



CABLE BAHAMAS LIMITED'S APPLICATIONS:

- (1) FOR A PERMANENT PRICE CHANGE TO THE 'SUPERBASIC' SERVICE (*'REVTV Prime'* and *'REVTV BUSINESS PRIME'*); AND**
- (2) TO INTRODUCE A NEW BASIC CABLE TELEVISION SERVICE (*'PRIME LOCAL'* or *'REVTV PRIME LOCAL'*)**

STATEMENT OF RESULTS AND FINAL DECISION

ECS 14/2015

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Annex - Table 1: Summary of Comments Received and URCA's Responses

1 Introduction

This document comprises a Statement of Results and Final Decision, setting out the conclusion of the Utilities Regulation and Competition Authority's ("URCA") public consultation on and consideration of Cable Bahamas Ltd.'s ("CBL") applications:

- for a Permanent Price Change to its 'RETV Prime' and 'RETV Business Prime' packages (collectively 'SuperBasic'); and
- to introduce a "New Basic Television Service" (to be marketed as 'Prime Local' or 'RETV Prime Local').

On 7 October, 2014 CBL submitted the above applications to URCA for consideration under URCA's ECS 06/2014 "**Regulation of Retail Prices for SMP Operators – Rules**". Having determined in its initial review that the applications were matters of public importance, on 22 December, 2014, URCA published a consultation document (ECS 18/2014)¹ setting out its preliminary views on CBL's price applications and the supporting information provided therein. For the purposes of transparency and public awareness, URCA published detailed information on the applications at Section 3 of the consultation document. This was supplemented by the publication of a non-confidential version of CBL's price application documents alongside the consultation paper.

In this Statement of Results and Final Decision, URCA has given utmost consideration to the submissions made by CBL² and other respondents to the consultation.³ The bulk of the comments received related to the price increase for the SuperBasic package ('RETV Prime') for residential customers. The written submissions received by URCA along with the verbal feedback provided by members of the public at Town Hall meetings in New Providence and Focus Group meetings in three Family Islands (Abaco, Grand Bahama, and Eleuthera), were critical to URCA's preparation of this final statement.

URCA thanks the members of the public and CBL for their submissions and participation in this proceeding. The publication of this document brings to an end URCA's public engagement on CBL's price applications.

While URCA has sought to respond directly to comments and representations received during the consultation process, URCA expressly states that any failure by URCA to respond in this document to any issue raised by any respondent does not necessarily signify agreement in whole or in part with the comment, that it has not considered the comment or that it considers the comment unimportant or without merit.

¹Available at <http://www.urcabahamas.bs/download/097522700.pdf>.

²Including its affiliates Systems Resource Group Ltd. and Caribbean Crossings Ltd.

³The consultation was originally scheduled to close on 30 January 2015. In response to requests from the public, the deadline for the submission of comments was extended to 13 February 2015.

It should also be noted that following the public consultation, URCA engaged further with CBL on certain issues which URCA considered were of particular importance based on comments received from members of the public. These issues were:

- Having regard to comments received, URCA sought improvements in the channel line-up proposed by CBL for inclusion in CBL's Prime Local Service, in an effort to improve the extent to which those channels achieved the objectives of CBL's USO requirements as set out in URCA's USO Framework;
- URCA considered that the level of the one-off charges associated with the Prime Local service resulted in the package being unaffordable for certain categories of subscribers, and required that CBL provide mechanisms for addressing same; and
- URCA considered that the level of the proposed charges payable in respect of late fees for the Prime Local service was disproportionate and therefore not compliant with the Consumer Protection Regulations, hence URCA afforded CBL an opportunity to address this issue.

In response to URCA's engagement, CBL presented URCA with its responses and proposals relative to the concerns raised by URCA on 28 May, 2015. These responses and proposals are referred to in the Statement of Results and have been considered in URCA's final decision.

1.1 CBL's 2014 Cable Television Price Applications

In its application documents, CBL proposed to increase the monthly price of its SuperBasic cable TV packages by 27%. This translates into an \$8 increase in the monthly price of the REVTV Prime package (from \$30 to \$38) for residential subscribers and a \$14 increase in the price for the equivalent commercial service, or REVTV Business Prime (from \$50 to \$64). CBL reasoned that the proposed price change is designed to align the price of SuperBasic more closely to the underlying costs of providing the service (inclusive of CBL's regulated cost of capital for cable TV). As regards, the new Prime Local service (i.e., CBL's six-channel Basic Television Service package developed to fulfil its statutory Universal Service Obligation (USO)), CBL proposed to charge \$10 per month for this basic service. CBL advised URCA that the monthly price for the USO pay TV service is set on the principle of '*affordability*' rather than the principle of '*cost orientation*' of prices.

1.2 Legal and Regulatory Framework

URCA reviewed in Section 3 of the consultation document the main regulatory and other measures it must consider in this rate-setting exercise, specifically:

- Relevant requirements of the Comms Act, in particular URCA's power to determine that a licensee is an SMP licensee and CBL's Universal Service Obligation in basic television services;
- URCA's Final Decisions/Determinations on SMP in communications markets, namely ECS 11/2010 "*Obligations Imposed on Operators with Significant Market Power (SMP)*", and ECS 14/2014 "*Assessment of Significant Market Power in the Electronic Communications Sector in The Bahamas under Section 39(1) of the Communications Act, 2009*";

- Part H of ECS 06/2014 *“Regulation of Retail Prices for SMP Operators – Rules”* (formerly ECS 15/2010) on the introduction of new Price Regulated Services;
- Relevant approval procedures and informational requirements in ECS 06/2014 for a permanent price change and introduction of new price regulated service which forms part of the universal service obligation; and
- Any other relevant factors (including relevant licence conditions).

