



Three Year Strategy & Annual Plan for 2009-2010

Final

ECS 17/2010

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UTILITIES REGULATION & COMPETITION AUTHORITY

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Table of Contents

1. Introduction	1
1.1 Background.....	1
1.2 Annual Plan	1
1.3 Industry Overview	2
2. Vision and Values	6
2.1 Vision.....	6
2.2 Values.....	7
3. Broad Three Year Strategy and Priorities	8
4. Priorities for 2009/10 and Annual Plan	11
4.1. Implementing Regulatory Safeguards.....	11
4.2 Promoting Competition.....	13
4.3 Consumer Protection.....	14
4.4 Public Interest	15
4.5 Institutional Capacity Building.....	16
5. Evaluating Our Effectiveness	18
6. URCA Budget.....	20

1. Introduction

1.1 Background

The policy and regulation context for the Electronic Communications Sector (“ECS”) in the Commonwealth of The Bahamas has undergone significant change in the latter half of 2009. A new legislative framework has come into effect through the Communications Act, 2009 (“Comms Act”); establishment of an independent regulator with the required tools to be effective, the Utilities Regulation and Competition Authority (“URCA”) and; creation of a new Utilities Appeals Tribunal (“UAT”). In addition, the Government has 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 1 September, 2009, with the exception of cellular services.¹

URCA came into effect on 1 August 2009 as the new converged regulator for the ECS – covering radio and television broadcasting, radio spectrum, internet and data, pay-TV and voice telephony.² 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.

1.2 Annual Plan

URCA is pleased to publish its first Annual Plan³. The remainder of this document outlines:

- Broad priorities of URCA for the three years 2009 - 2012;
- URCA’s strategy for the forthcoming financial year;
- A series of key performance indicators which URCA shall use to measure its performance during the forthcoming financial year;
- The level of remuneration to be received by non-executive and executive members for the forthcoming financial year; and
- URCA’s budget for the forthcoming financial year.

URCA invited and has welcomed comments and submissions from members of the public, licensees and other interested parties when it published the Draft Annual Plan. The responses received are available on URCA’s website and a separate Statement of Results to the consultation has also been published (ECS 16/2010).

This document represents the Final Annual Plan for 2009-2010.

¹ For more information on the timetable for cellular mobile liberalisation, please refer to the Electronic Communications Sector Policy available on URCA’s website (www.urbahamas.bs).

² It replaced the legacy regulator for telecommunications, the Public Utilities Commission (“PUC”) and the Television Regulatory Authority.

³ It is published pursuant to Section 41 of the URCA Act. URCA is required to publish a Draft Annual Plan on its website no later than the end of the financial year and must give interested parties the opportunity to comment.

Time Period for the Annual Plan

It is important at the outset of this document to clarify the financial year, as well the period in reference for the Annual Plan which affects URCA's budget and how these costs are recovered through licence fees from the industry.

The legacy telecommunications regulator, the PUC, had a financial year that ended on 30 June annually. URCA's financial year as defined in the URCA Act is the calendar year.

URCA was established on 1 August 2009, and the Comms Act came into effect on 1 September 2009. Accordingly, URCA's ability to regulate the sector under the legislation therefore started on 1 September 2009.

Therefore, URCA's first financial year runs from 1 August 2009 through to 31 December 2009. In satisfying its statutory obligations to publish a Draft Annual Plan before the end of the financial year (in this case 31 December 2009) for the year ahead (i.e. 2010), but recognizing the transition from PUC to URCA and a change in the financial year, URCA's Annual Plan (as well its budget and licence fees) cover the sixteen (16) month period from 1 September 2009 to 31 December 2010.

1.3 Industry Overview

Electronic communications networks and services form an essential part of the backbone infrastructure underpinning the commercial and social progress of the Bahamian economy. URCA estimates that the size of the sector is approximately \$500 million⁴ or 6.6% of the country's Gross Domestic Product or GDP (\$7.564 billion) for 2008.

Tourism and financial services are the bedrock of the Bahamian economy. Tourism and related industries account for 60% of GDP and directly or indirectly employ half of the country's labor force. Meanwhile, financial services combined with business services represent about 36% of GDP.⁵ Access to high quality electronic communications technologies and services at competitive prices are essential for GDP growth and external competitiveness of Bahamian businesses.

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

- The state-owned Bahamas Telecommunications Company Ltd. (BTC), which operates fixed voice and data services and mobile cellular voice and mobile data services within, into, from and through The Bahamas.⁶
- Systems Resource Group Ltd. (SRG), a privately owned entity (which operates under the trade name IndiGO Networks), and the only other licensee operating international, inter-island and local calling services to the Bahamian public at this time. The advent of full competition and removal of licence restrictions will enable

⁴ Based on 2008 operating revenues of the major ECS operators

⁵ <https://www.cia.gov/library/publications/the-world-factbook/geos/bf.html>

⁶ The Government intends to sell 51% stake in BTC to a strategic partner.

SRG to operate electronic communications services in competition with BTC and emerging operations nationwide.

