



# URCA 2011

UTILITIES REGULATION AND COMPETITION AUTHORITY ANNUAL REPORT

2012 ANNUAL PLAN



2011 ANNUAL REPORT | 2012 ANNUAL PLAN



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# Message from the Chairperson



“The ultimate goals are to empower the consumer, to provide the consumer with informed choices and to drive improvements in the quality of service provided by operators.”

I am pleased to present the Annual Report of the Utilities Regulation and Competition Authority (URCA or the Authority) for the year ended December 31, 2011, including the audited Financial Statements, and the Authority's Annual Plan for the year ending December 31, 2012. The Annual Report details the extent to which URCA was successful in meeting the goals that it had established for fiscal 2011; it also provides information on URCA's activities and achievements, which were not planned but nevertheless required the attention of management and staff. The audited financial statements present the financial position and results of operations of URCA and, together with the notes to the financial statements and management's discussion and analysis of those statements, provide a comprehensive view of the Authority's financial operations for the past fiscal year. The 2012 Annual Plan sets out those activities that URCA will focus on during fiscal 2012.

With respect to ensuring a level playing field for sustainable competition amongst existing and new competitors, URCA continued with the work that it had embarked upon in the previous sixteen months. URCA issued its Final Decision on the Reference Access and Interconnection Offer (RAIO) of Bahamas Telecommunications Company Ltd. (BTC) in January 2011 and approved it in June 2011. The RAIO will govern the terms under which BTC would offer its services and facilities to other operators; the fundamental principle is that access and interconnection would be offered at cost plus a reasonable rate of return. Costs in this context means efficiently incurred costs. A further consultation on BTC's efficiency commenced in 2012 and is ongoing, which would determine whether and the extent to which an efficiency adjustment might be required in BTC's RAIO charges.

Certain activities of URCA concerned its work connected with the maintenance of the competitive landscape. BTC and Cable Bahamas Ltd. (CBL), operators with significant market power (SMP), were required to comply with certain obligations that were imposed on them as a precondition to entering new markets. CBL and BTC were each deemed compliant during 2011 and are allowed to enter new markets. By December 2011, URCA had completed its review of the accounting separation and cost accounting reports of BTC and CBL.

In 2011, URCA commenced work on a public consultation on Consumer Complaints Handling Guidelines for the Licensees (service providers) that would ensure that all consumers receive a baseline level of service with respect to complaints lodged with service providers. The ultimate goals are to empower the

consumer, to provide the consumer with informed choices and to drive improvements in the quality of service provided by operators. The interests of the consumer would be favourably served if they were to be more educated about information and communication technologies. I envisage URCA embarking on ways and means by which education might drive greater demand for better quality ICT services. URCA will look to achieving this end through its own public information and awareness programmes and will also seek to engage public and private sector entities in similar collaborations.

In November 2011, the draft Code of Practice for Regulation of Content Services and Audiovisual Media Services were published. The final codes were published in early 2012. The involvement of a Working Group, comprising persons who represented various community interests, ensured that the code reflected community values.

A major challenge for The Bahamas is to get more people online, particularly given that penetration decreased between 2009 and 2010; this would enable society to take advantage of many applications of ICT, such as telemedicine, e-commerce, e-banking and e-government. URCA has a keen interest in ensuring that Bahamian consumers have access to new technologies at affordable prices. Consumers should take advantage of the many opportunities that these new information and communications technologies create. In 2012, URCA will engage in a number of activities that should result in increasing use of information and communication technology, including the opening of new spectrum bands and the implementation of the existing Universal Service Obligations imposed on BTC and CBL in respect of telephony, cable TV and internet.

The Board continues to strive for excellence and is committed to the efficient and effective deployment of the Authority's human and financial resources. The Deputy Chairperson, Mr. J Paul Morgan, and Ms. Katherine Doehler, the third non-executive member of the Board, and I are particularly proud of Mrs. Kathleen Smith, the Director of Policy and Regulation (DPR), and URCA's other executives and its staff for their stellar performance since September 2011, following the resignation of the Chief Executive Officer (CEO). That the work programme of the Authority continued with little discernible interruption is a validation of the professionalism of our staff. As a subsequent event, Mrs. Smith was appointed CEO effective April 2, 2012; on behalf of the Board, I extend warm congratulations to her.

In addition to the Audit Committee, whose chairman's term was extended for a further year to October 2012, URCA has engaged an internal auditor, who reports to the Audit Committee, to review and report on the effectiveness of the financial and operational controls of the organization. The internal auditor's work reinforces the policies and practices put in place relating to URCA's governance.

I take this opportunity to thank my fellow Board members and the staff of URCA for the successes and achievements in fiscal 2011, and to thank the stakeholders and members of the public for their contributions to the consultative processes that support our decisions.

Wayne Aranha  
Chairperson



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# About URCA

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URCA is the regulatory authority with responsibility for the electronic communications sector (ECS) in The Bahamas. The sector comprises fixed and mobile telephone services, spectrum and numbering, broadcasting including pay television and Internet services.

## Governance

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In 2009, a new regulatory regime for electronic communications in The Bahamas was established with the passage of three (3) core pieces of legislation. The Communications Act, 2009, The Utilities Regulation and Competition Authority (URCA) Act, 2009 and the Utilities Appeal Tribunal (UAT) Act, 2009. URCA replaced the Public Utilities Commission (PUC) and the Television Regulatory Authority (TRA).

URCA is an independent authority governed by a five-member Board comprising three (3) non-executive members, including the Board's chairperson, and two (2) ex officio members; the Chief Executive Officer (CEO) and Director of Policy and Regulation (DPR). Non-executive members are appointed by the Governor General.

On appointment to the Board and annually thereafter, each member is required to present a written declaration as to the non existence of any financial or other interests that are prohibited by the URCA Act. In addition, the Board approved a Code of Conduct, which establishes the ethical standards that apply to the Board members and also to URCA's management and staff. In 2011, the Board met formally twelve times as required by the Act. At its meetings, the Board considered reports from management on operational affairs and on policy and regulation matters, and from the audit committee on matters relating to the monthly financial results and other issues relevant to the system of controls and the work of the Audit Committee. The deliberations enable the Board to gauge the extent to which management is on target to complete projected activities and meet the strategic goals that are established for the year.

The Audit Committee, established pursuant to the provisions of the Act, is a key element in URCA's governance. During 2011, this committee met seven times. Its work included:

- ▶ Review of the monthly financial reports prepared by management
- ▶ Review, monitoring and implementation, of recommendations made by the internal and external auditors
- ▶ Review of the annual financial statements, including the assessment of the accounting policies

The Audit Committee also has oversight of the work of the internal auditor, whose activities during the year were concentrated mainly on the testing and reporting on the adequacy and effectiveness of internal controls and compliance with legal and regulatory requirements.

In accordance with statutory requirements URCA, prior to the end of its fiscal year, prepares and publishes for comment a plan of its activities for the ensuing year. This annual plan is finalised, after considering the responses to the plan, and is published along with the annual report, including the audited financial statements, within four months of the year end. In furtherance of the requirement for accountability, URCA is required to arrange at least one oral hearing during which the annual plan and annual report are presented and questions from interested parties answered. URCA also prepares a quarterly report of its activities; this is provided to the Minister responsible for relations with URCA and published on the Authority's web site. The requirements imposed by the Act and by the policies and practices adopted by the Board and management ensure that the activities and affairs of URCA are conducted transparently and that its stakeholders are sufficiently informed.

## Organisational Structure

URCA is broadly structured into two areas, Policy & Regulation and Operations. Policy & Regulation comprises five functional units: Consumer & Information, Legal, Monitoring & Licensing, Economics & Regulatory Finance and a Technical unit. Operations functions include finance, human resources and general administrative functional areas.

## Vision, Values and Strategic Outlook

The URCA vision for the electronic communications sector in The Bahamas is based on five key sector achievements:

1. The realisation of a fully sustainable competitive market
2. Adequate choice of service providers for consumers
3. Improved value-for-money
4. A well informed and protected consumer base
5. Continued presence of modern converged infrastructure

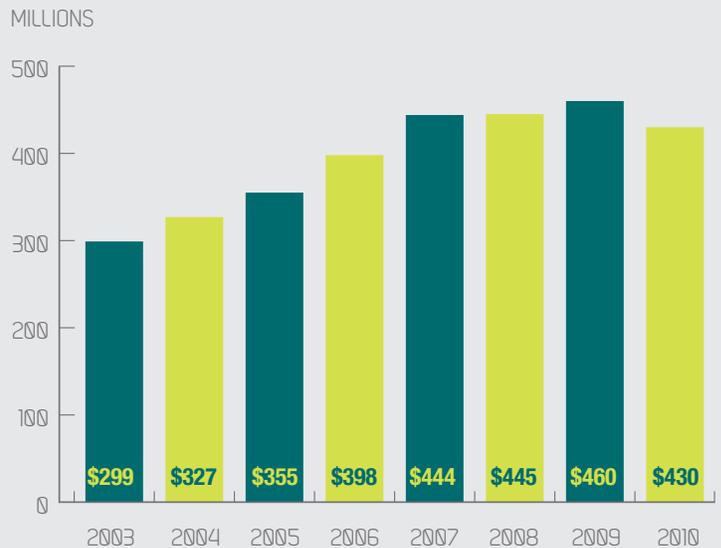
With a mission built on a commitment *"to achieving sustainable competition and promoting consumer interests, through effective and efficient regulation of utilities and broadcasting"* the URCA value system is based on seven signature principles:

1. Always consider consumer interests: 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.

The URCA Mission, Vision and organisational values are defining factors for each of the regulator's five strategic priorities: *Implementing Regulatory Safeguards, Promotion of Competition, Public Interest, Consumer Protection and Institutional Capacity Building.*

# Market Overview

Electronic communications remains an integral component of the underlying infrastructure that serves the economic and social-wellbeing of the national economy. Based on sector revenues, URCA estimates the size of the electronic communications sector (ECS) in 2010, the latest available data, at \$430 million<sup>1</sup> or 5.6% of the country's Gross Domestic Product (GDP), which is provisionally estimated in current prices at \$7.702 billion<sup>2</sup>. This outcome however was 6.5% below the 2009 estimate of \$460 million<sup>3</sup> which represented 5.9% of that year's current GDP measure. In 2010, mild growth in the real GDP rate of 0.9%<sup>4</sup>, following declines in each of the preceding two years, signalled a slight up-tick in overall economic activity. Real per capita income however over the same period declined by 2.3%. These conditions suggested continued uncertainty associated with the global economic slowdown and its effect on the overall economy. Figure 1 shows the trend in revenues in the electronic communications sector during the period from 2003 to 2010.