In Section 4 of the consultation document, URCA reviewed CBL’s information against the minimum informational requirements and procedures URCA must consider when exercising its price-setting duty in relation to CBL’s price applications. Suffice it to say, the nature of CBL’s price applications triggered the requirement for URCA’s pre-approval processes in Part C of the Retail Pricing Rules (RPR) in relation to a permanent price increase for a price regulated service, and introduction of a new price regulated service that is subject to a universal service obligation.⁴ None of the respondents to the consultation took issue with URCA’s review of the aforementioned documents.

1.3 Factors that URCA must consider in this Price Setting Review

Further to the foregoing, URCA notes that there are different factors at play in relation to each of the price applications submitted by CBL.

As it relates to the **SuperBasic Price Increase Application**, one of URCA’s principal concerns is whether the proposed new monthly price for this package is cost-justified (as measured on a fully allocated cost approach). In economic terms, the costs of providing an electronic communications service typically include the licensee’s rate of return on the capital employed to provide this service. In November 2009, URCA investigated the regulated cost of capital for SMP licensees and determined that CBL’s Weighted Average Cost of Capital (WACC) for cable TV service should be 10.86%.⁵ Apart from the WACC, URCA must consider whether approval of the new proposed price would be compatible with the statutory objectives in section 4 of the Communications Act, 2009 (the “Comms Act”). It would not be if it reduced the extent to which persons in all regions in The Bahamas have affordable access to basic cable TV service or CBL’s USO package.

With respect to the **Proposed New Prime Local Service** (in actuality, in fulfilment of CBL’s USO television package), URCA must satisfy itself that the proposed charging (i.e., one-off and the monthly charges) associated with the service could be deemed ‘*affordable*’ for all. Further, URCA must ensure that the Prime Local package conforms to the service specifications for a USO service in The Bahamas, including the requirement that CBL’s USO channel line-up is *“sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment.”*

⁴These are services within SMP markets and classified as services subject to *ex-ante* price regulation.

⁵<http://www.urcabahamas.bs/download/021373300.pdf>.

1.4 Remainder of this Document

The remainder of this document is structured as follows:

- Section 2 - Responses to the Consultation Document; and
- Section 3 - URCA's Conclusions and Next Steps.

2 Responses to the Consultation Document

In this Section, URCA summarises and responds to the substantive comments received on the consultation document, as follows:

- Section 2.1 – Responses to CBL’s SuperBasic Price Increase;
- Section 2.2 – Responses to CBL’s Prime Local Universal Service; and
- Section 2.3 – Responses to the Financial Analysis in CBL’s Price Applications.

2.1 Responses to CBL’s SuperBasic Price Application

This Section begins by providing an overview of the most common issues which arose in the responses to CBL’s SuperBasic price application. Subsequent sub-sections then examine, in more detail, the particular concerns raised around quality of service and programming issues, and alternatives to SuperBasic.

2.1.1 Arguments against CBL’s SuperBasic Price Increase

The members of the public who responded to the consultation perceived that the requested SuperBasic price increase is "ill-timed", having regard to the recent implementation of VAT (Value Added Tax) and current economic realities in The Bahamas.

The respondents also claimed that the requested price increase is not merited and referred to various factors in support of their position:

- CBL's existing level of profitability;
- That, in their view, the current SuperBasic price is already too high and at this level of pricing, CBL is not incurring financial losses;
- CBL has a monopoly in cable TV services in the four major islands, namely New Providence, Abaco, Grand Bahama, and Eleuthera;
- Subscribers must pay other fees (e.g., rental for set-top box) to obtain cable TV services from CBL and that therefore, the actual effective price for SuperBasic already exceeds the advertised price;
- CBL has not *“shown them or explained clearly their increasing costs”*; and
- CBL has not improved its service enough to warrant a rate increase and would need to provide better service to justify a price increase.

The view was expressed that URCA should deny CBL's request for a rate increase and bar CBL from reapplying in the near future so consumers would not endure the stress of a potential price increase

repeatedly. Given concerns about the state of the national economy and the expected impact of VAT on prices, it was suggested that the proposed price increase could be implemented on a phased basis.

URCA's response to comments received

URCA is mindful of the current state of the economy and notes that even without a price increase some customers may have challenges paying their bills. URCA, however, anticipates that implementation of a basic TV service that conforms with the statutory parameters for universal service would provide a lower-priced alternative service to customers who may find SuperBasic unaffordable.

URCA notes that VAT has been implemented by the Government of The Bahamas on services across all economic sectors, including the electronic communications industry and other providers of public utility services (e.g., Bahamas Electricity Corporation and Water and Sewerage Corporation). Therefore, URCA does not dispute respondents' concerns regarding the likely impact that VAT may have on prices generally. URCA, however, considers that the implementation of VAT is not one of the factors it must consider in this price-setting exercise. As a reminder, in Section 3 of the consultation document, URCA outlined the obligations of the RPR and other documents relevant to its review of CBL's SuperBasic price application. Further, a very high level overview of the primary factors URCA has considered was highlighted in Section 1.3 above. Based on the factors identified, URCA confirms that the implementation of VAT or any other forms of taxation by the Government of The Bahamas is not one of the economic variables URCA must consider when reviewing the pricing applications of an SMP licensee. In any event, URCA notes that VAT has now been in effect in The Bahamas for almost a full year, which would, in any event have afforded a reasonable period for persons to adjust to any changes in cost of living which may have occurred as a result of VAT.

The respondents' assertions that the current SuperBasic price is already too high and CBL is not making a financial loss at the current level of pricing are noted by URCA. URCA, however, cannot provide a reasonable response to the comment because the respondents have not defined what is meant by "too high" with reference to URCA's regulatory framework or the factors URCA must take into consideration during this review. URCA asserts that it has no knowledge of the factors and information that informed any of the prices specified in CBL's 1994 Cable Franchise Agreement and Licence, both of which expired in October 2009. URCA underscores that it only became the regulator and competition authority for the cable television industry in 2009, following the introduction of the Utilities Regulation and Competition Authority Act (URCA Act) and the Comms Act in August and September 2009 respectively. As URCA's predecessor, the PUC (Public Utilities Commission) did not regulate the cable TV industry, therefore, understandably, no information exists within its archives whereby the basis on which the original prices for cable TV services were set in 1994.

