

# URCA

2013 ANNUAL REPORT & 2014 ANNUAL PLAN







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## MESSAGE FROM THE CHAIRPERSON



It is my pleasure to present the Utilities Regulation and Competition Authority's (URCA) Annual Report for the year ended December 31, 2013. The Annual Report also includes the audited financial statements and the final version of URCA's Annual Plan for the year ending 31 December 2014.

Upon my appointment as Chairperson in 2012, I articulated that more emphasis needed to be placed on making URCA's interactions and communications with consumers more user friendly. To that end, URCA embarked on a number of key initiatives during 2013 that sought to continue the encouragement and promotion of sustainable competition in the electronic communications sector in The Bahamas with deliberate emphasis on public and consumer engagement.

Number Portability was launched in December 2013. Number Portability allows fixed telephone subscribers to take their telephone number with them should they switch service providers. It is anticipated that number portability for cellular mobile numbers will be launched in due course once another operator is licensed to provide cellular mobile service. To ensure that consumers were educated on number portability and its launch, URCA embarked on a major publicity plan beginning in June 2013 which included a brochure, radio and television appearances and a series of Public Service Announcements (PSAs) that were also aired on television and radio. Special thanks are extended to the URCA staff whose acting and voice over talents were used in the PSAs.

Another significant URCA initiative was the launch of the public consultation on the Consumer Protection Guidelines in June 2013. These Guidelines seek to address issues such as advertising, billings and credit, quality of service and consumer obligations. There were a series of town hall meetings in New Providence, Grand Bahama (Freeport), Abaco (Marsh Harbour), Andros (Nichols Town), San Salvador and Eleuthera (Governors Harbour). The New Providence town hall meeting was conducted as a panel discussion with the civic group "We the People". Other targeted meetings were held with civic groups in Nassau (Bahamas Chamber of Commerce and Employers' Confederation), Abaco (combined Rotary Club and Chamber of Commerce group) and Eleuthera (Rotary Club). These initiatives were buttressed with radio and television appearances in Grand Bahama, Abaco and New Providence. The final Consumer Protection Guidelines were published on December 31, 2013. The operators have until June 30, 2014 to implement the Guidelines. URCA is working along with the operators to ensure that the Guidelines are fully implemented by the deadline.

In an effort to continue the advancement of Information Communications Technologies (ICTs), URCA sponsored two young people to attend the International Telecommunication Union (ITU) 2015 BYND Global Youth Summit in San Jose, Costa Rica. The Summit, which was held September 9 – 11, 2013, had over 700 participants in the meetings with over 3,000 participating virtually from all over the world. It is critical for The Bahamas to participate and be represented at such international fora and URCA will continue to support such initiatives. URCA maintains its membership in the Organization of Caribbean Utility Regulators (OOCUR) and remains a member of OOCUR's Executive Council. During 2013, URCA joined the Commonwealth Telecommunications Organization as an associate member. This membership will provide training and other opportunities to URCA.

URCA's plans for 2014 are numerous with the objective of furthering the interests of consumers as underpinned by the Electronic Sector Policy and the Communications Act. One of the most significant projects of 2014 will be the liberalization of the cellular mobile market. Bahamas



**“URCA’s plans for 2014 are numerous with the objective of furthering the interests of consumers as underpinned by the Electronic Sector Policy and the Communications Act.”**

Telecommunications Company Ltd.’s (BTC) monopoly on the provision of cellular mobile services expired on April 6, 2014. URCA looks forward to the process of licensing a second operator to also provide cellular mobile services throughout The Bahamas. Consumers would be afforded choices for their cellular service and that should bode well for users of electronic communications services in the country. URCA will continue its work in the Broadcasting market with the appointment of the Content Regulation Industry Group (CRIG). The CRIG which is a joint regulator/industry working group will advise URCA on the administration of the Code of Practice for Audio Visual Services (the Code), assist with monitoring compliance with and enforcement of the Code, and assist URCA in the review of the Code. URCA will continue to educate and engage its stakeholders during 2014. URCA will continue to collaborate with others to ensure that its stakeholders are informed on relevant topics that may have an impact on their operations.

I would like to thank my fellow Board members and the URCA staff for the support given to me as Chairperson and for the work performed to achieve the many accomplishments during 2013. Our family island consumers are extended a special thank you for their contributions during our outreach and public consultations. It is evident that URCA has even more to do in the Family Islands so that the full potential of electronic communications services can be embraced to better all aspects of their lives. Thank you to all our stakeholders for their contributions which ensure that URCA’s decisions achieve the objective of furthering the interests of all persons in The Bahamas in relation to the electronic communications sector.



Randol Dorsett  
Chairperson



## ABOUT URCA

The Utilities Regulation and Competition Authority (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

The regulatory regime for electronic communications in The Bahamas was established with the passage in 2009 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.

URCA interacts with various Ministers of Government in relation to its mandate, as follows:

- URCA reports to the Minister with responsibility for relations with URCA, currently the Attorney General, in respect of its operations including its budget, financial statements, and legal oversight;
- URCA's Communications Act responsibilities are carried in accordance with Government policy established by the Minister with responsibility for the ECS (the Minister), currently the Prime Minister. Pursuant to the Communications Act, the Minister is also responsible for certain specific activities relating to the allocation and pricing of spectrum, public service broadcasting, and universal service.
- URCA may be required from time to time to engage with the Ministers of Government with responsibility for licensee companies such as the Broadcasting Corporation of The Bahamas and the Bahamas Telecommunications Company.

Established pursuant to the provisions of the Act, URCA's Audit Committee is also a key component of the organisation's governance structure. Its work includes:

- 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 is 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.





**“We are driven by a commitment to advancing public interests through achieving sustainable competition and effective regulations of utilities and broadcasting.”**

### **Organisational Structure**

URCA is broadly structured into two areas, Policy & Regulation and Operations. Policy & Regulation comprises professionals in engineering, economics, legal and law, who undertake the policy and regulatory functions within URCA. Operations functions include finance, human resources and general administrative functional areas.

### **Vision, Values and Strategic Outlook**

In 2013, URCA revised its Vision and Mission Statements, as part of an overall strategic planning exercise to ensure continued alignment of URCA's strategic priorities with the needs and objectives of an expanding and evolving electronic communications sector. This new strategic outlook will guide URCA's efforts over the 2014 to 2019 period.

URCA's Vision is twofold, addressing separately its external and internal stakeholders.

#### **URCA's External Vision Statement**

To be a globally renowned utilities regulator and competition authority which is recognised for championing the interested of persons in The Bahamas, and of the sectors we regulate. We will do this through the development, adoption and application of best practices in policy and regulation.

#### **URCA's Internal Vision Statement**

We will develop a harmonious work environment characterised by honesty, trust and mutual respect. We will achieve this by developing the technical and soft skills of our people and transformational leadership across the organisation.

This new vision is supported by a revised Mission:

#### **URCA's Mission Statement**

We are driven by a commitment to advancing public interests through achieving sustainable competition and effective regulations of utilities and broadcasting. We are guided by our core values and dedicated to the continuous development of our people.

Based on this new organisational outlook, URCA established strategic goals in four priority areas:

#### **1. Promoting the interests of the public**

This goal will be achieved through a focus on several regulatory areas, including but not limited to:

- Protection of consumers of electronic communications services to ensure that they receive a level of service which is appropriate and consistent with best international practices and standards.
- Promoting sustainable competition to ensure that all participants in the market have a level playing field, and provide services which are of the highest standard at the best possible price.
- Effective and efficient regulation to promote fair play among participants, while being guided by principles of fairness, non-discrimination and transparency.
- Effectively managing state resources (spectrum and numbers) to ensure that they further the development of the sector in the general interests of the public.



## 2. Commitment to developing our people

Regulation is a highly human resource intensive activity, which requires professionals who are highly trained, skilled and experienced in specialised areas of law, economics and finance, and engineering. URCA's acquisition and development of these necessary skills is a key strategic goal.

- URCA will seek to combine recruitment of suitable candidates with rigorous training and up-skilling of team members in order to develop the required knowledge and expertise.
- This goal recognises the need for skilled and experienced internal resources within URCA, as well as the need for more skilled regulatory professionals throughout the ECS in The Bahamas.

## 3. Cultivating a work environment based on employee engagement, transformational leadership and effective management.

The acquisition and development of skilled, experienced and knowledgeable employees would be wasteful and ineffective over the long term, if those persons are not also motivated and retained. It is only by creating an environment that meets URCA's strategic ideals that URCA will be able to capitalise on investments in its human resources. URCA therefore must:

- Ensure that URCA's employees are appropriately motivated to perform their roles to the best of their ability.
- Ensure that URCA's employees stay and grow with the organisation over the long term.

## 4. Commitment to public engagement

Ensuring awareness and understanding of URCA's work across stakeholder groups is critical to ensuring an effective regulatory environment.

- URCA must ensure that the population of The Bahamas is aware of its work, in order that the potential benefits of a well regulated ECS are felt by as many persons as possible.
- URCA must do all it can to bring key stakeholders and licensees along in the areas of regulatory knowledge, as well as understanding of motivations on both the regulator and regulated entity sides.
- URCA must ensure that the Government is in a position to leverage maximum benefit from the presence of an independently regulated ECS, in order to achieve its broader national policy objectives.

The URCA value system is unchanged. This system of seven defining principles continue to guide URCA's daily efforts:

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.



## MARKET OVERVIEW

Electronic communications, including all information and communications technologies (ICT), offers major transformational opportunities to economies worldwide. ICTs contribute to increased productivity, competitiveness, economic growth, wealth creation and even poverty reduction. Economic factors that are of particular importance to emerging economies like The Bahamas. In 2013, the ECS employed more than 1,300 employees in The Bahamas.<sup>1</sup> In terms of service offerings, technology use, quality of service, pricing and accessibility, the Bahamian ECS is comparable to communications sectors in major international markets. URCA's regulatory framework is designed to foster investment and encourage sustainable competition.

There are five key markets within the Bahamian electronic communications sector:

- Fixed Voice Telephony Services
- Mobile Voice and Mobile Data Services
- Internet
- Pay-TV
- Free-to-Air Broadcasting (including AM/FM radio, television)

### Sector Performance

Industry data collected by URCA for 2013 indicates that the sector realised marginal improvement. ECS revenue rose by just 0.6% relative to 2012. This change contrasts with larger increases recorded in 2012 (3.89%) and 2011 (3.95%). Figure 1 shows the trend in the growth measured by sector revenue, from 2010 to 2013.

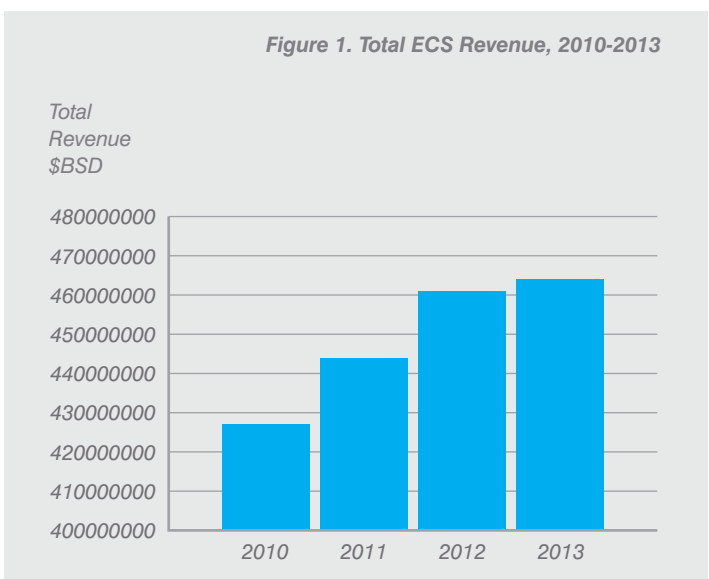
<sup>1</sup> Based on URCA information collected from licensees for 2013

<sup>2</sup> Based on URCA information collected from licensees for 2013

<sup>3</sup> GDP Estimate (current prices) taken from the IMF World Economic Outlook which can be found at: [www.imf.org](http://www.imf.org)

<sup>4</sup> License classification information available at: <http://www.urcabahamas.bs/licencing.php?cat=123>

Figure 1. Total ECS Revenue, 2010-2013

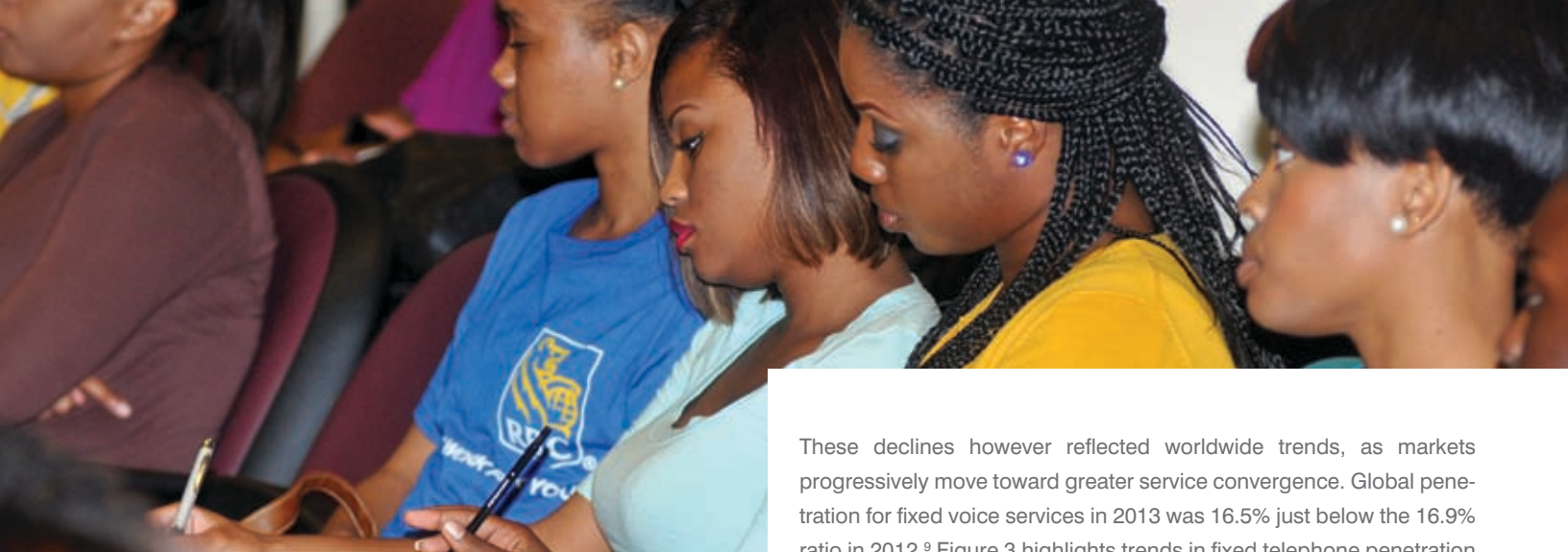


ECS revenue for 2013 exceeded \$464 million<sup>2</sup>, accounting for approximately 5.5% of the year's Gross Domestic Product (GDP)<sup>3</sup>. Employment in the ECS increased by 2.8%. This 2013 increase signals a slight turnaround, following declines in employment in each of the preceding two years, most significantly in 2012 (18%) after falling in 2011 (4.2%).

Licensing for the sector remained robust in 2013, amid URCA's continued promotion of competition in key markets. In 2013, URCA issued 146 licences, including 130 Class Spectrum Licences Requiring Registration, 13 Individual Spectrum Licences, 2 Individual Operating Licences and 1 Class Operating Licence Requiring Registration.<sup>4</sup> URCA's enforcement of ex-ante<sup>5</sup> remedies supported by provisions of the Communications Act<sup>6</sup>, help to facilitate a sufficiently competitive ECS environment.

<sup>5</sup> Ex ante regulation is correctly understood as being strong market intervention by the regulator. Such tools are typically used where there may be substantial barriers to market entry or in support of the development and promotion of competition.