**Fig. 1 - ECS Revenues from 2003 to 2010**

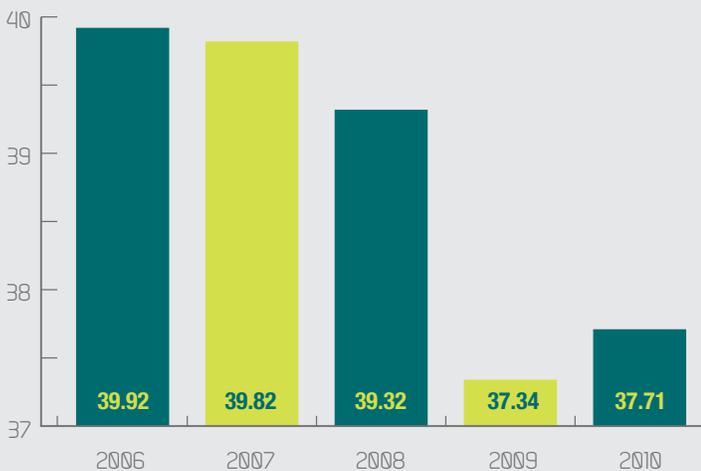
Source: ITU Telecommunications Statistics, URCA data collected from licensees

The ECS encompasses all internet and data, pay-television (pay-TV), voice telephony, radio and television broadcasting, and radio spectrum services and networks. The Bahamas Telecommunications Company Limited (BTC) has significant market power (SMP) in fixed and mobile telephony, including voice and data; and Cable Bahamas Ltd. (CBL), a publicly

traded company, is an SMP in the provision of high speed data services and connectivity, and also pay-television services<sup>5</sup>. SMP is the regulatory status indicating the ability of a licensee to behave appreciably independent of customers and competitors, which can include excessive pricing and anticompetitive behaviour. URCA therefore places [certain obligations on these SMP operators](#) in furtherance of URCA's mandate to promote fair and sustainable competition<sup>6</sup>. The state-owned Broadcasting Corporation of The Bahamas (BCB) is the designated interim Public Service Broadcaster<sup>7</sup>. BCB also operates the only radio station that has national coverage.

## Fixed Telephone Services

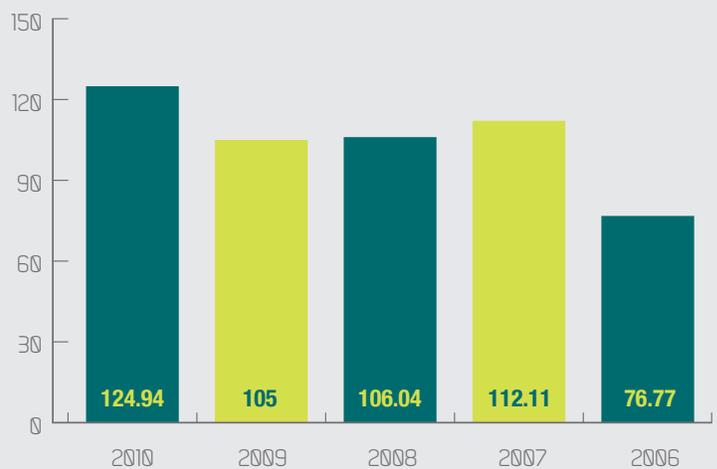
Providers of fixed telephone services, including local, inter-island, and international telephone communications, are BTC, the designated SMP operator, and CBL. In February 2011, URCA approved CBL's acquisition of Systems Resource Group Limited (SRG). URCA concluded in its [February 4th Merger Control Adjudication](#), that the proposed merger was not likely to result in adverse market effects as set out in Section 72 of the Communications Act. By the end of 2010, penetration of fixed telephone services in The Bahamas stood at 37.71 subscribers per 100 members of the population<sup>8</sup>, slightly above the 2009 level (37.34). Figure 2 shows the five-year trend since 2006.



**Fig. 2 - The Bahamas, Fixed Lines Per 100 persons, 2006 to 2010**

## Cellular Mobile Telephone Services

BTC is currently the only operator licensed to offer mobile telephone services in The Bahamas. In 2010, the penetration of cellular mobile telephone services in The Bahamas stood at nearly 125 subscribers per 100 residents,<sup>9</sup> up from 105 in 2009 and well above the 2006 average (76.77), suggesting a significantly widened consumer base for the services, over the five-year span. Subscriber penetration averages for 2006 - 2010 are shown in Figure 3.



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

<sup>1</sup> Estimates based on URCA information collected from licensees

<sup>2</sup> National Accounts report 2010, Department of Statistics, Ministry of Finance (<http://statistics.bahamas.gov.bs/download/022360700.pdf>)

<sup>3</sup> Estimates based on URCA information collected from licensees

<sup>4</sup> National Accounts report 2010, Department of Statistics, Ministry of Finance (<http://statistics.bahamas.gov.bs/download/022360700.pdf>)

<sup>5</sup> Communications Act 2009, section 116

<sup>6</sup> URCA SMP Final Decision (<http://www.urcabahamas.bs/publications.php?cmd=view&id=41&pre=y>)

<sup>7</sup> Communications Act 2009, section 115

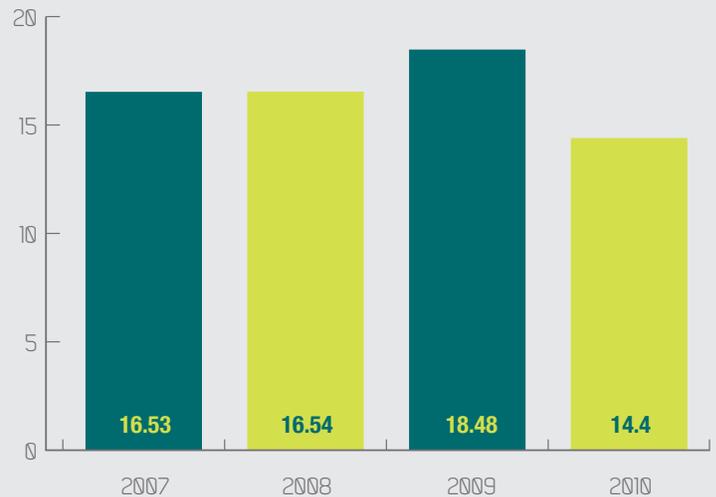
<sup>8</sup> Source: ITU Telecommunications Statistics

<sup>9</sup> Source: ITU Telecommunications Statistics



## Internet and Data Services

In The Bahamas, broadband internet services are provided by CBL, the SMP operator in high speed data and connectivity, BTC, the SMP operator for fixed and mobile data, and a number of smaller ISPs. By the end of 2010, total broadband penetration was estimated at 14.4 subscribers per 100 members of the population<sup>10</sup>. Although below the 2009 estimated average of 18.48, half (7.2) of the 2010 subscribers received services via cable access and the remaining half, were high speed (DSL – digital subscriber line) subscribers, compared to 12.6 cable access subscribers and 5.88 DSL customers in 2009, signaling an increasing trend toward the high speed segment of the market.



**Fig. 4 - The Bahamas, Internet and Data Subscriptions per 100 persons, 2007 to 2010**

## International Networks

International connectivity to The Bahamas is provided through fibre-optic submarine cables by BTC, Caribbean Crossing Ltd. and Columbus Networks Inc. BTC provides connectivity to Florida from New Providence and Grand Bahama and through its Bahamas Domestic Submarine Network (“BDSNi”), links the islands in The Bahamas and also Haiti, providing that country’s only direct submarine cable. Through its Satellite Earth Station located at Soldier Road in New Providence, it also provides connectivity to Europe and other locations.

Caribbean Crossings Ltd., a wholly-owned subsidiary of CBL, links four of the major islands in The Bahamas, Grand Bahama, New Providence, Eleuthera, and Abaco to the continental United States and also to Jamaica. Columbus Networks Inc., a wholly-owned subsidiary of Barbados based Columbus International Inc, provides connectivity between The Bahamas, The United States and several countries in the Caribbean via its Americas Regional Caribbean Optical-ring System (ARCOS) network.

Licensed by URCA in 2010, Global Nexus Telecommunications Ltd, which projects connecting The Bahamas and other Caribbean countries with Canada, is in the process of building out its Fibre Optic Cable Network.

## Pay-TV

Penetration of pay-TV has been relatively stable, hovering around 22 subscribers per 100 persons in the population, over the 2006-2010 period. At an estimated 22.16 subscriber rate in 2010, the average fell off slightly from the 2009 estimate of nearly 23 subscribers per 100 individuals in the population (22.9). CBL, the SMP operator in pay TV, provides cable television service using a fibre optic/coaxial fibre network, and direct-to-home satellite television services.

Table 1:  
Bahamas Pay TV Subscriptions, 2006 - 2010

Year	Subscriptions per 100 Persons
2006	22.4
2007	22.12
2008	22.53
2009	22.9
2010	22.16

## Free-to-Air Broadcasting

There are more than thirty entities licensed to operate free-to-air radio stations, including five additional operators that were licensed by URCA in 2011. These new operators are listed in Table 2.

Table 2:  
New Radio Broadcasting 2011

Licensee	Island	Frequency (MHz)
Guardian Radio Ltd.	New Providence	96.9 (FM)
Infinity Communications Ltd.	Freeport	103.7 (FM)
J.K. Communications Network Limited	New Providence	101.1 (FM)
Sheena Carroll Enterprises Ltd.	New Providence	105.1 (FM)
South Bahamas Conference of Seventh-day Adventists	New Providence	88.3(FM)

<sup>10</sup> Source: ITU Telecommunications Statistics



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# Year in Review

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## 1. Implementing Regulatory Safeguards

### **Reference Access and Interconnection Offer (RAIO) – BTC**

In June 2011, BTC was deemed to have met required Reference Access and Interconnection Offer (RAIO) conditions set out in URCA's April 2010 final decision on BTC's SMP Obligations [\[ECS 11/2010\]](#). In that decision, URCA establishes guidelines which outline its regulatory expectations for access and interconnectivity between SMP operators and other licensed operators (OLO). RAIOS are particularly relevant in markets where there is a dominant provider of a given service or services, because they define the terms and conditions by which that dominant operator will provide access and/or interconnection to its facilities, services and/or networks to other licensed operators. The 2011 approval follows BTC's initial publication of a draft RAIO in July 2010, which was made available for public consultation from September to November in that year.

In January 2011, URCA published its response to the consultation and final decision [\[ECS 01/2011\]](#), which required the telecommunications company to make significant adjustments to the draft RAIO, including although not limited to removal of reciprocal obligations on OLOs, and provision of additional services not included in the draft. BTC submitted its revised draft in February 2011 which, following URCA's further review was made available for wider public consultation in April.

In its June decision, URCA concluded that it was satisfied that BTC had implemented all mandatory changes and/or additions arising from the consultative process, as required by URCA.

### **Retail Price Regulation**

During the third quarter of 2011, URCA certified BTC's initial tariff filing as compliant with established retail pricing requirements. The rules are designed to guard against unfair pricing practices by any SMP operator, and to protect customers from excessive pricing. CBL was certified as compliant in 2010.

During the period under review, URCA processed several price change applications from BTC. Key pricing applications receiving approval under the stipulated retail pricing rules included requests for:

- ▶ New 4G pricing plans for pre-paid/post-paid cellular subscribers
- ▶ Reduced prices for BlackBerry data services
- ▶ Removal of the inter-island toll (18 cents per minute) for mobile originated calls to fixed and mobile numbers

Details on the mobile inter-island toll request included a proposed change to allow mobile subscribers to dial other mobile numbers and fixed subscribers from any location within The Bahamas using 7, 10, (subscriber number plus area code) or 11-digit (plus direct dialling prefix '1') dialling. URCA determined that the proposed change would have no impact on the effective price paid by customers or the costs incurred by BTC, and that customers in The Bahamas would benefit from what would result in a more simplified dialling arrangement.

### Accounting Separation

In 2010, URCA issued Final Accounting Separation and Cost Accounting guidelines for both BTC [ECS 12/2010] and CBL [ECS 13/2010]. Accounting Separation is a regulatory instrument that requires SMP operators to provide individual accounts for each of its regulated business services, including criteria for how the information ought to be collected and reported. In May 2011, URCA, following extensive review, certified BTC's 2009 separated accounts as compliant with its SMP Obligation.<sup>11</sup>

During the year, URCA engaged both BTC and CBL on their respective Accounting Separation obligations. In the third quarter, URCA received preliminary separated accounts submissions for 2010 from both operators.