As regards CBL's existing level of profitability, URCA notes that whilst CBL's statutory accounts show that CBL is earning an overall profit, CBL's audited Regulatory Financial Statements (RFS) (i.e., profit and loss and statement of mean capital employed) for SuperBasic show that CBL's regulated rate of return on

SuperBasic is below the URCA-approved 10.86% regulated rate of return for cable TV.⁶ It further reveals that CBL's average cost of providing these services are higher than the current average revenues for these services. This suggests that current prices are not reflective of fully allocated (average) costs and, on that basis, CBL is not earning a reasonable return on these services.⁷ In fact, the information provided to URCA demonstrates that the RevTV Prime service was loss making at the time of the application.

CBL's legal monopoly in cable TV services expired in 2009 and was not renewed. As such and contrary to respondents' comments, the legal barriers to entry in the cable TV industry have been removed and other operators are free to enter that market and compete directly with CBL for customers. However, as CBL is the dominant or SMP cable TV provider in The Bahamas, URCA regulates CBL's entry level pay TV services or SuperBasic on an *ex-ante* basis. This is to safeguard the public interest by ensuring CBL does not abuse its market power, for example, by setting prices excessively. Given the *ex-ante* regime in place, CBL's dominant position in cable TV services is not a sufficient reason for URCA not to review or consider CBL's application. It is also reasonable for a firm in a dominant position to seek to increase the price of a service, in response to an increase in the marginal (incremental) cost of that service.

URCA notes the respondents' comment that there are other fees associated with the SuperBasic service which should negate the need for a rate increase.. URCA, however, advises that in its financial analysis presented to URCA, CBL has already taken account of the other charges associated with SuperBasic including rental for set-top boxes, reconnection fees and late fees, etc. This also holds for the RFS data, discussed above, where these ancillary services are included in the SuperBasic "service".

URCA notes the concerns raised by members of the public regarding CBL's alleged poor or inconsistent service quality and the claim that CBL has not "*shown or explained clearly their increasing costs*". URCA refers readers to Sections 2.1.2 and 2.3 below for URCA's reply to these comments.

URCA emphasizes there is no legal limit or time restraint on the frequency of price applications that SMP providers can make to URCA. An SMP operator has freedom to make as many price applications as it wishes and URCA's role is to receive and process each price application it receives in accordance with procedures laid down in the RPR and other documents. URCA is in the process of establishing a new retail pricing framework (price caps) for both BTC and CBL. This new system of price regulation provides a clear *ex-ante* regime on how prices may change over time and will provide more certainty to customers.

⁶The complete document "*Final Determination on: The Cost of Capital for Designated SMP Operators*" (ECS 23/2009) can be found at <http://www.urcabahamas.bs/download/021373300.pdf>.

⁷While this shows that prices are not exceeding costs, it does not form any judgement on efficient cost levels for CBL. URCA notes that CBL's RFS are prepared in accordance with Guidelines established by URCA and comprise one of the key pieces of information URCA must consider in this review. As mentioned at Section 1.1 above, CBL's regulated cost of capital was previously determined by URCA in November 2009 and pursuant to section 40(3)(b) of the Comms Act, this figure must be used by URCA as an input to any regulatory measure that requires the inclusion of a reasonable rate of return – for example, when setting prices for retail and wholesale products

Lastly, URCA does not consider the respondents' proposal for a phased implementation of the price change unreasonable. However, in the context of CBL's price applications, URCA deems this to be a commercial decision for CBL to make.

2.1.2 Quality of Service and Programming Issues

A recurring theme throughout the responses received from members of the public was that customers have been receiving poor or inconsistent quality of service from CBL. The respondents commented that CBL has not improved its service enough to warrant a rate increase⁸ and recommended that CBL would need to provide better service to warrant a price increase.

URCA's response to comments received

URCA notes the respondents' comments that CBL must first improve its service quality before URCA considers its request for a price increase. In reply, URCA refers the respondents to Section 3 of the consultation, and Section 1.3 above on the main factors that URCA is required to consider in its review of CBL's SuperBasic price applications.

URCA has put in place mechanisms and procedures to address any potential shortcomings of CBL's service quality. In 2013, URCA imposed various quality of service obligations on SMP operators (including CBL). The measures and obligations imposed will govern the relationship between CBL and its customers in the cable TV and other markets. In particular, the obligations provide customers with recourse mechanisms in case of disputes and require CBL to compensate customers for failure to comply with URCA's quality of service matrix. URCA is urging customers to seek URCA's guidance on how they may obtain financial compensation for breaches of URCA's quality of service standards, amongst other things. In the meantime, URCA recognizes the need for members of the public to be better informed about their rights as customers. To this end, URCA will intensify its public awareness campaign while continuing to urge members of the public to contact URCA's Corporate and Consumer Relations (CCR) unit for information and guidance on URCA's customer complaint handling procedures, the quality of service matrix and compensation schemes applicable to major licensees.

URCA acknowledges that programming concerns remain a bone of contention for CBL's customers.⁹ URCA notes that the concerns are not recent and were raised by respondents in their responses to a previous consultation by URCA. However, as the concerns raised are not within the scope of this

⁸To substantiate their position, the respondents mentioned poor customer care, out-dated programming, frequent channel outages, duplicated channels, Spanish and German-language channels in an English speaking country, and the lack of variety in the SuperBasic channel line-up.

