



# **Three Year Strategy & Annual Plan for 2011**

***Draft for Comment***

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UTILITIES REGULATION & COMPETITION AUTHORITY

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## **1. Introduction**

### **1.1 Scope**

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

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

URCA hereby invites and welcomes comments and submissions from members of the public, licensees and other interested parties on the matters contained in this Draft Annual Plan. Details on how to respond are in Section 7.

### **1.2 Background**

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

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

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

### 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 in 2009 was approximately \$460 million<sup>2</sup> or 6.2% of the country's Gross Domestic Product or GDP (\$7.42 billion).<sup>3</sup>

Tourism and financial services are the bedrock of the Bahamian economy. Tourism is estimated to account for 40% of GDP<sup>4</sup> and directly or indirectly employs half of the country's labour force. Financial services, combined with business services, also represent a significant percentage of GDP. Access to high quality electronic communications technologies and services at competitive prices are, therefore, essential for GDP growth and external competitiveness of Bahamian businesses.

As part of the transition to the new regime, the Comms Act placed particular obligations on the following three major providers of domestic electronic communications networks and services in The Bahamas:

- The state-owned Bahamas Telecommunications Company Ltd. (BTC), which operates fixed voice and data services and mobile cellular voice and mobile data services.<sup>5</sup>
- Cable Bahamas Ltd. (CBL), which operates a network of fibre-optic and coaxial cables and provides Pay TV and high speed data services and connectivity.
- The state-owned Broadcasting Corporation of The Bahamas (BCB), which operates a TV station and three radio stations, has the only radio station with national coverage and has been designated interim Public Service Broadcaster.

BTC and CBL have been presumed to have Significant Market Power (SMP) in certain markets<sup>6</sup>. URCA, in accordance with the provisions of the Comms Act, has placed certain obligations on each of BTC and CBL, with which they must comply, prior to being permitted to enter new markets for electronic communications services<sup>7</sup>. The Comms Act designated BCB as the Interim provider of Public Service Broadcasting.<sup>8</sup>

In 2009, overall electronic communications sector revenues are estimated to have registered a small increase of approximately 3%, from \$445 million to \$460 million.<sup>9</sup> While

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<sup>2</sup>Estimates based on URCA information collected from licensees

<sup>3</sup>ECLAC, Economic Survey of Latin America and the Caribbean 2009-2010

<sup>4</sup>ECLAC, Economic Survey of Latin America and the Caribbean 2009-2010

<sup>5</sup>The Government has recently signed a Memorandum of Understanding (MOU) with Cable & Wireless Communications (CWC) to sell a 51% stake in BTC to CWC.

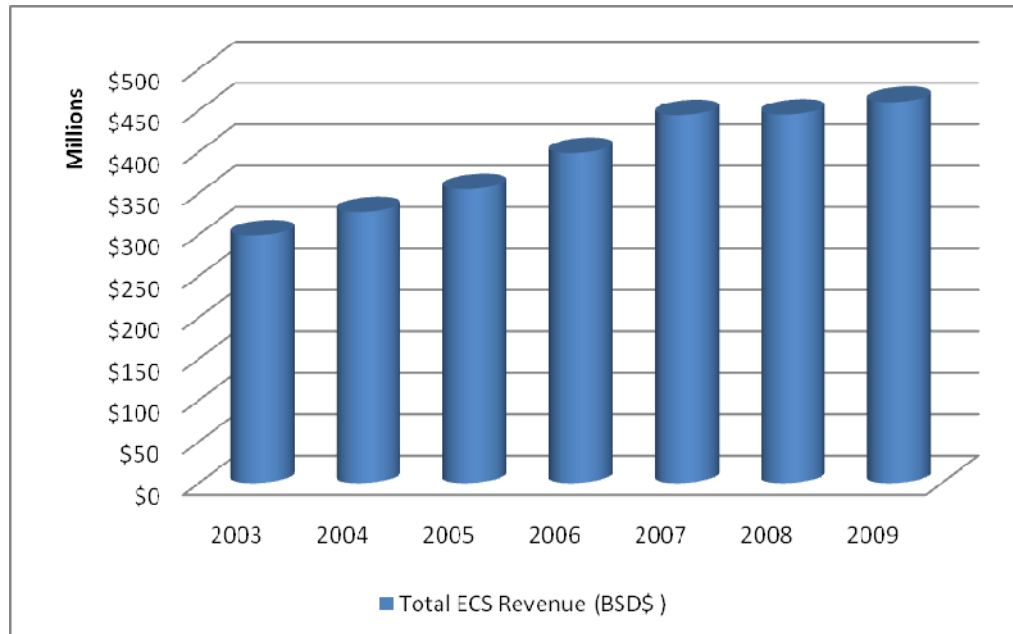
<sup>6</sup>Communications Act 2009, section 116

<sup>7</sup>URCA SMP Final Decision (<http://www.urbahamas.bs/publications.php?cmd=view&id=41&pre=y>)

<sup>8</sup>Communications Act 2009, section 115

<sup>9</sup>Estimates based on URCA information collected from licensees

growth slowed in the 2008 – 2009 period (compared to growth in previous years), it should be noted that during 2009, The Bahamas’ real GDP contracted by 4.3%<sup>10</sup>, largely due to the effect of the global economic slowdown on tourism. The growth in sector revenue, therefore, surpassed growth in the general level of economic activity in The Bahamas. Figure 1 shows the trend in revenues in the electronic communications sector during the period from 2003 to 2009.