- Cable Bahamas Ltd. (CBL), which operates a cable television system of fiber-optic and/or coaxial cables and one of the major operators of high speed data services and connectivity in the country. The exclusivity period in CBL's franchise agreement (of 1994) expired in October 2009, and the Pay TV services market is now open to competition.
- Caribbean Crossing Ltd., is a wholly-owned subsidiary of CBL, and operates a fibre-optic submarine cable system to provide telecommunications transmission capacity for the carriage of data and Internet services for other licensees.
- The state-owned Broadcasting Corporation of The Bahamas (BCB), which operates one (1) TV station and four (4) radio stations, has the only radio station with national coverage and has been designated interim Public Service Broadcaster in The Bahamas.

Table 1 below shows the pattern in growth in key electronic communications technologies and services in The Bahamas:

Table 1: Per 100 Inhabitants

Electronic Communications Services	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fixed Telephone ⁷	37.52	39.89	40.39	41.54	43.53	40.88	39.92	39.82	39.32
Mobile Cellular ⁸	10.34	19.59	38.86	38.51	57.86	69.98	76.77	112.11	106.04
Total Telephone Penetration	47.86	59.48	79.25	80.05	91.39	110.86	116.69	151.93	145.36
Cable Modem ⁹ Penetration	0.67	1.90	3.87	5.99	7.65	9.06	10.85	11.44	12.57
DSL Penetration	n/a	n/a	2.32	2.45	3.47	4.12	n/a	5.09	3.97
Total Broadband Penetration	n/a	n/a	6.19	8.44	11.12	13.18	n/a	16.53	16.54
Penetration of Pay TV	n/a	n/a	n/a	18.10	20.50	21.30	22.40	22.12	22.50

Source: ITU data, except 2008 DSL penetration which is based on information provided by BTC, and pay TV information for 2007 and 2008 which is based on CBL Annual Reports.

Significantly, the Bahamian public enjoys a high level of access to electronic communications technologies and services. For example, fixed line subscription went up marginally from 38 subscribers per 100 inhabitants (in 2000) to 40 subscribers per 100 inhabitants (2008). Meanwhile, in 2008, cellular mobile connections exceeded 100% of

⁷ http://www.itu.int/ITU-D/icteye/Reporting/ShowReportFrame.aspx?ReportName=/WTI/MainTelephoneLinesPublic&RP_intYear=2008&RP_intLanguageID=1

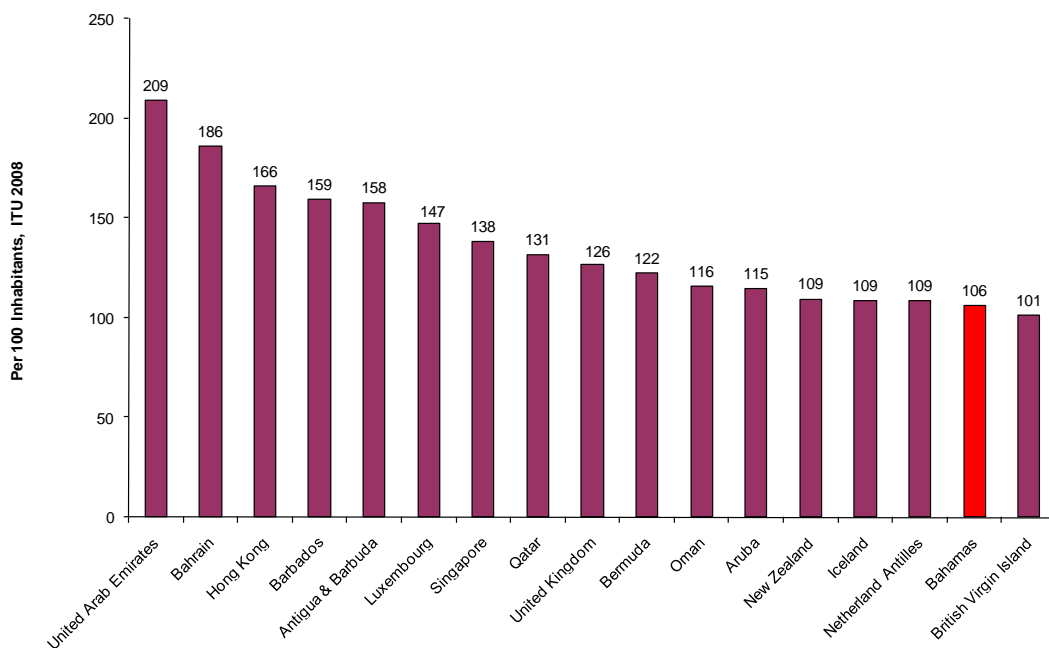
⁸ http://www.itu.int/ITU-D/icteye/Reporting/ShowReportFrame.aspx?ReportName=/WTI/CellularSubscribersPublic&RP_intYear=2008&RP_intLanguageID=1

⁹ Based on CBL's Annual Report (various years) at <http://www.cablebahamas.com/?p=n§id=6>

penetration. This rate of cellular mobile penetration is significantly higher than the world average (59.73) for 2008, as reported by the ITU.¹⁰ Approximately 85% of cellular mobile subscribers use a prepaid service.