⁹Specific to the concerns raised about Spanish-language channels, according to CBL's website: *"The English-speaking Caribbean region countries are forced to receive Latin American feeds. There are currently only a small fraction of channels that carry a limited amount of non-English content. We are always working with our providers to reduce the Spanish content within their programming."* Per <https://www.cablebahamas.com/support/thefacts>, viewed on 11 June 2015.

proceeding, URCA proposes to address these matters through other regulatory mechanisms and will engage with stakeholders on how best the programming issues identified can be resolved in the best interest of all parties.

2.1.3 Alternatives to SuperBasic

The respondents commented that any increase in the price of SuperBasic would lead them to switch to satellite services, Android/G-boxes or to use the internet to access on-line programming.

URCA's response to comments received

URCA does not consider the comment to have any impact on the factors which URCA may consider in determining its decision on the CBL applications.

2.2 Responses to CBL's Prime Local Service Application

To facilitate the task of respondents, URCA invited the respondents to make their views known on CBL's USO pay TV service proposal, in particular:

- 1) Whether the pricing for Prime Local is '*affordable*' for all;
- 2) The impact of the new Prime Local service offering on CBL's compliance with the rollout obligation for basic television services as per section 119(1) and Schedule 5 of the Comms Act;
- 3) Whether or not CBL's proposal to prevent Prime Local customers from purchasing CBL's premium tier channels is proportionate; and
- 4) Whether the Prime Local service, as proposed by CBL, is "*sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment.*"

2.2.1 Affordability of the Prime Local Universal Service

In its submission on the consultation, CBL averred that its proposed pricing for the USO package "*is at a level that is affordable to the majority of the population of the country.*"

The other respondents were supportive of URCA's preliminary finding that the monthly price for the USO pay TV service could be deemed affordable but added that the channel line-up lacks any entertainment value.

Following the consultation, URCA raised the issue of affordability with CBL in relation to the one-off installation charge, which URCA considered would prevent certain population segments from

subscribing to the Universal Service pay TV package. In its submission of 28 May 2015, CBL agreed “to accommodate requests by PLS subscribers to pay in three monthly instalments the installation fee.”¹⁰

URCA's response to comments received

URCA's response in relation to the entertainment value or lack thereof of CBL's USO pay TV channel line-up is set out at Section 2.2.4 below.

URCA notes the respondents' comment on the affordability of the monthly/recurring charges associated with CBL's USO pay TV package.

As noted above, URCA is concerned that the one-off installation charge for the service could prevent certain population segments in The Bahamas from subscribing to the universal service pay TV package.¹¹ In this regard, URCA agrees with CBL's proposal “to accommodate requests by PLS subscribers to pay in three monthly instalments the installation fee.” However, URCA considers that this option should be available to customers who are not switching from another CBL cable TV product. This is to minimize the risk of discriminatory or unfair treatment of different customers which would be contrary to CBL's Individual Operating Licence.

To this end, URCA concludes that for customers who are not switching from another CBL cable TV product, CBL must offer such customers the option of paying the installation fee in three equal monthly instalments. This means that CBL shall advise customers that they have the option as to whether to pay the installation fee in a lump sum of \$40 or three equal monthly instalments and this must be clearly stated in CBL's terms and conditions for the Prime Local service. URCA considers that there are segments of the population that would benefit from this payment arrangement, including persons earning less than the poverty line.¹² It is URCA's decision that this payment arrangement is proportionate and reasonable, would not have a material negative impact on CBL or result in additional costs to the licensee and is consistent with URCA's statutory duty in relation to its universal service functions.

2.2.2 CBL's Compliance with Universal Service Roll-Out Obligation

The respondents recommended that any price increase should be delayed pending CBL expanding service to the entire Commonwealth of The Bahamas.

URCA's response to comments received

URCA remains of the view that implementation of a basic TV service that conforms to the parameters for USO in The Bahamas would be significant. From URCA's perspective, CBL's roll-out plan for the

¹⁰ CBL's 28 May 2015 letter to URCA

¹¹ See Section 4.3 of the ECS 18/2014 for URCA's analysis on the affordability of CBL's pricing proposals for the Prime Local Service.

¹² \$4,247/year or \$353.92/month at <http://statistics.bahamas.gov.bs/news.php?cmd=view&id=119>, visited on 11 June 2015

universal service is acceptable for the time being, especially when juxtaposed with CBL's proposals to implement the SuperBasic price increase in the four major islands where the lower-priced USO package would also be available.¹³ The impact of CBL's proposal is that approximately 90% of Bahamians will have a choice between REVTV Prime and a lower-priced USO package (i.e., Prime Local).

This suggests to URCA that in the event it were to deem CBL compliant with CBL's USO in relation to cable TV, an increase in the monthly price of the SuperBasic (or REVTV Prime) package for residential customers would not reduce the extent to which affordable basic cable TV services are provided to persons in The Bahamas, at least in relation to the geographic areas (New Providence, Abaco, Grand Bahama, and parts of Eleuthera) where CBL applied to URCA to implement the SuperBasic price increase.

URCA underscores that in the circumstances its acceptance of CBL's partial compliance with its USO would be an interim measure only and should not be taken as a precedent going forward or regulatory forbearance against CBL fulfilling the remainder of its statutory universal service obligation in the shortest timeframe possible. The overarching goal of the Government's Universal Service policy for the Electronic Communications Sector is to ensure the physical provisioning of certain universal services throughout The Bahamas. This is reflected in the current statutory requirement for universal services (excluding public pay apparatus) to be provided "*to all populated areas*" in The Bahamas. As such, it remains URCA's position that total compliance by CBL with the universal service provisions of the Comms Act must ultimately be achieved.