**Fig. 1 – ECS Revenues from 2003 to 2009<sup>11</sup>**

During the period from 2009 to the publication of this report URCA has granted operating and spectrum licences to a number of new and prospective providers of electronic communications services. URCA aims to adopt regulatory approaches that promote competition in key markets, with the objective of improving accessibility, quality and affordability of electronic communications services.

During the 2009 – 2010 year, URCA transitioned existing licences granted under the PUC to the new regime, through the grant of Individual and Class Licences as appropriate. In addition, during the period URCA received 149 applications for new licences, of which 121 have been granted with the remainder pending. Twenty-seven of the licences granted were for the use of radio spectrum, eight were operating licences, and the remainder (89) were reciprocal amateur licences.

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

<sup>10</sup>Source: ECLAC Economic Survey of Latin America and the Caribbean 2009 - 2010

<sup>11</sup>Source: ITU Telecommunications Statistics, URCA data collected from Licensees

### Fixed Telephone Services

BTC has been designated as having SMP in the fixed telephone services market, and currently provides local, inter-island, and international telephone services to the Bahamian public. In addition to BTC, Systems Resource Group Ltd. (SRG), a privately owned entity which operates under the trade name IndiGO Networks, also provides international, inter-island and local calling services to the Bahamian public. As at the end of 2009, penetration of fixed telephone services in the Bahamas stood at 37.74 subscribers per 100 population<sup>12</sup> with BTC having approximately 98% of the market.<sup>13</sup>

A comparison of penetration rates for The Bahamas and a selection of countries is provided in Figure 2.

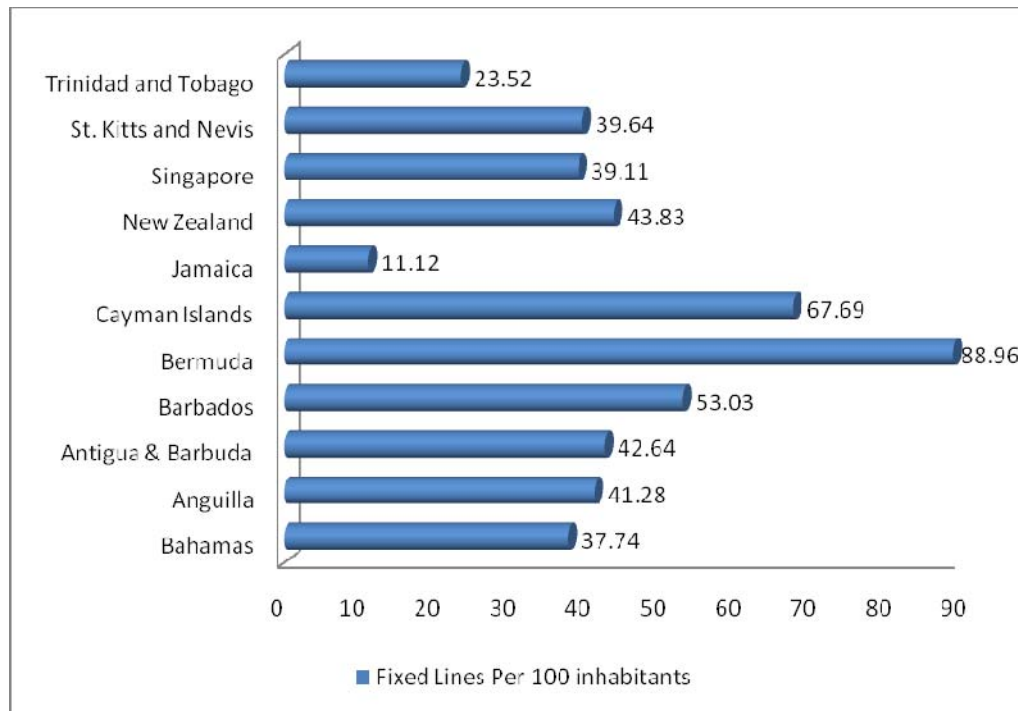


Fig. 2 – 2009 Fixed Lines Per 100 Inhabitants, Country Comparison.<sup>14</sup>

The Bahamas, therefore, compares favourably with most countries in the sample (save for Bermuda and Cayman Islands, both of which have exceptionally high penetration).

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, while domestic long distance calls cost \$0.18 per minute.<sup>15</sup> BTC

<sup>12</sup>Source: ITU Telecommunications Statistics

<sup>13</sup>Source: URCA data obtained from licensees

<sup>14</sup>Source: ITU Telecommunications Statistics, URCA data obtained from Licensees

<sup>15</sup>Source: URCA data obtained from Licensees

charges for international calls at rates ranging from: \$0.47 for calls to the USA; \$0.66 for calls to the Caribbean (excluding Cuba) and; \$0.85 for Cuba and countries outside the Caribbean and North America.