As evidenced in Figure 1 below, many consumers in The Bahamas, have more than one device and activated service, which is consistent with international trend for mobile penetration to exceed 100 per cent. Despite significant growth in mobile usage in The Bahamas, it can be seen that many countries in the Atlantic and Caribbean region such as Aruba, Bermuda and Barbados have experienced even higher levels of mobile take-up.

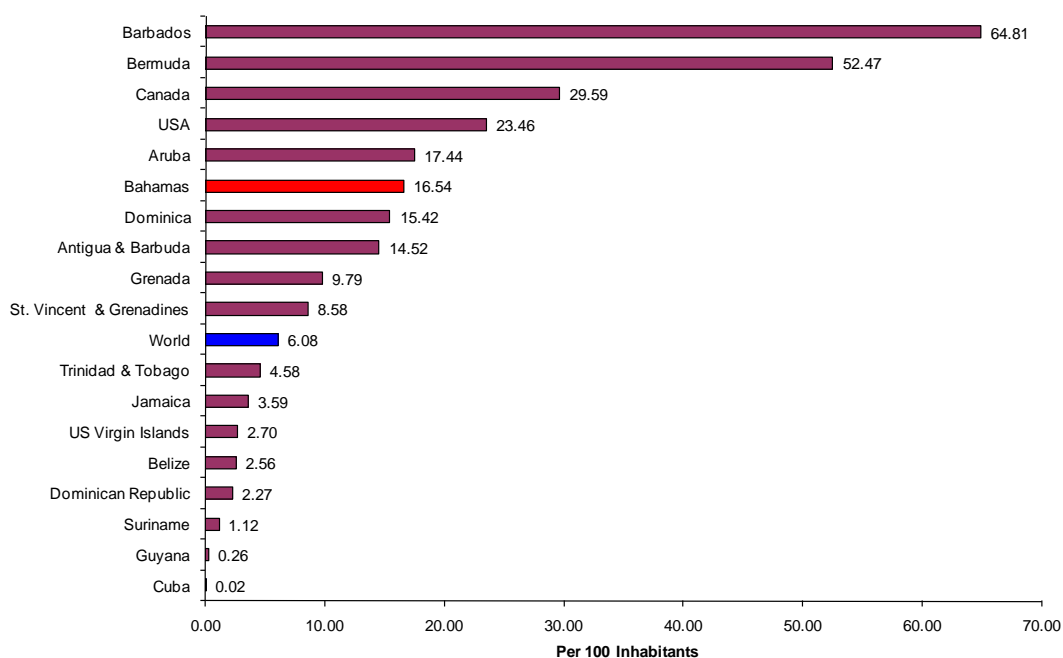
Figure 1 – Mobile Penetration for the Year 2008 (per 100 Inhabitants)



Access to broadband Internet services at competitive prices is integral to a services based economy such as The Bahamas. Broadband Internet access is high data rate Internet access, typically contrasted with dial-up access over a 56k modem. Higher speed broadband Internet provides a considerably better user experience and functionality than low speed Internet and is therefore likely to be more attractive to all categories of end-users. Table 1 shows the evolution in access to broadband Internet technologies and services. Internet services are one of the most liberalized markets in The Bahamas. There are several Internet Service Providers (ISPs) but BTC and CBL are the main providers of broadband services and applications. Cable modem and Digital Subscriber Line (DSL) are the principal technologies used to connect Bahamian homes and businesses to the global Internet. There are several niche operators of Internet services; however, information available to URCA suggests that these operators account for less than 5% of total Internet subscribership. Figure 2 shows a comparison of broadband take-up (per 100 inhabitants).

¹⁰ http://www.itu.int/ITU-D/icteye/Reporting/ShowReportFrame.aspx?ReportName=/WTI/CellularSubscribersPublic&RP_intYear=2008&RP_intLanguageID=1

Figure 2 – Broadband Penetration for the Year 2008 (per 100 Inhabitants)



Source: ITU Data

CBL offers a wide range of Cable TV services with different specifications and prices. Pay TV services in The Bahamas are predominantly provided by CBL. As can be seen from Table 1 above, access to Pay TV services is 22.50 per 100 inhabitants (in 2008). Other providers of Pay TV services include Internet streaming providers, and Satellite Bahamas which uses satellite infrastructure to broadcast US-based Direct Broadcast Satellite (DBS) services to residents in The Bahamas.

Although no formal survey of electronic communications users exist today and URCA is planning to address this as part of its Annual Plan, consumer interactions with URCA suggests that consumers would like to see an improvement in the level of customer care and service quality received from major service providers – such as, price levels, service reach, quality, and flexibility of service offerings.

International experience suggests that regulatory reform and removal of barriers to entry have served to improve sector performance through expansion in network coverage and services, higher investment, improved service quality and cost reflective pricing. These benefits are consistent with Government’s objectives for reform and underpin URCA’s strategic objectives and Annual Plan for the sixteen month period.

2. Vision and Values

2.1 Vision

URCA's vision for the electronic communications sector involves:

- the realisation of a fully sustainable competitive market, 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 which make 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 for all stakeholders to make well-informed decisions in a leading regulatory regime that is transparent and predictable.