Therefore, it is URCA's expectation that CBL's USO package would be made accessible to all remaining populated areas in The Bahamas in the shortest timeframe possible. URCA will, subject to further engagement with stakeholders, establish the timeframes by which the "*unserved*" population in all Bahamian islands can expect to have access to the universal pay TV service, having regard to the time period established by URCA for CBL to carry out the necessary technology-neutral national rollout in all populated areas, whether by upgrades to its network or otherwise.

2.2.3 Restriction on Access to Premium Channels

Respondents vehemently opposed CBL's proposal to deny subscribers to the USO package access to its premium tier channels, noting that customers should be given some degree of discretion and control over the composition of the channel line-up they want to subscribe to. Others commented that a wider variety of 'starter' packages would give customers greater choice.

¹³ These islands (New Providence, Grand Bahama, Abaco and parts of Eleuthera) in total represent more than 90% of Bahamian households.

URCA's response to comments received

As discussed in the consultation document, CBL perceived that the introduction of a USO package without restriction posed significant commercial risk for CBL. In order to minimize this potential risk CBL proposed to prohibit subscribers to the USO package from subscribing to CBL's premium tier packages. In URCA's view, the restriction is not objectionable. Given the purpose of the package (i.e., to meet the needs of those who cannot afford CBL's more expensive packages), the restriction proposed by CBL is not inconsistent with the objectives of the Prime Local service or universal service generally.

URCA notes customers' urging for a wider variety of 'starter' packages. URCA, however, advises that given the wording of the Comms Act it perceives that it might not have the legal authority to require CBL to offer multiple packages in fulfilment of a USO in pay TV. Readers are referred to Section 2.2.4 below for URCA's reasoning on this issue.

Correspondingly, URCA is not aware of any technical or regulatory barriers that would render it infeasible for CBL to offer multiple 'starter' packages for cable TV channels and packages not subject to a USO. URCA understands that cable companies in jurisdictions overseas do offer multiple 'starter' package to customers.

However, in light of this concern, URCA proposes to engage in a comprehensive review of CBL's packages and channel line-up to ensure that customers have an appropriate degree of discretion and flexibility about the services and channels they receive. In this respect, URCA notes the recent introduction of regulations in Canada (CRTC) aimed at empowering cable subscribers to access and make informed choices about the services and channels they receive. URCA understands that under the new regulations in Canada, customers are given greater discretion and flexibility in relation to the composition of the channel line-up they want to subscribe to. URCA considers that while the introduction of similar regulations in The Bahamas would be outside the scope of the present consultation, it would be appropriate for URCA to undertake a separate regulatory process on these issues as soon as URCA's resources can be suitably scheduled having regard to other regulatory priorities.

2.2.4 CBL's USO Channel Line-up

CBL averred that its USO channel line-up is "*sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment.*" CBL added that there are significant contractual issues which prevent it from including certain channels in this package. CBL reiterated these arguments in its 28 May 2015 submission and maintained its original position that in addition to the mandated ZNS Channel 13 and the Parliamentary Channel, the other four channels included in the package would be:

- CALA Weather;
- Jones Communications Network (JCN);
- Bahamas Christian Network (BCN); and

- PBS – WPBT2 Miami.

Members of the public objected to the package of channels included in the USO product. The respondents were critical in their comments and perceived the USO pay TV channel line-up as not having sufficient entertainment value and lacking variety.¹⁴ The respondents put forward various recommendations on how they believe the package could be made more appealing to customers. For example,

- customers should have the option to choose their six channels (i.e., *a la carte* channel line-up);
- include a US news channel such as NBC, ABC, CBS or CNN in the channel line-up;
- replace ZNS with CBL Cable 12; and
- exclude JCN, PBS and the Parliamentary Channel from the line-up.

URCA's response to comments received

It bears repeating that CBL's USO pay TV service is a statutory obligation introduced in section 119(1) and Schedule 5 of the Comms Act, 2009 and reaffirmed at paragraph 90 of the ECS Policy (dated 23 April 2014).

Furthermore, the Comms Act does not contemplate that the pay TV universal service should serve as a substitute product for CBL's existing cable TV offerings, including SuperBasic. In URCA's view, the purpose of the obligation is to ensure that *all* persons in The Bahamas would have access, upon request, to a basic level of cable TV service at an affordable price. In the context of the USO framework, customers are under no obligation to subscribe to this basic level of pay TV service and any decision to buy the service is one solely for the customer to make.

In the circumstances, URCA notes the absence of any consensus on the channel line-up for the USO pay TV package. URCA construes section 119 and the related Schedule 5 of the Comms Act as requiring CBL to provide a single basic pay TV package comprising six channels (including ZNS TV and the Parliamentary channel) at an affordable price. For this reason, URCA is unable to require CBL to offer the *a la carte* menu suggested by some respondents as this would not be consistent with the scope of the statutory obligation. Also for this same reason, the exclusion of ZNS TV and the Parliamentary Channel from the package, as proposed by some respondents, would be out of step with the USO framework. The proposal for an *a la carte* channel line-up for the universal service pay TV package also gives rise to other concerns that are outside the scope of this proceeding and therefore URCA has not given any further consideration to these concerns here.

However, URCA remains dissatisfied with CBL's USO pay TV package line-up. URCA continues to maintain that the desirability of including United States based networks from affiliates in close proximity to The Bahamas in the package is significant, particularly as URCA has stated in two final decisions

¹⁴In the words of respondents, the channel line-up is "a waste of time", "It did not include children's programming", "Nothing entertaining, not even cartoons", "No movie channel", "It is not balanced" and "That's a bunch of garbage".

affecting CBL¹⁵ that the USO pay TV channel line-up should be “*sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment*”. URCA notes CBL's assertions that there are contractual compliance issues and restrictions in place which prevent CBL from including certain channels in the USO pay TV package. CBL, however, has not presented URCA with any evidence to substantiate these claims. URCA notes that CBL currently provides a multichannel broadcast service including these channels to residents of specified Family Islands free of charge. This service includes local channels (ZNS Channel 13 and Parliamentary Channel) and US network channels ABC, NBC, Fox News and CBS. The said channels are also included in CBL's SuperBasic (RevTV Prime) line-up. To URCA's knowledge, the provision of this service does not appear to be in contravention of any compliance issues or restrictions set by CBL's signal suppliers. URCA considers that it would be reasonable and a demonstration of CBL's commitment to the Bahamian public if CBL were to also offer these same US network channels as part of the channel line-up in fulfilment of its USO pay TV service on the premise that those channels are “*sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment*”.

