those accounts may not be as robust as required for use in pricing wholesale services. As a result, in its final decision URCA, decided to adopt a benchmarking approach as an interim measure until more stable information is produced by BTC's accounting separation process. The final decision was published by URCA on December 21, 2012 (ECS 25/2012).

Review of Separated Accounts for SMP Operators

One of the key regulatory measures imposed on SMP operators is the requirement to submit to URCA annually separated accounts which provide URCA with detailed information on the costs incurred by the operator in providing regulated services, and the revenues earned from those services. During 2012, and consistent with ECS 13/2012 and ECS 14/2010, BTC and CBL each submitted separated accounts for 2011, reviews of which were reviewed by URCA and statements of compliance issued to BTC and CBL in November 2012. Although URCA acknowledged BTC's submission of its separated accounts in accordance with the regulatory requirements, URCA noted significant and apparently inconsistent variations between the 2010 and 2011 accounts, and expressed concerns regarding the stability of the information provided by BTC. URCA will continue in 2013 and onward to monitor and work to ensure that BTC's separated accounts are a reliable source of information for URCA's use in making regulatory decisions.

Publication of Separated Accounts

In connection with the foregoing, on July 12 2012, URCA released its Statement of Results and Final Decision on its public consultation on the publication of separated accounts for SMP operators. The purpose of the consultation was to outline URCA's position on the publication of separated accounting and cost accounting information by SMP licensees and to establish criteria by which information may be classified as confidential. URCA's final decision set specific information requirements and guidelines for BTC in respect of publication of its separated accounts. Based on representations made during the consultation process, URCA also decided that since CBL does not yet offer any regulated wholesale services to the market, there was no justification in requiring it to publish accounting separation information at this time. It should be noted, that in line with its decision on BTC's RAIO rates, URCA granted BTC a waiver of the requirement to publish its separated accounts for 2011, on the basis that the lack of stability in those accounts negated any benefit to be gained from their publication.

Retail Price Regulation

Further to URCA's issuance of Retail Price Regulation guidelines for the SMP operators, which require operators with SMP to obtain URCA's prior approval for any changes in the price for regulated retail services, URCA monitored compliance with those guidelines, including assessment of permanent price changes and special promotions.

Perhaps most significantly among these, in late 2011 URCA received an application from CBL for an increase to its SuperBasic services to residential and commercial subscribers. As CBL has Significant Market Power (SMP) in pay TV services the price of CBL's SuperBasic packages have been subjected to retail price regulation, and CBL is required to obtain URCA's approval before changing the price of the service. During 2012, URCA embarked on a public consultation process in respect of CBL's application with the publication of a consultation document (ECS 23/2012), and the hosting of several public

meetings throughout The Bahamas. The public consultation process ended on 19 October 2012, and URCA expects to issue its decision in early 2013.

In addition to the CBL application for a permanent price change, URCA also considered several other applications for permanent price changes or promotions, as outlined in Table 2 below.

Table 2 - Pricing Applications considered by URCA in 2012

Application Date	Applicant	Type of Application	Description of Application	URCA's Decision
11 December 2011	CBL	Permanent Price Change	Permanent Price Change to SuperBasic services.	Pending.
10 February 2012	BTC	Special Promotion	Special Promotion Offering Discounts on Cellular Mobile Instruments, from February 11, 2012 to March 10, 2012	Approved - 10 February 2012
15 February 2012	BTC	Permanent Price Change	Application for Permanent Price Change for Cellular Mobile Services, i.e., BTC's launch of Apple's iPhone (Postpaid and Prepaid Mobile Subscribers).	Approved - 17 May 2012
5 March 2012	BTC	Special Promotion	Full Length Special Promotion dubbed Mad Weekends – Bonus Minutes on Prepaid Cellular Mobile Services on Weekends (i.e., 12:00 a.m. Saturdays to 11:59 p.m. Sundays).	Approved - 28 March 2012
26 March 2012	BTC	Special Promotion	Full Length Special Promotion on Discounted Mobile Devices with purchase of 4G Data Plans.	Approved - 30 March 2012
30 March 2012	BTC	Permanent Price Change	Application for Permanent Price Change for Individual postpaid cellular mobile voice services – Addition of New Galaxy Pac \$199.99.	Approved - 16 April 2012
30 March 2012	BTC	Permanent Price Change	Application for Permanent Price Change (price reduction) for Individual postpaid cellular mobile voice services (i.e., postpaid plans).	Approved - 16 April 2012
3 April 2012	BTC	Permanent Price Change	Application for Permanent Price Change for Corporate Postpaid Cellular Mobile Voice Services and the Addition of Two (2) New Plans – Corporate Plans	Approved - 23 April 2012
4 April 2012	BTC	Special Promotion	(i) Change of Launch Date to April 14, 2012 – Special Promotion dubbed Mad Weekends; and (ii) Change of Date to April 21, 2012 – Special Promotion on Discounted Devices Linked to 4G Data Plan Purchases	Approved - 10 April 2012
4 April 2012	BTC	Discontinuation of Service	Application for the Discontinuation (i.e., offering to New Customers) of three (3) Corporate Postpaid Cellular Mobile Voice Plans	Approved - 23 April 2012