<sup>6</sup> Communications Act, (2009, c. 304) Available at: <http://laws.bahamas.gov.bs>



## Status of Key Markets

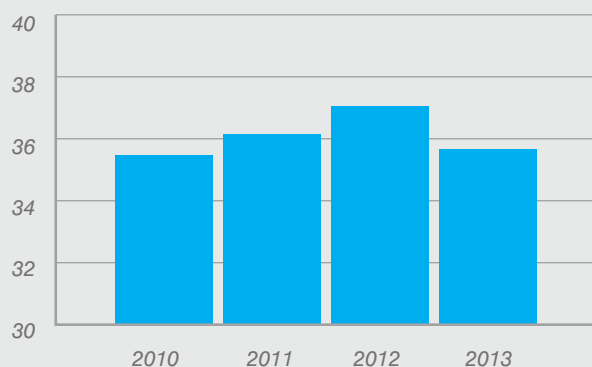
### Fixed Voice Telephony Services

Fixed voice telephony services are provided by both the Bahamas Telecommunications Company Limited (BTC) and Cable Bahamas Limited (CBL).<sup>7</sup> BTC is the only fixed voice provider that is classified by URCA as having significant market power (SMP). This means that BTC has the economic strength to behave independently of its competitors, consumers and subscribers. BTC provides local, domestic long distance (inter-island) and international calls using its copper line/fibre optic network, the Bahamas Domestic Submarine Network (BDSNi) cable system and a Satellite Earth Station. These services and related infrastructure are provided nationwide. CBL (including its affiliates Systems Resource Group Limited (SRG) and Caribbean Crossings Limited (CCL)) provides local, domestic long distance (inter-island) and international calls to residents of New Providence, Grand Bahama, Eleuthera and Abaco by way of its fibre optic/coaxial cable network and a fibre optic submarine cable system.

In 2013, the number of fixed line subscribers abated to an estimated 128,000 or 2.6% fall-off from approximately 131,000 subscribers in 2012. This result produced a lower fixed telephone service penetration rate of 35.7% in 2013, from 37% in 2012 (Figure 2.).<sup>8</sup>

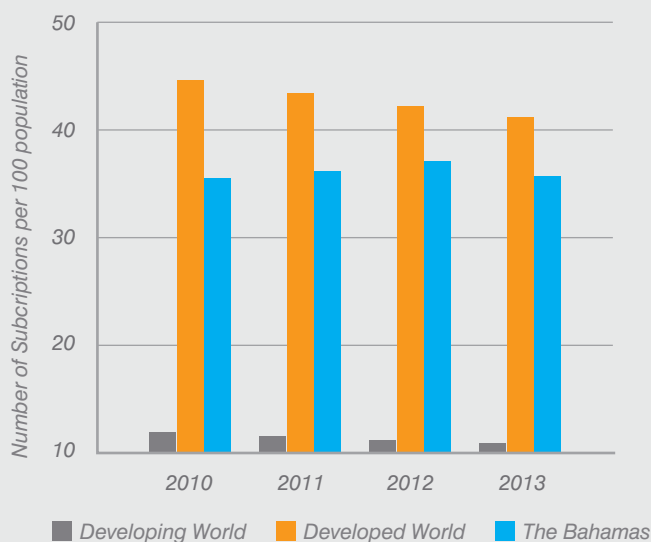
Figure 2. Fixed Telephone Service Penetration, 2010-2013

Number of Subscriptions per 100 population



These declines however reflected worldwide trends, as markets progressively move toward greater service convergence. Global penetration for fixed voice services in 2013 was 16.5% just below the 16.9% ratio in 2012.<sup>9</sup> Figure 3 highlights trends in fixed telephone penetration rates in the developing and developed world relative to The Bahamas, over the 2010 to 2013 period.

Figure 3. Global Comparison of Fixed Telephone Penetration



Residential fixed line services in The Bahamas are offered at starting prices of \$14.99 (CBL) and \$16.99 (BTC). Published per minute charging for outbound international calls to the US, Canada and the Caribbean range from \$0.47 to \$0.66 on the BTC network and \$0.17 to \$0.29 on the CBL network.<sup>10</sup> Both providers offer bundled or packaged services, which promote direct international dialling at reduced rates. International calling is also facilitated through a competitive calling card market. BTC and CBL also offer long distance dialling services using unregulated Voice Over Internet Protocol (VOIP) companies.

### Mobile Voice and Mobile Data Services

BTC is the sole provider of mobile services to the Bahamian market. This legal monopoly expires in April 2014. Licencing of a second mobile services provider is anticipated.<sup>11</sup>

<sup>7</sup> Provided by Systems Resource Group Limited (SRG) a wholly owned subsidiary of CBL.

<sup>8</sup> Population data sourced from the Department of Statistics "All Bahamas Medium Projection Tables 2000-2030" document. Available at <http://statistics.bahamas.gov.bs>

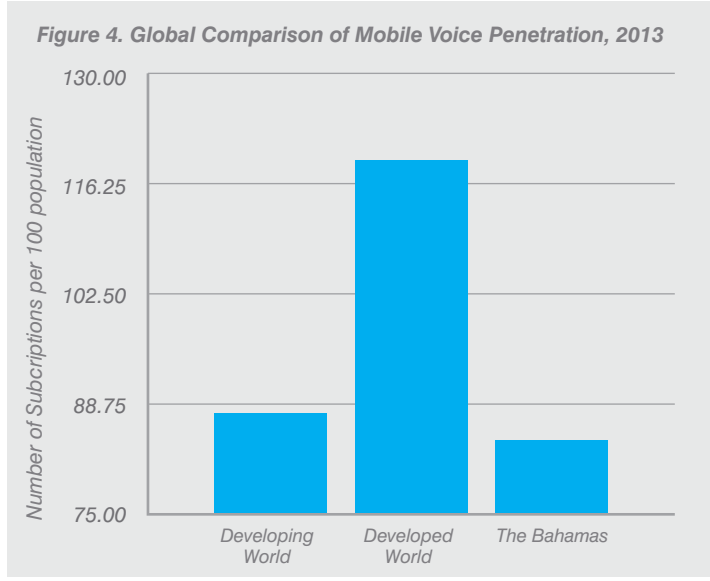
<sup>9</sup> Source: ITU Telecommunications Statistics ([www.itu.int](http://www.itu.int))

<sup>10</sup> Source: [www.btcbahamas.com](http://www.btcbahamas.com) and [www.cablebahamas.com](http://www.cablebahamas.com) 11 Section 114 of the Communications Act, (2009, c. 304) Available at: <http://laws.bahamas.gov.bs>



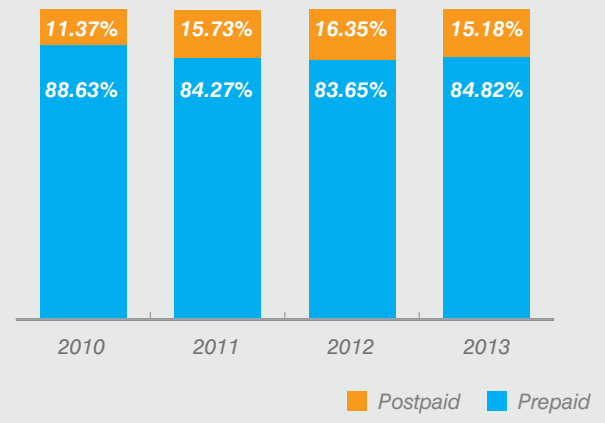
**“Growth in the Bahamian mobile market has remained relatively flat, slipping marginally in 2013 by 0.1%.”**

In 2013, there were an estimated 302,500 mobile voice subscribers in The Bahamas, representing a penetration estimate of 84.2%, in line with the average penetration rate in developing markets. Prepaid customers accounted for 84.8% of the mobile voice market in The Bahamas, a proportion that has been relatively unchanged since 2011.

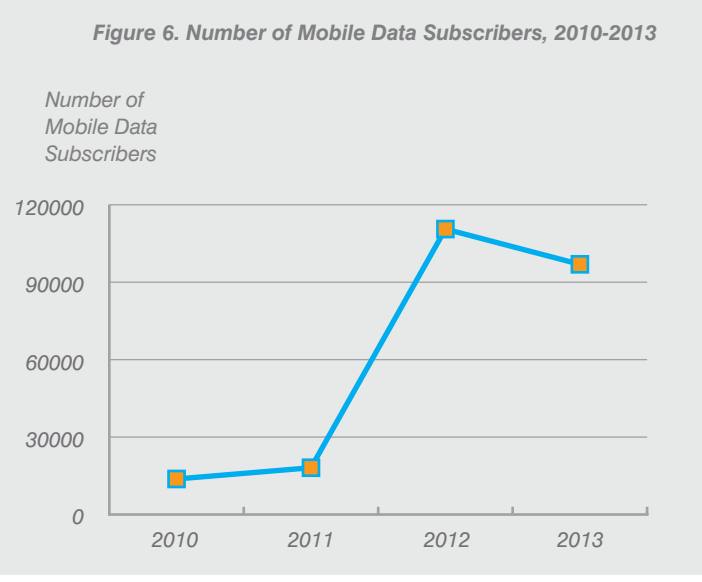


Growth in the Bahamian mobile market has remained relatively flat, slipping marginally in 2013 by 0.1%.

**Figure 5. Proportion of Prepaid and Postpaid Subscribers in the Mobile Voice Market, 2010-2013**



The number of data subscribers in the mobile market slowed by 12.4% in 2013 to an estimated 96,000 subscribers, a fall-off that is likely attributed to the 2012 introduction of data services to prepaid customers.





Postpaid mobile packages for non-business customers are offered at prices that range from \$10 per month to \$139.99 per month, with voice minutes, text and data varying with each plan.

Prepaid voice rates are \$0.33 per minute during peak hours (7:00 am to 6:59 pm); \$0.15 per minute during off peak hours (7:00 pm to 6:59 am) and \$0.20 per minute on weekends. Prepaid data packages can be purchased for prices that range from \$3 and \$30 per month. Prepaid credit is debited at \$0.05 for local texts and \$0.15 for international texts.

**Internet**

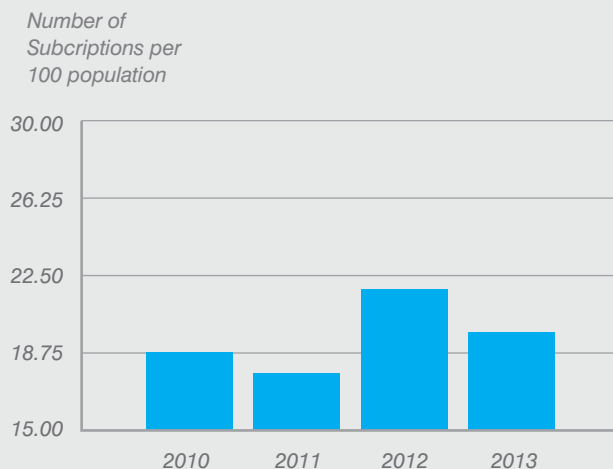
Internet services are provided mainly through broadband infrastructure by CBL and BTC. There is however a very small segment of customers (0.11%) using narrowband fixed internet services (dial-up).<sup>12</sup> CBL is designated by URCA as having SMP for the provision of high speed internet and connectivity services in New Providence, Grand Bahama, Eleuthera and Abaco. BTC retains SMP in areas where CBL has no presence.

Based on information provided by key stakeholders, in 2013 the internet market contracted by 8.6% to just over 70,900 subscribers. Leading to a corresponding decline in penetration to 19.7% compared to 21.9% in 2012, bit closer to penetration estimates for 2010 and 2011.

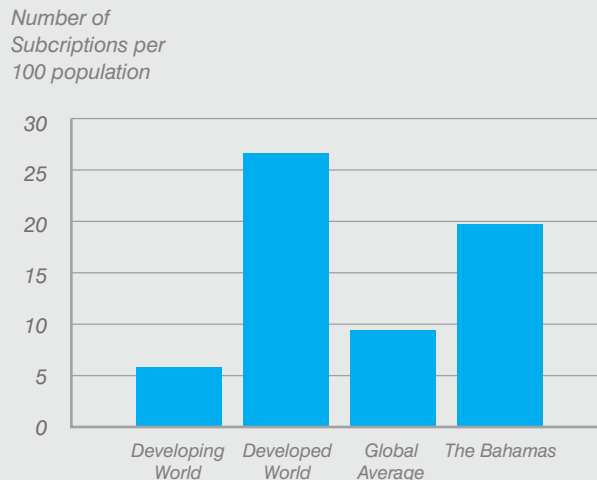
As illustrated in Figure 8, broadband penetration for The Bahamas fell short of the estimated global average for 2013, but remained above the developing world average.

In 2013, unbundled broadband access prices ranged from \$29.99 per month for up to 8 Mbps (BTC) to a monthly \$90.50 rate for 50 Mbps (CBL).<sup>13</sup>

**Figure 7. Fixed Broadband Service Penetration, 2010-2013**



**Figure 8. Global Comparison of Fixed Broadband Penetration, 2013**



<sup>12</sup> Estimate based on URCA information collected from licensees for 2013  
<sup>13</sup> Source: www.btcbahamas.com and www.cablebahamas.com



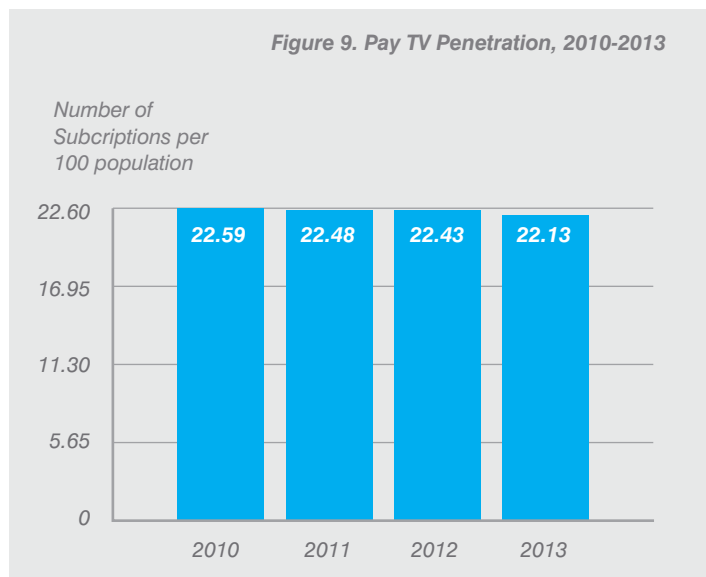
**Table 1. Commercial Radio Broadcasting Licensees**

Licensee	Island	Frequency (MHz)
Associated Media Group Ltd.	New Providence	91.7 (FM)
Bahamas Free Press Ltd.	New Providence	101.9 (FM)
Bahamas National Library Service/ MOE/ UNESCO	New Providence	90.1 (FM)
Bartlett – McWeeney Communications Ltd.	New Providence	105.9 (FM)
Calvary Bible Church	New Providence	89.1 (FM)
Cathedral of Olive	Andros	88.5 (FM)
Carter Broadcasting Bahamas Ltd.	New Providence	102.9 (FM)
Splash FM	Eleuthera	89.9 (FM) 92.5 (FM) 95.5 (FM) 98.5 (FM)
Classical FM Bahamas Ltd.	New Providence	98.1 (FM)
DC Productions Ltd.	New Providence	107.3 (FM)
DKM Communications Ltd.	New Providence	93.9 (FM)
Dovoro Ltd.	Grand Bahama	96.1 (FM)
The Breeze	Exuma	98.3 (FM)
Navette Broadcasting & Entertainment Company Ltd.	New Providence	103.5 (FM)
ADVO Enterprises	New Providence	106.1 (FM)
Global Communications Network	New Providence	99.5 (FM)
Guardian Radio Ltd.	New Providence	96.9 (FM)
Infinity Communications Ltd.	Grand Bahama	103.7 (FM)
Intercity Broadcasting Group Ltd.	Grand Bahama	102.1 (FM)
J.K. Communications Network Ltd.	New Providence	101.1 (FM)
Jones Communication Ltd.	New Providence	97.5 (FM)
LYFE Broadcasting Network Limited	New Providence	90.9 (FM)
More FM Company Ltd.	New Providence	94.9 (FM)
Neverland Productions Ltd.	New Providence	99.1 (FM)
New Wave Communications	New Providence	98.7 (FM)
Pure Gold Investment Ltd.	New Providence	106.5 (FM)
Radio Abaco	Abaco	93.5 (FM) 91.1 (FM)
Shena Carroll Enterprises Ltd.	New Providence	105.1 (FM)
South Bahamas Conference of Seventh-day Adventists	New Providence	88.3 (FM)
The Broadcasting Corporation of The Bahamas	New Providence	810 kHz (AM) 1240 kHz (AM) 1540 (AM) 104.5 (FM) 107.1 (FM) 107.9 (FM)
The McKinney Media Group Ltd.	New Providence	107.5 (FM)
Tribune Radio Ltd.	New Providence	100.3 (FM)
Turning Point Radio Bahamas Ltd.	New Providence	102.3 (FM)

### Pay TV

CBL retains SMP provider status for Pay TV services in The Bahamas. The service is provided in New Providence, Grand Bahama, Eleuthera, Abaco and other Family islands, including business and residential customers, by way of a fibre optic/coaxial cable network. Shrinking by just 0.2% in 2013, Pay TV market penetration remained relatively stable, around an approximate 22% average since 2010.