In the ensuing fourth quarter, both BTC and CBL submitted audited separated accounts for 2010 to URCA. Review of CBL's accounts were completed during the quarter and deemed compliant. Review of BTC's accounts was continuing as of the year's end.

### Publication of Separated Accounts

On November 22, 2011, URCA published a consultative document outlining proposals for the publication of accounting separation and cost accounting information by licensees determined or presumed to have SMP in relevant economic markets. The release of the document marked the start of a public consultation on the proposals that aim to increase transparency in the regulatory process, with the ultimate objective of serving URCA's mandated aims for promoting investment, innovation and sustainable competition.

The consultation, which is scheduled to end in March 2012, follows a 2009 exercise, that included publication of draft Guidelines on Accounting Separation and Costing Accounting for BTC [ECS 20/2009] and CBL [ECS 21/2009], and subsequent consultations with those operators. This latest consultation phase takes into account licensee and broader industry

concerns arising from the two draft documents; in particular, the expressed concern that URCA's requirement to publish Separated Accounts could hurt SMP operator competitiveness. The proposals set forth by URCA followed URCA's review of international experiences in different jurisdictions. At the conclusion of this consultative phase, URCA will publish a Statement of Results.

### Untying of Broadband Internet from Pay TV

By the end of 2011, CBL had exceeded its digitalisation programme targets for the period, in three of the four islands that its pay-television service covers, New Providence, Grand Bahama and Abaco (Table 3). This digitalisation programme is intended to facilitate the untying of CBL's pay-TV and broadband internet services. In April 2010, URCA imposed an obligation on CBL to untie its pay television and broadband services across The Bahamas for all existing and new residential and small business customers.

Table 3:  
CBL 2011 Completion Rates for Digitalisation of its Pay-TV Network

Island	Target (%) for 31 December 2011	Percentage (%) completed
New Providence	45%	56%
Grand Bahama	30%	57%
Eleuthera	50%	16.67%
Abaco	50%	55%

Tying is the practice of making the purchase of one product or service conditional upon the purchase of another product or service. In 2009, consumers were unable to purchase broadband services from CBL without also purchasing pay television services. From a competition perspective, this makes the pay-television market less contestable by someone providing only pay television services. There is clear cause for regulatory concern when a licensee offers a tied sale with the effect of increasing its own margins and/or preventing market entry.

<sup>11</sup> CBL's 2009 separated accounts were deemed compliant in 2010.



Identification of a technical solution to achieve the required untying was left to CBL, which chose digitalisation of its entire network. URCA has imposed on CBL, a continuing obligation to demonstrate compliance with an agreed roll-out timetable, which is independently verified by CBL's external auditors.

In November 2011, CBL made application to URCA and was granted approval to extend the agreed 2011 digitalisation roll-out timetable for Eleuthera into 2012. In August 2011, Eleuthera was among islands in The Bahamas suffering significant damage and loss, following passage of Hurricane Irene. By the end of the year, CBL had completed nearly 17% of its network digitisation on that island, below its year-end target of 50%. Completion for each of the other islands was above 50% and exceeded each island's respective 2011 year-end goal.

#### **Methodology for Assessment of SMP**

Pursuant to Section 39(2) of the Communications Act, which requires URCA to establish and publish criteria by which a licensee shall be assessed an SMP, on October 13, 2011, URCA published its [Final Decision \[ECS 20/2011\]](#), setting out the methodology by which this SMP analysis will be conducted. The decision concludes a consultation that began on May 16, 2011, when URCA issued for public consultation [ECS 09/2011](#) "Methodology for Assessment of Significant Market Power (SMP) under Section 39(2) of the Communications Act". URCA's analysis of responses arising from this consultative exercise was also released in October, in a detailed [Statement of Results \[ECS19/2011\]](#).

The Final Decision establishes the standards and processes by which URCA shall define relevant markets; and identifies criteria for assessing market power, on the basis of two types of SMP licensees distinguished in the Decision: the single SMP and the joint (collective) SMP. The latter is characterised as a position of SMP held by two or more licensees that are legally and economically independent of each other, but able to coordinate their activities (tacitly or otherwise) to behave appreciably independent of other licensees, consumers or subscribers.

The [Final Decision, ECS 20/2011](#) will be used by URCA for future market reviews under the Communications Act.

## 2. Promotion of Competition

### Investigations into Anti-Competitive Conduct

URCA takes seriously all allegations of anti-competitive behaviour and is committed to ensuring that the principles laid out in Section 69 of the Communications Act and in URCA's Competition Guidelines are adhered to.

During 2011, URCA investigated the following allegations of anti-competitive behaviour:

- 1. Allegation:** Domestic long distance ("DLD") and international long distance ("ILD"), fixed and mobile calling rates, associated with BTC's Talk it Up pre-paid long distance Calling Card, were in breach of BTC's retail pricing SMP obligation.  
**URCA's finding:** Allegation unfounded. Evidence revealed that the two-stage dialling characteristic of the calling cards, as opposed to single stage or direct dialling, exempted the product from the high level SMP markets that are subject to the retail price rules.
- 2. Allegation:** BTC has abused its dominance in the prepaid long distance calling market, domestic and international.  
**Status:** Investigation is on-going.
- 3. Allegation:** BTC's wholesale domestic long distance termination charge and BTC's ViBe offerings constituted margin squeeze.  
**URCA's finding:** URCA's investigation concluded that there was no support to this allegation.
- 4. Allegation:** BTC's toll-free dialling to ViBe numbers by BTC subscribers creates an unfair advantage, when similar dialling for alternative services attracts a charge.  
**Status:** Investigation is ongoing.

### Merger Control

In 2011, URCA issued adjudications on two major electronic communications sector (ECS) developments: the merger notification of CBL and Systems Resource Group Limited (SRG), and the acquisition of controlling interest in BTC by Cable and Wireless Communications plc (CWC). URCA's adjudication process included consultations with industry participants and the public.

As the competition authority for the ECS in The Bahamas, ensuring sustainable competition in the sector is a key role of URCA. This role is especially critical in sectors where service

providers with significant market power compete with providers with lesser market power. URCA is therefore empowered under the Communications Act to approve or reject any change in control of any entity which holds a license from URCA, on the basis of whether the change in control would adversely affect competition in any market in the ECS.

### Merger notification: Cable Bahamas Ltd. (CBL) and Systems Resource Group Limited (SRG)

CBL and SRG jointly submitted to URCA the required notification on September 17, 2010. Following in-depth investigations by URCA, and the merging parties' satisfaction of concerns raised by URCA in preliminary evaluations, URCA issued its adjudication approving the change of control on February 5, 2011 [[ECS Comp 01/2011](#)].

Sector conditions, including the relevant product and geographic markets, market concentration and theories of harm and potential barriers to entry and expansion, shaped the basis of URCA's investigation. Two substantive considerations arising from this merger notification were the counterfactual, or "failing firm" scenario – what would happen if the parties did not merge; and the question of what efficiency gains would the proposed merger produce.

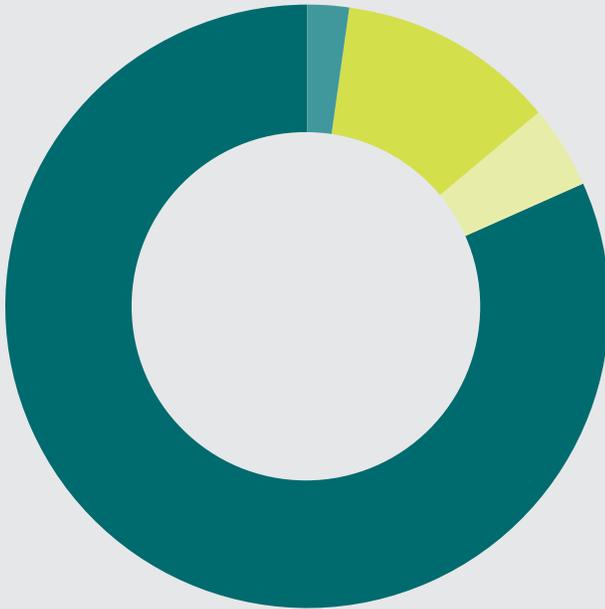
In the counterfactual, URCA examined a number of issues, including whether the firm being acquired (SRG) would be able to reasonably sustain its operations if the merger did not take place; and if not, the potential sector impact of losing one of only two providers in the fixed voice market. URCA also considered alternatives to the proposed merger.

URCA concluded from its efficiency findings that the potential gains with direct benefit to the consumer sufficiently outweighed any potentially anti-competitive effects of the proposed merger. Cited prospective benefits included, higher quality of service and reliability, lower prices to the consumer and opportunities for bundled services e.g. voice, pay-TV and broadband internet, at discounted prices.

### Merger notification: The acquisition of majority ownership of Bahamas Telecommunications Company Ltd. (BTC) by Cable and Wireless Communications plc (CWC)

February 8 2011, BTC and CWC jointly submitted to URCA, a notification of CWC's intended acquisition of 51% of the issued share capital of BTC. Fully Government owned at the time, the submission followed the December 2, 2010 announcement of a memorandum of understanding between the Government of

Figure 5:  
Licences issued for the period  
January 1 – December 31, 2011



Individual Operating Licence	3
Individual Spectrum Licence	15
Class Operating Licence Requiring Registration	6
Class Spectrum Licence Requiring Registration	105

The Bahamas and CWC which highlighted general terms for the change in majority ownership. The principal question to be determined by URCA was whether the transaction would have or was likely to have the effect of a substantial lessening of competition in a market in The Bahamas.

URCA issued a notice of the proposed change, inviting public input until February 24, 2011. Public interest in the proposed transaction was significant, with aspects of the proposed ownership transfer debated nationally in various forums and across the range of available media services. Following review of the full notification and input received during the consultative phase, URCA issued its adjudication on March 10, 2011 [[ECS Comp 02/2011](#)], granting approval to the change in control.

In determining whether the change in control of the licensee would have, or be likely to have the effect of substantially lessening competition in a market for electronic communication services in The Bahamas, URCA's review process included its assessment of impact on competition in markets relevant to the proposed change in control. Namely, fixed voice, fixed data, mobile and international services markets. URCA did not find evidence to support a finding of a substantial lessening of competition in any of the markets. URCA approved the change in control without the imposition of any conditions on the parties.

### Licensing

URCA's licensing function broadly serves the entity's policy objectives for the promotion of a sustainably competitive operating environment of ECS networks and services, and effective management of radio spectrum, a limited state asset. Accordingly, URCA licenses are defined as either operating or spectrum, which are issued on an individual or class basis<sup>12</sup>. Class licenses are further distinguished by whether registration, as prescribed by URCA, is also required.

In 2011, URCA issued 129 licenses, including 105 class spectrum licenses that required registration. This compared with 154 and 102 respectively in 2010. The fall off from the 2010 overall total is largely explained by the decline in individual spectrum licenses from 46 to 15 in 2011. During the year, the profile of one licensee changed following a change in that licensee's services, resulting therefore in a licensing upgrade from a class operating license requiring registration to an individual operating license. Also in the year, two class operating licenses requiring registration were revoked due to non-payment of annual URCA fees.