6 July 2012	BTC	Special Promotion	Application for a Special Promotion Full Length – ‘Penny Text Weekends’	Approved - 17 July 2012
6 November 2012	BTC	Special Promotion	Full Length Special Promotion dubbed ‘Free After- Offering Prepaid cellular mobile subscribers additional benefits (i.e., minutes, SMS, data) for the period 26 November 2012 to 4 January 2013.	Approved - 14 November 2012
9 November 2012	BTC	Special Promotion	Special Full Length Promotion– Penny Text Fridays	Not approved.
16 November 2012	BTC	Special Promotion	Special Full Length Promotion – Penny Text Fridays	Approved - 27 November 2012
12 December 2012	BTC	Special Promotion	Special Promotion – Christmas and New Year ILD Discounts	Approved - 21 December 2012

CBL Untying of Broadband from Cable TV

In 2009 URCA placed an obligation on CBL to untie its broadband services from its cable TV service, that is, CBL was required to offer customers the ability to buy either service without having to purchase the other. In order to comply with this obligation, CBL decided that it would fully digitise its network and URCA agreed with CBL a schedule for digitisation and consequent offering of untied services throughout The Bahamas.

During 2012 URCA continued to monitor CBL’s compliance with this obligation with the review of monthly reports detailing progress made with the untying effort. URCA notes that as at the last report received prior to publication of this Annual Plan, CBL was on track to complete untying of services in all areas ahead of the deadline imposed by URCA of December 2013.

2.2.2 Promoting Competition

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

This strategy envisaged the promotion of competition in the ECS through:

- Ensuring that the licensing regime is fair and non-discriminatory amongst licensees.

- Regulation which affords operators the opportunity to earn a reasonable rate of return on their investment.
- Providing the sector with a clear vision of how spectrum will be managed and ensuring that adequate spectrum is available for provision of service specific activities (such as cellular) or converged services (such as triple-play).
- Where possible, ensuring that barriers to competition are minimized by removing barriers to consumers switching from one provider to another, such as number portability (fixed to fixed and mobile to mobile).
- Implementing key regulatory measures which help to foster effective competition and orderly development of electronic communications services, such as infrastructure sharing.

During 2012 URCA continued to promote competition in the ECS through the manner of its implementation of various existing regulatory measures, but also through new initiatives including the following.

Number Portability

Number portability is a process which will permit customers moving their telephone service from one provider to another, to do so without changing their telephone numbers. It is therefore a powerful enabler of competition in that it removes a common barrier to persons choosing to switch their telephone service provider (i.e. the need to change a number in order to do so).

In accordance with its 2012 Annual Plan, URCA continued the process commenced in 2011 to implement number portability in The Bahamas. During 2012, in accordance with decisions made by URCA in late 2011, URCA formed the Number Portability Working Group (NPWG), which is a joint industry/regulator group comprising representatives of all licensees offering telephone services in The Bahamas, and URCA. The NPWG's terms of reference are to assist URCA in the implementation of fixed number portability in The Bahamas as soon as practicable, and also to put in place mechanisms for the implementation of cellular number portability simultaneously with the introduction of competition in the cellular market in The Bahamas. During 2012 URCA, with the assistance of the NPWG have made significant progress toward implementing number portability for fixed telephone numbers, including the selection of a vendor for the required centralised number portability database and clearinghouse. This project will continue in 2012 working toward the aim of launching fixed number portability in The Bahamas during the second quarter of 2013.

Opening of New Radio Spectrum Bands

URCA is responsible for managing the radio spectrum in The Bahamas and it seeks to do so in a manner which will encourage and enhance competition and the provision of high quality affordable services throughout the country. Wireless technology is fast becoming the most cost effective mechanism for

delivery of a wide range of services and applications across large geographic areas. URCA is seeking to capitalise on these technology changes in The Bahamas and to that end, during 2012 URCA formulated a policy for the use of the 700 MHz radio spectrum band in The Bahamas, and conducted a competitive process to issue licences for spectrum in that band. URCA notes that spectrum in the 700 MHz is very desirable as it is the most feasible band for the provision of 4th Generation wireless services using Long Term Evolution (LTE) technologies. URCA hopes that by making this band available it would spur further competition and innovation in electronic communications services in The Bahamas. To date, one operator (BTC) has been granted a licence for 700 MHz spectrum offered, while two other applicants have been offered spectrum licences by URCA but those licences have not yet been granted. In 2012 URCA also opened the 11GHz, 12 GHz and 40 GHz bands for licensing.

Complaints of Anti-Competitive Behaviour

An important aspect of URCA's responsibility in the promotion of competition is to adjudicate on complaints regarding anticompetitive behaviour. In addition to implementing new regulatory measures and refining those measures previously introduced, the promotion of competition also involves URCA addressing complaints regarding anti-competitive behaviour as they arise. During 2012, URCA completed its investigations in respect of anti-competitive behaviour in respect of 3 complaints that were under consideration, one from 2010 and the other submitted in 2011. No anti-competitive conduct was detected in either case. URCA also received one (1) new complaint of anti-competitive behaviour during 2012, the investigation of which is on-going.

2.2.3 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.

In 2012 URCA conducted work in several areas toward protecting consumers of electronic communications services. On an on-going basis URCA received and addressed several complaints by members of the public regarding services provided within the ECS. URCA also investigated a major outage on the BTC, network which investigation resulted in the issuance of a Preliminary Determination in December. The completion of this investigation, and the implementation of the obligations placed on BTC should have a significant positive impact on the resilience of the BTC network in The Bahamas.