The mission statement of URCA is:

We are committed to achieving sustainable competition and promoting consumer interests, through effective and efficient regulation of utilities and broadcasting.

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. The mission statement implies a number of principles which URCA holds central to all the activities that it carries out:

- Putting the consumer as the key beneficiary of all market and regulatory activity whilst taking into account the service providers and other stakeholders;
- Promotion of competition that is sustainable in the medium to long term;
- Reliance on market forces where possible; while in the absence of effective competition, regulation will seek to simulate the effects of competition;
- Regulation will tend towards technological and service neutrality and be sufficiently flexible as to enable change and allow for technology and service convergence;
- Promotion of policies that increase innovation;
- Regulatory decisions will be transparent and accessible in order to facilitate decisions by market players, policy makers and other stakeholders;

- Regulatory activity should enhance socio-economic welfare and improve national productivity;
- Deployment of relevant international practices and policies in the formulation of any decisions at the local level. Further to its regulatory remit, URCA will encourage the public and business community to embrace Information and Communications Technology (ICT), delivered through the ECS, as a key enabler to social and economic welfare;
- Management of the resources of URCA efficiently so as to minimize the cost of regulation on the industry whilst maintaining its effectiveness as a regulator;
- Managing state resources in a manner that promotes competition whilst optimizing revenue to the public treasury; and
- Encouraging the supply of audiovisual content that provides public value to Bahamians and the public at large.

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. Broad Three Year Strategy and Priorities

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 Act¹¹ 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;
- 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.

Similar objectives are specified in the new Sector Policy for the Electronic Communications Sector.¹²

The Sector Policy published by the Government sets out its direction to URCA as to URCA's priorities over the three year life, 2009 – 2012, of the Sector Policy. 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

¹¹ Copies of this document may be downloaded from www.urbahams.bs

¹² *ibid*

- Market Reviews
- Universal Service Obligations
- Content Regulation and Public Service Broadcasting
- Consumer Protection.

The strategic and business priorities for URCA from 2009-2012 have been 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.

In recognition of the importance of communications to the economy and society, the regulatory regime has been revamped. It is important to highlight changes in context of the state of the market under the previous regulatory regime:

- Firstly, there was limited or no choice for consumers for various services in fixed, cellular mobile, pay TV and high speed data and Internet services;
- Secondly, where there has been some liberalisation, the outcomes expected in a competitive marketplace have been frustrated by the lack of a level regulatory playing field, inter-operator disputes and long-standing litigation;
- Thirdly, a number of issues that are of public interest, such as universal service and public service broadcasting, were either not addressed by the regulators, or the desired results did not meet the expectations of the public and policy-makers; and
- Finally, consumer protection was largely left to the operators and the consumer, with minimal intervention by the regulator.

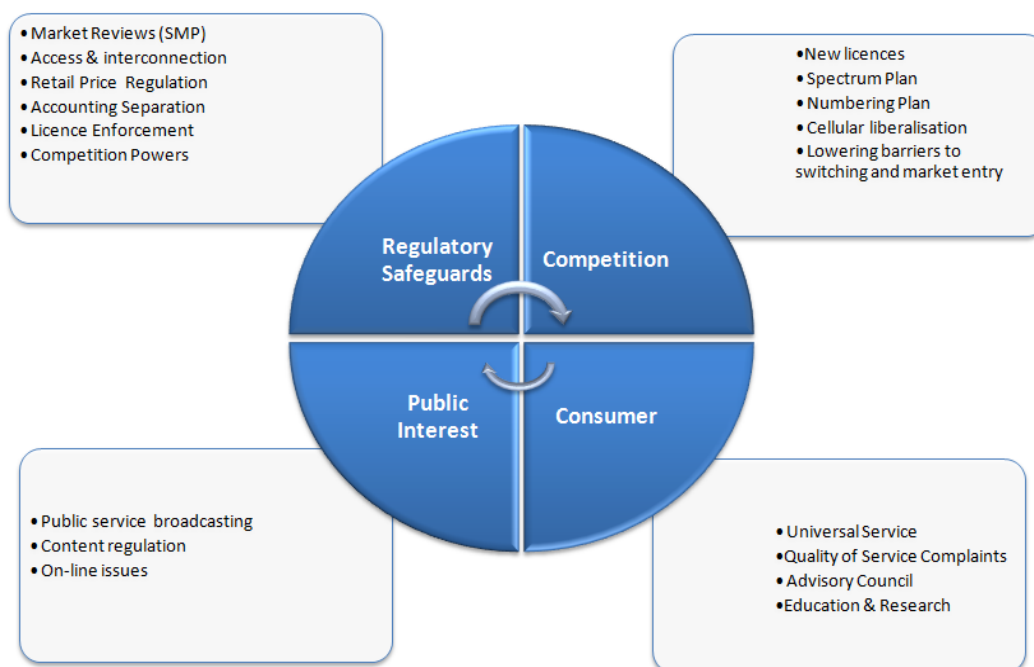
As a result, for 2009-2012, URCA will focus on five main categories of Strategic Priorities covering the ECS:

- **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, broadband, and cellular mobile services; 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.

