



QUARTERLY REPORT OF THE BOARD

COVERING THE PERIOD 1 APRIL 2011 - 30 JUNE 2011

ECS 18/2011

16 August 2011

1. INTRODUCTION

As part of its continuing commitment to accountability and transparency, the Board of URCA is pleased to publish its Quarterly Report for the Second Quarter of 2011, covering the period 1 April to 30 June 2011.

2. SUMMARY OF KEY ACTIONS – AUDIT COMMITTEE

- **Risk Management** –The Audit Committee received reports from Executive Management on:
 - A compliance checklist recording a comprehensive listing of URCA’s statutory obligations and timescales for delivery, publication or notification.
 - Documentation on the internal processes followed in reaching regulatory decisions.
 - An audit report of URCA’s IT hardware and its anticipated replacement cycle. The Audit Committee also undertook to meet with URCA’s IT providers to review the appropriateness of IT policy, covering security and confidentiality.
- **Value for Money Audit** – The Audit Committee presented a draft report to the Board in accordance section 33(2)(c) of the URCA Act. The Board agreed that this report would be published on URCA’s website once finalised.
- **Internal Audit function** – The Audit Committee, in an effort to further strengthen internal controls, completed a competitive process for outsourcing URCA’s internal audit function. The selected auditor is expected to begin work in August 2011.
- **Internal Control and Business Issues Report from External Auditors** - Management responded to the report and briefed the Committee on proposed actions.
- **Management Accounts** - The Audit Committee reviewed URCA’s management accounts for April 2011 through to June 2011 and financial performance and provided the Board with its comments on those accounts.

3. SUMMARY OF KEY ACTIONS - OPERATIONS

- **Annual Report 2010 and Final Annual Plan 2011** – The Annual Report and Financial Statements for fiscal 2010 and Final Annual Plan for 2011 were published on URCA’s website on the 12th of April. Paper copies of the report were distributed to external stakeholders and available at URCA’s offices.
- **Public Hearing** – In accordance with section 41(7) of the URCA Act, a public hearing was held on the 25th May to present the Annual Report for 2010, and the Annual Plan for 2011.
- **Litigation** – The Board was briefed on:
 - The on-going case against Cable Bahamas in relation to licence fees for provision of internet services in Freeport.
 - An appeal lodged by the Hon. Fred Mitchell, M.P., with the Utilities Appeal Tribunal (UAT) in relation to URCA’s Adjudication of change of control in BTC.
- **Litigation management** - The Board started work on developing a policy for the management of litigation; the intention is for the policy to define explicitly the roles of in-house and External Counsel, CEO and the Board itself, as well as govern the interaction with insurers where applicable.
- **Tender for Human Resource Services** – The Board was briefed on the initiation of a competitive tender to form a roster of relevant expertise that can be called upon as the need arises. A total of nine (9) interested parties responded, of which four (4) were empanelled.
- **CEO Recruitment** – The Board reluctantly accepted the resignation of its CEO, Mr. Usman Saadat. Consequently, and in accordance with competitive selection process required for executive recruitment at URCA, the position was advertised in local, regional and international print, and on-line media. The deadline for applications was 15 July 2011. The Non-Executives of the Board would manage the interview and selection process with the assistance of an external HR advisor, selected from the empanelled list of advisors.

- **Funds owed to Government** – Following the amendment of the URCA Act in December 2010 that required URCA to transfer \$5.9 million to the Government’s Consolidated Fund and further to the repayment of \$4.3 million in the first quarter of 2011, the Board reviewed URCA’s projected cash flows and considered its options (including possible loan funding) with respect to the repayment of the balance of the funds to the Government.