**Figure 9. Pay TV Penetration, 2010-2013**

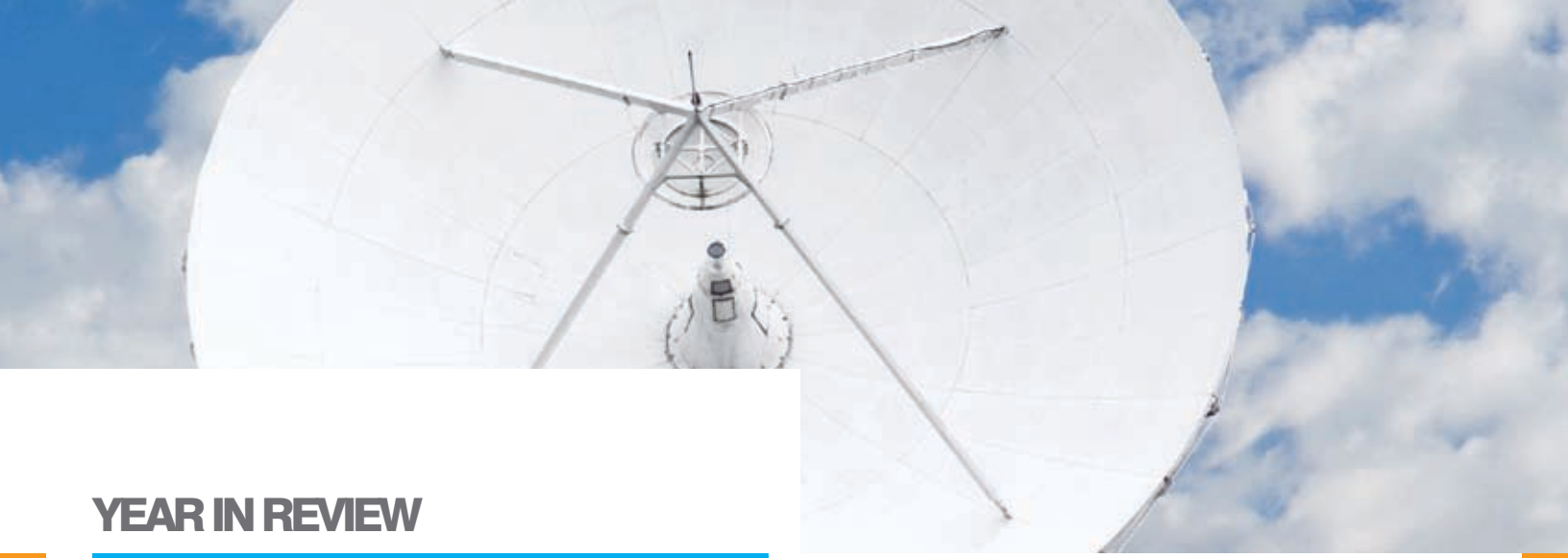


### Free to Air Broadcasting

As shown in Table 1, there were more than 40 licensed operators in the commercial Free to Air Broadcasting market in 2013, including mostly radio stations.<sup>14</sup> The state-owned Broadcasting Corporation of The Bahamas (BCB) is the only licensee that operates a radio with nationwide coverage.<sup>15</sup> The BCB also provides free analogue television. All other commercial entities in this market are niche operators broadcasting religious programming, music, sports, newscasts or talk shows. The coverage of each of these radio stations varies throughout The Bahamas with the majority broadcasting mainly to New Providence.

<sup>14</sup> Source: Public Register Of Individual Licensees and Class Licensees Requiring Registration [ECS 09/2010]

<sup>15</sup> The Broadcasting Corporation of the Bahamas is also known as Zephyr Nassau Sunshine (ZNS)



## YEAR IN REVIEW

### 1. Sector Policy

In 2013, URCA began the processing of phasing in new strategic priorities as laid out in a draft ECS Policy. Section 6 of the Communications Act provides for the review of the ECS Policy every three years via a consultative process between URCA and the Minister with responsibility for the ECS. By notice in the Gazette dated January 9, 2013 the Prime Minister was designated as having responsibility for the ECS.

The first ECS Policy was published on October 6, 2009. On October 6, 2012, URCA presented a revised draft ECS Policy to the Prime Minister, in compliance with section 6(3) of the Communications Act. On January 4, 2013 a notice was published in the Official Gazette of The Bahamas declaring that the Prime Minister and URCA had agreed to extend the consultation period for a further three (3) months, to end on April 5, 2013. On April 5, 2013, URCA submitted a revised draft policy to the Government that took into account the views expressed by or on behalf of the Prime Minister during consultation with URCA.

On June 17, 2013 the Government advised URCA that it was authorised to release the draft revised policy for consultation with relevant stakeholders. On July 2, 2013, URCA published the revised policy for consideration and comments by interested stakeholders. The closing date for responses was August 30, 2013 (extended from August 2, 2013) and URCA received comments from:

1. The Bahamas Telecommunications Company Limited (BTC)
2. Cable Bahamas Limited (CBL)
3. Digicel Group (Digicel)
4. Linda Thomas

URCA's review of the feedback received, its advice and additional comment on the draft policy were submitted to the Government for its consideration. The Communications Act provides for the Prime Minister to publish the revised policy following consultation with URCA.





## 2. Enforcement of Obligations on SMP Operators

During 2013, URCA continued its evaluation and development of regulatory measures designed to ensure that operators and providers with significant market power do not abuse their dominant positions or act in a manner inconsistent with the development of sustainable competition. Some of the initiatives undertaken included:

### Retail Price Regulation

#### CBL Application for a SuperBasic Price Increase

On February 11, 2013, URCA published its Statement of Results and Final Decision [ECS 02/2013] in respect of CBL's application for an \$8.00 (27%) increase to the monthly price (\$30.00) for its residential SuperBasic [RETV Prime] cable TV service. This concluded a public consultation process launched in September 2012 [ECS 23/2012]. CBL, which has SMP in Pay TV services, submitted an application to URCA to raise the price of the regulated service in December 2011. During 2012, prior to the launch of the public consultation, URCA engaged CBL in additional information gathering in relation to the application. The consultation involved widespread public engagement.

URCA determined that approval of CBL's application would undermine the overall objectives of the electronic communications services policy. Affordability considerations formed the basis of the decision and concerns regarding service quality and customer care were expressed. On the affordability issue, URCA's main concern was that in the absence of compliance by CBL with its universal service obligation (USO) to provide an affordable Basic TV service to all populated areas and specified institutions in The Bahamas<sup>16</sup>, there is no lower-priced alternative available especially for households with monthly median income of \$238 or \$2,856 per annum. URCA's decision would be different if a package, which met the requirements of the basic TV service (including affordability), were available in those areas where CBL offers its SuperBasic package.

It should be noted that on March 26, 2013, CBL filed a Notice of Appeal with the Utilities Appeal Tribunal (UAT) appealing the decision. On July 22, 2013, CBL applied to the Supreme Court for judicial review of, amongst other matters the URCA decision on CBL's SuperBasic application. At year end, these matters were still before the Courts and the UAT.

### Applications for Permanent Price Changes or Promotions

In addition to the CBL application for a permanent price change, several other applications for permanent price changes or promotions were submitted, for URCA's consideration in 2012. A complete listing is outlined in Table 2.



<sup>16</sup> The definitions of populated areas and specified institutions are included in section 2 and schedule 5 of the Communications Act, respectively.



**Table 2 - Pricing Applications considered by URCA in 2013**

Application Date	Applicant	Type of Application	Description of Application	URCA's Decision
3 March 2013	BTC - Mobile	Special Promotion	Discounted Prepaid Mobile Calling Cards – Bahamas 4x100 Olympic Team	Approved on 822 March 2013
15 March 2013	BTC - Mobile	Special Promotion	“Double Bubble” – Double Value on prepaid top-ups on Mondays	Approved on 28 March 2013
26 April 2013	BTC - Fixed	Permanent Price Change	New Packages – Bundling of Voice Services	Approved – 20 June 2013
6 May 2013	BTC - Mobile	Special Promotion	“Free After” – Unlimited On-Net Calls and SMS	Approved – 10 May 2013
14 June 2013	BTC - Mobile	Special Promotion	“Free After” – Unlimited On-Net Calls and SMS (RESUBMISSION)	Approved – 20 June 2013
13 August 2013	BTC - Mobile	Special Promotion	Penny Text Fridays	Approved – 19 August 2013
3 September 2013	BTC - Mobile	Special Promotion	Penny Text Fridays - Extension	Approved – 5 September 2013
11 September 2013	BTC - Mobile	Special Promotion	Bonus Top-Up Prepaid	Approved – 24 September 2013
23 October 2013	BTC - Mobile	Special Promotion	Unlimited Talk & Text	5 November 2013
16 October 2013	BTC _ Fixed	Permanent Price Change	Revision of PSTN Fair Usage Policy	Pending
18 October 2013	BTC - Mobile	Permanent Price Change	SMS Price Reduction	Withdrawn
18 October 2013	BTC - Mobile	Permanent Price Change	Mobile Data Price Reduction	Approved – 15 November 2013
18 October 2013	BTC - Mobile	Permanent Price Change	Mobile Voice Price Reduction	Approved – 15 November 2013



### **Review of Retail Pricing Framework**

URCA currently regulates the prices of certain retail services provided by SMP operators through its Regulation of Retail Prices of SMP Operators – Rules [ECS 15/2010] issued on April 22, 2010. URCA, noting concerns expressed by relevant operators regarding the working of the Retail Pricing Rules, undertook to review the rules to determine whether amendments may be appropriate.

URCA collected feedback from the relevant operators and proposed amendments to the rules by way of its consultation document ECS 16/2013 “Proposed Review and Revisions to the Regulation of Retail Prices for SMP Operators – Rules”, published on November 4, 2013. The consultation process closed on December 6, 2013 and URCA is considering the comments received. URCA expects to complete this process in the second quarter of 2014.

### **Assessment of Significant Market Power (SMP) in Call Termination**

In August 2013, URCA published a Final Determination [ECS 13/2013] following public consultation [ECS 06/2013] on SMP in call termination services. URCA determined that BTC, CBL and IP Solutions International Ltd. (IPSI) hold SMP in the termination of voice calls to customers on their respective networks. Call termination is a bottleneck (essential) wholesale service, which all operators providing voice services to the Bahamian public need to purchase from each other in order to allow their customers to communicate with customers on other public voice networks.

The Final Determination reaffirmed the SMP obligations previously imposed on BTC’s call termination services pursuant to URCA’s 2010 SMP decision [ECS 11/2010]. Meanwhile, pursuant to ECS 13/2013 the termination of calls to customers on CBL’s and IPSI’s fixed networks is subject to wholesale price control and both operators must publish on their websites tariffs and non-price terms for the service. These SMP obligations support the statutory obligations under section 30(4) of the Communications Act and Condition 34 of the standard Individual Operating Licence. A key outcome of the decision made by URCA in ECS 13/2013 is the need to establish regulated interconnection rates for providers other than CBL and IPSI, a project which URCA intends to undertake as a key priority in 2014.

### **Market Reviews**

During 2009-2010 URCA placed various obligations on the providers designated by the Communications Act to have SMP in various markets. During 2013 URCA began the process of reviewing key retail markets in the ECS to determine whether the designation of SMP providers and remedies imposed continued to be appropriate in relevant markets. The process is set out in URCA’s Methodology for the Assessment of Significant Market Power [ECS 20/2011]. By the end of 2013, URCA had engaged in the collection of information from stakeholders and, in the case of the pay TV market, URCA conducted a survey to determine consumer preferences and behaviours. Market reviews are expected to continue throughout the first half of 2014.

### **Review of Accounting Separation Results of SMP Operators**

The Separated Accounts of SMP operators are submitted to URCA annually for review, to ensure their consistency with URCA’s established Guidelines and to identify any regulatory impact. Reviews begin upon submission of the accounts according to SMP Operators’ respective due dates, which for CBL is June 30th, and for BTC, September 30th. Review of separated accounts generally takes approximately six months and URCA completed the review of CBL’s accounts in October 2013. The review of BTC’s accounts is more comprehensive due to the need for a full review to identify and address certain challenges regarding the outputs from the accounts. URCA expects this work to continue into 2014, with completion in the second half of the year.

### 3. Promotion of Competition

#### Number Portability

Number Portability is a facility allowing subscribers to retain their telephone number independently of the licensee providing the service. Number portability is considered a key enabler of competition for voice services. It removes the barrier to switching associated with loss of one's telephone number.

On October 29, 2013, URCA issued its Second Final Determination providing for the implementation of Fixed Number Portability (FNP) in The Bahamas [ECS 15/2013] – the first Final Determination was issued in August 2012. In the Second Final Determination, URCA addressed general provisions for number portability, including operator readiness and the launch date for FNP, porting between islands, mobile number portability, the addition of new operators, and operator obligations for NP implementation. Other areas addressed were the selection and licensing of the NP Administration Service Provider, the FNP Business Rules, and the issue of public awareness on number portability.

The issuance of this second Final Determination followed the June 2013 launch of public information and awareness to sensitise consumers to the intended implementation of the service for the fixed line market. On November 19, 2013 URCA issued the Third Final Determination [ECS 17/2013], which addressed the allocation and recovery of the costs of number portability.

Fixed number portability was launched in The Bahamas on December 2, 2013, affecting customers in New Providence, Grand Bahama, Abaco and Eleuthera. Islands with more than one fixed telephone provider. From that date through to the end of 2013, 48 ports were completed successfully. The implementation of fixed number portability meets requirements set out in Section 80 of the Communications Act. URCA will work towards ensuring that mobile number portability is implemented in The Bahamas in time for the commencement of competition in the mobile market.

#### Investigations of Complaints of Anti-Competitive Behaviour

URCA's adjudication on complaints regarding anticompetitive behaviour represents a core aspect of the Authority's responsibility in the promotion of competition. During 2013 URCA conducted investigations of two complaints of anti-competitive behaviour in the ECS:

- Complaint by CBL and its subsidiary SSRG, against BTC regarding distribution agreements for the sale of long distance and international phone cards.
- Complaint by BTC against CBL trading as Cable Media, regarding the carriage of advertisements for BTC's broadband products on CBL's cable television network.

URCA's investigations into these matters were on-going through the end of 2013.

#### Merger Control

In 2013, URCA processed and approved two merger applications:

- Pure Gold Investments Limited and NG Investments Limited.
- IP Solutions International, Ltd. and Limitless Mobile Inc.