An illustration of the 4 key policy priorities is shown in Figure 3 below.

Figure 3



The Bahamas is one of the leaders in financial services and tourism and the strength of the Information and Communications Technology (ICT) sector is critical to maintaining this position in a globalised economy. URCA intends, in its 2011 Annual Plan, to provide a strategic guidance on wider socio-economic initiatives such as fostering the acceleration of e-commerce and ICT services; and further promotion of state-of-the-art networks and services that 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. For the avoidance of doubt, 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. Priorities for 2009/10 and Annual Plan

In the context of the new regime for regulation and competition in the ECS, the four strategic priorities previously mentioned and the supporting projects that consist of URCA's Annual Plan are provided in this section.

It is worth mentioning that the substantive projects constitute URCA's current best view of the work that URCA 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, as a result of which 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.

4.1. Implementing Regulatory Safeguards

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

The Strategic Priority of implementing regulatory safeguards will be achieved through:

- Implementing pro-competitive measures that are proportionate and efficient to their purpose and to introduce them in a manner that is transparent, fair and non-discriminatory.
- 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 all 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.

- Establish a methodology for determining operators having SMP and conduct a full market review using this methodology.
- Ensuring regulatory controls are in place to encourage effective competition, such as retail price controls, accounting separation and cost accounting.
- 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 behavior.

Table 2 - Annual Plan 2009-2010 for Implementing Regulatory Safeguards

Planned Projects and Activities	Description of Output	Starting Timeframes
Types of Obligations for SMP Operators	Public Consultation on Types of Obligations on operators presumed to have SMP.	Q3 2009
	Finalise and issue final determinations on Types of Obligations on operators presumed to have SMP.	Q2 2010
Retail price regulation for SMP Licensees	Ensure compliance with retail price framework	Q2 2010
Interconnection	Review and approve RAIOS for conformity to Comms Act and guidelines.	Q2 2010
Accounting Separation and Cost Accounting	Review of accounting separation and cost accounting reports of operators having SMP	Q2 2010
Other SMP Compliance	Carry out review, and if required public consultation, on other SMP obligations	Q2 2010
Full Market Review	Conduct a public consultation on methodology for conducting full market reviews	Q3 2010
	Initiate market review(s)	Q4 2010

4.2 Promoting Competition

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

The Strategic Priority of promoting competition will be achieved through:

- Ensuring the efficient transition of licensees to the new regime.
- Affording regulated companies the opportunity to earn a reasonable rate of return on their investment.
- Licensing of new companies as part of the full liberalisation of the ECS.
- 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).
- Assessing how to lower barriers to consumers switching from one provider to another, such as number portability (fixed to fixed and mobile to mobile).
- Addressing key regulatory issues critical for effective competition, such as access and infrastructure sharing.
- Ensuring that numbers are allocated in a timely and efficient manner and on a non-discriminatory basis.

Table 3 - Annual Plan 2009-2010 for Promoting Competition

Planned Projects and Activities	Description of Output	Starting Timeframes
Transition to new Licensing Regime	Transition of existing licensees to the new unified licensing regime	Q4 2009
	Public consultation on Class Licences and Exemptions	Q4 2009
	Issuance of Class Licences - Register	Q1 2010
Weighted Average Cost of Capital (WACC) for SMP operators	Preliminary Determination on WACC	Q3 2009
	Final Determination on WACC	Q4 2009
Spectrum Activities	Publish a National Spectrum Plan	Q1 2010
	Consultation on opening of new spectrum bands	Q2 2010
	Engage with industry on refarming of spectrum	Q3 2010
Lowering barriers to entry	Consultation on Infrastructure sharing	Q3 2010

Planned Projects and Activities	Description of Output	Starting Timeframes
and switching for consumers	Consultation on Number Portability	Q3 2010
Numbering	Publish Draft National Numbering Plan	Q2 2010

4.3 Consumer Protection

To empower the consumer through information, regulatory enforcement, by ensuring access to value-for-money services.

The Strategic Priority of consumer protection will be achieved through:

- Providing the public with relevant and timely information in relation to their specific rights and entitlements as end-users of electronic communications services.
- Promoting consumer participation in the regulatory process.
- Dealing efficiently with operator non-compliance with consumer provisions of their licence.
- Facilitating access to services as defined through universal service obligations.

Table 4 - Annual Plan 2009-2010 for Consumer Protection

Planned Projects and Activities	Description of Output	Starting Timeframes
Consumer Awareness	Providing the public with relevant and timely information such as price and quality benchmarking.	Q4 2010
Compliance with Licence Conditions	Establishing clear complaint handling and dispute resolution procedures.	Q3 2010
Universal Service	Develop regulations for implementation of universal service obligations Publish consultation on regulations Engagement with designated universal service providers on establishment and monitoring of targets	Q2 2010

4.4 Public Interest

Ensure users have access to quality public service broadcasting covering a range of content that serves the Bahamian people and public at large and reflects their tastes and interests, alongside content codes that ensure minimum standards for audiovisual media services.

