



For Immediate Release

Public Consultation: URCA's Cost Efficiency Study of BTC

February 16, 2012, the Utilities Regulation and Competition Authority (URCA) released for public consultation, a "Cost Efficiency Study of the Bahamas Telecommunications Company Limited (BTC)", [URCA document reference number ECS 04/2012]. The exercise supports the regulator's extensive engagement with BTC, electronic communication sector (ECS) participants and the public at large, to establish standards for Reference Access and Interconnection Offers (RAIO) by BTC.

RAIOs are particularly relevant in markets where there is a dominant provider of a given service or services, because they define the terms and conditions by which that dominant operator will provide access and/or interconnection to its facilities, services and/or networks, to other licensed operators. In The Bahamas, BTC is the dominant provider or Significant Market Power (SMP) for fixed and mobile telephony markets, providing services to a final consumer as well as other licensed operators.

URCA is concerned with both wholesale and retail pricing behaviour of SMPs. BTCs fixed and mobile retail voice services are subject to price regulation. URCA's cost efficiency exercise is intended to ensure that its regulation of wholesale prices, which will impact charges contained in RAIOs, not only reflects a cost oriented pricing structure, but importantly a pricing structure established on a reasonable base of costs. This standard is necessary to ensure that operational and other inefficiencies are not passed on to other industry participants. In fully competitive markets, prices are commonly equal to the efficient costs of providing those services. Regulation aims to proxy the outcome of competitive markets and therefore seeks to ensure that regulated prices are based on efficient costs.

In April 2010 URCA set out expectations for access and interconnection between SMPs and other licensed operators in guidelines published on the 22nd of that month [URCA document reference number ECS 14/2010]. This was followed in July 2010 by BTC's publication of a draft RAIO. BTC's publication of a RAIO marked an important milestone for the on-going development of a transparent, non-discriminatory and competitive market.

This cost efficiency study that URCA now makes available for industry and public review and comment, follows URCA's assessment in its final review of BTC's RAIO in January 2011 [URCA document reference number ECS 01/2011], that although charges contained therein were mostly cost oriented, they may not have been fully reflective of an efficient level of costs. URCA concluded therefore to conduct a separate study on BTC's level of efficiency. Efficiency reviews

are a standard tool of regulators to support their price setting decisions. While these reviews do not necessarily determine the regulated price outright, they inform the need and level of relevant efficiency adjustment factors.

The study assesses BTC's relative efficiency performance and recent productivity trends. URCA invites comments on the study generally and also more specifically on the methodology and preliminary results. The study and all above referred documents may be downloaded from the publications section of the URCA website at www.urcabahamas.bs. URCA will receive comments until March 30, 2012.

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