On January 10, 2013 NG Investments Limited (NGI) submitted a request for a change in control of Pure Gold Investments Limited (PGI), an URCA licensee. NGI at the time was an existing shareholder of PGI and sought regulatory approval for the acquisition of controlling shareholding in PGI. NGI is a subsidiary of The Nassau Guardian Limited (TNG), a newspaper publisher, and parent company of the radio station, Guardian Radio Limited, which is based in New Providence.

On December 20, 2013 URCA received notification of a proposed change of control of IP Solutions International, Ltd. (IPSI), an URCA licensee, to Limitless Mobile, Inc. (LMI). LMI, a U.S. based telecommunications company entered into an agreement with IPSI to acquire a majority shareholding of the company.

One of the principal considerations weighed in both cases was whether the requested changes in control would likely have the effect of substantially lessening competition in respective Bahamian markets. URCA's review included assessments regarding the relevant product and geographic areas, market concentration, theories of harm, the counterfactual, barriers to entry and expansion, efficiency gains as a direct result of the proposed mergers.



**Number portability is considered a key enabler of competition for voice services. It removes the barrier to switching associated with loss of one's telephone number.**

In the case of the change in control of PGI and NGI, whether the change in control would adversely impact public interest was also an important consideration. Particularly because it involved a media public interest. Specific considerations included:

- The need for accurate presentation of news and the free expression of opinions in media.
- The need for sufficient plurality of persons with control of media enterprises serving different audiences in The Bahamas.

The need for the availability throughout The Bahamas of a wide range of high quality, content services with appeal to a wide variety of tastes and interests.

The need for persons with control of media enterprises to have a genuine commitment to the attainment of ECS policy objectives.

Having taken these considerations into account, and finding no likelihood of substantially lessened competition nor threat to the public interest, URCA approved the change in control of PGI on February 25, 2013. An adjudication consenting to the change in control of IPSI to LMI was issued on February 6, 2014.

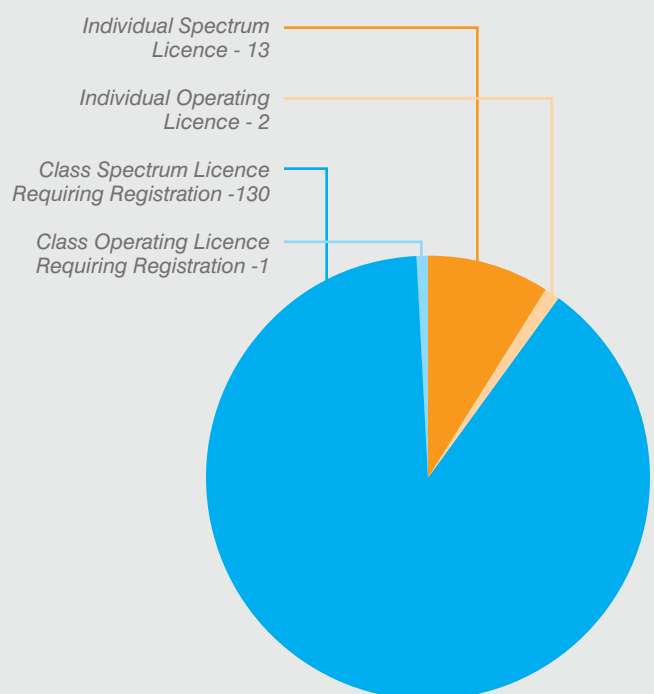
### Licensing

In 2013, URCA issued 146 licences, including 13 Individual Spectrum Licences, 2 Individual Operating Licences, 130 Class Spectrum Licences Requiring Registration and 1 Class Spectrum Licence Requiring Registration. This compared with the issue of 138 licences in 2012 and 129 in 2011. All licences were processed within the statutory timeframe requirements for the processing of applications

**Table 3: Processing of 2013 Licence Applications**

Licence Type	Statutory Timeframe	Average Processing Timeframe	Total Licences Issued
Individual Spectrum Licence	30 days	9 days	13
Individual Operating Licence	30 days	24 days	2
Class Spectrum Licence Requiring Registration	45 days	26 days	130
Class Operating Licence Requiring Registration	45 days	14 days	1

**Figure 10. Total Number of Licences Issued in 2013**





including preparation of a consultation document. The consultation process which will begin in 2014, will involve industry stakeholders and the public. The pricing review is expected to be completed during the second half of 2014, with implementation expected in 2015.

### Spectrum Management

In 2013, URCA continued to refine its processes and procedures for spectrum monitoring and compliance activity, through continued training of personnel, review of systems, and implementation of new capabilities. During the year URCA also carried out planned monitoring activity in New Providence and Eleuthera.

### Review of the National Spectrum Plan

During the year in review, URCA prepared a draft National Spectrum Plan (NSP), which outlines URCA's proposals for an NSP, including URCA's recommendations for spectrum pricing and other charges. Published by URCA on March 12, 2010, in accordance with section 31 of the Communications Act, the National Spectrum Plan [ECS 06/2010] is subject to review every three years. Revisions must be submitted to the Minister with responsibility for the ECS.

The draft plan ensures continuity in the delivery of services, affirming pre-existing technologies, while also providing for emerging technologies defined by the International Telecommunication Union (ITU) as International Mobile Telecommunications-Advance (IMT-Advance). In 2013, the revised plan, which extends through to 2016, was submitted to the Prime Minister, the Minister with responsibility for the ECS, for his consideration.

### Review of Radio Spectrum Pricing

URCA retains exclusive responsibility for the management of radio spectrum, excluding premium spectrum. In 2013, URCA commenced a comprehensive review exercise of radio spectrum pricing. Current spectrum pricing includes a combination of historical charges and interim fees imposed by URCA for bands newly opened in 2012. For the purpose of this review, URCA engaged an external consultant by way of a competitive search process, to assist with the project,

### Type Approvals

One of URCA's core responsibilities is the approval of radio communications equipment for use in The Bahamas, through a process known as Type Approval. In 2013, URCA received 92 new applications for type approval of equipment. 85 of those application were processed within the year, including one application that was denied; the others were approved.

## 4. Promoting the Public Interest

### The Content Code

#### Review and investigation of complaints under the content code

During 2013, URCA completed the following investigations under the Content Code.

#### *Complaint against Jones Communications Network*

URCA received and investigated a complaint by Mr. Berthram Thurston a local newsstand operator, against Jones Communications Network (JCN) and Mr. Wendal Jones. The complaint made was that during the broadcast of the show "Issues of the Day", Mr. Jones made comments that defamed and incriminated Mr. Thurston and his newsstand business located at Rawson Square and Shirley Street near to Government House. Upon review of the recordings, URCA concluded that there was no breach of the Code of Practice for Content Regulation [ECS 06/2012].

#### *Complaint against 100 Jamz*

URCA also received and investigated a complaint regarding the daily show "Blast" which is broadcast on 100 Jamz. The complaint in this case was that persons calling into the radio show were permitted to disclose personal information which identified the individual, the subject of the comments being made on air. Upon review of the requested recordings of the show URCA found no breach of the Code.

### Formation of the Content Regulation Industry Group

During 2013 URCA took steps towards formation of a Content Regulation Industry Group (CRIG). The Code of Practice for Content



Regulation [ECS 06/2012], issued by URCA in March 2012, intends the formation of this working group, including regulator and industry participation. The CRIG is intended to assist URCA in the implementation of the Content Code, and also in URCA's periodic reviews of the Code, every three years. During the year, URCA issued invitation letters to industry stakeholders to participate in the CRIG. Establishment of the joint regulator-industry working group is expected during the first half of 2014.

#### **Universal Service**

URCA's work on the Universal Service Obligations (USO) contained in the Communications Act has been on-going from 2012, commencing with the consultation process on the Framework for the Clarification and Implementation of Existing Universal Service Obligations (USO) under section 119 and Schedule 5 of the Communications Act 2009 [ECS 12/2012]. . On 23 January 2013 URCA published its Statement of Results and Final Decision [ECS 01/2013], completing the consultation. Based on the Final Decision, URCA undertook the development of several documents toward the detailed implementation of the proposed framework:

- Guidelines for the calculation of the net - avoidable cost of the universal services.
- The establishment of the Universal Service Fund.
- Implementation plans for the roll out of universal services by Universal Service Providers.
- Quality of Service Indicators for Universal Services.
- Consumer Awareness of consumers' rights under the Universal Service.
- Obligations in relation to the disconnection of universal services.

Later in the year, URCA commenced the consultation process on the Establishment of the Universal Service Fund. Consultation on the remaining documents is planned for 2014. The implementation process however, is expected to continue beyond 2014.

Also occurring in 2013, CBL commenced proceedings in the Supreme Court against URCA, seeking to review the decisions made by URCA in its USO Implementation Framework. Those proceedings are on-going

and may impact the timeframes for URCA's further work on the USO Framework.

#### **BTC Network Outage – June 18, 2012**

In 2013 URCA completed its investigations regarding a significant outage affecting the fixed and mobile networks of the Bahamas Telecommunications Company Limited (BTC) on June 18, 2012. These outages caused significant disruption to the communications services within the Bahamas which continued for several days.

On March 7, 2013, URCA issued a Final Determination and Order regarding the outage. The Final Determination upheld URCA's preliminary finding (issued January 2, 2013) that BTC breached Condition 27.1.1(a) of its Individual Operating Licence, by failing to take all reasonably practicable steps to maintain, to the greatest extent possible, the proper and effective functioning of its public telephone network. URCA consequently ordered BTC to take the necessary corrective measures to ensure that its network is maintained and operated in a manner that is in compliance with the requirements under the licence.



**The Consumer Protection Regulations establish a framework for ensuring that consumers enjoy the highest possible standards of service provided by URCA licensees.**

## 5. Consumer Protection

### Consumer Protection Regulations

In the second quarter of 2013, URCA launched a widespread public consultation on Consumer Protection Regulations applicable to the electronic communications sector (ECS) in The Bahamas. The twelve-week public consultation process involved guest appearances by URCA staff on various radio and television shows, town meetings in New Providence, Abaco, Eleuthera, San Salvador, Andros and Grand Bahama and other forms of engagement including social media, in order to promote the widest possible public participation in the consultative exercise.

The Consumer Protection Regulations establish a framework for ensuring that consumers enjoy the highest possible standards of service provided by URCA licensees. They also establish adequate regulatory protections to safeguard the rights of consumers. Key areas of the Regulations include:

1. Consumer sales, contracts and services
2. Consumer obligations
3. Advertising
4. Billing and credit management
5. Consumer complaints handling; and
6. Customer quality of service standards.

URCA published its Statement of Results and Final Consumer Protection Regulations on 23 December 2013. Licensees are required to implement and comply with the obligations outlined in the Regulations within six months of its publication. URCA will continue work on the implementation of the regulations in 2014.

### Network Quality of Service Standards

In addition to the consumer protection framework which addresses the rights of the consumer, URCA also considers it necessary to provide clear standards for the performance, reliability and robustness of electronic communications networks in The Bahamas. URCA believes that this will work together with the consumer protection framework to ensure that The Bahamas benefits from the highest possible quality of electronic communications services. URCA completed the drafting of the relevant document in 2013. Consultation on the document is planned for 2014.

### Consultation on an Alternative Dispute Resolution (ADR) Scheme for the ECS

Section 15 of the Communications Act requires URCA to implement an alternative dispute resolution scheme for the resolution of disputes between consumers and operators, and amongst operators. URCA began its consultative work in December 2013. Efforts will continue in 2014.

## 6. Institutional Capacity Building

### Strategic Plan Review

In 2013, URCA established a core planning team to guide its strategic planning process. The process, which required review and revision of the previous 2009 plan, involved planning sessions with staff members, in addition to face-to-face engagements with targeted stakeholders within the industry and in government.





The Board approved plan, which becomes effective in 2014, provided the strategic framework for the 2014 Annual Plan. It articulates a new URCA Vision and Mission, and defines strategic priorities in the context of four core objectives:

- Promoting the interests of the public
- Commitment to developing our people
- Cultivating a work environment based on employee engagement, transformational leadership and effective management
- Commitment to public engagement

The plan covers a five-year period, ending in 2019.

### **Our People**

In 2013, institutional capacity building remained the driving force behind URCA's strategic human resources initiatives. With a renewed and reinforced commitment to people development and transformational leadership forming a critical part of URCA's strategic planning for the next five years, URCA performed a number of key activities that continue to strengthen the organization through its human resources.

### **Recruitment and Staffing**

At the end of 2013 URCA's staff complement was twenty four, comprising twelve Policy and Regulation (P&R) team members, which included three new employees joining the URCA team during the second and third quarters of the year; and twelve members of the Operations' team.

New P&R team members included an Administrative Assistant to provide dedicated administrative support to the P&R team; and two Assistant Case Officers. One in the legal discipline and the other in economics. During the latter part of the year, URCA launched a recruitment process to fill the post of Senior Case Officer, in economics, and by the year's end the process was on-going.

URCA also filled a few gaps internally, by way of promotion. Two Assistant Case Officers in the technical discipline were promoted to Case Officers, bridging the Assistant and Senior Case Officer levels.

### **Performance Management, Training and Development**

A new performance management system was introduced in 2013, providing an objective framework to evaluate how performance and organizational goals would have aligned during the year. The system provides a framework for career path planning and promotes staff training and professional development.

During the year, URCA staff members participated in training initiatives, both locally and abroad, including mostly P&R team personnel as URCA continues to strengthen its policy and regulatory team.

### **Compensation and Benefits**

UCRA also conducted a review of its compensation and benefits scheme during 2013, including a local market survey. This survey initiative, which is conducted every few years, is done to ensure that the organization's compensation and benefits structure remains competitive.

Health and Wellness was also a focus during 2013. URCA's staff members participated in a number of fun walk/run events including the Susan G. Coleman Race for the Cure. Staff members participated in URCA's annual Health and Wellness fair, which included health assessments, fitness and nutrition education sessions and more.



### International Participation

URCA’s participation in meetings and conferences abroad, fulfils an important part of URCA’s goal to not only stay abreast of key industry and regulatory developments, but to also be an active participant in the industry’s ongoing strengthening and growth, both at the regional and global levels, and to provide regulatory leadership, particularly at the regional level. In 2013, some of these events included:

- The ITU’s World Summit on Information Society (WSIS) held in Geneva, Switzerland.
- The Caribbean Telecommunications Union’s (CTU) meeting on Spectrum Regional Harmonisation held in Montego Bay, Jamaica.
- The Organization of Caribbean Utility Regulators (OOCUR) 11th Annual Conference held in Belize City, Belize. At this meeting URCA was re-elected to the OOCUR Executive Council.

During the year, URCA team members also participated in workshops, seminars and other programmes that provided important training opportunities, including:

- Utility Regulation and Strategy, and an Advanced Course on Next Generation Networks (NGN) facilitated by the Public Utility Research Center (PURC) of the University of Florida in Gainesville, Florida.
- A Number Portability workshop held in Port of Spain, Trinidad and Tobago. The workshop was conducted by the Commonwealth Telecommunications Organisation (CTO).
- An ITU Study Group meeting for the Latin America and Caribbean region held in Mexico City, Mexico
- A Financial Management seminar facilitated by the American Management Association in Washington, DC.
- A Spectrum Regulation Workshop hosted by the Information and Communications Technologies Authority of Turkey.
- The 21st Annual Administrative Professionals Conference hosted by the American Society of Administrative Professionals in Las Vegas Nevada.

Notably, URCA hosted a regional seminar on VSAT –the shortened form for very small aperture terminal, which describes a two-way satellite ground station– and Satellite Systems, in New Providence, from May 20th – 24th. The seminar was jointly facilitated by the International Telecommunications Satellite Organisation (ITSO) and the International Telecommunication Union (ITU). The seminar attracted approximately 20 participants from regional neighbours including Jamaica, Trinidad and Tobago, Turks and Caicos Islands in addition to local participants.