The Strategic Priority of promoting the public interest will be achieved through:

- Undertaking a strategic review of Public Service Broadcasting (PSB)
- Developing codes of practice for regulating content

Table 5 - Annual Plan 2009-2010 for PSB and Content Regulation

Planned Projects and Activities	Description of Output	Starting Timeframes
Public Service Broadcasting	Assessment of current programming and funding requirement of interim PSB (ZNS) and dialogue with other broadcasters and content developers	Q1 2010
	Research audience views on PSB and ZNS through qualitative and quantitative surveys.	Q4 2009
	Conduct public consultation with town hall meetings on the role of PSB and funding – definition and scope of PSB, funding requirements, funding options, corporate governance.	Q2 2010
	Recommendations to Minister on future of PSB	Q3 2010
Content Regulation	Conduct public consultation on composition of industry group to develop content codes of practice.	Q1 2010
	Establish industry group and conduct meetings to develop draft codes of practice.	Q2 2010
	Conduct public consultation and town hall meetings on draft codes of practice.	Q3 2010
	Finalise and issue determination on new codes of practice.	Q3 2010

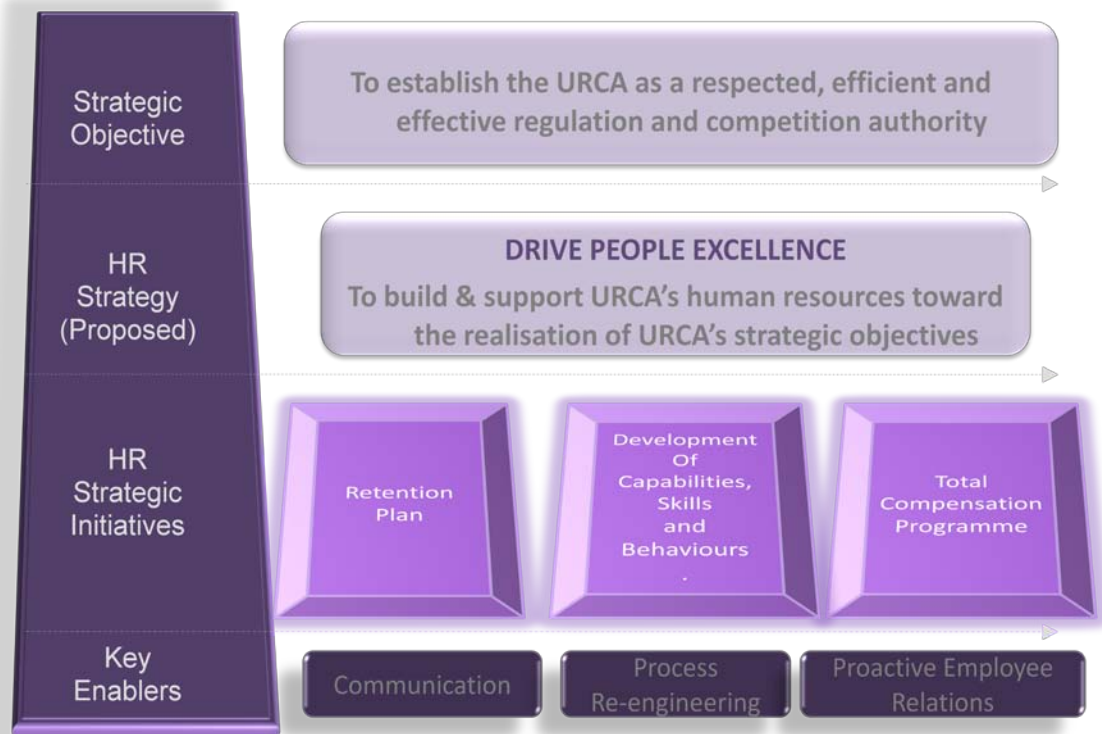
4.5 Institutional Capacity Building

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

Figure 4 below illustrates the relationship between URCA’s organisational strategy, Human Resources (HR) strategy and the key HR initiatives.

The HR initiatives cover areas such as the development of capabilities, skills and behaviours. These are supported by key enablers that include open communications and proactive employee relations. These initiatives are intended to work together to realise the HR strategy, of driving people excellence which is an integral part of URCA’s overall organisational effectiveness.

Figure 4



Tables 6 and 7 (overleaf) provide further details of key activities within HR.

Table 6

HR Initiative # 1	Objective of Initiative	Key Components	Supporting Activities				
Total Compensation Programme	To cultivate an organisational culture that promotes and rewards employee for the achievement of organisational objectives through measurable performance	Performance Management System	Design Pay for Performance Mgmt Programme	Presentation of Programme to key stakeholders	Coaching for Results Training. Rollout of Training for Mgrs and staff on new PMS Programme	Assist with the creation of Performance Management Objectives	Launch of new Performance Management Programme
		Variable Incentive Plan	Conduct research of existing variable programmes in mkt via a targeted compensation survey. URCA's Compensation Philosophy will also be derived via the above activity.	Design of Programme	Presentation of Programme to Key Stakeholders		Launch of Incentive Programme