Otherwise, key projects worked on by URCA in 2012 in respect of consumer protection were as follows:

Consumer Protection Regulations

In 2012 URCA commenced the drafting of Consumer Protection Regulations which are intended to form the framework for ensuring that consumers of electronic communications services in The Bahamas benefit from the highest possible standards of service, and benefit from basic consumer rights in relation to those services. The proposed regulations will cover the myriad of issues that relate to the consumer in the provision of electronic communications services. URCA has been delayed somewhat in completing and publishing these regulations for public consultation, but now expects to do so early in 2013.

Universal Service

One of URCA's most significant projects during 2012 was its consultation on the *Framework for the Clarification and Implementation of Existing Universal Service Obligations (USO), Under Section 119 and Schedule 5 of the Communications Act 2009 (ECS 12/2012)*. Universal service in regulated industries refers to the provision of reasonable access to a baseline level of services to all persons regardless of income status and geographical reach. The Comms Act provides various measures relating to the provision of Universal Service in The Bahamas, and URCA's consultation was designed to clarify and ensure that the parameters for those measures are clearly understood and are being complied with by the relevant operators. The consultation process is expected to come to an end in early 2013 with URCA's publication of the results of the consultation and its decisions.

2.2.4 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.

This strategic priority was advanced through regulation in the following areas:

- Ensuring effective and informative Public Service Broadcasting (PSB) in The Bahamas
- Development and implementation of codes of practice for regulating content

2012 saw the finalisation and implementation of the Code of Practice for Content Regulation (ECS 06/2012) on 2 March 2012, which contains provisions which must be followed by licensees providing audiovisual media services and other content services in The Bahamas. The Code was the culmination of a co-regulatory approach commenced by URCA in 2010, through which URCA engaged with members of the media community and other stakeholders to develop a code which would seek to achieve the

objective set out in section 4 of the Comms Act, that persons in The Bahamas are able to access a wide range of content services that are of high quality.

The Code has already been fully implemented with URCA having received and investigated four complaints in 2012, in respect of three of which URCA found that breaches of the Code had occurred and issued determinations accordingly against the offending licensees.

2.2.5 Institutional Capacity Building

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

Since the inception of URCA back in 2009, one of its highest priorities was to develop and implement strategies that would result in institutional capacity building. The human resources focus in 2012 was no different. Recognising, valuing and promoting excellence of URCA's people is a core belief that influenced strategic human resources initiatives. During 2012 URCA increased its staff complement by 22%. As at December 31, 2012 there are 22 persons employed at URCA.

Performance Management/Professional Development

A major initiative during the year was to develop a new performance management system. The new system aims to provide a holistic approach to performance in the coming year by focusing on more than just the performance appraisal. The system includes tools such as career development plans, career paths, a training plan, a merit scheme and a short term variable incentive plan to not only assess and reward performance but also to encourage continuous professional development of URCA's people. This new system is scheduled to be implemented as a pilot program in 2013.

Recruitment/Staffing

2012 was an active year for recruitment within URCA; with a 22% increase in our staff complement from the previous year. A robust recruitment process allowed URCA to fill a number of key positions. URCA's competitive selection process included psychometric testing and knowledge assessments to ensure that successful candidates were the best fit for the organization.

In the first quarter of 2012 two new management positions were introduced, the Corporate and Consumer Relations Manager and a Human Resource Manager. Both were filled by experienced Bahamians in their respective fields. In 2012 URCA decided to revisit its succession planning for key positions within the organization. Recognizing that the local labour supply was limited in persons with the knowledge, skills and experience in utility regulation, it was decided to develop and introduce a new

apprenticeship program. The goal was to create a program that develops young Bahamians who are recent university graduates and have a keen desire to pursue careers in the utility regulation field. The first recruitment exercise successfully identified our first entry level Assistant Case Officer in the economics discipline.

Human Resources Technology

As a part of institutional capacity building URCA looked to improve its Human Resources infrastructure through the implementation of a new Human Resources Information System (HRIS). Previously the Human Resources department relied on manual processes to track, maintain and report employee information. The new HRIS will enable URCA to be more efficient and effective in its Human Resources functions especially with the introduction of an employee self-serve which will allow each employee to access their individual personnel records.

3. URCA's Plan for 2013

As noted above, 2012 was a year for consolidation and institutional capacity building in preparation for a new thrust of activities associated with a new Sector Policy.

To that end, having reached the end of the three year strategy outlined in 2009 URCA is seeking in 2013 to first ensure completion of any key projects commenced or outlined in the 2012 plan, and commencement of new tasks aligned to the new Sector Policy. URCA has based its selection of new projects on a combination of matters including:

- The legislative mandate outlined in the Comms Act including the sector policy objectives;
- Matters of particular concern arising in relation to the ECS;
- Matters of concern expressed and identified by stakeholders;
- International developments and focal points in relation to electronic communications and ICTs; and,
- The need for further strengthening of URCA's institutional capacity to ensure that URCA remains equipped to achieve the effective, efficient and timely fulfilment of its mandate.

On that basis, URCA has identified a number of areas for regulatory or organisational attention during 2013, as outlined in section 3.1 below.

3.1 Focus Areas for 2013

This section outlines the main areas for URCA's attention in 2013.

3.1.1 Developing a New Strategy for the ECS and URCA

The dynamic nature of the sector requires that URCA continually reassess the effectiveness of the measures it employs towards the achievement of the strategic objectives for the sector. In this regard URCA has embarked on two critical activities that will chart its direction for the next three years – (1) Preparation of a new ECS Policy as required under the Act and (2) Development of a new Corporate Strategic Plan for URCA that is aligned to ECS Policy.