### 7. Corporate Outreach

#### ITU Global Youth Summit

URCA sponsored the participation of two delegates, Audison Beaubrun and Kyle Walkine, in the ITU’s BYND 2015<sup>17</sup> Global Youth Summit. The Summit was held in San Jose, Costa Rica from September 9th – 11th, under the general theme of using ICTs for social good.

Through engagement of a worldwide community of young people representing as many as 25 countries around the world – including 700 that travelled to Costa Rica and 3,000 that participated by way of a virtual forum – the Summit provided a platform for the young people to set priorities for the post 2015 development agenda, and how ICTs can help shape social change. Over the three-day Summit, delegates were engaged through workshops, presentations and interactive discussions. By the Summit’s end, a Consolidated Global Youth Statement was prepared and presented to the President of Costa Rica, who delivered the Statement to the UN General Assembly on behalf of the youth.

Audison and Kyle were selected from a pool of recent College of The Bahamas (COB) graduates in relevant academic disciplines. Audison received a Bachelor of Science degree in Mathematics from The College and is currently enrolled at The Florida Institute of Technology (FIT) in an Applied Mathematics PhD programme. Kyle who graduated

<sup>17</sup> BYND 2015 or Beyond 2015. By 2015 the United Nations’ Millennium Development Goals (MDGs) should be achieved, BYND 2015 suggests the shaping of a new development agenda beyond the year 2015.



with a degree in Media Journalism from COB, is presently employed as a reporter with Jones Communications Network (JCN). In addition to their sponsorship in the Global Summit in Costa Rica, Audison received a ten-day internship with URCA during December 2013; and URCA facilitated a public “Cyber Safety Forum” organised by Kyle, under the theme Using Social Media for Good – How you Can Protect Yourself Online. The Forum was held in February 2014, at The College of The Bahamas.

### Support to Schools and other Non-Profit Community Organisations

URCA ended 2013 on a note of corporate giving. Including gifts to schools in the local community where URCA’s office is located:

- **Doris Johnson Senior High School** received 8 computer systems. The School’s IT teacher recently introduced Computer Aided Draft and Design (CADD) to the computing curriculum.
- **Uriah McPhee Primary School** received 2 computer systems for use in the School’s library. URCA’s gift also included 1-year subscription and licenses to online educational programmes including Brain Pop, Brain Pop Jr, Brain Pop Espanol and Reading A – Z.

URCA also donated to the **Children’s Emergency Hostel**, and in 2014, URCA staff members are hoping to assist, with the Hostel’s mentoring, homework assistance and hair plaiting initiatives. URCA’s gift to the **Salvation Army** included clothing and other goods donated by URCA staff.

In November, URCA supported the **Bahamas AIDS Foundation**, through its support of the annual Red Ribbon Ball. A gift was also made to the Foundation.





## KEY PERFORMANCE INDICATORS (KPIs)

Tables 4 – 15 highlight URCA's performance in core functional areas, based on specified performance measurement indicators. KPIs are distinguished according to URCA's operational and policy and regulatory functions.

### Operational Key Performance Indicators

- Financial
  - » Table 4: Performance against Budget
  - » Table 5: Other Finance KPIs
  - » Notes to Financial KPIs Table 4
- Table 6: Human Resource KPIs
- Table 7: Information Technology KPIs

### Policy and Regulation Key Performance Indicators

- Licencing
  - » Table 8: 2013 Monthly Licence Processing Statistics – Individual Spectrum Licence
  - » Table 9: 2013 Monthly Licence Processing Statistics – Individual Operating Licence
  - » Table 10: 2013 Monthly Licence Processing Statistics – Class Spectrum Licence Requiring Registration
  - » Table 11: 2013 Monthly Licence Processing Statistics – Class Operating Licence Requiring Registration
- Table 12: Publication of Annual Plan and Annual Report
- Table 13: Final Decision Completion Rate for Projects Due in 2013
- Table 14: Rate of Publication of Final Determinations/Statement of Results in 2013
- Table 15: Achievement of Annual Plan Start Dates for Planned Public Consultations in 2013
- Notes to Policy and Regulation KPIs



### Notes to Financial KPIs Table 4

During fiscal year 2013, URCA billed \$4,560,976 in URCA Fees and \$73,385 in other fees, while earning \$55,685 in interest income. Budgeted revenues exceeded actual revenues for the year by **0.5%**.

By comparison, actual expenses for the year were less than the budgeted allocation by **13%**. Variances in major line items are explained below:

- Staff costs were below budget as pay increases and bonuses were not to the level budgeted. Additionally, the full complement of new hires did not occur as anticipated.
- Conferences, travel and training costs were less than budgeted, notwithstanding increased training of Regulatory staff during the year. Other aspects of the planned training for Executive Directors and Operations staff have been deferred until 2014.
- Professional Services expenditure was below budget, as planned regulatory projects for the year, were either incomplete at year-end or deferred to 2014.
- Information Technology was more than budgeted due to URCA's acquisition of a Human Resources data base software during the year.
- Provision for doubtful accounts was more than budgeted due to the long outstanding balance of URCA fees due from a major licensee.



## OPERATIONAL KEY PERFORMANCE INDICATORS

**Table 4: Performance against Budget**

Description	ACTUAL FY - 2013	BUDGET FY - 2013	VARIANCE
Fees	4,634,361	4,711,218	(76,857)
Other Income	55,685	-	55,685
<b>Total Income</b>	<b>4,690,046</b>	<b>4,711,218</b>	<b>(21,172)</b>
Expenses:			
Non- Executive Honoraria & expenses	204,872	231,600	26,728
Executive Members Compensation	299,741	325,342	25,601
Staff Costs	1,538,526	1,892,212	353,686
Conference, Training and Travel	215,234	573,600	358,366
Professional Services	752,445	906,000	153,555
Advertising, Consumer and Public Relations	152,001	155,920	3,919
Rent and Communications	442,879	451,800	8,921
Information Technology	102,028	59,800	(42,228)
Office Services	151,520	134,300	(17,220)
General and Administrative Services	184,628	221,425	36,797
Depreciation	686,650	697,135	10,485
Provision for Doubtful Accounts	183,354	-	(183,354)
<b>Total Operating Expenses</b>	<b>4,913,878</b>	<b>5,649,134</b>	<b>735,256</b>
Re-measurement of pension asset	39,316	-	39,316
<b>Comprehensive Income/(Loss)</b>	<b>1,285,645</b>	<b>(596,269)</b>	<b>1,881,914</b>



**Table 5: Other Finance KPIs**

Description	FY - 2013	FY - 2012
Cost of Finance Function	4.93%	6.65%
Period-end cycle time (working days)	9	11
Year-end cycle time (working days)	21 days	28 days
Budgeting accuracy	16.26%	28.32%
Cost of licensing per invoice	\$187	\$234
Debtor days	37	33
Number of billing adjustments	3	22
Value of adjustments	\$5,116	\$34,193
Long outstanding debt (>90 days) as % of total debt	99.82%	78.06%



**Table 6: Human Resource KPIs**

KPI	Description	2012	2013
Cost of HR function	Total HR expenditure (compensation, training, recruitment, benefits) as a percentage of total operational expenditure	6.36%	5.99%
Cost of HR function per employee	Average expenditure on HR per employee	\$ 12,131.00	\$ 12,264.63
Ratio of employee to HR staff	Number of employees per HR Staff member	7 : 1	8 : 1
Annual average training days per employee	Average number of training days per employee	5.6	4.7
Turnover rate	Percentage of employees who left the organization during the year, including voluntary and involuntary terminations	0.00%	5.00%
Annual average sick days per employee	Average number of days that an employee was absent due to illness	11.86	6.95
Investment in learning and development	Total expenditure on employee training as a percentage of total payroll	3.8%	6.5%
Cost of advisors	Total expenditure on HR related advisors as a percentage of total payroll.	4.11%	4.44%
Roles held by Bahamians	Number of Bahamian employees expressed as a percentage of the employee total	90.91%	95.83%
Average length of vacancy	Average number of days a position is vacant before being filled	224.83	69.33
Average cost of recruitment	Average expenditure on recruitment activities per advertised vacancy	\$ 4,971.15	\$6,901.43
Employee Retention after 12 months of Service	Percentage of employees who are still in their post after 12 months of service.	100%	100%
Employees receiving an annual performance appraisal	Percentage of employees who completed the Performance Management cycle (completion of Performance Appraisal process).	0.00%	0.00%

**Table 7: Information and Communication Technologies (ICT) KPIs**

KPI	Description	2012	2013
Cost of ICT Function	Total ICT expenditure as a percentage of total operational expenditure	1.60%	0.61%
ICT investment	Total investment in ICT ( upgrades, new equipment etc.) as a percentage of total operational expenditure	0.70%	2.27%
Cost of ICT per user	Average expenditure on ICT per employee	\$ 1,334.68	\$ 5,068.61
Percentage of users with remote access	Percentage of employees able to access URCA's network remotely	100.00%	100.00%



# POLICY AND REGULATION KEY PERFORMANCE INDICATORS

**Table 8: 2013 Monthly Licence Processing Statistics – Individual Spectrum Licence**

Month	New Applications					Applications Brought Forward from Previous Month(s)		Number of Licences issued (A+B+C)	Processing Duration	
	Total Received	Applications Pending	Incomplete Applications	Rejected or Dropped Applications	Applications Processed (A)	Pending Applications Processed (B)	Incomplete Applications Processed (C)		Total Processing Time [Days]	Average Processing Time [Days]
January	2	1	0	0	1	0	0	1	22	22
February	1	0	1	0	0	1	0	1	29	29
March	3	0	3	0	0	0	0	0	0	0
April	0	0	0	0	0	0	1	1	14	14
May	0	0	0	1	0	0	0	0	0	0
June	1	0	1	1	0	0	1	1	8	8
July	1	0	0	0	1	0	1	2	34	17
August	1	1	0	0	0	0	0	0	0	0
September	1	0	0	0	1	0	1	2	11	6
October	4	0	2	0	2	0	0	2	4	2
November	0	0	0	0	0	0	1	1	0	0
December	2	0	1	0	1	0	1	2	15	8
TOTAL or Year-End-Balance	16	1	0	2	6	1	6	13	137	9

Note: In 2013, all applications were processed within the statutory 30-day limit. No applications were brought forward from 2012.

**Table 9: 2013 Monthly Licence Processing Statistics – Individual Operating Licence**

Month	New Applications					Applications Brought Forward from Previous Month(s)		Number of Licences issued (A+B+C)	Processing Duration	
	Total Received	Applications Pending	Incomplete Applications	Rejected or Dropped Applications	Applications Processed (A)	Pending Applications Processed (B)	Incomplete Applications Processed (C)		Total Processing Time [Days]	Average Processing Time [Days]
January	1	1	0	0	0	0	0	0	0	0
February	0	0	0	0	0	1	0	1	29	29
March	0	0	0	0	0	0	0	0	0	0
April	0	0	0	0	0	0	0	0	0	0
May	1	0	0	0	1	0	0	1	18	18
June	0	0	0	0	0	0	0	0	0	0
July	0	0	0	0	0	0	0	0	0	0
August	0	0	0	0	0	0	0	0	0	0
September	0	0	0	0	0	0	0	0	0	0
October	0	0	0	0	0	0	0	0	0	0
November	0	0	0	0	0	0	0	0	0	0
December	0	1	0	0	0	0	0	0	0	0
TOTAL or Year-End-Balance	2	2	---	0	1	1	0	2	47	24

Note: In 2013, all applications were processed within the statutory 30-day limit. No applications were brought forward from 2012.

**Table 10: Monthly Licence Processing Statistics: Class Spectrum Licence Requiring Registration, 2013**

Month	New Applications					Applications Brought Forward from Previous Month(s)		Number of Licences issued (A+B+C)	Processing Duration	
	Total Received	Applications Pending	Incomplete Applications	Rejected or Dropped Applications	Applications Processed (A)	Pending Applications Processed (B)	Incomplete Applications Processed (C)		Total Processing Time [Days]	Average Processing Time [Days]
January	23	15	2	0	6	17	0	23	614	27
February	9	7	1	0	1	15	0	16	291	18
March	6	4	0	0	2	7	2	11	228	21
April	7	5	0	1	2	4	0	6	104	17
May	7	5	0	0	2	5	0	7	182	26
June	6	4	0	0	2	5	0	12	314	26
July	2	1	0	0	1	4	0	5	87	17
August	8	7	0	0	1	1	0	2	36	18
September	7	4	0	0	3	7	0	10	237	24
October	14	8	1	1	4	4	0	8	161	20
November	13	12	0	0	1	8	1	10	211	21
December	11	4	0	0	8	12	0	20	417	21
TOTAL or Year-End-Balance	113	4	1	2	33	89	3	130	2,882	26

Note: 17 pending applications were brought forward from 2012. In 2013, all applications were processed within the statutory 45-day limit. Also note that during the month of June there was a special case where a single application (1) required the issuance of six (6) licences.

**Table 11: Monthly Licence Processing Statistics: Class Operating Licence Requiring Registration, 2013**

Month	New Applications					Applications Brought Forward from Previous Month(s)		Number of Licences issued (A+B+C)	Processing Duration	
	Total Received	Applications Pending	Incomplete Applications	Rejected or Dropped Applications	Applications Processed (A)	Pending Applications Processed (B)	Incomplete Applications Processed (C)		Total Processing Time [Days]	Average Processing Time [Days]
January	0	0	0	0	0	0	0	0	0	0
February	0	0	0	0	0	0	0	0	0	0
March	0	0	0	0	0	0	0	0	0	0
April	0	0	0	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0	0	0	0
June	0	0	0	0	0	0	0	0	0	0
July	0	0	0	0	0	0	0	0	0	0
August	0	0	0	0	0	0	0	0	0	0
September	0	0	0	0	0	0	0	0	0	0
October	0	0	0	0	0	0	0	0	0	0
November	1	1	0	0	0	0	0	0	0	0
December	1	1	0	0	0	1	0	1	14	14
TOTAL or Year-End-Balance	2	0	0	0	0	1	0	1	14	14

Note: In 2013, all applications were processed within the statutory 45-day limit. No applications were brought forward from 2012.

**Table 12: Publication of Annual Plan and Annual Report**

KPI Description	KPI Measurement - Publications Date
<b>2013 Annual Plan</b>	
Publish final Plan within 4 months of end of preceding year	Published on April 30, 2012
Publish draft Plan before end of preceding year	Published December 31, 2013
<b>2012 Annual Report</b>	
Publish within 4 months of end of reporting year	Published on April 30, 2013

**Table 13: Final Decision Completion Rate for Projects Due in 2013**

Description		Publication Date
<b>Publication Within 30 Days of Final Comments</b>		
1	Assessment of Significant Market Power in Call Termination Services in The Bahamas	22-Aug-13
2.0	Second Final Determination - The Implementation of Fixed Number Portability in The Bahamas	29-Oct-13
2.1	Third Final Determination - The implementation of Fixed Number Portability (Cost Allocation and Recovery)	19-Nov-13
<b>Publication Within 60 Days of Final Comments But More than 30 Days</b>		
1	Alleged breach of the Communications Act by the Broadcasting Corporation of the Bahamas	15-Jan-13
2	Alleged breach of the Communications Act by the Broadcasting Corporation of the Bahamas	15-Jan-13
3	URCA Issues Final Determination and Order – BTC June Network Outages	7-Mar-13
4	Final Determination against - Destination Airlink Bahamas Ltd.	6-Sep-13
<b>Publication Exceeding 60 Days of Final Comments</b>		
1	Framework for the Clarification and Implementation of Existing Universal Service Obligations (USO)	23-Jan-13
2	Utilities Regulation and Competition Authority (URCA) Consumer Protection Regulations	30-Dec-13
3	URCA Final Decision: CBL Price Increase Application	11-Feb-13

**Table 14: Rate of Publication of Final Determinations/Statement of Results in 2013**

Description		Publication Date
<b>Final Publication Within One Month of Final Comments</b>		
1	Assessment of Significant Market Power in Call Termination Services in The Bahamas	22-Aug-13
2	Second Final Determination - The Implementation of Fixed Number Portability in The Bahamas	29-Oct-13
2.1	Third Final Determination - The implementation of Fixed Number Portability (Cost Allocation and Recovery)	19-Nov-13
<b>Final Publication Exceeding One Month of Final Comments</b>		
1	Alleged breach of the Communications Act by the Broadcasting Corporation of the Bahamas	15-Jan-13
2	Alleged breach of the Communications Act by the Broadcasting Corporation of the Bahamas	15-Jan-13
3	URCA Issues Final Determination and Order – BTC June Network Outages	7-Mar-13
4	Final Determination against - Destination Airlink Bahamas Ltd.	6-Sep-13

**Table 15: Achievement of Annual Plan Start Dates for Planned Public Consultations in 2013**

Description	Scheduled Period (Q = Calendar Quarter)	Was KPI Date Met?
Number Portability	Q2	Yes
Network Quality of Service Standards	Q2	No
Assessment of SMP in Call Termination	Q2	Yes
Consumer Protection Framework	Q3	Yes
FM Radio Technical Framework	Q3	No
Review of Radio Spectrum Pricing	Q3	No
Review of Retail Pricing Framework	Q4	Yes
Dispute Resolution Process	Q4	No

## NOTES TO POLICY AND REGULATION KPIS

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### Notes to Licensing KPIS: Tables 8 – 11

At any given point in time, applications may be characterised in either of four ways: pending, incomplete, rejected/dropped, or processed.