<sup>12</sup> Communications Act 2009, Part IV Section 19

URCA's public register of operating and spectrum licensees, representing individual and registered class designations was maintained throughout the year in a current state in print and electronic form, as is URCA's statutory duty. Every twelve (12) months, licensees are required to submit to URCA any material changes in licensing information within that timeframe. In instances where there has been no such change, licensees are still required to declare this unchanged status to URCA in writing.

## Spectrum Management

### Overview

Radio spectrum is a valuable national resource requiring careful management. It is a finite resource that is a critical input for a wide range of wireless electronic communications services. Since liberalisation, the market for spectrum has become increasingly competitive, as reflected by the sector's strong demand for spectrum resources. URCA's spectrum management function includes development and implementation of market policy, including spectrum pricing; enhancement of spectrum management capacities, including grant authorisations; and the monitoring of compliance factors and issues.

### Spectrum Policy and Planning

In 2010, URCA published the National Spectrum Plan (2010 – 2012), which consolidates The Bahamas' strategic policy objectives for the national market, with international market standards. This includes global radio spectrum allocation and technical standards for international connectivity, as stipulated by the International Telecommunication Union's Radio Regulations. URCA is directed by the national policy objectives defined in the Government's Electronic Communications Sector Policy. With the National Spectrum Plan set to expire in 2012, URCA's efforts during 2011 involved ongoing analysis of regional and international standards and practices alongside the country's policy needs and objectives. Drafting for the approaching revision of the plan will begin in 2012.

### Authorisation

Radio spectrum resources are made available to the open market by a process termed authorisation. In 2011, URCA established the process by which such authorisation would take place, with the May 2011 publication of Guidelines for Opening of New Spectrum [\[ECS 11/2011\]](#). In it, URCA established a comprehensive seven-step process to guide market openings of radio spectrum. Beginning with stakeholders' expression of interest in band-width and including URCA's drafting of initial

policy to govern any such opening; the process, in keeping with URCA's commitment to transparency in its regulatory operations, requires that the draft policy is next subject to public consultation. The process ends with policy implementation and the eventual award of spectrum licenses.

Proposed openings of the 700 MHz, 11GHz, 12GHz and 42GHz bandwidths are to be the first authorisation administered under the new guidelines, with expected conclusion during 2012.

### Spectrum Monitoring and Compliance

During the first quarter of 2011, URCA commissioned its National Spectrum Monitoring System (NSMS); a project begun in October 2009. Through the NSMS, which permits monitoring of the full range of spectrum, URCA is able to safeguard the integrity of radio spectrum. The system permits detection of unlicensed and/or non-compliant use of radio spectrum, and any harmful radio frequency interference, the sources of which may be localised in 'real-time'. Spectrum management, including monitoring and effective enforcement of compliance regulation, is essential to fostering sustainable competition, effective and efficient use of sector resources.

## Numbering

### The National Numbering Plan (NNP)

In August 2011, URCA published a National Numbering Plan (NNP) for The Bahamas. This publication concluded a consultation initiated in 2008 under then Public Utilities Commission (PUC) and resumed in 2010, following the 2009 enactment of communications legislation including the establishment of URCA and ECS policy. The numbering scheme provides for the allocation and use of numbers in the provision of telephony services.

The plan is designed to facilitate URCA management of numbering resources in a manner that promotes sector efficiency while also supporting optimal use of those numbering resources. The NNP governs the administration of all numbering resources for telephone services in The Bahamas. It defines the roles and responsibilities of URCA as the numbering administrator, as well as code applicants and code holders. It sets the rules and guidelines for the use of numbering resources in compliance with International Telecommunication Union (ITU) recommendations, North American Numbering Plan (NANP) guidelines, and applicable laws of the Commonwealth of The Bahamas, including the regulatory framework for the ECS.



## Number Portability

In November 2011 URCA concluded an initial public consultation on number portability, launched earlier in the year, in April. Number portability is a facility that permits subscribers to any given telephony service to switch service providers yet still retain their telephone number. To the extent that being able to keep a telephone number is a determining factor in whether a consumer retains or changes his/her service provider, number portability could markedly enhance the effectiveness of competition in mobile and fixed voice services.

URCA's published Statement of Results [\[ECS 20/2011\]](#) highlighted outcomes arising from this phase of the project:

- ▶ Number portability for fixed services shall be implemented at the earliest time considered feasible
- ▶ Number portability for mobile services shall be deferred to coincide with the opening of the mobile market
- ▶ Whatever solution is adopted for fixed number portability should also be suitable and scalable for mobile number portability
- ▶ Establishment of a Number Portability Working Group (NPWG)

The NPWG, a regulator-licensee working group comprising representatives from URCA and each of the three telephony licensees, BTC, CBL, and IP Solutions International Limited (IPSI), is responsible generally for the ensuing implementation phase. Chaired by an URCA representative, the group held its initial meeting in December 2011. Sixteen months is the identified timeframe for implementation of number portability on fixed networks.

## 3. Public Interest

### Content Codes

On November 9 2011, URCA released its content regulation consultation document, Code of Practice for the Regulation of Content Services and Audiovisual Media Services [\[ECS 19/2011\]](#), for public review. The document's release followed URCA's collaboration with an industry working group established in June of the previous year. The group, which deliberated from June 2010 to February 2011, included representatives from the BCB, which is the designated Public Service Broadcaster, CBL, various government ministries, private broadcasters, the business community, and representatives from the Family Islands. Other stakeholders were invited to participate in

working group meetings, based on their special interests, as specific subject areas came under review.

The industry group's work included review of codes from major global territories, Commonwealth and other Caribbean countries and identification of the areas and issues that Bahamian codes ought to address, including consideration of international best practice in each area. Based on these deliberations, URCA developed draft codes.

The working group reconvened in June 2011, and through August, completed review of the draft codes. URCA's November release incorporated amendments arising from this review. The draft codes proposed regulatory boundaries across six (6) core content areas: Harm and Offence, Protection of Young Persons, Political Broadcasts and Political Advertisements, Advertising and Sponsorships, News and Factual Programmes, and Access Services.

During the consultative phase of this exercise, URCA engaged discussion on the codes in industry workshops and public meetings. Television and radio talk show platforms were also used to facilitate community discussions. By the December 30, 2011, end-response date of the consultation, the largest volume of written responses on record for an URCA consultation, had been received; including documented feedback from seventy-two (72) entities and individuals including three (3) URCA licensees, community and advocacy groups and organisations, and members of the general public.

Publication of approved Content Codes is anticipated for the first quarter of 2012.

### **Public Service Broadcasting**

On December 31, 2010, URCA released its research findings and preliminary recommendations for Public Service Broadcasting (PSB) in The Bahamas, for public consultation through February 25, 2011. The release followed review of PSB models and corporate governance structures in a host of other countries, and extensive industry research and analysis, begun in October 2009.

The Communications Act requires URCA to publish a report with recommendations to the Cabinet Minister with responsibility for broadcasting in The Bahamas, on the role of public service broadcasting in The Bahamas; the remit and corporate governance rules of the Broadcasting Corporation of The Bahamas (BCB); and the preferred method of funding any public

service broadcasting obligations that are recommended. The Act also requires that URCA reviews current provisions of the Broadcasting Act (Ch. 305), and make recommendations for necessary amendments

Issues addressed in the consultation included, in addition others:

- ▶ BCB's relationships with external programme suppliers
- ▶ BCB's accountability to audiences and to the Government
- ▶ The corporate governance of BCB;
- ▶ Funding for PSB in The Bahamas;

Following the February 2011 close of the consultative phase of this exercise, URCA's activities during the year involved further analysis and review towards eventual finalisation of recommendations for the Minister. URCA anticipates presenting these recommendations to the Minister in the first half of 2012.

### **Compliance and Enforcement**

#### **Bartlett-McWeeney Communications Ltd.**

On March 16, 2011, Bartlett-McWeeney Communications Ltd. was notified that it was under investigation for possible violation of Clause 12 of the Interim Code of Practice for Broadcasting Content [ECS 10/2010]. Clause 12 of the Interim Codes, effective since April 19, 2010, details the kind of material that broadcasters are prohibited from airing on any programme under its editorial responsibility. Three programmes on the Bartlett-McWeeney Communications Ltd. operated radio station were under investigation for the possible violation.

The Licensee, Bartlett-McWeeney Communications Ltd., however failed to comply fully with URCA's request to make available the programme recordings for URCA's inspection, providing URCA with just one of the three programmes under investigation. Due to the broadcaster's non-compliance, despite multiple requests by URCA for the programme recordings, in June 2011, URCA ordered Bartlett-McWeeney Communications Ltd. to pay a fine of five thousand dollars (\$5,000) plus a daily default fine of one hundredth of one percent (0.01%) of its relevant turnover until the contraventions are remedied or the fine is paid. As of December 31, 2011, the Licensee had paid \$1500 on the fine, and the two programme recordings remained outstanding. URCA expects to conclude this matter during the first half of 2012.



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## 4. Consumer Protection

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### **Consumer Complaints Handling Procedures**

On December 23, 2011, URCA initiated a consultative exercise aimed at establishing minimum criteria for licensees' handling of consumer complaints. It is URCA's intention that such criteria provide practical guidance for licensees' development of step by step consumer complaints handling processes. The consultation period for the document, Guidelines for Developing Licensee Consumer Complaints Handling Procedures, [ECS 23/2011] was scheduled to end on February 10, 2012.

URCA expects to complete its review within the first quarter of 2012, and further projects a ninety calendar day window, following its final decision, for licensee submission of their respective complaints handling procedures, for URCA approval. Once such approval is granted, licensees will be required to implement those procedures within thirty calendar days of that date. URCA's requirement that licensees provide consumers with reasonable access to a complaints handling mechanism that is simple, transparent and free-of-charge, is an important element in the protection of public interests.

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## 5. Institutional Capacity Building

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### **Our People**

In 2011, institutional capacity building remained URCA's foremost human resources priority. Underpinned by a core principle of people-excellence, developments during the year reflected URCA's strategic emphasis on meeting short term needs, while also addressing long term goals.

### **Staffing and Recruitment**

As at December 31, 2011, URCA's full staffing complement of 18 comprised a policy and regulation team of 11 individuals and an operations team of 7 members. During the year, URCA added a new member to the policy and regulatory team, an Assistant Case Officer (ACO). The new ACO joined the Licensing and Monitoring section, enhancing that section's capacity to meet increased compliance and enforcement needs.

URCA also conducted a search for a Corporate and Consumer Relations Manager during the year, to meet the needs of the expanded role for consumer affairs. The position is expected to be filled in January 2012. URCA also added a part time accounting assistant to its operations team.

During the latter half of the year, URCA initiated a competitive search for a new CEO. The post became vacant following the September 2011 resignation of the former CEO. The search was ongoing at the year's end.

### **Training and Development**

During 2011, URCA's training and upskilling activities included staff participation in local symposia, international conferences, workshops and study groups, in furtherance of its mandate to enhance human resource capabilities and competencies. Training emphasis for policy and regulation included such areas as GSM Mobile, Numbering Portability and Utilities Regulation and Strategies. The operations training focus included management development, finance and human resources professional training.

### **International Participation**

As envisaged, URCA's participation in the regional and international arena increased during 2011. On the regional front, Board members attended the Organization of Caribbean Utility Regulators (OOCUR) 9th Annual Conference held in Bridgetown, Barbados in November. URCA's Chairperson, Wayne Aranha, was elected Chairman of OOCUR, and URCA was selected as the host of the 10th Annual OOCUR Conference to be held from November 7 to 9, 2012.