Revision of the Electronic Communications Sector Policy

On 5 October 2012, in compliance with section 6 of the Comms Act, URCA forwarded to the Government a revised draft Sector Policy for consultation. In preparing the revised draft Sector Policy, URCA considered, *inter alia*, the following factors:

- The objectives outlined in section 4 of the Comms Act;

- The Sector Policy 2009 – 2012, and progress on the aims of that policy achieved during the period up to October 2012;
- The Government’s overall plans for The Bahamas as outlined in other public statements and Government documents;
- Input from key stakeholders, both received in specific consultation as well as from correspondences and responses to consultations; and
- International and regional developments in electronic communications and ICTs.

The Comms Act provides for a period of three (3) months for consultation between the Government and URCA on the revised draft Sector Policy unless a longer period is agreed upon between the Government and URCA. The period has been extended by agreement to six (6) months, during which time it is also intended to conduct further consultation with other stakeholders. It is therefore currently anticipated that the revised Sector Policy will take effect by 5 April, 2013.

URCA Strategic Planning

URCA has sought in late 2012 and will continue into the first half of 2013 the process of realigning its strategic priorities. URCA expects that its planning process will result in the formulation and adoption of revised Strategic Priorities moving forward into 2014 and extending for the three year period ending mid-2016. URCA has also adopted a strategic planning approach which will result in a dynamic strategic plan for the organisation which will evolve organically from year to year thereby avoiding the need for significant realignment of strategic priorities.

URCA is seeking to closely align its Strategic Plan with the revised Sector Policy, and therefore the expectation is that it will be completed and released contemporaneously with, or shortly after, the revised Sector Policy takes effect.

3.1.2 Protecting and Promoting Consumer Interests

URCA is cognisant that the objectives of the electronic communications policy for The Bahamas are predicated on the statement that *“electronic communications perform an essential role in promoting the economic and social welfare of The Bahamas...”*⁴. The Comms Act then further develops the theme of consumer interests being at the forefront of ECS policy and regulation in section 4.

URCA recognises that in the formulation of a regulatory framework which considers that competition in the ECS is a key driver of the provision of better services, it has focussed on the transformation of the ECS into a competitive environment. URCA considers that the regulatory framework relating to the fostering and sustaining competition in the sector is now at an advanced stage, and URCA is now seeking to shift its focus to the critically important issues of consumer rights and protection in a competitive environment. Consumer protection and quality of service in the ECS have also been highlighted in 2012

⁴ Comms Act, section 4

due to specific issues that have affected or highlighted challenges in the quality of service delivered in certain areas of the ECS.

URCA therefore intends as a matter of the highest priority in 2013, to introduce regulatory measures which will establish clear and comprehensive consumer rights, consumer complaints, consumer advocacy, and quality of service frameworks in the ECS in The Bahamas.

3.1.3 Facilitating and Encouraging Competition

Section 4(i) of the Comms Act acknowledges that the promotion of competition in the ECS is perhaps the most effective strategy toward furthering the interests of consumers, and thereby the social and economic welfare of The Bahamas. As noted in section 2 URCA has, since inception, made significant strides in introducing and implementing a framework for the regulation of the ECS which will facilitate and encourage the development of competition in all liberalised parts of the ECS. The framework, which is centred on reducing barriers to entry for new entrants and introducing properly designed regulatory measures, particularly in respect of dominant operators in specific markets, is one which has been developed having regard to best practice considerations.

In this context, the market for Cellular Services in The Bahamas warrants specific mention. The ECS in The Bahamas is unusual in that it continues to be characterised by a legal monopoly in the provision of cellular services. The BTC monopoly is enshrined in section 114 of the Comms Act (as amended by section 8 of the Communications (Amendment) Act, 2011) which prevents any licence from being granted to provide cellular services in The Bahamas before April 2014. At that time, it will be possible for one additional cellular services provider to be licensed. Further providers may not be licensed to provide cellular services until after 2016.

In 2013 URCA will continue to develop and introduce appropriate new measures to facilitate and encourage competition in the ECS, as well as to review and refine as necessary the existing measures to ensure that the regulatory regime in The Bahamas continues to work in the best interests of all stakeholders. The liberalisation of cellular services will present new challenges for the regulation of the ECS in several areas, and in order to ensure that the regulatory framework is able to address the various issues that may arise with the introduction of competition in that market, URCA will in 2013 commence processes to identify and institute appropriate changes and updates. In the meantime, URCA will continue to monitor closely the provision of cellular services by BTC under its monopoly, to minimise any disadvantage to persons in The Bahamas as a result of the lack of competition.

3.1.4 Promoting Affordable Access to Services throughout The Bahamas

One of the key objectives set out in the Comms Act is to *“further the interests of persons in The Bahamas in relation to the electronic communications sector by ... promoting affordable access to high quality networks and carriage services in all regions of The Bahamas...”*⁵. To that end, the Comms Act

⁵ Comms Act, section 4(b)(i)

establishes a framework which seeks to ensure that certain basic electronic communications services are provided and accessible to persons throughout The Bahamas. This “universal service” framework is a key aspect of the regulatory environment and during 2012 URCA completed significant work toward the implementation of the universal service requirements set out in the Comms Act. This work will continue throughout 2013 with a number of regulatory initiatives designed to ensure the provision of universal service in accordance with the Comms Act and in the best interests of persons in The Bahamas.