**Pending:** An application may be considered pending when the applicant has failed to submit all required documentation and/or information to URCA. In such cases, the statutory processing time for the application is paused.

**Incomplete:** This status is given in instances whereby there may be a regulatory impediment to completing the application process. For instance, the unavailability of a specified spectrum frequency may be cited as the cause.

**Rejected/dropped:** Applications meeting all necessary criteria may however be rejected due to the exhaustion of a specified radio spectrum band. In the case of a 'dropped' status, applications may remain in incomplete mode for up to three months. Failure by the applicant to provide outstanding documentation and/or information within this statutory time-frame, results in the application being considered as 'dropped'.

**Processed:** An application is considered processed, when all application requirements have been met for the issue of a licence.

**Average Processing Days** = Processing Time [Days] / Total Number of Application Forms Received

### Notes to Other Policy and Regulation KPIS

During 2013, no regulatory measures were successfully appealed nor litigated.



**NUMBER  
PORTABILITY**  
September 3rd

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Utilities Regulation And Competition Authority:

We have audited the financial statements of The Utilities Regulation And Competition Authority (the "Authority") which comprise the statement of financial position as at December 31, 2013, and the related statements of profit or loss and other comprehensive income, changes in equity 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.

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 at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other matter

The financial statements of The Utilities Regulation and Competition Authority for the year ended December 31, 2012, were audited by another auditor who expressed an unqualified opinion on those statements on April 23, 2013.



April 29, 2014

**STATEMENT OF FINANCIAL POSITION**

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

AS AT DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	Notes	2013 \$	2012 (Restated) \$	2011 (Restated) \$
<b>Assets</b>				
<b>Non-Current Assets:</b>				
Property, plant and equipment	7	946,476	1,509,359	2,107,624
Pension asset	6	197,958	157,072	252,577
<b>Total non-current assets</b>		<b>1,144,434</b>	<b>1,666,431</b>	<b>2,360,201</b>
<b>Current Assets:</b>				
Cash on hand and at banks	3, 10	2,127,676	1,625,238	947,843
Accounts receivable	4, 10	269,181	479,539	326,561
Prepaid expenses and other assets		183,069	175,122	208,398
<b>Total current assets</b>		<b>2,579,926</b>	<b>2,279,899</b>	<b>1,482,802</b>
<b>Total assets</b>		<b>3,724,360</b>	<b>3,946,330</b>	<b>3,843,003</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses		250,447	233,695	87,492
Due to Consolidated Fund		-		1,100,000
Deferred revenue	9	4,616	58,822	178,698
<b>Total Liabilities</b>		<b>255,063</b>	<b>292,517</b>	<b>1,366,190</b>
<b>Net assets</b>		<b>3,469,297</b>	<b>3,653,813</b>	<b>2,476,813</b>
<b>Net Assets Represented By:</b>				
Contributed capital	8	1,533,275	1,485,069	1,359,193
Electronic Communication Fund	8	1,936,022	2,168,744	1,117,620
<b>Total Equity</b>		<b>3,469,297</b>	<b>3,653,813</b>	<b>2,476,813</b>

See notes to financial statements.

These financial statements were approved by the Board of Directors on April 29, 2014, and are signed on its behalf by:



Chairperson



Chief Executive Officer

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

YEAR ENDED DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	Notes	2013 \$	2012 (Restated) \$
<b>Revenue</b>			
Electronic communications operating licence fees	10, 11	4,560,976	5,234,077
Telecommunications, radio communications and other fees	10	73,385	179,141
		<b>4,634,361</b>	<b>5,413,218</b>
<b>Expenses</b>			
Salary and benefits	10	1,986,267	1,901,070
Legal, professional and consultancy fees		752,445	480,534
Depreciation	7	686,650	681,059
Rent and occupancy costs		404,664	390,849
Professional membership		160,447	149,460
Travel		153,547	157,958
Advertising and public relations		152,001	63,481
Office services		151,520	158,209
Training		118,559	66,192
Information technology		102,028	74,708
Provision for doubtful accounts	4	183,354	14,135
Communications	10	38,215	44,641
Premises repairs and maintenance		14,505	4,881
Automotive maintenance		9,676	8,972
<b>Total expenses</b>		<b>4,913,878</b>	<b>4,196,149</b>
		<b>Operating (Loss) Income</b>	<b>1,217,069</b>
Interest income		55,437	66,076
Other income		248	2,500
<b>Excess (expenditure over income) income over expenditure</b>		<b>(223,832)</b>	<b>1,285,645</b>
<b>Other comprehensive income</b>			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension asset		39,316	(108,645)
<b>Total Comprehensive (Loss) Income</b>		<b>(184,516)</b>	<b>1,177,000</b>

See notes to financial statements.



**STATEMENT OF CHANGES IN EQUITY**

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

YEAR ENDED DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	Contributed Capital \$	Electronic Communications Fund \$	Total \$
Balance at January 1, 2012, as previously reported	1,359,193	1,084,395	2,443,588
Prior period adjustment (Note 2a)	-	33,225	33,225
<b>Balance as of January 1, 2012 as restated</b>	<b>1,359,193</b>	<b>1,117,620</b>	<b>2,476,813</b>
Net Income	125,876	1,159,769	1,285,645
Other comprehensive loss	-	(108,645)	(108,645)
<b>Balance as of 31, 2012, as restated</b>	<b>1,485,069</b>	<b>2,168,744</b>	<b>3,653,813</b>
Net income (loss)	48,206	(272,038)	(223,832)
Other comprehensive income	-	39,316	39,316
<b>Balance at December 31, 2013</b>	<b>1,533,275</b>	<b>1,936,022</b>	<b>3,469,297</b>

*See notes to financial statements.*

# STATEMENT OF CASH FLOWS

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

YEAR ENDED DECEMBER 31, 2013 (Expressed in Bahamian dollars)

	Notes	2013 \$	2012 (Restated) \$
<b>Cash Flows From Operating Activities</b>			
Excess income over expenditure		(223,832)	1,285,645
Adjustments for:			
Depreciation	7	686,650	681,059
Provision for doubtful accounts	4	183,354	14,135
Interest income		(55,437)	(66,076)
Loss (gain) on disposal of property, plant and equipment		32	(2,500)
(Increase) decrease in operating assets:			
Accounts receivable		27,004	(167,113)
Prepaid expenses and other assets		(7,947)	33,276
Pension asset		-	(13,140)
Increase (Decrease) in operating liabilities:			
Accounts payable and accrued expenses		16,752	146,203
Due to the consolidated fund		-	(1,100,000)
Deferred revenue		(54,206)	(119,876)
Interest received		56,168	64,126
Net cash from operating activities		628,538	755,739
<b>Cash flows investing activities:</b>			
Purchase of property, plant and equipment	7	(123,800)	(82,794)
Proceeds from sale of property, plant and equipment		-	2,500
Net cash used in investing activities		(123,800)	(80,294)
<b>Increase in cash and cash equivalents</b>		<b>504,738</b>	<b>675,445</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,622,938</b>	<b>947,493</b>
<b>Cash and cash equivalents at end of year</b>	<b>3</b>	<b>2,127,676</b>	<b>1,622,938</b>

See notes to financial statements.

## 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 Communication 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, 2013 (the "Amendment Act"), assented to on 1 July 2013, repealed and replaced section 37 and repealed section 40 of the principal Act; 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 years 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).

#### *New and amended standards adopted by the Authority*

In the current year, the Authority has applied amendments to published standards that became effective for the Authority's financial year beginning on 1 January 2013.

#### *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

**2. Summary of Significant Accounting Policies (continued)**

**(a) Basis of preparation (continued)**

The Authority has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* in the current year. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income.” The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Authority has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

The amendments to IAS 19 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).

These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years as noted below. The Authority has also applied the relevant transitional provisions, as applicable to first-time application of IAS 19 (as revised in 2011), and restated the comparative amounts on a retrospective basis as noted below.

	2012 \$	2011 \$
Increase (decrease) in other comprehensive income and total comprehensive income for the year	(108,645)	33,225
Increase (decrease) in pension asset and electronic communication fund as at December 31	(108,645)	33,225

*New standards, amendments and interpretations issued but not yet effective*

IFRS 9 Financial Instruments (as revised in 2010) (Effective for annual periods beginning on or after 1 January 2015)

*Amendments to Standards*

IAS 32 Offsetting Financial Assets and Financial Liabilities (Effective for accounting periods beginning on or after 1 January 2014)

IFRS 10, 12 and 27 Investment Entities (Effective for accounting periods beginning on or after 1 January 2014)

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.

**(b) Foreign currency translation**

The financial statements are presented in Bahamian dollars, which is the Authority’s functional and presentation currency. Foreign

**2. Summary of Significant Accounting Policies (continued)**

**(b) Foreign currency translation (continued)**

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 profit or loss and other 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 profit or loss.

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.

**(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 profit or loss.

**2. Summary of Significant Accounting Policies (continued)****(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.

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. Payments to the plan are recognized as an expense when employees have rendered service entitling them to the contributions. 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 are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. 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 profit or loss 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.

**2. Summary of Significant Accounting Policies (continued)**

**(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:

	2013 \$	2012 \$
Cash on hand and at banks	2,127,676	1,625,238
Accrued interest	(1,210)	(2,300)
	<b>2,126,466</b>	<b>1,622,938</b>

**4. Accounts Receivable**

	2013 \$	2012 \$
Accounts receivable	483,818	510,822
Provision for doubtful accounts	(214,637)	(31,283)
	<b>269,181</b>	<b>479,539</b>

Movements in provision for doubtful accounts are as follows:

	2013 \$	2012 \$
Opening Balance	31,283	31,048
Provision for doubtful accounts	183,354	14,135
Bad debts written off	-	(13,900)
	<b>214,637</b>	<b>31,283</b>

**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 2013, there are 15 (2012: 14) 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 2012.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	5.00%	5.00%
Expected rate of return on plan assets	N/A	5.00%
Future salary increases	4.00%	5.00%

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

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:

	2013 \$	2012 \$
Current service cost	104,631	85,350
Net interest income	(5,148)	-
<b>Total, included in salaries and benefits</b>	<b>99,483</b>	<b>85,350</b>
<b>Actual return on plan assets</b>	<b>58,412</b>	<b>62,191</b>

The pension plan asset is analysed as follows:

	2013 \$	2012 \$
Present value of benefit obligations	1,656,140	1,554,689
Fair value of plan assets	(1,854,098)	(1,711,761)
<b>Pension asset</b>	<b>(197,958)</b>	<b>(157,072)</b>

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

	2013 \$	2012 \$
Asset as of beginning of year	(157,072)	(252,577)
Pension benefit expense	99,483	74,790
Amount recognised in other comprehensive income	(39,316)	108,645
Contributions	(101,053)	(87,930)
	<b>(197,958)</b>	<b>(157,072)</b>



**6. Pension Benefits (continued)**

Movements in the benefit obligations comprise:

	2013 \$	2012 \$
Present value of benefit obligations as of beginning of year	1,554,689	1,325,805
Current service cost	104,631	85,350
Interest cost	82,538	70,139
Benefits paid	(17,128)	(16,742)
Actuarial (loss)/gain on benefit obligations	(68,590)	90,137
	<b>1,656,140</b>	<b>1,554,689</b>

Movements in the fair value of plan assets comprise:

	2013 \$	2012 \$
Fair value of plan assets as of beginning of year	1,711,761	1,578,382
Expected return on plan assets	87,686	80,699
Contributions	101,053	87,930
Benefits paid	(17,128)	(16,742)
Actuarial loss on benefit obligations	(29,274)	(18,508)
	<b>1,854,098</b>	<b>1,711,761</b>

*Sensitivity Analysis*

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant

	1% p.a. Increase	1% p.a. Decrease
Discount rate	(301,244)	393,364
Future salary increases	212,740	(182,428)

The sensitivity analysis presented above may not be representative of the actual change in the benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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 and Office Equipment \$	Total \$
<b>Cost</b>					
Balance at December 31, 2011	713,552	2,480,870	53,200	267,139	3,514,761
Additions	-	24,002	45,800	12,992	82,794
Disposal	-	(14,995)	-	-	(14,995)
Balance at December 31, 2012	713,552	2,489,877	99,000	280,131	3,582,560
Additions	14,571	41,791	59,090	8,348	123,800
Disposal	-	(17,154)	-	-	(17,154)
<b>Balance at December 31, 2013</b>	<b>728,123</b>	<b>2,514,514</b>	<b>158,090</b>	<b>288,479</b>	<b>3,689,206</b>
<b>Accumulated Depreciation</b>					
Balance at December 31, 2011	190,280	1,101,703	53,200	61,954	1,407,137
Depreciation expense	142,711	479,774	6,107	52,467	681,059
Disposal	-	(14,995)	-	-	(14,995)
Balance at December 31, 2012	332,991	1,566,482	59,307	114,421	2,073,201
Depreciation expense	146,022	477,041	11,130	52,457	686,650
Disposal	-	(17,121)	-	-	(17,121)
<b>Balance at December 31, 2013</b>	<b>479,013</b>	<b>2,026,402</b>	<b>70,437</b>	<b>166,878</b>	<b>2,742,730</b>
<b>Carrying Value:</b>					
<b>As at December 31, 2013</b>	<b>249,110</b>	<b>488,112</b>	<b>87,653</b>	<b>121,601</b>	<b>946,476</b>
<b>As at December 31, 2012</b>	<b>380,561</b>	<b>923,395</b>	<b>39,693</b>	<b>165,710</b>	<b>1,509,359</b>

8. Fund Balances

*Contributed surplus*

The net assets transferred to the Authority were designated as contributed capital 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 capital.

*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. As disclosed in Note 1, the Amendment Act (2013) repealed and replaced section 37 of the principal Act with the following conditions relative to the Electronic Communications Fund (the Fund): monies paid into the Fund that are not immediately required by the Authority are to be considered surplus funds; the Minister of Finance at the end of the financial year may authorize the Authority to reserve from the surplus funds such sums as the Minister may determine; subject to the aforementioned, at the end of each financial year the Authority shall pay into the Consolidated Fund all surplus funds standing to the credit of the Authority.

The Amendment Act (2013) also repealed section 40 of the principal Act, which provided for the Authority to impose sufficient fees and charges to carry out its duties including anticipated costs for the forthcoming financial year and allowed it to retain surplus funds to be applied for subsequent years.