4. SUMMARY OF KEY ACTIONS – REGULATORY

- **Interconnection**
 - RAIO – The Board reviewed and approved the Consultation Document on Interconnection Joining Services in April; this was one of the last remaining issues requiring consultation prior to approving BTC’s RAIO. Subsequently, BTC’s RAIO was approved in mid-June.
 - Negotiations – The Board was briefed on the status of and challenges facing the on-going commercial negotiation of an interconnection agreement between BTC and SRG. The Board approved the need for URCA to ensure that the deadlock in negotiations is not detrimental to the consumer in light of BTC’s notification to terminate the agreement. Consequently, the Board approved the Interim Order of 13 May 2011, directing BTC not to terminate the interconnection agreement and links with SRG.
- **Accounting Separation** – The Board was briefed on correspondence from both BTC and CBL on the audit requirement for Separate Accounts. It was agreed that URCA would maintain this requirement for both SMP operators.
- **Retail Price Regulation** – The Board was briefed on the review of BTC’s customer contracts to ensure that consumer terms were fair and transparent. It was noted that BTC’s terms and conditions were outdated, and once revised by BTC, could provide the basis for URCA clearing BTC of this obligation as part of the initial SMP obligations.
- **BTC Application for Change in Retail Prices** – URCA was in the process of reviewing a price increase application by BTC for ancillary services (directory enquiries, weather by phone, etc.). Such services are currently provided at zero cost to the consumer, but URCA had approved the basis for BTC to charge cost-oriented

wholesale prices to other operators. In doing so, URCA required BTC to also charge its own customers for such services.

- **Competition Investigations** - The Board was updated on a number of competition investigations, and on URCA's plans to collect and analyze the data and submissions from interested parties before making a decision.
- **Market Reviews** – In accordance with section 39 of the Comms Act, the Board reviewed and approved the consultation document (ECS 9/2011) on the Methodology for Assessment of Significant Market Power (SMP).
- **Number Portability** – In accordance with section 80 of the Comms Act, the Board reviewed and approved the consultation document (ECS 8/2011) on Number Portability for The Bahamas.
- **Spectrum Management** – The Board reviewed and approved the final Guidelines for Opening of New Spectrum, and the Statement of Results to its public consultation on the opening of new spectrum bands, Consultation Document ECS 23/2010.
- **Licensing** – The Board was briefed on the enforcement procedures that URCA would follow in relation to licensees that are delinquent on payment of licence fees.
- **Efficiency Study of BTC** – URCA commenced a study of the efficiency of BTC. The need for this study resulted from URCA's review of BTC's RAIO and the level of interconnection charges proposed compared with other jurisdictions.
- **Investigation into alleged breach of Interim Content Codes of Practice** - The Board deliberated on the appropriate course of action involving Bartlett-McWeeney Communications (GEMS 105.9 FM), a Licensee of URCA, for alleged repeated breaches of the Interim Content Code. Acting on advice of the Director of Policy and Regulation, URCA issued a Preliminary Determination and Draft Order, followed by a Final Determination and Final Order on 26th of May, 2011, resulting in either compliance by the Licensee or the imposition of fine for failure to comply.¹

¹ Significantly, it should be noted that URCA, on 3rd of August 2011, acceded to a request by the Licensee for an extension until 23rd September, 2011, to allow further efforts to be compliant with the Final Order.

- **Content Codes of Practice** - The Board was updated that the current deliberations of the Industry Working Group on Content Codes had wound down and the proceeding had moved into the next phase with URCA drafting a set of Codes based on the recommendations received from the Working Group.

- **Publications** - During the Quarter under review, the Board approved regulatory and other measures, including those that resulted in the following documents being published:
 1. ECS 7/2011 – Consultation Document on Proposed Charging for Interconnection Joining Services.

 2. ECS 8/2011 – Consultation Document on Number Portability for The Bahamas.

 3. ESC 9/2011 – Consultation Document on the Methodology for Assessment of Significant Market Power (SMP).

 4. ECS10/2011 – Statement of Results of the Consultation on the Opening of New Spectrum Bands.

 5. ECS 11/2011 – Guidelines for the Opening of New Radio Spectrum Bands.

 6. ESC 12/2011 – Statement of Results of the Consultation on BTC’s Proposed Charging for Interconnection Joining Circuits.