3.1.5 Strengthening of Regulatory Framework and Principles

The ECS is a highly dynamic sector, which means that the services provided, the technologies used and business models employed by stakeholders, as well as the needs and demands of consumers, are constantly evolving and require a regulatory framework which is not only adequately robust to effectively regulate behaviour; but also dynamic and able to respond to the changes in the sector and to adapt as necessary to meet the changing environment. As such, URCA has implemented, as outlined in section 2 of this document, a regulatory framework which is technology and service neutral, and as flexible as practicable while ensuring that adequate specificity and certainty exists to facilitate investor confidence through effective regulation.

Notwithstanding the flexibility of the framework, URCA recognises that there is a need to keep the framework consistently under review to ensure that it is and continues to be appropriate and optimal for URCA’s use in the best interests of The Bahamas. To that end, URCA will continue in 2013 to review and update aspects of the regulatory framework as necessary and appropriate having regard to the observed and expected changes which impact the ECS.

3.1.6 Promoting a Wide Range of High Quality Content Services

On 2 March 2012 URCA issued the “Code of Practice for Content Regulation” ECS 06/2012 which, in accordance with Part IX (and sections 52 and 53 in particular) of the Comms Act established a framework for URCA to regulate content broadcast on radio, television and pay TV in The Bahamas to achieve the aim of furthering *“the interests of persons in The Bahamas in relation to the electronic communications sector by ... promoting the availability of a wide range of content services which are of high quality”*⁶.

In 2013 URCA will undertake efforts to continue to advance the on-going administration of the content regulation framework toward ensuring that it is effectively implemented across all radio and television broadcasters, content providers and carriage services in The Bahamas.

3.1.7 Managing Radio Spectrum Effectively and Efficiently

URCA is responsible for promoting the optimal use of state assets including the radio spectrum, and to that end, the Comms Act provides that, save for the exception of determining the method of allocation

⁶ Comms Act, section 4(b)(vi)

and spectrum fees for frequencies in the premium spectrum bands, “URCA has the exclusive right to manage, allocate and assign all frequencies in the radio spectrum in The Bahamas”⁷.

URCA also recognises that effective radio spectrum is a key aspect and tool in the promotion of competition in the ECS as radio spectrum continues to increase its utility as a key input in the effective and efficient delivery of electronic communications services. The number and quality of services delivered by wireless means, and the decreasing costs of wireless networks, has rendered radio spectrum as a key asset in the development of electronic communications worldwide. This is of particular importance in The Bahamas given its geography since a key benefit of wireless communications is the ability to deliver services in a cost effective way to remote and sparsely populated areas.

URCA will continue with initiatives to not only manage the spectrum effectively, but also to ensure that it is used optimally so as to promote the availability of the highest possible quality and variety of services to all persons in The Bahamas.

3.1.8 Building Regulatory Capacity and Human Capital

The achievement of strategic priorities for any organisation can only occur if it is adequately resourced both in terms of its human and physical capital. The nature of URCA’s role and priorities is such that it is heavily reliant on a highly trained, experienced and specialised cadre of professionals across several key disciplines. URCA also recognises that the availability of persons with some of the key requirements is limited, and therefore URCA must adopt a human resources philosophy and strategy which attracts and retains strong relevant talent, develops and trains existing staff, and creates a culture which motivates staff to identify with and work toward the achievement of organisational aims.

3.2 URCA’s Key Projects for 2013

In recognition of the interplay between the various areas of focus, URCA has planned its projects to ensure that each receives appropriate attention from URCA during the course of 2013, depending on the relative level of importance as perceived by URCA and recognising that a single project may advance the aims of multiple focus areas.

Section 3.2.1 identifies the projects to be undertaken by URCA, through each quarter of 2013. In order to maintain continuity with the 2009/2012 Strategic Plan, section 3.2.2 identifies the Strategic Priorities that would be advanced with each project.

It must be noted that not all work undertaken by URCA is represented below. The projects that are specifically identified are those which have major significant public impact. What is not reflected are the

⁷ Comms Act, section 29

myriad of secondary issues, complementary investigations such as competition investigations and research activities that lend support to the achievement of the overall goals of URCA.

3.2.1 2013 Projects by Quarter

This section provides details, including time schedules, of the projects carried over from 2012 as well as the new projects that will be initiated in 2013.

Projects Continued from 2012

The following projects commenced in 2012 or prior are currently on-going and will be continued during 2013:

- *Implementation of Universal Service* – URCA intends to complete the consultation commenced in 2012 in early 2013, and it is expected that arising out of that consultation, tasks related to the implementation of the Universal Service Obligations contained in the Comms Act will continue throughout 2013.
- *Application by CBL for a SuperBasic Price Increase* – URCA expects to issue its decision on this process in early 2013.
- *Number Portability* – As stated earlier, the work toward the implementation of number portability in The Bahamas will continue in 2013, with fixed number portability anticipated to be launched in the second quarter 2013.
- *Strategic Planning* – URCA has commenced a process for the review and revision of its strategic plan, and it is expected that this will continue during the first and second quarters of 2013. The process will include engagement of stakeholder groups to ensure that URCA's planning process takes due note of stakeholder needs.
- *Review of the Sector Policy* – As stated at 3.1.1 above, the process for revision of the Sector Policy is underway and expected to continue during the first and second quarters of 2013.

January to March 2013

During the first three months of 2013, URCA expects to commence the following projects.

- *Consumer Protection Framework* – One of URCA's highest priorities in 2013 is to address various matters pertaining to consumer's rights as relates to the services provided by licensees in a comprehensive manner, thereby ensuring that persons in The Bahamas benefit from clear responsibilities on the part of providers, and consumers. As noted earlier, much of the work on this project was completed during 2012 and URCA intends to commence a widespread public consultation on its proposed framework for consumer protection as early as possible in 2013, and complete the development of the framework at the end of the third quarter of the year.