**8. Fund Balances (continued)**

*Electronic communications fund (continued)*

The Authority will determine, at the end of each financial year, whether any fund balances include amounts that had been previously budgeted, and billed to licensees, for existing contracts, planned projects and other commitments and which are not completed by the end of the year. Such amounts will be designated as funds allocated and deferred for expenditure in future years. No amount has been designated as allocated funds as at December 31, 2013. Additionally under section 40, the Authority was to retain any excess sums collected for application to the following financial year(s). In previous years, 2009-2012 (prior to the repeal of section 40), the Authority utilized surpluses in the fund to amend charges and fees in subsequent years levied on the licensees by the Authority.

**9. Deferred Revenue**

	2013 \$	2012 \$
Electronic communications operating licence fees	-	6,000
Telecommunications, radio communications and other fees	4,616	52,822
	<b>4,616</b>	<b>58,822</b>

Electronic communications operating licence fees are current. Telecommunications, radio communications and other fees to be recognized within 12 months is \$4,616 (2012: \$48,206).

**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:

	2013 \$	2012 \$
<i>Assets</i>		
Cash at banks	1,996,458	1,542,240
Accounts receivable	3,010	3,800
	<b>1,999,468</b>	<b>1,546,040</b>
<i>Liabilities</i>		
Accounts payable and accrued expenses	19,150	22,481
<i>Revenue</i>		
Electronic communications operating licence fees	3,623,541	4,041,735
Telecommunications, radio communications and other fees	100	6,600
	<b>3,623,641</b>	<b>4,048,335</b>
<i>Expenses</i>		
Salaries and benefits	38,837	32,870
Travel	1,800	2,446
Communications	33,354	39,667
	<b>73,991</b>	<b>74,983</b>

**11. Revenue Recognition**

Revenue for electronic communications operating license fees, as reflected in the statement of profit or loss, for the year ended December 31, 2013, does not include all of the amounts billed by the Authority to its licensees pursuant to its powers under the Act and to cover the costs of carrying out its duties. The amount not reflected as revenue in the accounts does not meet all of the criteria for recognition of revenue under IAS 18 although the Authority believes that economic benefit will eventually flow to the Authority in connection with this amount.

The breakdown of revenue for electronic communications operating license fees is as follows:

	\$
Amount billed	4,744,488
Less amount not recognised	(183,512)
Amount per statement of profit or loss	4,560,976

**12. 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:

	\$
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:

	2013	2012
<i>Days Outstanding</i>		
0 - 90 days	5,501	39,300
91 - 180 days	1,500	1,389
181 - 365 days	200,937	178,673
More than 365 days	459,392	291,460

Based on its experience, the Authority considers balances less than 180 days to have acceptable credit quality.

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 2013, all of the Authority’s liabilities are due within one year.

**(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 term 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.

**14. 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.

**15. 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.





## 2014 ANNUAL PLAN

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# 1. URCA'S PLAN FOR 2014

## 1.1 Strategic Outlook

With the Government's initial ECS Policy and URCA's first strategic plan – both published in 2009 – coming to an end, URCA's strategic outlook reflects a re-visioning of the ECS, the organisation and its strategic priorities, beginning in 2014. As consultation on a revised Sector Policy got underway in 2013, URCA undertook a process to review and update its strategy and priorities, to ensure that they continue to be aligned with the Sector Policy, the evolving needs of the sector, and the local and international changes that had taken place in electronic communications since 2009.

Completed during the final quarter of 2013, URCA's new Strategic Plan represents a five-year, 2014 to 2019 outlook, but is considered to be a rolling plan, which URCA will update as necessary on a periodic basis to ensure that it remains relevant to the prevalent circumstances. Based on URCA's assessment of the strengths and weaknesses of the organisation and the prevailing environmental factors, URCA established the following strategic goals:

- Promoting the interests of the public.
- Commitment to developing our people.
- Cultivating a work environment based on employee engagement, transformational leadership and effective management.
- Commitment to public engagement.

## 1.2 Focus Areas and Key Projects for 2014

### 1.2.1 Preparation for Mobile Liberalisation

The Government has noted that cellular competition is a key objective for the ECS moving forward.

URCA has been directed by the Government in its draft revised ECS Policy to take all necessary steps to introduce competition in the cellular services market in The Bahamas as expeditiously as possible following the expiry of BTC's exclusivity period. The Government further exhorted URCA to take steps to equip itself with the necessary regulatory tools which would be required to effectively regulate a competitive cellular market in the best interests of The Bahamas, after the expiry of BTC's exclusivity.

The exclusivity afforded to BTC in the provision of cellular services expires on 7 April 2014, and in light of the significant volume of work that will be required to meet the Government's expectations, URCA has already commenced and will place the highest focus in 2014, on activities related to cellular liberalisation.

### 1.2.2 Protection of Consumers

During 2013 URCA consulted on its Consumer Protection Regulations, which provided for various rights and obligations of consumers in relation to the electronic communications services provided in The Bahamas. Consistent with its Strategic Goal of Promoting the Interests of the Public, and building on the work done in 2013 URCA will during 2014 fully implement the Consumer Protection Regulations, which were finalised in December 2013.

This will involve the implementation of reporting requirements for licensees and URCA's publication procedures for reported statistics, and URCA's monitoring processes for ensuring licensee compliance with the regulations.



### 1.2.3 Encouraging Competition

The interests of the public are best promoted by vibrant and active competition in the ECS. URCA's regulatory framework is centred on reducing barriers to entry for new entrants and introducing properly designed regulatory measures, particularly in respect of dominant operators in specific markets, and has been developed having regard to best practice considerations.

URCA's regulation of competition in the ECS is centred around its processes for regulation of licensees with Significant Market Power (SMP) which processes were based on the transitional provisions contained in the Communications Act 2009. During 2013 URCA commenced a process to review key retail markets to ensure that markets are properly defined and that licensees with SMP in those markets are identified.

The assessment of SMP in key retail markets is expected to be completed in the second half of 2014. Once the markets are defined and the SMP licensees identified, URCA will review the remedies currently in place to determine whether they remain fit for purpose or whether changes in those remedies is appropriate to ensure and encourage competition. The call termination markets were identified and remedies designed in a determination made by URCA on 22 August 2013. As stated above URCA will be moving to establish termination rates for CBL and IPSI in 2014.

In 2014 URCA will also be developing and introducing other measures to facilitate and encourage competition in the ECS. One of the key issues which URCA will consider in 2014 is facilities sharing amongst licensees which should assist in reducing barriers to entry for new licensees, and also to reducing the need for duplicated investment amongst licensees.

URCA will also continue to exercise its ex-post powers as appropriate from time to time.

### 1.2.4 Promoting Affordable Access to Services throughout The Bahamas

The Communications Act establishes a framework which seeks to ensure that certain basic electronic communications services are provided and accessible to persons throughout The Bahamas. This "universal service" framework is a key aspect of the regulatory environment and during 2013 URCA completed significant work toward the implementation of the universal service requirements set out in the Communications Act. This work will continue throughout 2014 with a number of regulatory initiatives designed to ensure the provision of universal service in accordance with the Communications Act and in the best interests of persons in The Bahamas. In particular, URCA intends in 2014 to complete its consultation on the Universal Service Fund and to commence consultation on the remaining documents within the universal service framework as contemplated by URCA's Framework for the Clarification and Implementation of Existing Universal Service Obligations (USO) issued on 23 January 2013.

### 1.2.5 Promoting a Wide Range of High Quality Content Services

On 2 March 2012 URCA issued the "Code of Practice for Content Regulation" ECS 06/2012 (the Code) which, in accordance with Part IX (and sections 52 and 53 in particular) of the Communications Act established a framework for URCA to regulate content broadcast on radio, television and pay TV in The Bahamas.

In 2013 URCA progressed the appointment of the Content Regulation Industry Group (CRIG), a joint regulator/industry working group which will advise URCA on the administration of the Code, assist with monitoring compliance with and enforcement of the Code, and will eventually assist URCA in the review of the Code, scheduled to commence in late 2014. The CRIG will commence its work during 2014.

### **1.2.6 Managing Radio Spectrum Effectively and Efficiently**

URCA will continue with initiatives to not only manage the spectrum effectively, but also to ensure that it is used optimally so as to promote the availability of the highest possible quality and variety of services to all persons in The Bahamas. To that end, in 2013 URCA commenced consultation on a review of Radio Spectrum Pricing, consultation on which will be completed during 2014 with implementation of any revised spectrum pricing from the beginning of 2015.

In addition, URCA continues with its spectrum monitoring and enforcement activities on a day to day basis.

### **1.2.7 Building Regulatory Capacity and Human Capital**

URCA is heavily reliant on a highly trained, experienced and specialised cadre of professionals across several key disciplines. URCA recognises that the availability of persons with some of the key requirements is limited, and therefore URCA must adopt a human resources philosophy and strategy which attracts and retains strong relevant talent, develops and trains existing staff, and creates a culture which motivates staff to identify with and work toward the achievement of organisational aims.

Therefore during 2014, URCA will seek to increase its staff complement in the technical (including spectrum management) and corporate and consumer relations areas. Based on URCA's recent experiences, there is a need to expand the human resources in these areas. URCA will continue to train new (current and future) staff hires and upskill our existing staff to ensure that they become more specialised in some of the key areas of regulation and competition matters. URCA will also seek to partner with other regulators to have short term work exchanges/placements which could be mutually beneficial to those participating.

In an effort to develop further regulatory capacity in the country, URCA will seek to have college students studying Law, Economics and or Finance and Engineering participate in a summer intern programme to expose them to regulation and competition matters. URCA will continue to assist and provide support through sponsorship to young people who are interested in advancing the electronic communications sector in The Bahamas.

### **1.2.8 Educating our Stakeholders**

One of the key findings during the Strategic Plan development process is that our stakeholders would like URCA to educate them and others on various issues and topics. Stakeholders were of the opinion that the workshops that URCA held in previous years were very beneficial to the industry and as such felt that URCA should periodically hold workshops on topical issues. Therefore, URCA will host periodic workshops for its stakeholders on topical issues including how the implementations of key regulatory measures are to work. URCA has multiple stakeholders and will use other fora including targeted meetings, media appearances, civic group meetings and social media (Facebook) among others to continuously educate our stakeholders. URCA will seek to educate stakeholders on topics such as Interconnection and the Codes on Practice for Content Services during the year. It should also be noted that URCA will be seeking input from its stakeholders on topics that they may be interested on learning about.

### **1.2.9 Raising Public Awareness of URCA**

URCA as a statutory regulatory body with the remit to regulate the Electronic Communications Sector has a duty to implement the ECS policy objectives. One key ECS policy objective is to further the interests of consumers by promoting competition

in the sector. As such it is critical to bring further public awareness of URCA's role and mandate with regards to the ECS. Therefore, URCA will ensure that its decisions and communications are continuous and targeted so that the general populace becomes aware of URCA and get involved with URCA's work. Consumers are a critical stakeholder and the sometimes lacklustre participation in the public consultation process does not bode well for the sector. There is much work for URCA to do in this regard and therefore more resources will be dedicated to improve URCA's public profile. This is supported by increasing the human resources in the consumer and corporate relations area and the percentage increase in the advertising, consumer education and corporate relations budget for 2014. URCA is also committed to Community Outreach via donations of finance, goods and time.

### 1.3 URCA's Key Projects for 2014

Section 1.3.1 identifies the projects to be undertaken by URCA, through each quarter of 2014. Each project has been selected in furtherance of URCA's Strategic Plan, though in light of the interplay between priorities and strategies URCA has not sought to classify the projects based on the Strategic Goals.

It must be noted that not all work undertaken by URCA is represented below. The projects that are specifically identified are those which have major significant public impact. What is not reflected are the myriad of secondary issues, complementary investigations such as competition investigations and research activities that lend support to the achievement of the overall goals of URCA.

#### 1.3.1 2014 Projects by Quarter

This section provides details, including time schedules, of the projects carried over from 2013 as well as the new projects that will be initiated in 2014.

##### *Projects Continued from 2013*

The following projects commenced in 2013 or prior are currently on-going and will be continued during 2014. These have been discussed in detail in the review of 2013 set out in Section 1.2.

- *Implementation of Universal Service*
- *Market Reviews*
- *Content Regulation Industry Working Group*
- *Review of Retail Pricing Rules*
- *Spectrum Pricing Review*
- *Review of BTC's Accounting Separation Results*
- *Consultation on an Alternative Dispute Resolution Scheme for the ECS*
- *Consultation on FM Radio Technical Standards*
- *Consultation on Network Quality of Service Standards*
- *Competition Complaints –*
  - » *CBL/SRG against BTC re Calling Card Sales*
  - » *BTC against CBL/Cable Media*

##### *New Projects 2014*

As stated above, URCA's main priority for 2014 will be to address matters pertaining to the introduction of competition in the

cellular mobile sector, which URCA sees as the most important factor affecting the development of the ECS in The Bahamas at this time. Based on the importance of this initiative, and the likelihood that the work required will consume a significant portion of URCA's resources during 2014, URCA has not sought to commence any significant new projects during 2014, except for those selected to further cellular liberalisation. The majority of other projects identified are therefore ones which URCA commenced or conducted significant work on in 2013, thereby enabling completion in 2014 without unduly affecting the availability of resources for URCA's preparation for cellular liberalisation.

URCA is also cognisant that while its current responsibilities are limited to the ECS, it was formed as a potential multi-sector regulator, and therefore could be called upon at any time to assume responsibility for the regulation of other sectors of the economy.

#### *January to March 2014*

In addition to the projects carried over from 2013, during the first three months of 2014, URCA expects to commence work on the following projects:

#### *Preparation for Cellular Liberalisation*

URCA's highest priority for 2014 will be work toward the liberalisation of the cellular mobile market, the restriction on which is due to expire on 7 April 2014. The overall agenda for cellular mobile liberalisation will be determined by the Government. However, URCA intends, consistent with indications made in the Government's draft revised ECS Policy, to work assiduously toward ensuring that a robust and effective regulatory framework is in place for a liberalised cellular mobile market, and also to expedite the activities which are necessary to introduce competition in the sector. In that regard, some of the key issues which will receive URCA's attention during 2014 are listed below. It should be noted that work on the individual items in the list will commence and take place during 2014 as appropriate having regard to the timetable established by the Government for liberalisation and the urgency of each specific project relative to that timetable.

- Consideration of appropriate selection and spectrum allocation process – URCA will consider and as appropriate make recommendations to the Government regarding the appropriate methodology to be adopted in respect of the selection of a new provider and the allocation and licensing of spectrum. URCA will also commence consideration and preparation of any required documents, review of potential service providers, engagement of any required advisors, and any other initiative which might assist in ensuring that URCA is prepared to participate fully in that process as may be required by Government.
- Spectrum Audit – URCA will take steps to identify and ensure that optimal spectrum allocations are made for use by new and existing cellular mobile operators, through a thorough assessment of the available spectrum and current allocations, and the making of appropriate regulatory decisions in respect of prospective spectrum assignments.
- Technical Specifications and Standards – URCA will ensure that appropriate standards are in place to ensure that cellular mobile networks are operated in accordance with best practices which ensure optimal operation of cellular mobile networks whilst protecting public health and safety and avoiding unnecessary interference with other communications networks and electrical/electronic equipment.