Notwithstanding URCA's dissatisfaction with CBL's proposal, URCA appreciates that, within the parameters for URCA's consideration of a proposed USO pay TV service, this is an inadequate basis for URCA to reject CBL's USO pay TV channel line-up. In the meantime, URCA urges CBL to listen to consumers regarding the make-up of the package but, for the time being, URCA does not propose to seek to regulate its content.

2.2.5 Late Fee for Universal Service Package

The respondents commented that the late fee (\$5.50) associated with the Prime Local Service is disproportionate relative to the monthly subscription fee for the service. In its 28 May 2015 submission, CBL stated that “*it is prepared to apply the same late fee to PLS as is applied to the extant products.*”

URCA's response to comments received

URCA is equally of the view that the \$5.50 late fee is disproportionate.¹⁶ URCA does not accept that it has no jurisdiction in this matter as asserted by CBL. URCA notes that under the terms of Part 5.14.1 of the Consumer Protection Regulations any late payment fee must be “*reasonable, proportionate to the costs incurred by the Service Provider as a result of the late or non-payment and shall not represent or cause an inordinate burden to Customers*”. URCA does not believe that a \$5.50 late fee is proportionate or would not cause an inordinate burden for the population segment (example Decile 1 customers) that

¹⁵ On 23 January 2013 in ECS 01/2013 on the Clarification and Implementation of Existing Universal Service Obligations (USO) as provided in the Communications Act, and on 11 February 2013 in ECS 02/2013 in the Statement of Results and Final Decision on CBL's Application for a Permanent Price Increase for SuperBasic (RETV Prime).

¹⁶ This is because a \$5.50 late fee would represent 18.33% and 11% of the respective current monthly charging for *RETV Prime* and *RETV Business Prime* versus 55% in the case of the USO package.

is most likely to subscribe to CBL's USO pay TV service. As such, URCA's acceptance of the proposals, as set out in this document, is contingent on CBL, within 30 calendar days of this final statement, submitting a revised late fee proposal to URCA for review and this being accepted by URCA as being consistent with Part 5.14.1 of URCA's Consumer Protection Regulations. If CBL does not comply with this requirement, it shall not be eligible to implement any of the final decisions made by URCA in this document, arising from CBL's applications.

2.3 Responses to the Financial Analysis in CBL's Applications

In its consultation response, CBL repeated the arguments presented in its application documents for the price increase. That is, it argued that, at \$30 per month the price of SuperBasic is not cost-reflective and CBL is not recovering its regulated cost of capital on the service (10.86%). CBL added that although the cost of provisioning the SuperBasic service has increased, its price has remained fixed at \$30 per month since the service was launched in 1995. CBL contrasted its situation to that of other providers of public utility services in The Bahamas, who have had rate increases since 1995.

The respondents averred that CBL has not *"shown them or explained clearly their increasing costs"*.

URCA's response to Comments received

With regard to rate increases granted to other public utility providers, URCA notes the comment by CBL. However, CBL did not indicate which public utilities it is referring to. In any event, other public utilities (beyond BTC) are not under URCA's remit. As such, URCA does not consider that this fact is relevant to this consultation.

As regards the claim that CBL has not demonstrated or explained its increasing costs, URCA confirms that these issues were outlined in the non-confidential version of CBL's application which URCA made public as a part of this proceeding. In order to promote public awareness of CBL's applications, URCA provided a comprehensive review of the evidential information submitted by CBL at Section 4.2 of the consultation document. It bears repeating that much of URCA's review of CBL's financial data and assumptions cannot be publicly disclosed due to reasons of commercial sensitivity.

In carrying out this review, URCA has a duty to discharge its price-setting functions in a fair and impartial manner and promote the overall objectives of the Electronic Communications Sector Policy. As previously stated, the factors URCA must employ when exercising its price-setting functions in relation to CBL's price applications are specified in relevant regulatory measures and other documents. Having scrutinised CBL's submissions and taking into consideration feedback from respondents, URCA finds that the information and analysis presented by CBL provided a reasonable basis for URCA to evaluate CBL's requests. URCA remains firmly of the view that the financial analysis and assumptions employed by CBL accord with the obligations of the RPR, and other regulatory measures issued by URCA in relation to CBL.

Moreover, URCA, in its review of CBL's Application spreadsheet, has:

- found that the historical data provided in the spreadsheet is consistent with the financial data and accounts provided in the CBL annual RFS;
- not found any formulaic or mathematical errors within the spreadsheet;
- found that CBL applied a reasonable approach to forecasting demand, costs and revenues for the two services, assuming that a share of existing SuperBasic customers would migrate to the Prime Local Service, despite some minor differences in the approach used to forecast operating costs and mean capital employed for the two services;
- found that although CBL had not applied a single consistent approach to deriving its forecast cost trends (for example, in some cases adopting long term trends, whilst for other variables only using the most recent historic trend (i.e., change in the last year)), this was unlikely to have a significant impact on its analysis; and
- not found any evidence that CBL's assumptions systematically either under- or overstates the costs of providing the relevant services.

CBL buttressed its own company specific information with a benchmarking study showing that, in 27 regional markets, the average current price for cable TV packages comparable to SuperBasic was \$37.75 per month. This information prima facie appears to support CBL's application to increase the monthly price for REVTV Prime from \$30 to \$38. URCA notes, however, that CBL's benchmarking study of the prices for comparable cable packages in markets purporting to have similar characteristics to The Bahamas does not provide any indication as to the degree to which charges for cable TV in those other jurisdictions are cost oriented.