- *Network Quality of Service Standards* – In addition to the consumer protection framework which will address the rights of the consumer, URCA also considers it necessary to provide clear standards for the performance, reliability and robustness of electronic communications networks in The Bahamas. URCA believes that this will work together with the consumer protection framework to ensure that The Bahamas benefits from the highest possible quality of electronic communications services. URCA proposes to commence this project in the first quarter of 2013 and complete it by the end of the third quarter.
- *Assessment of SMP in Call Termination* – While BTC is designated as having SMP in the provision of voice services, including termination on its network, the introduction of competition in telephony markets raises the potential for differences in regulation of competing providers to create anomalies in the market, due to different levels of regulation for termination on different networks. In recognition of market changes, URCA had proposed in 2012 to review the market for call termination to ensure that the regulation in that market is appropriate for the current environment. This project was unavoidably delayed from 2011 and 2012 due to competing priorities, however URCA has now scheduled this project for completion by the end of the second quarter of 2013.
- *Review of the National Spectrum Plan* – The National Spectrum Plan was published by URCA on 12 March 2010, in accordance with section 31 of the Comms Act. URCA is required to review the plan and present a revised plan for the consideration of the Minister with responsibility for the ECS within three years of the publication of the Plan. Work was commenced on this project in 2012, and URCA intends to consult on the revised spectrum plan and submit it to the Minister as required during the first quarter of 2013.
- *FM Radio Technical Framework* – The Bahamas in recent years has benefitted from an increasing number of FM radio stations particularly in New Providence. This increase has been accompanied by technical challenges for several radio stations. URCA has been formulating, and in 2013 will consult on, a clear set of specifications for FM radio stations in order to ensure that there is orderly behaviour across the market. This process will involve a considerable level of engagement with the sector, and is therefore likely to be completed in the third quarter of 2013.

April to June 2012

- *Market Reviews* – In 2009/10 URCA placed various obligations on the providers designated by the Comms Act to have SMP in various markets. URCA indicated that it would conduct market reviews to determine whether the designation of SMP providers continues to be appropriate in relevant markets. URCA will commence this process in the second quarter of 2013. The process will include the steps set out in URCA's Methodology for the Assessment of Significant Market Power (ECS 20/2011). It is expected that the review of markets will continue past the end of 2013, and will be followed by consideration of the remedies in place in the markets.

- *Review of Radio Spectrum Pricing* – URCA is solely responsible for management of the radio spectrum, save in respect of premium spectrum. The licence fees currently charged by URCA are a combination of historical charges and, in respect of recently opened bands, interim fees imposed by URCA in 2012 out of necessity. It was originally intended to review these prices during 2012, however having regard to the review of the National Spectrum Plan required in 2013 (which is a key input to this project) URCA has revised its timetable and now intends to commence this project following its completion of the Review of the National Spectrum Plan in March 2013. The review is expected to be completed during the third quarter of 2013, and implemented in 2014.
- *Broadband Wireless Access (BWA) Spectrum for Small Licensees* – URCA has noted and received complaints during previous spectrum related processes that the licensing procedures do not provide adequate opportunity for smaller licensees to obtain licences for good quality radio spectrum which would enable them to provide services to the public in The Bahamas under reasonable competitive conditions. URCA intends to commence work during the second quarter of 2013 (again in conjunction with the completion of the revised National Spectrum Plan) to improve the availability of spectrum for use by smaller entities.

July to September 2013

- *Review of Retail Pricing Framework* – URCA currently regulates the prices of certain retail services provided by SMP operators through its Regulation of Retail Prices of SMP Operators – Rules (ECS 15/2012) issued on 22 April 2010. URCA has noted concerns expressed by relevant operators regarding the working of the Retail Pricing Rules, and it therefore intends to review the rules to determine whether any amendments are appropriate.
- *Review of Accounting Separation Results of SMP Operators* – The Separated Accounts of SMP operators are submitted to URCA annually, and are reviewed by URCA to ensure that they have been prepared consistently with URCA’s Guidelines, and to identify any regulatory impact. This will commence on submission of the accounts (due for CBL on 30 June and for BTC on 30 September), and is expected to continue for approximately six months in each instance.
- *Dispute Resolution Process* – Section 15 of the Comms Act requires URCA to implement an alternative dispute resolution scheme for the resolution of disputes between consumers and operators, and amongst operators. This process was delayed in 2011 and 2012 due to more urgent, competing priorities, and URCA now proposes to commence this process during the third quarter of 2013, and complete it within nine months of commencement.
- *Content Code Industry Working Group* – The Code of Practice for Content Regulation contemplates the formation of an Industry Working Group which will assist URCA in periodic reviews of the Code, in ensuring that the Code remains relevant and appropriate, and in

monitoring compliance with the Code. URCA intends to appoint the Industry Group in the third quarter of 2013.

October to December 2013

URCA has noted in past years that due to the significant body of work commenced during the first through third quarters of each year, and the statutory tasks required annually and due at the year end such as completion of URCA's Annual Plan, annual budgeting, completion of audits, and issuance of URCA's fee schedule, the commencement of new projects during the fourth quarter is often not feasible. Accordingly, URCA expects that its focus during the last quarter of 2013 will be to ensure the completion of projects commenced earlier in the year, and completion of its statutory year-end obligations.