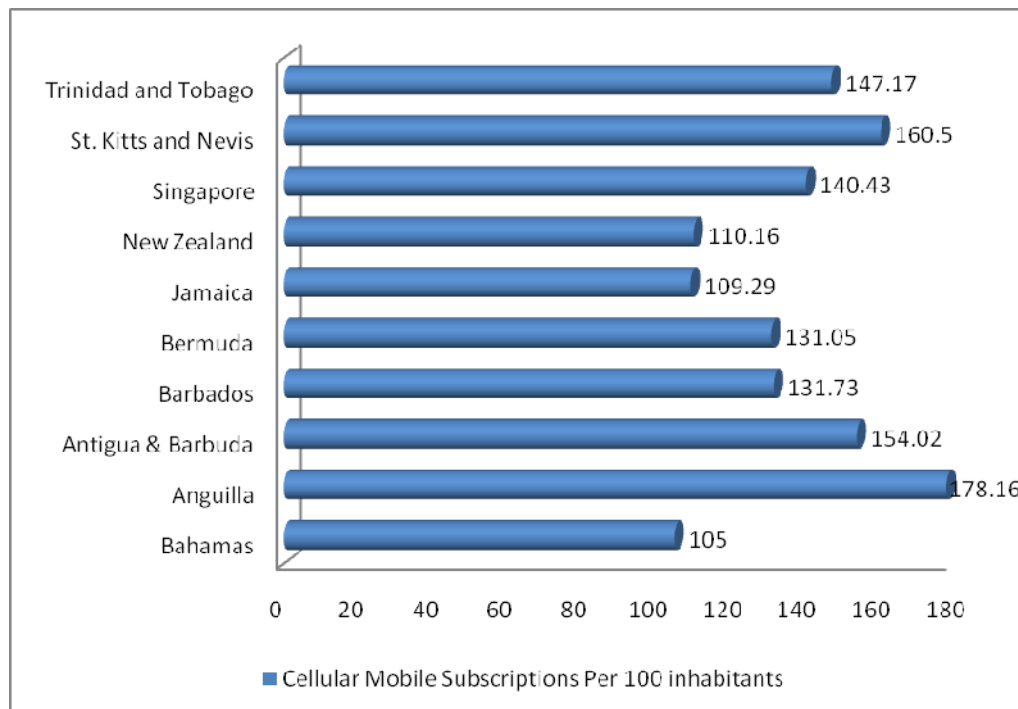
SRG's fixed access services are primarily targeted at business customers, offering discounted per minute call rates using a fixed wireless network.

It should also be noted here that both SRG and BTC also provide VOI based services to residential customers at package rates ranging from \$9.95 to \$34.99 per month. These packages require broadband Internet Access, and generally provide domestic long distance and/or international calls included in the plan price, and lower rates for out of plan calls when compared with standard ILD charges.<sup>16</sup>

### Cellular Mobile Telephone Services

BTC is currently the only operator licensed to offer mobile telephone services in The Bahamas. The Government's recently concluded a Memorandum of Understanding (MOU) with Cable & Wireless Communications (CWC) to sell a 51% stake in BTC. The privatisation is expected to be completed by early next year, pending conclusion of share purchase agreements, and Government and other approvals including merger approval from URCA. As part of the agreement, the Government intends to extend BTC's cellular exclusivity from two to three years.

Current penetration of cellular mobile telephone services in The Bahamas is high, with 105 subscribers per 100 residents.<sup>17</sup> A comparison of penetration in The Bahamas with a selection of other countries is provided in Figure 3.



<sup>16</sup>Source: Licensees' websites

<sup>17</sup>Source: ITU Telecommunications Statistics, URCA data collected from Licensees

**Fig. 3 – 2009 Cellular Mobile Subscriptions Per 100 Inhabitants, Country Comparison<sup>18</sup>**

It should be noted that although The Bahamas is the only country in the sample that continues to have a monopoly provider of cellular mobile telephone services, access to mobile telephone services is high, with penetration exceeding one phone per person.

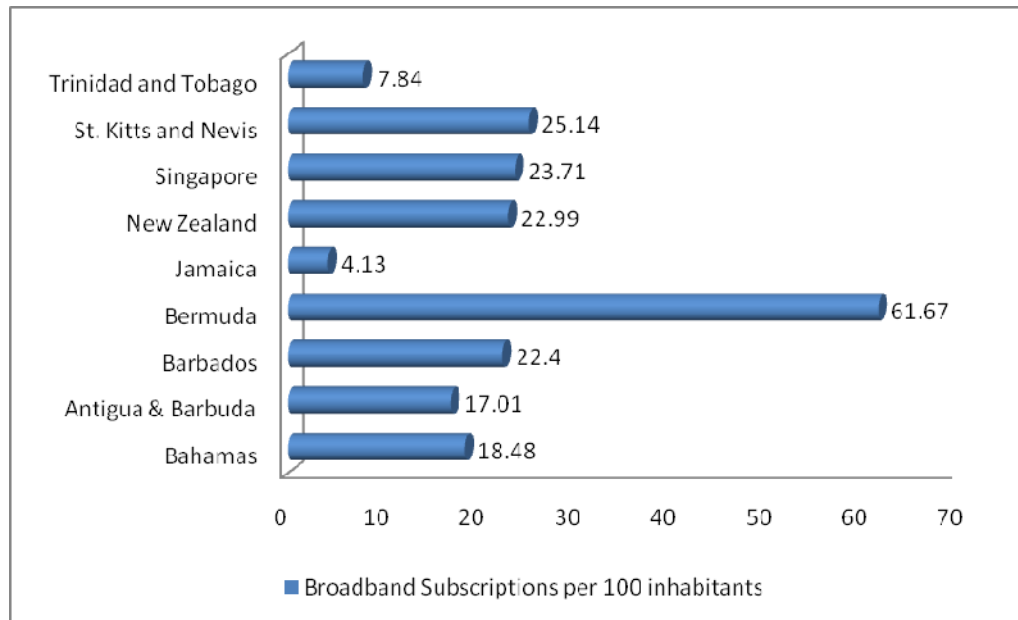
BTC's rates for post-paid mobile telephone services range from package prices of \$19.99 per month for a package with 100 minutes included and rates for additional calls ranging from \$0.10 to \$0.20 per minute, to \$139.99 for a package including 1,100 minutes with additional calls charges at \$0.10 per minute. Most of BTC's mobile subscribers subscribe to a prepaid plan. Prepaid rates range from \$0.15 to \$0.33 per minute. Mobile data packages are also available for post-paid subscribers at rates ranging from \$6.99 per month for 1MB, to \$24.99 per month for unlimited usage.<sup>19</sup>