The URCA team attended workshops, meetings and conferences on various issues including:

- ▶ The GSMA Mobile World Congress where the programme included a Leadership Summit, Government Mobile Forum and Regional Seminar Series.
- ▶ A Number Portability Conference which provided insight on the process of planning and implementing number portability in large and small markets
- ▶ International Telecommunication Union (ITU) Study Group meetings and the Global Symposium for Regulators (GSR)
- ▶ A Broadband Forum sponsored by the European Union (EU) and the African Caribbean and Pacific countries (ACP) on the role of broadband in the usage of Information and Communication Technology

URCA plans to continue its participation in regional and international organizations to ensure that The Bahamas contributes to and benefits from such alignments. It is important for URCA to strategically collaborate with other regional and international organizations, in support of URCA's efforts to achieve the objectives set out in the ECS policy.



# Key Performance Indicators

An overview of URCA's financial performance is provided below:

Table 1: Performance against Budget

	Actual FY-2011	Budget FY-2011	Variance
Fees	5,649,350	5,275,800	373,550
Other Income	67,689	0	67,689
<b>Total Income</b>	<b>5,717,039</b>	<b>5,275,800</b>	<b>441,239</b>
<b>Expenses:</b>			
Non-Executive Honoraria and Expenses	205,189	185,000	(20,189)
Executive Members' Compensation	405,922	470,388	64,466
Staff Costs	1,566,474	1,708,350	141,876
Conference, Training and Travel	149,104	291,000	141,896
Professional Services	649,301	1,043,500	394,199
Advertising, Consumer and Public Relations	51,493	108,000	56,507
Rent and Communications	433,923	408,000	(25,923)
Information Technology	53,716	74,600	20,884
Office Services	137,484	144,700	7,216
General and Administrative Services	155,417	181,500	26,083
Depreciation	702,175	670,000	(32,175)
Provision for Doubtful Accounts	158,579	0	(158,579)
<b>Total Operating Expenses</b>	<b>4,668,777</b>	<b>5,285,038</b>	<b>616,261</b>
<b>Total Comprehensive Income/(Loss)</b>	<b>1,048,262</b>	<b>(9,238)</b>	<b>1,057,500</b>

Due mainly to the recognition of deferred (non-cash) revenues payable under the Communications Act, fees earned by URCA during the year surpassed budgeted amounts by 7.1%. During fiscal year 2011, URCA billed \$5,320,478 in URCA Fees and \$79,659 in other fees, while earning \$67,489 in interest income. Total income exceeded budgeted revenues for the year by 8.3%.

By comparison, actual expenses for the year were less than the budgeted allocation by 11.66%. Variances in major line items are explained below:

- ▶ Executive members' compensation was less than budgeted as a result of the CEO position being vacant from September 2011 to end of year;
- ▶ Staff costs were below budget as all anticipated new hirings did not take place during the year;
- ▶ Conferences, travel and training costs were less than budgeted due to deferrals of aspects of the planned training schedule to 2012;
- ▶ Professional Services expenditure was below budget due to a less than expected need for external consultative support during the year;
- ▶ Provision for doubtful accounts was more than budget due substantially to write-off of PUC fees during the year.



Table 2: Finance KPIs

Finance KPI's	FY-2011	FY-2010 R <sup>13</sup>
Cost of Finance Function	6.66%	5.93%
Period-end Cycle time (working days)	10 days	11.25 days
Year-end Cycle time (working days)	14 days	26 days
Budgeting Accuracy	11.66%	-2.97%
Cost of licensing invoice	\$307	\$1,362
Debtor Days	23 days	25 days
Number of Billing Adjustments	9	9
Value of Adjustments	\$21,314	\$169,019
Long outstanding debt as % of total debt	89.93%	82.55%*

\*Accounts Receivables (2010) included \$5,282,172 in Deferred Revenues

<sup>13</sup> R: revised

Table 3: Regulatory KPIs

KPI	Definition & Comments
Publication of Draft Annual Plan before end of financial year	2012 Draft Annual Plan Published on December 30, 2011.
Publication of Annual Report and Final Annual Plan by 30 April	2010 Annual Report and 2011 Annual Plan Published on April 12, 2011.
Final determination to be published within one month from end of consultation	<p>On February 4, 2011, URCA issued an Adjudication on the Merger of Systems Resource Group and Cable Bahamas Ltd.</p> <p>On March 10, 2011, URCA issued an Adjudication on the Change in Control of BTC.</p> <p>On August 15, 2011, URCA issued a Final Determination and Order to GEMS Radio, closing the regulatory proceeding.</p> <p>On September 26, 2011, URCA published its Final Determination and Orders on licensees, i.e. Mr. Simon Smith T/A Island WISP, Complete Business Systems Ltd, and The Pacific Wireless Company.</p>
Public Consultations started in period stated in Annual Plan	<p><b>Consultation started in period as stated in Annual Plan</b></p> <p>URCA publishes Consultation Document on Proposed Charging for Interconnection Joining Services (Q2) - May 31, 2011.</p> <p>The Bahamas National Numbering Plan (Q3) - August 12, 2011.</p> <p>Public Consultation on Licensees' Complaints Handling Procedures (Q4) - published December 23, 2011</p> <p><b>Work started in period as stated in Annual Plan</b></p> <p>Legislation (Q3) - September 8, 2011</p> <p>Publication of Final Determinations and Orders (Q3) - September 26, 2011.</p> <p><b>Work delayed in 2011 or postponed until 2012</b></p> <p>URCA Publishes BTC Draft RAIO Public Consultation (Q3) - published January 11, 2011.</p> <p>Publication of Order Inbound Call Dispute (Q1) - published January 27, 2011.</p> <p>URCA Publishes Opening of New Spectrum Bands Consultation (Q4) - published May 27, 2011.</p> <p>URCA publishes public consultation document on Public Service Broadcasting (Q4) - published July 8, 2011.</p> <p>Public Consultation on BTC's Retail Charging Proposals for Call to Directory Enquiry (Q3) - internal preparations started, but consultation postponed until 2012.</p> <p>Public Consultation: Content Code (Q4) - Consultation not completed.</p> <p>Public Consultation: Publication of Regulatory (Separated) Accounts (Q4) - Consultation not completed.</p>

Table 3: Regulatory KPIs (cont.)

KPI	Definition & Comments
Time to Publish results, decisions after close of consultation	URCA Publishes BTC Draft RAI0 Public Consultation (consultation closed on October 27, 2010) - 76 days.
	URCA Publishes Opening of New Spectrum Bands Consultation (consultation closed on November 29 2010) - 179 days.
	URCA publishes public consultation document on Public Service Broadcasting (consultation closed on 28 February, 2011) - 130 days.
	URCA publishes Consultation Document on Proposed Charging for Interconnection Joining Services (consultation closed on May 5th, 2011) - 26 days.
	URCA publishes Consultation Document on Number Portability for The Bahamas (consultation closed on 27 June, 2011) - 142 days.
	URCA publishes Consultation Document: Methodology for Assessment of Significant Market Power (SMP) (consultation closed on 1 July, 2011) - 104 days.
Number of regulatory measures appealed	No decisions were appealed in the courts or with the Utilities Appeal Tribunal (UAT).

**Licensing Key Performance Indicators (KPIs)**

Given URCA’s legislated responsibility to review and either approve or reject license applications within 30 calendar days in the case of individual licenses and 45 calendar days for class licenses, licensing is an important operational measure of URCA’s performance. Within these stipulated timeframes, URCA may however pause and restart the processing time, should requests for additional information from an applicant become necessary.

During 2011, all individual operating and spectrum license applications were processed within the 30-day requirement. The average processing time for individual operating license applications was 18 days, and 11 days for the individual spectrum license application. Similarly, all class spectrum license applications requiring registration were also processed within the stipulated time frame. The average 10-day processing time was well within the 45-day requirement. A total of 11 applications, comprising 2 individual operating, 5 individual spectrum and 4 class spectrum applications, were brought forward from 2010.

Applications categorized as “pending”, included applicants that would have satisfied all information and documentation requirements, but for which internal review would have not yet been concluded. Where prospective licensees would have applied for spectrum bands that at the time of such application would have been closed, these applications remain pending until such bands become available. “Incomplete” applications are those where applicants would have not yet fulfilled all information and documentation requirements.

Detailed licensing KPI data are included in Tables 4 – 7 in the Key Performance Indicators section of this annual report.

Table 4: Individual Operating Licence

Month	Number of Application Forms			Number Application Forms Processed, by Previous Month's Status		Processing Time [Days]		Month-End Status		Total Number of Licences issued
	Received	Processed within Thirty (30) days	Processed outside of Thirty (30) days	Pending	Incomplete	Actual	Average	Pending	Incomplete	
Brought forward from 2010	2	-			-		-	-	2	-
12-Jan	0	0	0	0	1	30	30	0	0	1
12-Feb	0	0	0	0	0	0	0	0	0	0
12-Mar	0	0	0	0	1	2	2	0	0	1
12-Apr	0	0	0	0	0	0	0	-	-	0
12-May	1	0	0	0	0	0	0	1	-	0
12-Jun	0	0	0	1	0	22	22	0	0	1
12-Jul	0	0	0	0	0	0	0	0	0	0
12-Aug	0	0	0	0	0	0	0	0	0	0
12-Sep	0	0	0	0	0	0	0	0	0	0
12-Oct	0	0	0	0	0	0	0	0	0	0
12-Nov	0	0	0	0	0	0	0	0	0	0
12-Dec	0	0	0	0	0	0	0	0	0	0
TOTAL	3	0	0	1	2	54	18	1	2	3

Table 5: Individual Spectrum Licence

Month	Number of Applications Forms			Number of Application Forms Processed, by Previous Month's Status		Processing Time [Days]		Month-End Status		Total Number of Licences issued
	Received	Processed within Thirty (30) days	Processed outside of Thirty (30) days	Pending	Incomplete	Actual	Average	Pending	Incomplete	
Brought Forward from 2010	5	-	-	-	-	-	-	4	1	0
12-Jan	2	1	0	3	0	76	25	0	1	4
12-Feb	1	1	0	0	1	14	7	0	0	2
12-Mar	2	0	0	0	1	15	15	0	2	1
12-Apr	1	0	0	1	1	14	14	0	1	2
12-May	1	1	0	0	0	19	19	0	0	1
12-Jun	0	0	0	0	2	18	9	0	0	2
12-Jul	0	0	0	0	0	0	0	-	-	0
12-Aug	2	1	0	0	0	20	20	1	0	1
12-Sep	0	0	0	1	0	2	2	0	0	1
12-Oct	1	0	0	0	0	0	0	0	1	0
12-Nov	0	0	0	0	1	10	10	0	0	1
12-Dec	2	0	0	0	0	0	0	0	2	0
TOTAL	17	4	0	5	6	188	11	5	8	15

Table 6: Class Operating Licence Requiring Registration

Month	Number of Applications Forms			Number of Application Forms Processed, by Previous Month's Status		Processing Time [Days]		Month-End Status		Total Number of Licences issued
	Received	Processed within Forty Five(45) days	Processed outside of Forty Five (45) days	Pending	Incomplete	Actual	Average	Pending	Incomplete	
Brought Forward from 2010	2	-			-		-	1	1	-
12-Jan	0	0	0	0	0	0	0	0	0	0
12-Feb	1	0	0	0	1	14	14	0	1	1
12-Mar	0	0	0	0	1	2	2	0	0	1
12-Apr	2*	0	0	1	0	7	7	0	1	1
12-May	0	0	0	0	1	21	21	0	0	1
12-Jun	0	0	0	0	0	0	0	0	0	0
12-Jul	0	0	0	0	0	0	0	0	0	0
12-Aug	1	1	0	0	0	8	8	0	0	1
12-Sep	1	0	0	0	0	0	0	0	1	0
12-Oct	0	0	0	0	1	1	1	0	0	1
12-Nov	0	0	0	0	0	0	0	0	0	0
12-Dec	0	0	0	0	0	0	0	0	0	0
TOTAL	7	1	0	1	4	53	8	1	4	6