Table 7

HR Initiative #2	Objective	Key Components	Supporting Activities	
Development Of Capabilities, Skills and behaviours	To bridge the gap between the existing and required capabilities and skills	Competency & Skills Training Plan	<ul style="list-style-type: none"> • Conduct training and development needs analysis • Design Training Programme -Includes sourcing of potential Local & external programmes that best meets URCA's needs. 	Presentation of Programme to key stakeholders
		Articulate Leadership behaviours	• Conduct workshop with management and staff to discuss and define the leadership behaviours required at URCA	Presentation of Programme to key stakeholders
HR Initiative #3	Objective	Key Components	Supporting Activities	
Retention of Talent	To ensure sustainability of the key skills required at URCA from entry through to career development with the organisation	Succession & staff retention plan	Design of Programme using skills and behaviours articulated in leadership matrix	Presentation of Programme to key stakeholders

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

Very little data was collected by the PUC and therefore currently available to establish more substantive performance measures, so much of the effort in this first year will be on initiating data collection practices. As data becomes available URCA will be able to establish both quantitative and qualitative performance measures. As such, only a limited number of KPIs will be published with the first transitional Annual Report (covering the 5 month period 1 August 2009 to 31 December 2009) which is expected to be published at the end of April 2010.

For the first full financial year (ending 31 December 2010) URCA intends to use the following KPIs:

Statutory KPIs	Regulatory KPIs	Consumer & Licensing	Finance/Organisation
<ul style="list-style-type: none"> ○ Publish SMP obligations within 30 days of Act coming into force ○ Publish draft annual plan before end of financial year 	<ul style="list-style-type: none"> ○ % of public consultations started in period as stated in Annual Plan ○ Implementation and availability of key regulatory enablers (such as reference interconnection offers and accounting separation) ○ Number of regulatory measures appealed or litigated 	<p><u>Consumer</u></p> <ul style="list-style-type: none"> ○ Publication of new consumer research on awareness of URCA's work <p><u>Licensing</u></p> <ul style="list-style-type: none"> ○ Individual licences issued within 30 days (as a % of all applications requiring an individual licence) ○ Class licences issued within 45 days (as a % of all applications for services requiring a class licence) 	<ul style="list-style-type: none"> ○ % of licence fees due that are collected ○ Reduction of the % of bad debt ○ Expenditures are within budget ○ Implementation of personnel performance management system ○ Development of competencies for all URCA positions

Data Collection and Processes

Beginning in 2010, URCA will also start collecting data in the following areas to form the basis of performance measures for the subsequent years.

Consumer complaints will be tracked by the number and nature of written complaints broken down by type of service (cable, wireline, wireless, radio, etc.) and the reason for the complaint (quality of technical service, price, content, availability of service, etc.). The time taken to resolve the matter and the steps taken will also be documented. In many cases, URCA colleagues will need to rely on the service provider to compile full information on the complaint. This too will be documented.

In future, consumer complaints can be used as qualitative indicators of satisfaction with services, responsiveness of service providers to consumer issues and quality of service. In the short term, the number of consumer complaints should increase as the public becomes aware that URCA can assist in resolving problems. In the longer term, ideally, complaints should decrease as services improve.

Information on the services currently available and where they are available will be documented. Consumer prices of all communications services will be collected to form a baseline for future years' data collection.

6. URCA Budget

The full-time staff complement is twenty-three (23), covering Operations and Policy & Regulation. This compares to twenty-six (26) at the end of June 2009 under the PUC. There are plans to increase the staff complement by two in 2010 to strengthen the organisation's capabilities in law and economic regulation.

URCA's intention 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 also ensure that it will provide a full accounting of its activities as required by Section 41 (1) (b) of the URCA Act.

As previously discussed in section 1 of this Annual Plan, the budget, is for a sixteen (16) month period versus a regular 12 month period. URCA decided that developing a four (4) month budget for the period 1 September 2009 to 31 December 2009 would be disproportionate, inefficient and possibly disruptive for both the industry and URCA. As such, URCA opted to develop a sixteen (16) month budget and used this as a basis for setting URCA fees that shall be recovered from licensees.

However, in order to illustrate the difference in an annual budget, as well as the first 16 month budget, Table 8 provides the budgetary details. The budget reflects URCA's strategy for the period and as such the level of expenditure estimated to implement this Annual Plan.

Table 8 – URCA Operating Budget (B\$)

	12 month budget	16 month budget
Non-Executive Members Honoraria and Expenses	186,384	251,000
Executive Members Compensation	437,229	588,809
Staff Costs	1,458,833	1,964,587
Meetings, Training, Travel	223,800	318,060
Professional Services	1,270,500	1,658,700
Public Consultation & Consumer Education	155,600	246,300
Rent & Utilities	302,400	451,600
Data Processing	60,000	78,200
Office Services	80,300	100,820
General and Administrative Expenses	66,720	76,920
Depreciation	534,000	746,405
Total	4,775,765	6,481,400