- Preparation of Draft Licences for Cellular Mobile Operators – URCA will review the existing terms and conditions in the individual operating and spectrum licences granted to providers and will prepare appropriate terms and conditions to be applied to new operators as well as any adjustments which may be appropriate in respect of existing licensees. In this context URCA will also consider the specific obligations that should be placed on new and existing licensees, such as roll out obligations.
- Treatment of Mobile Tower Construction, Sharing and Proliferation Issues – The construction of new cellular mobile networks will likely necessitate the construction by the new operator of towers for the accommodation of cellular radio equipment. This creates significant challenges in relation to public safety, disaster preparedness, environmental and aesthetic concerns, and public health. URCA will adopt a comprehensive approach to minimising any harm or perception of harm whilst allowing networks to be built in a timely and business friendly manner. This will necessarily involve a combination of URCA regulatory action (such as the infrastructure sharing regulatory measures discussed below) as well as coordination with the various responsible Governmental and other agencies.
- Mobile Charging Regime and Review of RAI0 Rates and Terms and Conditions – URCA will review current practices and provisions in place in respect of mobile services in The Bahamas and will consider what, if any, regulatory changes should be made.
- Determination of SMP in mobile services – URCA will consider whether or not a new cellular mobile operator should be treated as having significant market power (SMP) in mobile termination (voice and SMS/MMS). On the retail side URCA would need to determine whether BTC's mobile services will be subject to retail price regulation going forward.
- Mobile Number Portability – Number Portability in The Bahamas was launched for fixed networks on 2 December 2013 and URCA has made determinations and ensured the implementation of a system which will accommodate mobile number portability with minimal adjustment, and coincident with the introduction of competition. URCA will ensure that the process for implementation of mobile number portability occurs concurrently with the build out of any new mobile networks, so as to ensure that mobile numbers are able to be ported from day one of mobile competition in The Bahamas.
- Other key policy considerations – A number of other issues will be considered including issues such whether national roaming will be permitted, timeframe permitted for network build out, and the level of coverage that would be required before launch.
- Public Awareness Programme – URCA will also design and engage as appropriate in public awareness programmes necessary to ensure the smooth and beneficial introduction of mobile competition.

#### *Annual Report 2013*

Section 41 of the Utilities Regulation and Competition Authority (URCA) Act 2009 requires that URCA, no later than four months after the end of each year, prepare and publish a plan of its proposed objectives for the forthcoming year; and a report of the carrying out of its functions during that financial year. As such, URCA will during the first quarter of 2014, seek to complete its annual report for 2013, as well as to publish the final version of this Annual Plan.

#### *Review of Licensing Guidelines*

One of the projects which URCA has delayed from previous years due to competing priorities has been a comprehensive

review of its licensing guidelines which were created in 2009 and were centred largely around the transition from the previous regime which existed under URCA's predecessor, the Public Utilities Commission (PUC) and URCA's then new regime. URCA considers that a review is now appropriate and will review its licensing guidelines to ensure that they remain fit for purpose.

#### *Implementation of Consumer Protection Regulations*

During 2013 URCA completed regulations for the protection of consumers of electronic communications services. The implementation of those regulations requires significant follow on initiatives relating to the reporting and monitoring of performance, and URCA will commence those activities (which are on-going in nature) during 2014. Licensees have been afforded a period of six months to implement the provisions of the regulations, which will therefore require the licensees to be compliant with the regulations by the end of the second quarter of 2014.

#### *Regulations for Facilities Sharing*

In seeking to address the somewhat slow pace of development of competition in the ECS, URCA is seeking to further reduce barriers to entry into the sector. One of those barriers is the high level of investment required. A strategy undertaken in various jurisdictions to address this is the mandated and regulated requirement that operators share their existing facilities at regulated prices, with other operators. This reduces the need for new operators to build or acquire facilities, thereby reducing the investment required to enter the market. In addressing facilities sharing URCA must however remain cognisant of the need to ensure that operators are not entirely dis-incentivised from the construction of new facilities. Additionally, with the introduction of mobile competition, the construction of new cellular tower facilities will need to be addressed and there is a need to try to minimise such new construction so as to avoid the duplication of potentially unsightly facilities.

Accordingly, URCA intends in 2014 to introduce regulatory measures to address the sharing of facilities between operators.

#### *April to June 2014*

##### *Engagement with Local Law Enforcement and Disaster Relief Agencies*

A key theme of the draft revised ECS Policy was the fact that the ECS plays an important role in ensuring the effective working of all aspects of both public and private society. URCA must therefore ensure that its regulatory actions take proper account of key social and public needs and institutions, to ensure that their needs are being met by the ECS. For implementation in 2014, URCA has highlighted the need for heightened and enhanced engagement with key local entities such as law enforcement agencies and agencies responsible for disaster preparedness and relief.

#### *July to September 2014*

##### *Review of Accounting Separation Results of SMP Operators*

The Separated Accounts of SMP operators are submitted to URCA annually, and are reviewed by URCA to ensure that they have been prepared consistently with URCA's Guidelines, and to identify any regulatory impact. This will commence on submission of the accounts (due for CBL on 30 June and for BTC on 30 September) and is expected to continue for approximately six months in each instance.

#### *October to December 2014*

In addition to the intention to focus its plan for 2014 on matters pertaining to mobile liberalisation, URCA has also noted in past years that due to the significant body of work commenced during the first through third quarters of each year, and the statutory tasks required annually and due at the year-end such as completion of URCA's Annual Plan, annual budgeting, completion of audits, and issuance of URCA's fee schedule, the commencement of new projects during the fourth quarter is often not feasible. Accordingly, URCA expects that its focus during the last quarter of 2014 will be to ensure the completion of projects commenced earlier in the year, and completion of its statutory year-end obligations.

#### *On-going Activities*

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

Statutory duties such as satisfying URCA's accountability to its stakeholders by publishing its work plans and annual reports within the statutory periods;

Monitoring compliance by licensees with licence conditions and regulatory measures, and taking enforcement action where appropriate;

Investigations and enforcement in respect of complaints of anti-competitive behaviour;

Reviewing and investigation complaints under the content codes;

Handling complaints by consumers regarding electronic communications services as they arise; and,

Various consumer awareness and publicity initiatives undertaken by URCA to ensure that members of the public are aware of key issues, and the role of URCA.

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

### **1.3.2 URCA Project Timelines for 2014**

Based on the foregoing, URCA's project plan for 2014 is set out in Table 1 below. It should be noted that the table provides URCA's total work period on the project, and therefore reflects time taken on internal development of policy and regulatory positions, the external engagement on any initiative, and the publication of a final regulatory measure (where relevant).

**Table 1 - URCA Project Timelines for 2014**

Project	Start Date	End Date
Preparation and Activities Relating to Cellular Mobile Liberalisation	Commenced in 2013	TBD
Consultation on Universal Service Framework	Commenced in 2013	On-going
URCA Annual Plan 2014	Commenced in 2013	March 2014
Review of Retail Pricing Rules Statement of Results and Final Revised Rules	Commenced in 2013	March 2014
Consultation on ADR Scheme for the ECS	Commenced in 2013	June 2014
Spectrum Pricing Review	Commenced in 2013	June 2014
Review of BTC Accounting Separation Results	Commenced in 2013	June 2014
Consultation on Network Quality of Service Standards	Commenced in 2013	December 2014
Consultation on FM Radio Technical Standards	Commenced in 2013	December 2014
Market Reviews Consultation and Implementation of Ex Ante Remedies arising from Market Reviews	Commenced in 2013	December 2014
URCA Annual Report 2013	January 2014	April 2014
Revision of Fixed Termination Rates of CBL and IPSI	January 2014	June 2014
Review of Licensing Guidelines	January 2014	August 2014
Regulations for Facilities Sharing	January 2014	September 2014
Content Regulation Industry Working Group	January 2014	On-going
Engagement with Local Law Enforcement and Disaster Relief Agencies	April 2014	On-going
Review of 2013 Accounting Separation Results of SMP Operators	October 2014	March 2015
Annual Plan 2015	November 2014	March 2015

### 1.3.3 Planned Consultation Schedule for 2014

While URCA will carry out several activities during 2014, not all of these will involve public engagement throughout the process. Table 2 below shows the major public consultations proposed for 2014, including anticipated publication dates. Due to URCA's inability to control the Government's agenda for mobile liberalisation, consultations on matters relating to cellular mobile liberalisation are not included.



**Table 2 - Planned Consultation Schedule 2014**

<b>Consultation Document</b>	<b>Anticipated Publication Period</b>	<b>Anticipated Closing Period</b>
URCA Annual Plan 2014	December 2013	January 2014
Consultation on ADR Scheme for the ECS	January 2014	March 2014
Spectrum Pricing Review	January 2014	March 2014
Review of CBL/IPSI Call Termination Rates	February 2014	April 2014
Market Reviews	March 2014	June 2014
Consultation on Network Quality of Service Standards	June 2014	August 2014
Review of Licensing Guidelines	June 2014	August 2014
Implementation of Ex Ante Remedies Arising from Market Reviews	July 2014	September 2014
Consultation on Universal Service Framework Documents	July 2014	December 2014
Consultation on FM Radio Technical Standards	August 2014	October 2014
Annual Plan 2015	December 2014	January 2015

## 2 Evaluating Our Effectiveness

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

- Identification and adoption of appropriate key performance indicators (KPIs), based on statutory requirements and regulatory and management best practices.
- Measurement and monitoring of those KPIs.
- Publication of an Annual Report on its operations and performance.

For 2014, URCA proposes to use the KPIs provided in Table 3 below and publish the results as part of the 2014 Annual Report to be published before the end of April 2015.

**Table 3 – URCA Key Performance Indicators 2014**

Statutory/ Regulatory	Finance	HR	IT
Draft annual plan and strategy published before end of financial year	Cost of Finance function as a percentage of total operating expenditure	Cost of HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
Annual report and final annual plan published within 4 months of year end	Period-end cycle time (working days to close) Year-end Cycle time (working days to close)	Cost of HR function per employee	Organizational ICT spend (investment in ICT infrastructure and hardware across the organization)
Final determinations to be published within one month from closing date for comments on Preliminary Determination	Forecasting accuracy	Ratio of employees (full time equivalent) to HR Staff	Percentage who are able to access the network and system remotely
Percentage of public consultations started within period stated in Annual Plan	Cost of Licensee Invoicing	Average days for full time employee per year invested in learning and development	
Time to publish results, decisions and other regulatory measures after close of consultation: <ul style="list-style-type: none"> <li>• 45-60 days</li> <li>• 60-90 days</li> <li>• &gt;90 days</li> </ul>	Debtor Days	Cost of learning and development activity as percentage of total payroll	
	Number and Value of Creditor Notes and Adjustments	Cost of advisors as a percentage of the total payroll	
Consumer complaints: Number of complaints received; Percentage of total complaints resolved; Average Time taken to resolve complaints	Long outstanding debt (>90 days) as a percentage of total debt	Percentage of roles filled by permanent and contract staff	
Licenses issued within: <ul style="list-style-type: none"> <li>• 30 days</li> <li>• 45 days</li> </ul> Volume of licenses processed in the year		Average lapse time (working days) from a vacancy/ advertisement occurring to the acceptance of an offer for the same post	
		Cost recruitment per vacancy	
		Percentage of people in role 12 months of service	
		Percentage of staff who received annual face to face performance appraisal	

### 3. URCA's 2014 Budget

The full-time staff complement is twenty-two (22) with positions engaged in both aspects of Operations and Policy and Regulation. This compares to a total of twenty-one (21) at the end of 2012. In an effort to continuously improve URCA's effectiveness and to secure the desired levels of knowledge transfer, there are plans to augment staff complement with emphasis being placed on new hires with economics and technical expertise. Over the long run, it is anticipated that this should result in a decreased reliance on external professional service providers.

URCA will ensure that it has sufficient finances to meet its regulatory mandate and will make sure that it delivers the best possible service to its stakeholders. In so doing, URCA will also ensure that it provides full accounting of its activities as required by Section 41(1)(b) of the URCA Act. In avoidance of doubt, URCA shall publish its Annual Report and Accounts for 2013 on or before 30 April 2014.

URCA's Operating and Capital Budget for 2014 is provided in the table below:

	2013	2014
Non-Executive Members Honoraria and Expenses	231,600	213,065
Executive Members Compensation	325,342	306,990
Staff Costs	1,892,212	1,930,188
Professional Services	906,000	1,294,645
Conferences, Training and Travel	573,600	497,330
Rent and Utilities	451,800	457,002
Consumer Education and Public Relations	155,920	270,000
Office Services	134,300	170,480
Information Technology	59,800	69,775
General and Administrative Expenses	221,425	272,212
Total Operating Expenditure (OPEX)	4,951,999	5,481,687
Depreciation	697,135	711,135
Total Operating Budget Recovered through URCA fees	5,649,134	6,192,822
Capital Expenditure	113,500	46,500

The budgeted operating expenditure which is inclusive of depreciation, which is factored into the calculation of the URCA fee has increased by over \$540,000. It should be noted that unlike previous years where URCA would take into account the comprehensive income or loss in the Electronic Communications Fund for the previous financial year in calculating the URCA fee, for 2014's URCA fee calculation there is no such adjustment. An amendment to the URCA Act in 2013 mandates URCA at the end of each financial year to pay into the Consolidated Fund all surplus funds standing to the credit of URCA. For the purpose of the Amendment Act 2013,

monies which are not immediately required by URCA are surplus funds. Therefore, the \$1,159,769 of comprehensive income in the Electronic Communications Fund for fiscal year 2012, which would have effectively reduced the URCA fee charged for 2014, has not been applied in the calculation.

As a result of the pending introduction of Value Added Tax (VAT) in July 2014, it is anticipated that some of the local goods and services utilized by URCA will attract VAT. Therefore there is an anticipated increase in the overall expenses for 2014.

BTC's exclusivity in the provision of mobile voice and mobile data is expected to end in April 2014. In preparation for issuing one mobile licence in 2014, URCA plans to use additional consultancy services and increase the publicity of the process for the issuance of the licence. Therefore, there are additional amounts included in the 2014 budget to facilitate the liberalization of the mobile market. Further explanation of each expense category is as follows:

Non-executive members' compensation includes honoraria of \$11,000 per month (for all 3 non-executive members of the Board) and business related travel expenses for the two non-executive members who are resident overseas. This expenditure decreased 8% compared to 2013 budget due to expiring appointment to the Board in mid- 2014 of one of the non-resident board members.

Executive members' compensation includes salaries and other benefits for executive members and represents approximately 6% of the operating expenditure for the period.

Staff costs although decreasing to 35% of the total operating budget (2013: 37%) is anticipated to increase approximately 2% due to increased staff levels (2 replacements and 3 new hires).

Professional services expenditure is anticipated to significantly increase by 43% due to allocation of significant funds for mobile liberalization, regulatory projects set to commence in 2014, financial/internal audits and continuing legal matters.

Notwithstanding decreasing Conferences, Training and Travel by almost 13% over the previous year, it is anticipated that targeted training for Executives and other staff via attendance at regional and international conferences, seminars and workshops continue based on skills gap assessments and the need to remain current on various issues.

Rent and utilities continues to increase due to escalation clause in the lease agreement.

Consumer Education and Public Relations is budgeted to increase by 73% due to continued initiatives aimed at educating and informing consumers on various electronic communications sector issues, including public consultations, (including mobile liberalization), community outreach and utilizing other advertising media.

Office services include expenditure for office supplies, printing, general insurance and miscellaneous items.

Information technology expenditure is budgeted to increase by 17% due to increased spectrum management activities and the completion of the URCA website upgrade.

General and administrative expenses are budgeted to increase 23% due to increased fees and additional regulatory membership fees.

## LIST OF ACRONYMS AND ABBREVIATIONS

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- 4G – Fourth Generation
- ADSL – Asymmetric Digital Subscriber Line
- ARCOS – Americas Regional Caribbean Optical-ring System
- BCB – The Broadcasting Corporation of The Bahamas
- BDSNi – Bahamas Domestic Submarine Network
- BTC – The Bahamas Telecommunications Company Limited
- CANTO – Caribbean Association of National Telecommunications Organisations
- CBL – Cable Bahamas Limited
- CCL – Caribbean Crossing Ltd.
- CTU – Caribbean Telecommunications Union
- DPR – Director of Policy and Regulation
- ECS – Electronic Communications Sector
- GPRS – General Packet Radio Service
- GSR – Global Symposium for Regulators
- ICT – Information and Communications Technologies
- IPSI – IP Solutions International Ltd.
- ISP – Internet Service Provider
- ITR – International Telecommunications Regulation
- ITU – International Telecommunication Union
- KPI – Key Performance Indicator
- LTE – Long term Evolution Technology
- NPWG – Number Portability Working Group
- NSMS – National Spectrum Monitoring System
- OLO – Other Licenced Operators
- OOCUR – Organisation of Caribbean Utility Regulators
- PUC – Public Utilities Commission
- PURC –Public Utilities Research Centre