On-going Activities

Outside of the slate of projects that URCA that have been specifically identified there are other activities which URCA is obliged to undertake in the fulfilment of its responsibilities. These are particularly related to administrative functions and the handling of ad hoc matters which arise in the regulatory context. These include, but are not limited to:

- Statutory duties such as satisfying URCA's accountability to its stakeholders by publishing its work plans and annual reports within the statutory periods;
- Monitoring compliance by licensees with licence conditions and regulatory measures, and taking enforcement action where appropriate;
- Investigations and enforcement in respect of complaints of anti-competitive behaviour;
- Reviewing and investigation complaints under the content codes;
- Handling complaints by consumers regarding electronic communications services as they arise; and,
- Various consumer awareness and publicity initiatives undertaken by URCA to ensure that members of the public are aware of key issues, and the role of URCA.

These activities have been taken into account as far as practicable in estimating timeframes above, however, the nature of URCA's duties is such that unforeseen work may impact on URCA's ability to complete or even commence projects identified.

URCA is also cognisant that while its current responsibilities are limited to the ECS, it was formed as a potential multi-sector regulator, and therefore could be called upon at any time to assume responsibility for the regulation of other sectors of the economy. In this regard, URCA categorically notes that it has no intention of using resources funded by the ECS to carry out activities related to any other sector.

Table 3 shows the major projects proposed for 2013, including their start dates and targeted end dates.

Table 3 – 2013 Planned Projects Start and End Dates

Project	Start Date	End Date
Implementation of Universal Service	2012	Ongoing
Application by CBL for a SuperBasic Price Increase	2011	Feb. 2013
Number Portability	2011	Jun. 2013
Review of the Sector Policy	2012	Apr. 2013
Strategic Planning	2012	Jun. 2013
Consumer Protection Framework	Jan. 2013	Sep. 2013
Networks Quality of Service Standards	Jan. 2013	Jun. 2013
Assessment of SMP in Call Termination	Jan. 2013	Jun. 2013
Review of the National Spectrum Plan	Jan. 2013	Mar. 2013
FM Radio Technical Framework	Jan. 2013	Sep. 2013
Market Reviews	Apr. 2013	2014
Review of Radio Spectrum Pricing	Apr. 2013	Sep. 2013
BWA Spectrum for Small Licensees	Apr. 2013	Dec. 2013
Review of Retail Pricing Framework	Jul. 2013	Dec. 2013
Review of Accounting Separation Results of SMP Operators	Jul. 2013	Dec. 2013
Dispute Resolution Process	Jul. 2013	Dec. 2013
Content Code Industry Working Group Establishment	Jul. 2013	Sep. 2013
Establishment of a Consumer Advisory Council	Jan. 2013	June 2013
Addressing Consumer Complaints	Jan. 2013	Ongoing
Public and Consumer Education	Jan. 2013	Ongoing

3.2.2 Projects by Strategic Priority

As noted above, URCA is currently transitioning from its 2009/2012 Strategic Plan, however, Table 4 below highlights, for continuity, the relationship between the projects for 2013 and the Strategic Priorities identified in the 2009/2012 Strategic Plan. It should be noted that each project, rather than being seen in the context of a single Strategic Priority, is recognised as potentially contributing to the achievement of one or more Strategic Priorities.

Table 4 – Planned Projects by 2009/2012 Strategic Priority

	Implementing Regulatory Safeguards	Consumer Protection	Promotion of Competition	Public Interest	Institutional Capacity Building
Review of National Spectrum Plan	✓		✓	✓	
Fixed Number Portability		✓	✓		
Universal Service		✓		✓	
Strategic Planning	✓	✓	✓	✓	✓
Revision of Sector Policy	✓	✓	✓	✓	
Consumer Protection Framework	✓	✓			
Quality of Service Standards	✓	✓	✓		
Assessment of Market Power in Call Termination	✓		✓		
Formation of Consumer Advocacy Group		✓		✓	
Market Reviews	✓	✓	✓		
Consumer Complaint Handling		✓		✓	

	Implementing Regulatory Safeguards	Consumer Protection	Promotion of Competition	Public Interest	Institutional Capacity Building
Consumer Awareness		✓	✓	✓	
Review of Radio Spectrum Pricing			✓	✓	
Formation of Content Code Industry Working Group		✓		✓	
Review of Retail Pricing Framework		✓	✓	✓	
Review of 2012 Accounting Separation Results			✓		
URCA Dispute Resolution Process		✓	✓	✓	
FM Radio Technical Standards			✓		
Compliance Monitoring and Enforcement		✓	✓		
Team Building and Recruitment	✓		✓		✓
Training	✓				✓

4. Evaluating Our Effectiveness

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

- Identification and adoption of appropriate key performance indicators (KPIs), based on statutory requirements and regulatory and management best practices;
- Measurement and monitoring of those KPIs; and,

- Publication of an Annual Report on its operations and performance.

For 2013, URCA proposes to use the KPIs provided in Table 5 below and publish the results as part of the 2013 Annual Report to be published before the end of April 2014.