Further details on each expense category are 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 represents approximately 4% of the operating expenditure for the 16 month period.
- Executive members' compensation includes salaries and other benefits for the executive members and represents about 9% of the operating expenditure for the period.
- Staff costs include salaries and benefits for the staff and are 30% of the operating budget.
- Meetings, training and travel includes expenses for holding meetings, attending conferences and training, and work related travel such as to the Family Islands.
- Professional Services includes expenses for consultancy and advisory fees to complement and provide knowledge transfer to URCA's human resources. This represents a significant portion, 33%, of the operating budget. As a new regulatory agency with additional responsibilities including broadcasting and competition powers, URCA needs expertise and assistance in the new areas. The expertise and assistance will be achieved in part through the use of consultants from whom URCA will benefit from international best practice.
- Public Consultation and Education aims to improve the dialogue and engagement between the sector stakeholders and URCA.
- Rent and Utilities reflect the rental of office accommodations and the respective utilities to support URCA's operation. The combined expenses represent about 6% of URCA's operating budget for the 16 month period.
- Data Processing includes support for the maintenance of computers, software and the network.
- Office Services includes expenses for office supplies, printing, general insurance and miscellaneous items.
- Other General and Administrative Expenses include automobile expenses, repairs & maintenance and membership fees.
- Depreciation captures the systematic expensing of fixed assets over their useful life. The capital expenditure budget for 2009/2010 is just around \$3m. This covers two major projects: (i) \$2m for new spectrum monitoring equipment that is portable (thereby increasing the future effectiveness of URCA to pro-actively monitor spectrum use and also respond to complaints) and: (ii) \$1m for relocation of URCA's offices to overcome existing deficiencies in office space, meeting rooms, accessibility, and to minimize operational risks.

In addition, URCA has also provided a like-for-like comparison of the last 13 months of the PUC and the first 13 months of URCA.

Table 9 – Comparison to PUC Audited Accounts

Expenditure including depreciation	PUC Actuals July 1, 2008 – July 31, 2009	URCA Budget Sept. 1, 2009 – Sept. 30, 2010
Non-Executive Members Honoraria and Expenses	103,566	203,938
Executive Members Compensation	89,134	479,831
Staff Costs	1,489,468	1,598,572
Meetings, Training and Travel	48,281	258,424
Professional Services	658,873	1,347,694
Public Consultation & Education	37,213	200,119
Rent & Utilities	182,674	328,125
Data Processing	52,146	63,538
Office Services	61,247	81,916
Other General and Administrative Expenses	57,258	62,497
Total Expenditure	2,779,860	4,624,654
Depreciation	237,174	580,456
Total Expenditure including depreciation	3,017,034	5,205,110

The URCA budgeted costs are substantially different from the PUC's actual costs for its last period of operations. The PUC's total operating expenditure for the 13 month period 1 July 2008 to 31 July 2009 was just over \$3 million. In contrast, a similar 13 month budget for URCA approximates to \$5.2 million.

There are five (5) operating expense categories that drive this increase. These categories, together with the rationale, are as follows:

- **Governance** – The new regulatory regime, as envisaged during the regulatory reform process and then implemented through the URCA Act, placed a greater emphasis on governance of the regulatory authority. The Governor-General, appointed a Chairman and two Non-Executive Board Members. The two Non-Executive Board Members were selected from outside The Bahamas and have brought a wealth of international regulatory experience in competitive markets. Information on their honoraria and other expenses has been provided above and

is the main reason for the increase in costs for non-Executives compared to the PUC.

- **Management** – As part of the regulatory reform, the Government felt that it was important for URCA’s Board and CEO to be supported by an internationally experienced professional with prior experience in regulation in liberalizing markets, as well as commercial experience in the communications sector. As a result, a new executive role of Director of Policy & Regulation (DPR) was created, and articulated in the URCA Act. The position was filled following a competitive selection process. The cost associated with the new role is a large contributor to the increase in Executive Management Compensation. In addition, it should be noted that there was a few months gap in the changeover from one Executive Director to the next and thus the costs associated with the PUC’s Executive Management Compensation reflect remuneration for that position for a shorter period.
- **Advisory** - The budgeted advisory costs of professional services and consultants (including knowledge transfer) have increased significantly to fill key skills and manpower gaps. At a critical time for the communications sector, there are a number of matters that must be addressed to overcome legacy concerns, within a short period of time; this has increased the overall workload for URCA and hence reliance on external resources. In addition, it should be noted that, in comparison, for the thirteen months ended 31 July 2009, the work of the PUC was virtually at a stand-still due to the regulatory reform. As such, the level of PUC costs was unusually low.
- **Training** – In light of URCA’s strategic objective of Institutional Capacity Building, and to overcome key areas of skills development through training, \$258,424 has been budgeted for “Meetings, Training and Travel” compared to \$48,281 actually incurred by PUC for the thirteen months ended 31 July 2009.
- **Depreciation** - In comparison with the depreciation expenses for the PUC, which were largely continuing depreciation on assets, the increase in depreciation for URCA reflects the capital budget for 2009/10 – as previously stated, this includes significant investment in spectrum monitoring equipment.

As can be seen, the majority of expenses are investments in intellectual and human capital, necessary for URCA to discharge its duties under the Comms Act. URCA will aim to manage its expenditures to budget without compromising on the quality and efficiency of its operations. As such, URCA will ensure that it receives feedback from its service providers and delivers to its stakeholders value for money.

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