### Internet and Data Services

Broadband internet services are currently provided in The Bahamas by CBL, BTC and a number of smaller ISPs.

CBL was designated by the Comms Act as having SMP in the market for the provision of high speed data services and connectivity.<sup>20</sup>

As at the end of 2009, total broadband penetration was estimated at 18.48 subscribers per 100 population. That figure was made up of 12.6 cable subscribers and 5.88 DSL subscribers per 100 population. A comparison of the broadband penetration in The Bahamas with selected other countries is at Figure 4.



<sup>18</sup>Source: ITU Telecommunications Statistics

<sup>19</sup>Source: BTC website

<sup>20</sup>Section 116, Communications Act 2009



**Fig. 4 – 2009 Broadband Subscriptions Per 100 Inhabitants, Country Comparison<sup>21</sup>**

Residential broadband access prices in The Bahamas range from \$10.70 per month for a download speed of 1.5Mbps and a limit of 10 hours of 75Mb, to \$70.70 per month for a download speed of 9Mbps, with unlimited usage.<sup>22</sup>

### International Networks

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

- BTC, which operates the Bahamas 2 cable system that provides connectivity to Florida from New Providence and Grand Bahama; the Bahamas Domestic Submarine Network (“BDSNi”) cable system that connects the islands in The Bahamas and links Haiti to The Bahamas; and a Satellite Earth Station located at Soldier Road in New Providence that provides connectivity to Europe and other locations.
- 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.
- Columbus Networks Inc, whose ARCOS network provides connectivity between The Bahamas, the United States and several countries in the Caribbean.

During the period 2009 – 2010, URCA licensed an additional provider of international connectivity, Global Nexus Telecommunications Limited, which proposes to operate a submarine cable with a landing in Freeport, Grand Bahama.

### 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, and Satellite Bahamas, which is the local provider of DirecTV’s direct to home satellite television services. CBL was presumed by the Comms Act to have SMP in the provision of Pay TV services. Penetration of Pay TV in The Bahamas was estimated at 22.95 subscribers per 100 population.<sup>23</sup> It should be noted that the DirecTV offering does not provide local Bahamian television stations.

Prices for cable television range from \$30 per month for a package containing 51 Analogue channels to \$100 per month for over 200 Digital channels. Prices for DirecTV range from \$29.99 per month for a package containing 50 channels, to \$86.99 per month for a package containing more than 200 channels.<sup>24</sup>

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<sup>21</sup>Source: ITU Telecommunications Statistics, URCA Data collected from Licensees

<sup>22</sup>Source: Licensees’ websites

<sup>23</sup>Source: URCA data obtained from Licensees

<sup>24</sup>Source: Licensees’ websites

### Free to Air Broadcasting

The state-owned Broadcasting Corporation of The Bahamas (BCB) operates a TV station and three radio stations and has the only radio station with national coverage. In addition to the BCB, 22 other persons are licensed to operate free to air radio stations. Of these, Table 1 contains details of the licences granted within 2009/2010.

**Table 1 – New Radio Broadcasting Licensees 2009/2010**

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

## 2. Vision and Values

### 2.1 Vision

URCA's vision for the electronic communications sector involves:

- the realisation of a fully sustainable competitive market with adequate choice of service providers for consumers;
- improved value-for-money propositions (price and quality);
- consumers to be well informed and protected; and
- presence of modern converged infrastructure,

all of this geared to making the people, society, and economy of The Bahamas more productive.

URCA aims to create the key enablers that support the smooth functioning of a competitive market, promoting innovation in converging platforms and services, and 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 audio-visual 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. Strategy and Priorities for 2011-2014**

In recognition of the importance of the ECS to the economic and social welfare of The Bahamas, the objectives of the Policy, as set out in the Comms Act<sup>25</sup> are to further the interests of consumers by promoting competition through:

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

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

- Setting internal and external procedures and guidelines;
- Transition of Existing Licensees and Processing of New Licences;
- Interim Determinations of Significant Market Power (SMP) and SMP Obligations;
- National Spectrum Plan;
- Cellular liberalisation;
- Market Reviews;

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<sup>25</sup> Copies of this document may be downloaded from [www.urbahams.bs](http://www.urbahams.bs)

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

The strategic and business priorities for URCA 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.

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

- **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.

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

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

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

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

#### 4. Activities during 2009-2010 and Planned Activities for 2011

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

Therefore, URCA sets out below the projects and activities completed in 2009/2010, as well as the projects proposed for the fiscal 2011, under of the same strategic priorities identified in the Strategic Plan 2009 – 2012.