CBL also stated that it would still have a '*revenue shortfall*' after the price change. However, whilst not meaning that the price increase should not be granted, URCA does not agree that CBL's analysis demonstrated this point. This is because in economic costing terms, the price of a product or service would not necessarily be expected to cover average costs, but rather cover marginal costs, with services making different contributions to common costs. Therefore, any acceptance by URCA of the pricing applications should not be taken as evidence of URCA accepting there may be a need for other policy measures to be used to offset the perceived '*shortfall*'.

3 Conclusions and Next Steps

This Section contains URCA's final conclusions relative to CBL's 2014 price applications:

- for a Permanent Price Change to its 'RETV Prime' and 'RETV Business Prime' packages (collectively 'SuperBasic'); and
- to introduce a "New Basic Television Service" (to be marketed as 'Prime Local' or 'RETV Prime Local').

URCA concludes that the applications are complete and do not give rise to any anti-competitive concerns.

In relation to CBL's SuperBasic price increase application, URCA concludes that the request is merited on the following grounds:

- the supporting financial information is satisfactory and is not out of step with established methodologies and principles, as determined by URCA;
- the proposed new price appears reasonable relative to the average price in markets having similar characteristics to The Bahamas;
- on the basis of the fully allocated cost information available in CBL's regulatory accounts, CBL is presently not earning its regulated cost of capital on SuperBasic and hence the rate increase would make the price of SuperBasic more reflective of such fully allocated costs; and
- the proposed increase is compatible with the Comms Act in the following respects:
 - the rate increase would ensure that the service remains economically attractive on a going forward basis; and
 - the proposal encourages and promotes further investment in electronic communications networks and services, by enabling CBL to earn a return more in line with its cost of capital for the regulated service.

CBL's application to introduce a new basic TV service in fulfilment of its USO (RETV Prime Local) is compatible with the Comms Act in two respects:

- the introduction of this new service fulfils, at least in part, a statutory requirement that mandates CBL to provide "*affordable basic television services to all populated areas and specified institutions*"; and
- ensures that persons in The Bahamas in New Providence, Grand Bahama, Abaco and parts of Eleuthera with limited purchasing power would still have access to a minimum level of cable TV service upon request.

URCA remains concerned that the channels which CBL proposes to include in the package, while meeting its statutory mandate, do not provide for its potential subscribers a package that is as informative as URCA would have envisaged through the USO Framework, having regard to all the circumstances and in particular what is already provided free of charge to various communities in the Family Islands. URCA is statutorily bound to approve CBL's application despite this shortfall but urges CBL to seriously consider providing a more informative offering, particularly in relation to the inclusion of US network television channels originating in close proximity to The Bahamas.

3.1 Summary of URCA's Final Decision

SuperBasic Price Application

Having reviewed CBL's application and considered the comments and representations submitted in response to URCA's consultation as set out in Section 2 above, URCA has decided that CBL may implement the new prices as set out below:

- 1) \$38 per month for the *REVTV Prime* service (i.e., residential customers); and
- 2) \$64 per month for the equivalent service for commercial customers (i.e., *REVTV Business Prime*).

URCA agrees that CBL may implement the new prices in those geographic areas where CBL has a two-way digital cable network only, namely: New Providence, Abaco, Grand Bahama, and parts of Eleuthera. This is because the new Prime Local service will also be offered in these areas. For the elimination of doubt, CBL shall not implement the new prices in any area in The Bahamas where CBL has not also launched the proposed new USO pay TV service. In addition, any further implementation by CBL of the REVTV Prime package in any new areas will require a new application and URCA's further approval.

Introduction of Prime Local Service Application (CBL's USO package)

Having reviewed CBL's application for introduction of the proposed USO package, REVTV Prime Local and considered the comments and representations submitted in response to URCA's consultation as set out in Section 2 above, URCA hereby confirms that CBL's proposed USO package (REVTV Prime Local) belongs to the identifiable SMP market for cable TV services in The Bahamas and is subject to:

- the pre-approval processes of the RPR;
- price caps when this new method of retail price control is introduced;
- the standard non-discriminatory requirements of the Comms Act (section 40(4)) and CBL's Individual Operating Licence;
- all Accounting Separation and Cost Accounting requirements imposed on CBL;
- URCA's regulatory framework for implementation of USO; and
- URCA's Consumer Protection Regulations (ECS 19/2013).¹⁷

¹⁷<http://www.urcabahamas.bs/download/019062100.pdf>.

CBL shall, subject to the final decisions in this document, implement the proposed new USO service in *“all populated areas and specified institutions”* in The Bahamas on a non-discriminatory basis and in the shortest timeframe possible. For the initial period, URCA approves the implementation by CBL of the new service available to all residential customers and specified institutions in New Providence, Abaco, Grand Bahama, and parts of Eleuthera. URCA will, subject to further engagement with CBL, establish or specify the timeframes by which the “unserved” population in Bahamian islands other than New Providence, Grand Bahama, Abaco and “unserved” parts of Eleuthera shall be provided by CBL with access to the universal basic television service currently named Prime Local Service.

URCA approves, subject to the other requirements set out in this document, the launch by CBL of the proposed USO basic television service which will be a multi-channel package comprising six (6) channels, namely: ZNS Channel 13, the Parliamentary Channel (Channel 40), Bahamas Christian Network (BCN)(channel 55), CALA Weather, Jones Communications Network (JCN), and PBS-WPBT2 (Miami). URCA reiterates that it is unsatisfied with the Prime Local channel line-up and considers that it would be reasonable and a demonstration of CBL’s commitment to the Bahamian public, for CBL to offer a more favourable channel line-up within its USO pay TV package, including those channels that it provides free of charge to residents in specified Family Islands, which channel line-up includes ZNS Channel 13, Parliamentary Channel, ABC, NBC, Fox News and CBS.