Table 7: Class Spectrum Licence Requiring Registration

Month	Number of Applications Forms			Number of Application Forms Processed, by Previous Month's Status		Processing Time [Days]		Month-End Status		Total Number of Licences issued
	Received	Processed within Forty Five (45) days	Processed outside of Forty Five (45) days	Pending	Incomplete	Actual	Average	Pending	Incomplete	
Brought Forward from 2010	4							4	0	-
12-Jan	14	11	0	4	0	219	15	3	0	15
12-Feb	16	12	0	3	0	126	8	4	0	15
12-Mar	12	12	0	4	0	178	11	0	0	16
12-Apr	5	5	0	0	0	74	15	0	0	5
12-May	4	4	0	0	0	91	23	0	0	4
12-Jun	4	4	0	0	0	35	9	0	0	4
12-Jul	2	1	0	0	0	20	20	1	0	1
12-Aug	4	4	0	1	0	11	2	0	0	5
12-Sep	12	11	0	0	0	24	2	0	1	11
12-Oct	15	4	0	0	0	10	2.5	11	0	4
12-Nov	12	4	0	11	0	211	14	8	0	15
12-Dec	10	2	0	8	0	197	19.7	8	0	10
TOTAL	114	74	0	31	0	1196	10	39	1	105

Table 8: Human Resource and Information Technology

<b>Human Resources</b>	
Cost of HR function (% of total cost)	2.88%
Cost of HR function per employee	\$7,807.67
Ratio of total personnel to HR personnel	9:1
Average number of training days per employee	5 days
Leavers as a percentage of total personnel	22.73%
Days lost through sickness per annum	12 days
Investment in learning & development as percentage of payroll	4%
Cost of advisors as a percentage of the total payroll	1.03%
Percentage of roles filled by Bahamians	88.90%
Average lapse time from vacancy to acceptance of offer	77 days
Cost recruitment per vacancy	\$5,337.56
Percentage of people that are still in post after 12 months of services	88%
Percentage of staff receiving annual appraisal	38.90%
<b>Information &amp; Communication Technology (ICT)</b>	
Cost of IT function	1.10%
ICT investment	0.50%
Per user	\$1,351.00
Percentage of users able to access network remotely	78%



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# Audited Financial Statements

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the Utilities Regulation and Competition Authority, which comprise the statement of financial position as of 31 December 2011, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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*Auditors' Responsibility (continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Utilities Regulation and Competition Authority as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers*

**Chartered Accountants**

**Nassau, Bahamas**

**23 April 2012**

# Statement of Financial Position

As of 31 December 2011 (Expressed in Bahamian dollars)

## The Utilities Regulation and Competition Authority

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

	2011 \$	2010 \$
<b>Assets</b>		
Cash on hand and at banks	947,843	4,459,728
Accounts receivable (Note 4)	326,561	5,678,669
Prepaid expenses and other assets	208,398	367,933
Pension asset (Note 6)	219,352	159,553
Property, plant and equipment (Note 7)	2,107,624	2,564,204
<b>Total assets</b>	<b>3,809,778</b>	<b>13,230,087</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	87,492	212,664
Due to the Consolidated Fund (Note 8)	1,100,000	5,910,000
Deferred revenue (Note 9)	178,698	5,712,097
<b>Total liabilities</b>	<b>1,366,190</b>	<b>11,834,761</b>
<b>Net Assets</b>	<b>2,443,588</b>	<b>1,395,326</b>
<b>Represented By:</b>		
Contributed surplus (Note 8)	1,359,193	1,263,712
Electronic communications fund (Note 8)	1,084,395	131,614
<b>Total net assets</b>	<b>2,443,588</b>	<b>1,395,326</b>

Approved And Authorised For Issue By The Board And Signed On Its Behalf By:



Chairperson



Chief Executive Officer

23 April 2012

Date

# Statement of Comprehensive Income

For the Year Ended 31 December 2011 (Expressed in Bahamian dollars)

The Utilities Regulation and Competition Authority

	2011 \$	2010 \$
<b>Revenue</b>		
Electronic communications operating licence fees	5,320,478	4,891,049
Telecommunications, radio communications and other fees	328,872	557,584
<b>Total revenue</b>	<b>5,649,350</b>	<b>5,448,633</b>
<b>Expenses</b>		
Salaries and benefits (Note 6)	2,120,396	2,163,715
Depreciation (Note 7)	702,175	171,925
Legal, professional and consultancy fees	649,301	1,667,313
Rent and occupancy costs	381,130	349,588
Provision for doubtful accounts (Note 4)	158,579	(23,013)
Professional membership	144,062	2,457
Office services	137,484	134,527
Travel	119,766	68,533
Training	86,527	178,079
Information technology	53,716	59,156
Communications	52,793	57,540
Advertising and public relations	51,493	64,637
Automotive maintenance	7,154	5,967
Premises repairs and maintenance	4,201	16,986
<b>Total expenses</b>	<b>4,668,777</b>	<b>4,917,410</b>
<b>Operating income</b>	<b>980,573</b>	<b>531,223</b>
Interest income	67,489	220,816
Other income	200	55,469
<b>Total comprehensive income</b>	<b>1,048,262</b>	<b>807,508</b>

## Statement of Changes in Net Assets

For the Year Ended 31 December 2011 (Expressed in Bahamian dollars)

The Utilities Regulation and Competition Authority

	Contributed Surplus \$	Electronic Communication Fund \$	Total \$
Balance as of 1 January 2010	6,753,410	(255,592)	6,497,818
Transfer to the Consolidated Fund (Note 8)	(5,910,000)	-	(5,910,000)
Total comprehensive income	420,302	387,206	807,508
<b>Balance as of 31 December 2010</b>	<b>1,263,712</b>	<b>131,614</b>	<b>1,395,326</b>
Balance as of 1 January 2011	1,263,712	131,614	1,395,326
Total comprehensive income	95,481	952,781	1,048,262
<b>Balance as of 31 December 2011</b>	<b>1,359,193</b>	<b>1,084,395</b>	<b>2,443,588</b>

# Statement of Cash Flows

For the Year Ended 31 December 2011 (Expressed in Bahamian dollars)

The Utilities Regulation and Competition Authority

	2011 \$	2010 \$
<b>Cash Flows From Operating Activities</b>		
Total comprehensive income	1,048,262	807,508
Adjustments for:		
Depreciation	702,175	171,925
Provision for doubtful accounts	158,579	(23,013)
Interest income	(67,489)	(220,816)
Loss on sale of property, plant and equipment	-	(48,306)
(Increase)/Decrease in operating assets:		
Accounts receivable	5,193,529	1,439,077
Due from agent	-	83,325
Prepaid expenses and other assets	159,535	(14,806)
Pension asset	(59,799)	3,653
Increase/(Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(125,172)	(254,559)
Due to agent	-	(41,089)
Due to the Consolidated Fund	(4,810,000)	-
Deferred revenue	(5,533,399)	(95,270)
Interest received	70,703	222,087
<b>Net cash from/(used in) operating activities</b>	<b>(3,263,076)</b>	<b>2,029,716</b>
<b>Cash Flows From Investing Activities</b>		
Net decrease in term deposits with original contractual maturities greater than 3 months	2,000,000	115,681
Purchase of property, plant and equipment	(245,595)	(2,583,986)
Proceeds from sale of property, plant and equipment	-	69,182
<b>Net cash from/(used in) investing activities</b>	<b>1,754,405</b>	<b>(2,399,123)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,508,671)</b>	<b>(369,407)</b>
Cash and cash equivalents as of beginning of year	2,456,164	2,825,571
<b>Cash and cash equivalents as of end of year (Note 3)</b>	<b>947,493</b>	<b>2,456,164</b>

## 1. General Information

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

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

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

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

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

## 2. Summary of Significant Accounting Policies

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

### (a) Basis of preparation

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

**2. Summary of Significant Accounting Policies** (continued)**(a) Basis of preparation** (continued)

Amendments and interpretations to published standards that became effective for fiscal periods beginning on or after 1 February 2010 were either not relevant or not significant to the Authority's operations and accordingly did not have a material impact on the Authority's accounting policies or financial statements.

With the exception of the amendments to IAS 19 Employee Benefits that become effective for fiscal periods beginning on or after 1 January 2013, the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Authority's accounting policies or financial statements in the period of initial application. Upon adoption, the amendments to IAS 19 will require: the elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur; immediate recognition of all past service costs; and the replacement of interest cost and expected return on plan assets with the net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Authority has not yet assessed the full impact of these amendments.

**(b) Foreign currency translation**

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

**(c) Cash and cash equivalents**

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

**(d) Accounts receivable**

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

The amount of provision is the difference between the financial asset's carrying amount and the present value of future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income. If in a subsequent period, the amount of the provision decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. When an account receivable is uncollectible, it is written off against the provision for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Provisions are made against accounts receivable from the Government, or entities which it controls, only to discount expected future cash flows; no credit losses are expected.

**2. Summary of Significant Accounting Policies** (continued)**(e) Property, plant and equipment**

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

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

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

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

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

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

**(f) Accounts payable**

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

**(g) Income and expense recognition**

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

Revenue from licensing activities is recognised over the period of the applicable licence, with amounts billed in relation to future periods being deferred in the statement of financial position. Certain licence fees are fixed and others are based on the revenues of the licensees.

For licence fees based on licensee revenue, the Authority makes an estimate of the fee based on the latest available financial information of the licensee and recognises any increase or decrease in that estimate upon receipt of the final revenue amounts of the licensee for the applicable licence period. The applicable revenues for fee purposes are those earned in the licensee's fiscal year ending within the licence period.

**2. Summary of Significant Accounting Policies (continued)****(g) Income and expense recognition (continued)**

Interest income is recognised using the effective interest method. All other income and expenses are recognised on the accrual basis of accounting.

**(h) Pension benefits**

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

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

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

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

**(i) Leases**

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

**(j) Taxation**

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

**(k) Fiduciary activities**

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

**(l) Corresponding figures**

Where necessary, the corresponding figures are adjusted to conform with changes in presentation in the current year.

**3. Cash and Cash Equivalents**

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

	2011 \$	2010 \$
Cash on hand and at banks	947,843	4,459,728
Term deposits with original contractual maturities greater than 3 months	-	(2,000,000)
Accrued interest	(350)	(3,564)
<b>Total</b>	<b>947,493</b>	<b>2,456,164</b>

**4. Accounts Receivable**

	2011 \$	2010 \$
Accounts receivable	357,609	5,741,359
Provision for doubtful accounts	(31,048)	(62,690)
<b>Total</b>	<b>326,561</b>	<b>5,678,669</b>

Movements in provision for doubtful accounts are as follows:

	2011 \$	2010 \$
Opening balance	62,690	85,703
Provision for doubtful accounts	158,579	(23,013)
Bad debts written off	(190,221)	-
<b>Closing balance</b>	<b>31,048</b>	<b>62,690</b>

During the year, the Authority settled a long standing dispute with a related party relative to fees charged by the PUC. As a result of the settlement, the Authority has written off amounts totalling \$85,698, with the respective expense allocated to contributed surplus. The remaining balance was subsequently settled.