The number of projects planned for fiscal 2011 is based on: (i) ongoing regulatory proceedings and likely follow-up required on similar topics; (ii) Regulatory measures designed to promote competition and enforce regulatory safeguards; and (iii) URCA's views on fulfilment of its mandate as guided by the Comms Act and the Sector Policy.

The volume of projects has conscientiously been reduced by URCA in light of the number of projects carrying over from 2010, as well as industry concerns about the consultation workload during 2010. Respondents are welcome to comment on the timing of particular projects, as well as the overall proposed work plan.

##### 4.1 Implementing Regulatory Safeguards

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

URCA 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; and
- Taking enforcement action against licence breaches, non-compliance with ex-ante obligations for SMP operators, and any alleged anti-competitive behaviour.

Consistent with the foregoing, some of the key activities completed in 2009/2010 were as follows:

- Obligation on SMP Operators
  - URCA conducted a public consultation on the types of obligations that would be imposed on BTC and CBL which have been presumed under the Comms Act to have SMP in certain markets.
  - Based on the outcomes of the public consultation, URCA issued its final decision, and accompanying guidelines, specifying and imposing the appropriate obligations on BTC and CBL.
  - URCA has been engaged in ensuring that BTC and CBL comply with the SMP obligations imposed, which is a precondition to either provider entering new markets.
- Retail Price Regulation
  - Further to URCA's issuance of Retail Price Regulation guidelines for the SMP operators, URCA monitored compliance with those guidelines, including assessment of new services and promotions.
- Accounting Separation and Cost Accounting
  - URCA's review of the accounting separation and cost accounting reports of the operators determined to have SMP is underway and is expected to be completed before the end of December 2010. Both operators will then submit final accounts and accompanying documentation for a final review by URCA.
- Review and approval of Reference Access and Interconnection Offer
  - BTC submitted its RAIO for public consultation and URCA's approval.
  - URCA has been engaged in an ongoing review of BTC's RAIO to ensure compliance with the Comms Act. It is expected that URCA's final decision on BTC's RAIO will be issued in January 2011 (or earlier).
- Untying Broadband Internet from Cable TV

- URCA has completed its review of CBL’s proposals for decoupling its broadband internet from cable TV services. It is expected that URCA’s Final Decision on CBL’s untying obligation will be issued in December 2010.
- Broadband Resale Obligations
  - It is expected that URCA’s completeness check of CBL’s and BTC’s Broadband Resale Offers will be completed by December 2010.
- Elimination of charges for Incoming ILD calls to Mobile Numbers
  - Arising from URCA’s SMP Final Decision, BTC was directed to discontinue the practice of charging mobile subscribers to receive incoming ILD calls to Bahamian mobile numbers.
- Cost of Capital for SMP Operators
  - URCA completed public consultation and made its final determination on the Weighted Average Cost of Capital for SMP Operators.

Having completed a significant number of key projects under this priority, URCA will continue to ensure that key regulatory safeguards are in place by focussing on the projects set out in Table 2 below:

**Table 2 - Implementing Regulatory Safeguards 2011**

<b>Planned Projects and Activities</b>	<b>Description of Output</b>	<b>Starting Timeframes</b>
Accounting Separation and Cost Accounting	Public Consultation on Audit and Publication Requirements for Separated Accounts	Q1, 2011
Assessing Significant Market Power	Public Consultation on a Methodology for Market Reviews	Q1, 2011
Regulating SMP Operators	Study of BTC’s Efficiency*	Q2, 2011
	Identifying operators with SMP in Call Termination*	Q2, 2011
Addressing Disputes between Operators	Public Consultation on an Alternative Dispute Resolution process for the Electronic Communications Sector	Q2, 2011

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

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

## 4.2 Promoting Competition

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

URCA will continue to promote competition in the ECS through:

- Ensuring that the licensing regime is fair, non-discriminatory, and encourages investment in the sector;
- 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 ; and
- Implementing key regulatory measures which help to foster effective competition and orderly development of electronic communications services, such as infrastructure sharing;

In 2009/2010, URCA worked on several activities which were designed to promote competition in the ECS, and completed the following key activities:

- Transition to New Licensing Regime
  - All holders of licences granted by the PUC were transitioned to the new URCA licensing regime pursuant to the transition provisions in the Comms Act.
  - URCA conducted a public consultation on the Class Licences and Exemptions that would apply under the Comms Act, and issued Class Licences and Exemptions based on the outcome of the consultations.
- Spectrum Management
  - URCA published the National Spectrum Plan in March 2010.
  - URCA consulted on the process for Opening New Spectrum Bands and comments were received from interest parties. URCA is currently reviewing the responses and expects to publish the results in the first quarter of 2011.

URCA intends in fiscal 2011 to refine existing initiatives and to focus on the following specific new activities:

**Table 3 - Promoting Competition 2011**

Planned Projects and Activities	Description of Output	Starting Timeframes
Lowering barriers to entry and other key regulatory issues	Consultation on Infrastructure sharing	Q1, 2011
	Consultation on Number Portability	Q1, 2011
Ensuring fair and non-discriminatory Regulation	Public Consultation on revisions to the Fees Schedule for 2012	Q2, 2011

### 4.3 Consumer Protection

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

In 2009/2010, URCA focussed on and completed the following initiatives toward protecting consumers of electronic communications services:

- Universal Service
  - URCA has been developing policy recommendations for the Minister with responsibility for the ECS in determining the most suitable approach for implementing the Government’s universal service policy.
- Consumer Awareness
  - A number of initiatives to heighten consumer awareness of issues relating to electronic communication services are planned for fourth quarter 2010, and early 2011.