Table 5 – URCA Key Performance Indicators 2013

Statutory/ Regulatory	Finance	HR	IT
Draft annual plan and strategy published before end of financial year	Cost of Finance function as a percentage of total operating 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 (working days to close) Year-end Cycle time (working days to close)	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: -- 31-60 days - >60 days	Debtor Days		
Number of URCA Regulatory measures successfully appealed or litigated	Number and Value of Creditor Notes and Adjustments	.	
Consumer complaints: <i>Total received; Resolved as % of total;</i> <i>Average Time Taken to Resolve</i>	Long outstanding debt (>90 days) as a percentage of total debt		
Licenses issued within: - 30 days - 45 days Volume of licenses processed in the year			

		Cost of learning and development activity as percentage of total payroll	
		Cost of advisors as a percentage of the total payroll	
		Percentage of roles filled by permanent and contract staff	
		Average lapse time (working days) from a vacancy/advertisement occurring to the acceptance of an offer for the same post.	
		Cost recruitment per vacancy	
		Percentage of people in role 12 months of service	
		Percentage of staff who received annual face to face performance appraisal	

5. URCA Budget

The full-time staff complement is twenty one (21), with a few positions engaged in both aspects of Operations and Policy and Regulation. This compares to a total of eighteen (18) at the end of 2011. In an effort to continuously improve URCA's effectiveness and to secure the desired levels of knowledge transfer, there are plans to increase the staff complement, targeting the acquisition of additional skills in the economics engineering. Over time this should result in the continued downward trend in the expenditure on professional services.

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 also ensure that it will provide a full accounting of its activities as required by Section 41 (1) (b) of the URCA Act. For the avoidance of doubt, URCA shall publish its Annual Report and Accounts for 2012 on or before 30 April 2013.

URCA's Operating and Capital Budget for 2013 is provided in Table 6 below.

Table 6 – URCA Operating and Capital Budget (B\$) 2013

	2012	2013
Non-Executive Members Honoraria and Expenses	224,500	231,600
Executive Members Compensation	326,587	325,342
Staff Costs	1,780,024	1,807,613
Professional Services	1,475,000	906,000
Conferences, Training, Travel	354,480	657,200
Rent & Utilities	446,921	451,800
Consumer Education and Public Relations	120,000	155,920
Office Services	155,000	134,300
Data Processing	68,383	59,800
General and Administrative Expenses	209,710	221,425
Total Operating Expenditure (OPEX)	5,160,605	4,951,999
Depreciation	693,046	697,134
Total Operating Budget Recovered Through URCA Fees	5,853,651	5,649,134*
Capital Expenditure	116,000	113,500

* URCA shall use this budgeted amount to set URCA Licence Fees for 2013. It should be noted that the industry shall receive credit for 2011 to offset against 2013 URCA fees.

The overall budgeted expenditure inclusive of depreciation, which is factored into the calculation of licence fees ("URCA Fees"), has decreased by over \$204,000.

Further explanation of each expense category is as follows:

- Non-executive members' compensation includes honoraria of \$11,000 per month (for all 3 non-executive members of the Board), and business travel and accommodation expenses of the two members from overseas. This expenditure increases by 3% compared to the 2012 budget and represents approximately 5% of the operating expenditure of the 2013 budget.
- Executive members' compensation includes salaries and other benefits for the executive members and represents about 7% of the operating expenditure for the period, representing a small decrease when compared to prior year's budget.
- Staff costs include salaries and benefits for the staff and have increased by 2% over prior year increasing to approximately 37% of the operating budget. The staff complement is anticipated to increase during 2013.
- Conferences, training and travel include expenses for attending conferences/workshops and training, including selected ITU and CTU events, and work related travel such as monitoring various activities which require travel out of New Providence. This budget item increases by 86% over the 2012 budget amount to reflect training for the anticipated increase in the staff complement and increased spectrum monitoring in the Family Islands.
- Professional Services includes continued expenditure for regulatory consultancy, external legal services (including litigation), HR advisors, financial auditors, and internal audit functions. This budgeted amount reflects a significant decrease from 2012, although there is some risk attached here due to challenges in anticipating and budgeting for competition investigations and appeals/litigation. This budget item represents 18% of the operating budget for 2013.
- Rent and Utilities reflect the rental of office accommodations and the respective utilities to support URCA's operation and represents 9% of the total operating budget. A 1% increase over prior year's budget is expected.
- Consumer Education and Public Relations includes initiatives to educate and inform consumers on the various issues in the electronic communications sector. Additional emphasis will be placed on consumers during the year which will give rise to a 30% increase in the budget amount over 2012.
- Office Services includes expenses for office supplies, printing, general insurance and miscellaneous items.
- Other General and Administrative Expenses which increases by approximately 6% include membership fees, automobile expenses, repairs & maintenance. The budgetary amount for regulatory membership fees covers the cost of participating in international and regional regulatory organisations.

6. Responding to this Draft Plan

The timetable for responses to this Annual Plan will be as follows:

- All submissions to this consultation should be submitted by 5pm on 1 February 2013.
- URCA shall endeavour to publish these responses by 5pm on 6 February 2013.

URCA shall also publish the Final Annual Plan as soon as practicable after 1 February 2013 (the deadline for receipt of comments) and in any event no later than 4 months after the end of URCA's financial year, namely, by 30 April 2013; the Final Annual Plan will be published in conjunction with the Annual Report. URCA will hold one oral hearing to present the Annual Plan and Annual Report and to answer questions from interested third parties. URCA will communicate the date and venue, with advance notice, for this hearing.

Persons may obtain copies of this document from URCA's office or by downloading it from the URCA website at www.urcabahamas.bs.

Persons may deliver their written submissions or comments on the public consultation document to the Chief Executive Officer, URCA either:

- by hand, to URCA's office at UBS Building Annex, East Bay Street, Nassau;
- by mail to P.O. Box N-4860, Nassau, Bahamas; or
- by fax, to 242 393 0237; or
- by email, to info@urcabahamas.bs

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