**4. Accounts Receivable** (continued)

Additionally, balances totaling \$76,556 due from a major licensee were being disputed by the licensee and were subject to a judicial review. During 2011, the Supreme Court of The Bahamas ruled in favour of the licensee. Accordingly, the Authority has written off the amounts that were subject to the judicial review.

**5. Agency Agreement**

Under the Communications Act, the Authority is responsible for the granting of class spectrum licences requiring registration; enforcing conditions attached to such licences; billing and collecting fees consequential thereto and remitting all spectrum licence fees to the Consolidated Fund. The Authority and the Bahamas Maritime Authority (BMA) signed a memorandum of agreement effective 30 August 2010 in which there was a delegation of authority from the Authority to BMA to issue spectrum licences to maritime vessels registered under the Bahamian flag on behalf of the Authority.

Under the terms of the memorandum, BMA will bill, collect and remit spectrum fees on behalf of the Authority for the Government. Additionally, under the terms of this memorandum neither party will be compensated for the services performed regarding the billing, collection and remittance of spectrum fees on behalf of the Government.

**6. Pension Benefits**

The Authority's pension plan (the Plan) is a non-contributory defined benefit pension plan established for the provision of pension benefits to the members of the Plan. As of 31 December 2011, there are 12 (2010: 16) members participating in the Plan. All assets of the Plan are invested in a fund managed and administered by an independent investment manager. The Plan is subject to an actuarial valuation at least every 3 years, and the latest actuarial valuation was performed by an independent actuary as of 31 December 2011.

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

Pension benefit expense comprises:

	2011 \$	2010 \$
Current service cost	92,653	103,383
Interest cost	69,603	65,210
Expected return on plan assets	(129,914)	(32,776)
Net actuarial gain recognised during year	(387)	(1,994)
<b>Total, included in salaries and benefits</b>	<b>31,955</b>	<b>133,823</b>
<b>Actual return on plan assets</b>	<b>45,581</b>	<b>47,291</b>

**6. Pension Benefits** (continued)

The pension plan asset is analysed as follows:

	2011 \$	2010 \$
Present value of benefit obligations	1,325,805	1,158,684
Fair value of plan assets	(1,578,382)	(1,522,740)
	(252,577)	(364,056)
Unrecognised actuarial gain	33,225	204,503
<b>Asset in the statement of financial position</b>	<b>(219,352)</b>	<b>(159,553)</b>

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

	2011 \$	2010 \$
Asset as of beginning of year	(159,553)	(163,206)
Pension benefit expense	31,955	133,823
Contributions	(91,754)	(130,170)
<b>Asset as of end of year</b>	<b>(219,352)</b>	<b>(159,553)</b>

Movements in the benefit obligations comprise:

	2011 \$	2010 \$
Present value of benefit obligations as of beginning of year	1,158,684	1,050,545
Current service cost	92,653	103,383
Interest cost	69,603	65,210
Benefits paid	(81,693)	(39,683)
Actuarial gain/(loss) on benefit obligations	86,558	(20,771)
<b>Present value of benefit obligations as of end of year</b>	<b>1,325,805</b>	<b>1,158,684</b>

**6. Pension Benefits** (continued)

Movements in the fair value of plan assets comprise:

	2011 \$	2010 \$
Fair value of plan assets as of beginning of year	1,522,740	1,384,962
Expected return on plan assets	129,914	32,776
Contributions	91,754	130,170
Benefits paid	(81,693)	(39,683)
Actuarial (gain)/loss on plan assets	(84,333)	14,515
<b>Fair value of plan assets as of end of year</b>	<b>1,578,382</b>	<b>1,522,740</b>

The principal assumptions used are shown below:

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

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

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

## 7. Property, Plant and Equipment

	Leasehold Improvements \$	Information Systems \$	Vehicles \$	Furniture & Office Equipment \$	Total \$
<b>Cost</b>					
31 December 2010	713,552	2,284,650	53,200	217,764	3,269,166
Additions	-	196,220	-	49,375	245,595
<b>31 December 2011</b>	<b>713,552</b>	<b>2,480,870</b>	<b>53,200</b>	<b>267,139</b>	<b>3,514,761</b>
<b>Accumulated Depreciation</b>					
31 December 2010	47,570	595,722	49,480	12,190	704,962
Depreciation expense	142,710	505,981	3,720	49,764	702,175
<b>31 December 2011</b>	<b>190,280</b>	<b>1,101,703</b>	<b>53,200</b>	<b>61,954</b>	<b>1,407,137</b>
<b>Net book value as of 31 December 2011</b>	<b>523,272</b>	<b>1,379,167</b>	<b>-</b>	<b>205,185</b>	<b>2,107,624</b>
<b>Cost</b>					
31 December 2009	440,733	611,950	53,200	230,911	1,336,794
Additions	713,552	1,672,700	-	197,734	2,583,986
Disposals	(440,733)	-	-	(210,881)	(651,614)
<b>31 December 2010</b>	<b>713,552</b>	<b>2,284,650</b>	<b>53,200</b>	<b>217,764</b>	<b>3,269,166</b>
<b>Accumulated Depreciation</b>					
31 December 2009	440,733	496,293	44,240	182,509	1,163,775
Depreciation expense	47,570	99,429	5,240	19,686	171,925
Disposals	(440,733)	-	-	(190,005)	(630,738)
<b>31 December 2010</b>	<b>47,570</b>	<b>595,722</b>	<b>49,480</b>	<b>12,190</b>	<b>704,962</b>
<b>Net book value as of 31 December 2010</b>	<b>665,982</b>	<b>1,688,928</b>	<b>3,720</b>	<b>205,574</b>	<b>2,564,204</b>

**8. Fund Balances***Contributed surplus*

As disclosed in Note 1, the Act dissolved the PUC and transferred its net assets to the Authority, and the Amendment Act required the Authority to transfer \$5,910,000 to the Consolidated Fund. As of 31 December 2011, \$4,810,000 of the required transfer has been settled.

The net assets transferred to the Authority were designated as contributed surplus based on legislation enacted at the time; and revenue earned from transferred deferred revenue relating to regulatory activities no longer performed or from which fees are no longer earned by the Authority, net of any expenses associated with the net assets transferred from the PUC, are allocated to contributed surplus.

*Electronic communications fund*

Under the Communications Act, charges and fees levied by the Authority are to be determined in order to: cover the annual budgeted costs of its functions under the Communications Act; recover any deficit from previous years; and take into account any surpluses. Accordingly, the surplus in the Electronic Communications Fund will be utilised in subsequent years to cover costs incurred by the Authority in carrying out its functions under the Communications Act and to amend charges and fees levied by the Authority.

**9. Deferred Revenue**

	2011 \$	2010 \$
Electronic communications operating licence fees	-	5,282,172
Telecommunications, radio communications and other fees	178,698	429,925
<b>Total</b>	<b>178,698</b>	<b>5,712,097</b>

Electronic communications operating licence fees are current. The current portion of telecommunications, radio communications and other fees totals \$126,117 (2010: \$251,227), with the remaining balance to be recognised over periods up to 3 years.

**10. Related Party Balances and Transactions**

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

	2011 \$	2010 \$
<b>Assets</b>		
Cash at bank	937,883	4,130,114
Accounts receivable	40,144	4,229,234
<b>Liabilities</b>		
Accounts payable and accrued expenses	7,902	3,500
Deferred revenue	-	4,035,466
<b>Revenue</b>		
Electronic communications operating licence fees	4,055,566	3,767,620
Telecommunications, radio communications and other fees	-	26,818
<b>Expenses</b>		
Occupancy costs	-	33,843
Travel	7,664	-
Communications	48,866	52,514

**Key Management Compensation**

Key management personnel comprise the members of the Board, the chairman of the Audit Committee and members of the Executive Committee. The executive members of the Board and four other members of the Authority's senior management constitute the Executive Committee. Compensation of key management personnel for the year for salaries and other short term benefits amounted to \$953,277 (2010: \$1,141,399).

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

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

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

*Contingencies*

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

**12. Financial Risk Management**

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

**(a) Credit risk**

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

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

	2011 \$	2010 \$
<b>Days Outstanding</b>		
0 – 90 days	27,999	5,330,877
91 – 180 days	2,500	7,143
181 – 365 days	148,918	168,577
More than 365 days	178,192	234,762

Based on its experience, the Authority considers balances less than 180 days to have acceptable credit quality. Of the balances with an aging greater than 180 days, approximately 6% (2009: 59%) represents receivables from a related party.

Accounts receivable include balances due from a major licensee that are currently being disputed by the licensee. The Authority is of the opinion that it has sufficient legal bases to support its claims and has several courses of action to pursue payment, some of which have been initiated.

**(b) Liquidity risk**

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

As of 31 December 2011, all of the Authority's liabilities, except deferred revenue (see Note 9), are due within one year.

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

**(c) Interest rate risk**

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

**13. Fair Value of Financial Instruments**

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

**14. Capital Management**

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



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# Three-Year Strategy & Annual Plan, 2012

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## Introduction

The legislative framework for the ECS is set out in the Communications Act, 2009, which empowers URCA as the independent regulator of the sector with the regulatory tools and powers required for effectiveness. In addition, in 2009 the Government articulated a new vision for the Sector in its Electronic Communications Sector Policy (Sector Policy) that provided for the immediate full liberalisation of the ECS on September 1, 2009, with the exception of cellular services. Although URCA currently regulates the ECS only, it may regulate other sectors over time (such as energy and water), if given specific responsibilities to do so under other sector specific legislation.

This summary of URCA's Final Three Year Strategy and Annual Plan for 2012 includes the following:

- ▶ A recap of URCA's Strategy and Priorities for 2009-2012
- ▶ A synopsis of URCA's Planned Activities for 2012
- ▶ An evaluation of URCA's Effectiveness
- ▶ URCA's Operating and Capital Budget for 2012

## Strategy and Priorities, 2009 - 2012

URCA's strategies and priorities for 2009-2012 have been designed to fulfil its mandates under the Communications Act and to implement the relevant aspects of the ECS Policy that was issued by the Government in October 2009. The Government's ECS Policy is of great importance to the economic and social welfare of The Bahamas. The objectives of this Policy, as set out in section 4 of the Communications Act, are summarized below:

- (a) To further the interests of consumers by promoting competition and in particular to:
  - ▶ to enhance the efficiency of the Bahamian electronic communications sector and the productivity of the Bahamian economy
  - ▶ to promote investment and innovation in electronic communications networks and services
  - ▶ to encourage, promote and enforce sustainable competition
  - ▶ to promote the optimal use of state assets, including radio spectrum
  
- (b) To further the interests of persons in The Bahamas in relation to the electronic communications sector by:

- ▶ Promoting affordable access to high quality networks and carriage services in all regions of The Bahamas
- ▶ Maintaining public safety and security
- ▶ Contributing to the protection of personal privacy
- ▶ Limiting public nuisance through 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

The Government's Sector Policy assists in setting URCA's strategic and business priorities from 2009-2012. These priorities are encompassed 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
- ▶ Process and principles for market reviews
- ▶ Universal Service Obligations
- ▶ Content Regulation and Public Service Broadcasting
- ▶ Consumer Protection

Accordingly, URCA has determined that, in aligning its activities to the Policy for 2009-2012, it would focus on five broad Strategic Priorities:

1. **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 Communications Act.
2. **Promotion of Competition** in converging markets through new licences for fixed, pay TV and broadband services, driving forward market-based approaches to spectrum licensing, making available spectrum for cross-platform services and removing barriers to switching suppliers for consumers.
3. **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.
4. **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.