URCA’s intent is to continue to promote consumer protection by:

- Providing the public with relevant and timely information in relation to their specific rights and entitlements as end-users of electronic communications services, and promoting consumer participation in the regulatory process;
- Dealing efficiently with operators’ non-compliance with consumer provisions of their licences; and

- Facilitating access to services as defined through universal service obligations.

To that end, the following projects are proposed for fiscal 2011:

**Table 4 – Empowering the Consumer 2011**

Planned Projects and Activities	Description of Output	Starting Timeframes
Consumer Advocacy and Awareness	Conduct of relevant, timely and effective consumer advocacy and awareness initiatives	On-going
	Formation of a Consumer Advisory Council	Q1, 2011
Universal Service Obligations	Public consultation on regulations for Universal Service*	Q2, 2011
Facilitating and addressing Consumer Complaints	Public consultation on a Consumer Complaints Code of Practice	Q1, 2011

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

#### 4.4 Public Interest

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

URCA proposes to achieve the Strategic Priority of promoting the public interest by :

- Seeking to ensure effective and informative Public Service Broadcasting (PSB) in The Bahamas; and
- Developing and implementing codes of practice for regulating content.

During 2009/2010 URCA commenced work toward achieving these outcomes, completing the following activities:

- Public Service Broadcasting
  - URCA has conducted an assessment of the current programming and funding requirement of the interim Public Service Broadcaster (ZNS) and engaged in dialogue with other broadcasters and content developers, as the first phase of determining requirements.
  - URCA has undertaken qualitative and quantitative research on audience opinions on Public Service Broadcasting, and the interim Public Service Broadcaster.
  - This is culminating in a public consultation on the subject in December 2010.

- Content Regulation
  - The Comms Act repealed the Broadcasting Act and its subsidiary legislation which covered political broadcasts. With the recent resignation of the Member of Parliament for the Elizabeth constituency, there was a need to publish Interim Codes for Political Broadcasts to cover the by election and until new codes are developed.
  - In February 2010, URCA conducted a public consultation on the formation of an industry working group to debate and develop content codes of practice.
  - URCA established the Industry Working Group which has been engaged in regular debate on the issues impacting upon the regulation of broadcast content. Following the deliberations on the various issues involved in content regulation and their suitability for The Bahamas, which it is expected the Working Group will complete in early 2011, a draft of content codes will be prepared and reviewed by the Industry Working Group before URCA conducts a public consultation on the proposed codes.

In fiscal 2011, URCA will continue to work toward the outcomes identified above through the following projects:

**Table 5 – Promoting the Public Interest 2011**

<b>Planned Projects and Activities</b>	<b>Description of Output</b>	<b>Starting Timeframes</b>
Public Service Broadcasting	Continuation of public consultation with town hall meetings on URCA's proposed recommendations to the Minister	Q1, 2011
Content Regulation	Conduct public consultation and town hall meetings on draft codes of practice.	Q1, 2011
Digital Switchover	Develop approach and policy to shut-down of analogue signals and switchover to digital by the internationally set date of 2015	Q4 2011

#### **4.5 Other Regulatory Projects and Activities**

It is worth mentioning that the substantive projects outlined above constitute URCA's current best view of the work that 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.

During the 2009/2010 period URCA addressed several such issues which included an on-going investigation into the merger of CBL and SRG, and URCA will be called upon to assess the merger arising from the privatisation of BTC. URCA has addressed regulation of new services and price changes for regulated services provided by SMP operators and inter-operator disputes. Additionally, URCA analysed and approved a merger between two radio stations. URCA has also received and investigated claims of anti-competitive behaviour in respect of the following:

- i. Alleged of price discrimination by BTC between an international operator and SRG;
- ii. The charging for joining circuits provided by BTC to SRG;
- iii. BTC's bundling of its "ViBe on da Go" Service with mobile calling;
- iv. Toll free calls offered to BTC's PSTN subscribers when calling ViBe subscribers; and
- v. Alleged margin squeeze with respect to BTC's wholesale domestic long distance termination charge and its ViBe product offering.

URCA's investigations in respect of the first three complaints have been concluded, whilst investigations are on-going on the remainder.