5. **Institutional Capacity Building**, the preceding four policy strategies will be delivered through developing institutional capacity by ensuring that URCA has skilled and trained colleagues and is sufficiently resourced to carry out its functions.

In keeping with these strategies, some of the key activities completed in 2011 included:

- ▶ Obligations on SMP Operators: URCA engaged in ensuring that BTC and CBL comply with imposed SMP obligations, a precondition to either provider entering new markets. CBL and BTC were each deemed compliant during 2011 and therefore permitted to enter 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 permanent price changes and special promotions.
- ▶ Accounting Separation and Cost Accounting: URCA's review of the audited (2010) accounting separation and cost accounting reports of the operators determined to have SMP was completed by December 2011.
- ▶ Review and approval of BTC's Reference Access and Interconnection Offer (RAIO): URCA issued its Final Decision on BTC's RAIO in June 2011.
- ▶ Untying Broadband Internet from Cable TV: URCA continues to monitor CBL's untying obligation.

## Planned Activities for 2012

The year 2012 is envisaged by URCA as a year for consolidation and institutional capacity building, as URCA prepares for a new thrust of activities associated with the anticipated new Sector Policy to be issued during the final quarter of 2012. The current ECS Policy expires in October 2012. It is URCA's statutory responsibility to advise the Government on sector policy. The new policy document will cover the years 2012 to 2015. URCA expects to complete its advice by end-June 2012.

The projects planned for 2012 are based on:

- ▶ Existing regulatory proceedings and likely follow-up required on similar topics
- ▶ Regulatory measures designed to promote competition and enforce regulatory safeguards
- ▶ URCA's views on fulfilment of its mandate as guided by the Communications Act and the Sector Policy.

## Implementing Regulatory Safeguards

*Core objective: To implement critical regulatory safeguards such that there is a level playing field for sustainable competition to flourish amongst existing and new competitors.*

<b>Planned Projects and Activities</b>	<b>Description of Output</b>	<b>Starting Timeframes</b>	<b>End Date</b>
Regulating SMP Operators	Public consultation on URCA's Study of BTC's Efficiency	January 2012	June 30, 2012
	Review of RAIO charges to reflect new information	January 2012	December 31, 2012
Accounting Separation and Cost Accounting	Public Consultation on Publication Requirements for Accounting Separation	December 2011	March 31, 2012
	Review of Accounting Separation and Cost Accounting Reports on SMP Operators	July 2011	December 31, 2012

## Promoting Competition

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

<b>Planned Projects and Activities</b>	<b>Description of Output</b>	<b>Starting Timeframes</b>	<b>End Date</b>
Lowering barriers to entry and other key regulatory issues	Developing processes and principles for the implementation of Number Portability	January 2012	March 31, 2013

## Consumer Protection

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

<b>Planned Projects and Activities</b>	<b>Description of Output</b>	<b>Starting Timeframes</b>	<b>End Date</b>
Consumer Advocacy and Awareness	Public Consultation on Consumer Protection Regulations	March 2012	December 2012
	Formation of a Consumer Advisory Council	June 2012	September 30, 2012
	Conduct of appropriate consumer advocacy initiatives and encouraging increased consumer empowerment and awareness	January 2012	Ongoing
Universal Service Obligations	Public consultation on regulations for Universal Service	January 2012	December 31, 2012
Facilitating and addressing Consumer Complaints	Public consultation on Guidelines for Consumer Complaints Handling	December 2011	March 31, 2012
	Strengthening URCA's in house capability for dealing with consumer referrals	January 2012	Ongoing

## Public Interest

*Core objective: To ensure and encourage the provision of quality public service broadcasting, protect consumers through content regulation and support and encourage new approaches to online issues.*

<b>Planned Projects and Activities</b>	<b>Description of Output</b>	<b>Starting Timeframes</b>	<b>End Date</b>
Public Service Broadcasting (PSB)	Implementation of PSB recommendations	TBD	
Content Regulation	Publication of Code of Practice	November 2011	January 31, 2012
	Compliance Monitoring	February 2012	Ongoing

Other regulatory projects and activities for 2012 will include URCA's review of the National Spectrum Plan, spectrum fees and management activities. URCA will also undertake a comprehensive review of licensing guidelines.

## Institutional Capacity Building

*Core objective: To continue to build the skills and expertise needed to regulate effectively and to establish itself as a leading regulator.*

URCA's HR priorities will be to:

- ▶ Review incompatibilities identified in the P4PMS development, to support the design and implementation of new performance assessment mechanisms.
- ▶ Develop and implement programmes designed to build and strengthen local capacity in regulatory and competition competencies.
- ▶ Continue to build management and leadership capacity through formal training and on-the-job experiences.
- ▶ Support employee retention and succession planning objectives through the development of individualised career path strategies.
- ▶ Regularly solicit and assess colleagues' feedback and opinions on the various components of their work life, in order to heighten organisational responsiveness to workplace needs, improve communications and to identify and address operational challenges.

## Evaluating Our Effectiveness

In line with good corporate and 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.

URCA proposes to use the KPIs provided in the table below and publish the results as part of the 2012 Annual Report which is to be published by the end of April 2013. The identified KPIs will be maintained for consistency and easy tracking of over time.

Statutory/Regulatory	Finance	HR	IT
Draft annual plan and strategy published before end of financial year	Cost of Finance function as a percentage of expenditure	Cost of HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
Annual report and final annual plan published within 4 months of year end. Draft annual plan and strategy published before end of financial year	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 issued within one month from end of receiving responses/ comments. Annual report and final annual plan published within 4 months of year end	Forecasting accuracy	Ratio of employees (full time equivalent) to HR Staff	
Final Decisions completed in period stated in annual plan. Final Determinations to be issued within one month from end of receiving responses/comments	Cost of Licensee Invoicing	Average days for full time employee per year invested in learning and development	

Statutory/Regulatory	Finance	HR	IT
Time to publish results, decisions and other regulatory measures after close of consultation: - <i>within 30 days</i> - <i>31-60 days</i> - <i>&gt;60 days</i>	Debtor Days	Leavers as percentage of the average total staff	
Compliance with key Obligations by SMP Operators. Time to publish results, decisions and other regulatory measures after close of consultation: - <i>within 30 days</i> - <i>31-60 days</i> - <i>&gt;60 days</i>	Number and Value of Creditor Notes and Adjustments	Sick days per employee per annum	
Number of URCA Regulatory measures appealed or litigated. Compliance with key Obligations by SMP Operators	Long outstanding debt	Cost of learning and development activity as percentage of total payroll	
Consumer complaints: <i>Total received; Resolved as % of total;</i> <i>Time Taken to Resolve</i> Number of URCA regulatory measures appealed or litigated		Cost of advisors as a percentage of the total payroll. Cost of learning and development activity as percentage of total payroll	
Licenses issued within: 30 days 45 days Volume of licences processed in the year. Consumer complaints: <i>Total received; Resolved as % of total; Time taken to resolve</i>		Percentage of roles filled by permanent and contract staff. Cost of advisors as a percentage of the total payroll	
		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. Average lapse time (working days) from a vacancy/advertisement occurring to the acceptance of an offer for the same post.	
		Percentage of people that are still in post after 12 months of service. Cost of recruitment per vacancy	

## URCA Budget

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 doing so, URCA will also ensure that it will provide a full accounting of its activities as required by section 41(1)(b) of the URCA Act. For the avoidance of doubt, URCA shall publish its Annual Report and Accounts for 2011 on or before 30 April 2012.

URCA's Operating and Capital Budget for 2012 is provided in the table below.

	2011	2012
Non-Executive Members Honoraria and Expenses	185,000	224,500
Executive Members Compensation	470,388	326,587
Staff Costs	1,708,350	1,780,024
Professional Services	1,043,500	1,475,000
Rent & Utilities	408,000	446,921
Conferences, Training, Travel	291,000	354,480
Office Services	144,700	155,000
Advertising and Public Relations	108,000	120,000
Data Processing	74,600	68,383
General and Administrative Expenses	181,500	209,710
<b>Total Operating Expenditure (OPEX)</b>	<b>4,615,038</b>	<b>5,160,605</b>
Depreciation	670,000	693,046
Total Operating Budget Recovered Through URCA Fees	5,285,038	5,853,651 <sup>14</sup>
Capital Expenditure	154,500	116,000

*\*URCA shall use this budgeted amount to set URCA Licence Fees for 2012. It should be noted that the industry will receive credit for 2010 to offset against 2012 URCA fees.*

Further details on each expense category are as follows:

- ▶ Non-Executive Board 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. The increase of 21% reflects additional sums to be paid to members (other than the Chairperson, whose remuneration does not include a variable element) for additional time outside of regular Board meetings, as may be required for URCA affairs. In such instances, URCA would be responsible for the additional costs associated with these added requirements.
- ▶ Executive Members compensation includes salaries and other benefits for the Executive Members and represents about 6% of the operating expenditure for the 2012 budget period, representing a decrease of approximately 31% when compared to the previous year's budget.

- ▶ Staff costs include salaries and benefits for URCA staff. This budget item has increased by 4% from last year and represents increases in the operating budget due to increase in the staff complement and costs associated with various HR initiatives and programmes.
- ▶ Conferences, training and travel include expenses for attending conferences, workshops and training events, including selected ITU and CTU events. This budget item also covers work related travel such as monitoring various activities which require travel out of New Providence. This 22% increase is a result of the training of new staff and the upskilling of URCA staff. URCA will also host a regional conference in November 2012 for which it will provide some level of sponsorship.
- ▶ Professional Services include continued expenditure for regulatory consultancy, external legal services (including litigation), HR advisors, and internal audit functions. This budgeted amount reflects an increase of approximately 40% from 2011, although there is some risk attached here due to challenges in anticipating and budgeting for competition investigations, appeals and litigation. Notably, in 2012, URCA expects to seek legal resolution of an outstanding matter. Court appearances and a substantial use of resources are anticipated. Projected expenditure estimates are included in the 2012 budget total.
- ▶ Rent and Utilities reflect the rental of office accommodations and the respective utilities to support URCA's operation. The 10% increase over prior year's budget is caused by increases in rental cost per lease agreement and anticipated increase in other utilities expenditure.
- ▶ Office Services include expenses for office supplies, printing, general insurance and miscellaneous items.
- ▶ Advertising and Public Relations remains at prior year's level as there is continued emphasis in engaging in regulatory consultations and public awareness.
- ▶ Other General and Administrative Expenses which is up by 16% compared to the preceding year's budget, includes membership fees, automobile expenses and maintenance of office premises. The budgeted amount for regulatory membership fees covers the cost of participating in international and regional regulatory agencies' activities.
- ▶ Depreciation captures the systematic expensing of fixed assets over their usual life. In light of the extensive capital expansion having been completed during 2012, the capital expenditure in subsequent years including 2012 has been significantly reduced. The increase in depreciation covers the anticipated acquisition during 2012 for computer equipment, data management tools and an automobile.

<sup>14</sup> The budget total in this Final Annual Plan has increased by \$448,851 compared to the budget total published in the initial draft on December 30, 2011. This increase is explained by the increase in projected Professional Fees. URCA will not be issuing any supplemental invoices to licensees to recover the increased amount. URCA will alternatively cover the additional spending need through the Electronic Communications Fund. Consideration will also be given to use of any application fee surpluses carried over from preceding periods.