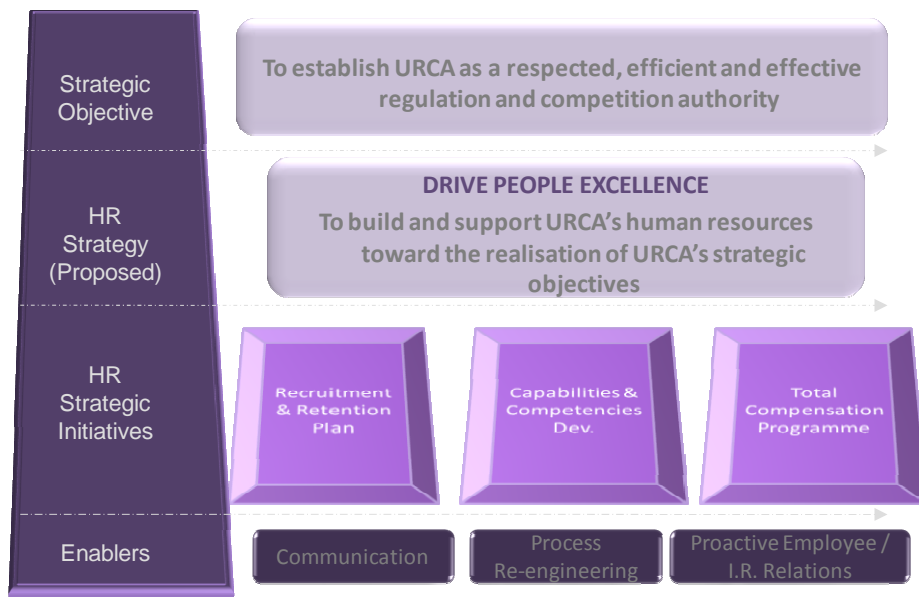
During the period 2009/2010, URCA worked on a number of initiatives and matters which remain on-going as at the end 2010. These projects include consultation on a National Numbering Plan for The Bahamas, consultation on the opening of new spectrum bands, and preparatory work toward consultations on Number Portability and Infrastructure Sharing (both of which are expected to start in the first quarter of fiscal 2011).

## 4.6 Institutional Capacity Building

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

Figure 5 below illustrates the relationship between URCA's organisational strategy, Human Resources (HR) strategy and the key HR initiatives.

**Figure 5 – Human Resources Strategy**



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.

During the year 2010, major accomplishments through the successful implementation of various Human Resources and Administration initiatives included:

- New compensation philosophy and pay scale established, which resulted in deployment of market-tested new salary bands;
- Implemented a pay for performance management system (P4PMS), including a variable incentive plan;



- Implemented organizational wide training, covering regulatory and other functional areas, general competency and managerial skills, formal certification, and leadership development;
- Implemented new processes for recruitment; and
- Implemented “DocuWare” – a software package for integrated document management, which makes file management more efficient, secure and controllable and documents more easily retrievable.

In 2009/2010, URCA underwent some organisational changes – it appointed a new Chief Executive Officer, following the retirement of Mr. Michael Symonette who had overseen the transition of responsibilities from the PUC to URCA. Two additional Senior Case Officers, one in the legal function and the other in the economic function, were recruited in the last few months of 2010.

Moving forward into fiscal 2011, the HR priorities will be as follows:

- Strengthen regulatory and functional expertise to build local capacity – this will be achieved through upskilling of colleagues and continued emphasis on knowledge transfer;
- Continue to build management and leadership capabilities and behaviours through formal training and on-the-job experiences;
- Initiate an annual opinion poll of colleagues, to garner views and opinions of colleagues on various components of their work life. This may be used to assess engagement, revisit processes, communications, and other areas of improvement that create challenges in any organisation; and
- Implement an Employee Recognition Program – this is an opportunity to create a more positive work environment and build loyalty by demonstrating tangible appreciation to colleagues.

## **5. Evaluating Our Effectiveness**

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

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

For 2011, URCA proposes to use the KPIs provided in Table 6 (overleaf) and publish the results as part of the 2011 Annual Report to be published before the end of April 2012.

**Table 6 – URCA Key Performance Indicators 2011**

<b>Statutory/ Regulatory</b>	<b>Finance</b>	<b>HR</b>	<b>IT</b>
Draft annual plan and strategy published before end of financial year	Cost of Finance function as a percentage of expenditure	Cost of HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
Annual report and final annual plan published within 4 months of year end	Period-end cycle time Year-end Cycle time	Cost of HR function per employee	Organizational ICT spend (investment in ICT infrastructure and hardware across the organization)
Final determinations to be published within one month from end of consultation	Forecasting accuracy	Ratio of employees (full time equivalent) to HR Staff	Percentage who are able to access the network and system remotely
Public consultations started in period stated in Annual Plan	Cost of Licensee Invoicing	Average days for full time employee per year invested in learning and development	
Time to publish results, decisions and other regulatory measures after close of consultation: <i>- within 30 days, 31-60 days, 90 days, &gt;90 days</i>	Debtor Days	Leavers as percentage of the average total staff	
Compliance with key Obligations by SMP Operators	Number and Value of Creditor Notes and Adjustments	Sick days per employee per annum	
Number of URCA Regulatory measures appealed or litigated	Long outstanding debt	Management practices indicator - the number of practices that have been adopted by the organization out of a possible 10	
Consumer complaints: <i>Total received; Resolved as percentage of total; Time Taken to Resolve</i>	Number and value of payments made electronically	Cost of learning and development activity as percentage of total payroll	
Licenses issued within: <i>- 30 days/45 days</i> Volume of licenses processed in the year		Cost of advisors as a percentage of the total payroll	
		Percentage of roles filled by Bahamian staff	
		Average lapse time (working days) from a vacancy/advertisement occurring to the acceptance of an offer for the same post.	
		Cost of recruitment per vacancy	
		Percentage of people in role 12 months of service	
		Percentage of staff who received annual face to face performance appraisal	

## 6. URCA Budget

The full-time staff complement is twenty four, including two vacancies that will be filled shortly at the start of fiscal 2011.

URCA will ensure that it has sufficient finances to meet its regulatory mandate to deliver the best possible service to its stakeholders. In so doing, URCA will also ensure that it provides a full accounting of its activities as required by Section 41 (1) (b) of the URCA Act, namely, it shall publish its Annual Report and Accounts for 2010 on or before 30 April 2011.

URCA Operating and Capital Budget for 2011 is provided in Table 7 below. Note should be made that the first URCA budget contained in the 2010 Annual Plan covered the first 16 months of operations with an accompanying prorated 12 month budget intended to cover 2010. The 2010 Budget illustrated in Table 7 has been amended to reflect the budget allocation for the twelve months ending 31 December 2010 being a portion of the initial Budget.

As in the past, the 2011 Budget reflects URCA's strategy for the year and the level of expenditure estimated to implement this Annual Plan. As the table indicates, the amount of Operating Expenditure (OPEX) has increased by approximately \$278,000 when compared to the level of 2010 budgeted expenditure. This is a result of decreases in professional fees being more than offset by increases in staff costs, country membership of ITU and associated costs of travel, and rent.

**Table 7 – URCA Operating and Capital Budget (B\$)**

	2010	2011
Non-Executive Members' Honoraria and Expenses	188,250	185,000
Executive Members' Compensation	441,325	470,388
Staff Costs	1,473,722	1,708,350
Conferences, Training, Travel	244,295	291,000
Professional Services	1,321,500	1,043,500
Advertising, Consumer and Public Relations	81,000	108,000
Rent and Communications	306,300	408,000
Information Technology	58,650	74,600
Office Services	102,865	144,700
General and Administrative Expenses	57,690	181,500
<b>Operating Expenditure, excl depreciation</b>	<b>4,275,597</b>	<b>4,615,038</b>
Depreciation	559,804	670,000
<b>Total Operating Expenditure</b>	<b>4,835,401</b>	<b>5,285,038*</b>
Capital Expenditure	3,067,500	154,500

*\* Note: URCA shall use this budgeted amount to set URCA Fees for 2011. Any surplus/deficit from its operations in 2010 shall be reflected in adjustment to the fees, following the completion of URCA's audit for the year ending 31 December 2010. A discussion of URCA's actual performance against budget for 2010 will be included in the 2010 Annual Report.*

Further details on each expense category are as follows:

- Non-executive members' compensation includes honoraria of \$11,000 per month (for the three non-executive members of the Board), and business travel and accommodation expenses of the two of them who do not reside in The Bahamas. This remains flat at approximately 4% of the operating expenditure of both 2010 and 2011 budget.
- Executive members' compensation includes salaries and other benefits for the executive members and represents about 9% of the operating expenditure for the year, again the budgeted spend remains at a constant level when compared to the previous year.
- Staff costs include salaries and benefits for the staff and have increased by 3% over prior year increasing to 33% of the operating budget due to increase in staff complement and costs associated with newly implemented performance based incentive program.
- Conferences, training and travel include expenses for attending various international and regional conferences/workshops and training, and work related travel for monitoring various activities that require travel out of New Providence. Additionally, it reflects travel associated with representing the Government in international organisations such as the ITU and CTU.
- Professional Services include continued expenditure for regulatory advice (\$650,000), legal fees (\$262,000) and other professional services covering audit and HR (\$131,000). Whilst this represents a significant portion, 34%, of the operating budget, it reflects the fact that as a relatively 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.
- Advertising, Consumer and Public Relations 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 2% increase to 8% of total budget over prior year is caused by the increase in rent of the new premises. The move was necessitated by the need for adequate floor space to adequately accommodate the staff complement.
- Information Technology includes support for the maintenance of computers, software and various network systems.
- Office Services include expenses for office supplies, printing, general insurance and miscellaneous items.
- Other General and Administrative Expenses, which increased from 1% to 3% of the total budgeted costs, include membership fees, automobile expenses, repairs & maintenance. Based on a delegation, by the Government, to URCA of representing the Bahamas in regional and international organisations, there is

an increase in the budgeted amount for country memberships to the ITU and the CTU. .

- Depreciation captures the systematic allocation of the costs fixed assets over their estimated useful lives. During the prior year (2010), capital expenditure was approximately \$3 million, which covered the cost of two major projects: (i) \$2 million for new spectrum monitoring equipment and (ii) \$1 million for relocation of URCA's offices. In light of the extensive capital expansion having been completed during 2010, the capital expenditure for 2011 has been significantly reduced. The budgeted expenditure for 2011 is allocated to cover the costs of an IT upgrade necessary to enhance the efficiency of URCA's operations, and other minor capital expenditures.

## **7. Responding to this Draft Annual Plan**

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

- All submissions to this consultation should be submitted by 5 P.M. on 21 January 2011.
- URCA shall endeavour to publish these responses by 5 P.M. on 24 January 2011.
- URCA will aim to publish its Final Annual Plan as soon as practicable.

URCA shall also publish the Annual Plan in conjunction with the Annual Report, no later than 4 months after the end of the financial year – that is, by the end of April, 2011. In addition, URCA will hold at least one oral hearing to present the Annual Plan and Annual Report and to have a question and answer session with interested parties. URCA will communicate the date and venue, with advance notice, for this hearing once the Annual Report has been published.

Persons may obtain copies of this document by downloading it from the URCA website at [www.urcabahamas.bs](http://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](mailto:info@urcabahamas.bs)

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