The URCA-approved prices for the USO pay TV package are listed in the Table below.

Table 1: Prices for Prime Local Service

| | |
|------------------------------------|--|
| Monthly or recurring rental/charge | \$10.00 |
| One-off installation charge | \$40.00 – Payment in equal instalments over three months |
| One-off Security Deposit | \$20.00 |
| Set-Top Box (STB) | Rental: \$2 per month |

URCA stresses that its approvals in this document are contingent on CBL submitting a revised late fee proposal to URCA within 30 calendar days of the publication of this final decision, and URCA accepting that submission as being consistent with Part 5.14.1 of URCA’s Consumer Protection Regulations. If CBL does not comply with this, it shall not be eligible to implement any of URCA’s final decisions arising from CBL’s applications in this document.

Consequential to the introduction of CBL's USO pay TV package:

- Customers switching from an existing cable TV subscription to the new USO pay TV package (REVTV Prime Local) may request either a bill credit or cash refund on any or all charges associated with the existing cable TV subscription but not applicable to the Prime Local service;
- Any bill credit or cash refund should be net of any outstanding money owing by the customer switching to the Prime Local package;

- CBL shall publicise the price and other terms or conditions of the Prime Local package in line with obligations specified in the Consumer Protection Regulations and the Retail Pricing Rules; and
- Where it proposes to disconnect a customer's REVTV Prime subscription for non-payment, CBL shall advise the customer that a lower-priced option (REVTV Prime Local) is available.

3.2 Next Steps

With respect to the implementation of the above URCA decision, CBL must remain in full compliance with URCA's decision and the obligations (inclusive of timeframes) of the RPR, especially:

- Paragraph 15.1 requiring SMP operators to publicly advise customers of its decision to increase the price of price regulated service (e.g., SuperBasic);
- Paragraph 15.2 setting out the procedures SMP operators must adhere to when introducing a new price regulated service (e.g., REVTV Prime Local); and
- Paragraph 15.3 on advertising of price regulated services (SuperBasic and REVTV Prime Local).

For the avoidance of doubt, CBL is required to conduct public relations initiatives to ensure the public is informed of the availability of the Prime Local package including but not limited to:

- the applicable terms and conditions;
- the channel line-up;
- all of the prices and payment terms associated with the package which includes:
 - monthly or recurring price of the package;
 - set-top box rental fee;
 - late fees;
 - one-off installation charge; and
 - one-off security deposit.
- that new subscribers will have the option to pay the installation charge in equal instalments over three months; and
- that Prime Local subscribers will be prohibited from subscribing to additional packages.

URCA advises that CBL's failure to fully comply with any of the decisions and/or directives set forth in this Statement of Results and Final Decision document will result in URCA taking strong enforcement action against CBL in accordance with the Comms Act.

Table 1: Summary of Comments Received and URCA’s Responses

In this Section URCA’ reviews all substantive comments received from members of the public.

| Comments Received | URCA’s Views and Conclusion |
|---|--|
| <p>Approval of the SuperBasic price increase would add further burden on the society, especially in the context of the current state of the economy and the recent Value Added Tax (VAT) implementation.</p> <p>CBL is already making a profit and some of its customers have challenges in meeting their bills.</p> <p>ZNS Channel 13 should be free and persons should not have to subscribe to SuperBasic to get ZNS TV.</p> | <p>URCA is mindful of the current state of the economy and notes that some customers may have challenges paying their bills. However, URCA believes that the introduction of a new TV service that conforms to the specifications for the Basic Television USO will provide a cheaper alternative to customers. VAT has been imposed by the Government of The Bahamas on services across all economic sectors, including the electronic communications sector, the water and sanitation sector and the electricity sector. URCA notes that the implementation of VAT or any other form of taxation is not one of the economic factors URCA is required to consider in this price-setting review.</p> <p>While CBL’s statutory accounts data shows that CBL is earning an overall profit, its Regulatory Accounting data demonstrates that CBL is currently not recovering its regulated cost of capital (10.86%) on SuperBasic, given the FAC standard used in CBL’s regulatory accounts.</p> <p>URCA has been advised that ZNS TV-13 was free-to-air to the viewing public in New Providence for the period 1979-2013. However, at this time TV-13 is not free-to-air to the viewing public because of transmissions problems at the Harold Pond Transmitter site. URCA has been made to understand that ZNS is taking steps to restore free-to-air transmission in New Providence as soon as possible as a public service broadcaster.</p> |
| <p>The new Prime Local/USO pay TV package is more affordable but not entertaining.</p> <p>CBL should not increase prices because it already has a monopoly on the four most populated islands. Furthermore, one must also pay a set-top box and/or modem fee to CBL while BTC modems are free.</p> | <p>CBL proposed to introduce this package in fulfilment of its Basic Television USO. The obligation requires CBL to offer a cable TV package comprising six channels, two of which must be ZNS TV and the Parliamentary Channel. URCA has determined that the remaining four channels must satisfy certain criteria, that is: the channel line-up must be <i>“sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment.”</i> Readers are referred to Section 2.2.4 above for URCA’s final position as regards CBL’s USO channel line-up.</p> <p>CBL’s legal monopoly in cable TV services expired in 2009 and was not renewed. However, because CBL is still dominant in this market, URCA regulates CBL’s pay TV offerings to ensure CBL’s pricing is not exploitative or excessive. URCA advises that wherever digitization of cable television networks has been adopted, there is usually a requirement for subscribers to rent or buy set-top boxes to receive digital programming on their television sets. URCA’s review of international experience shows a fairly mixed picture regarding whether or not cable television companies in other countries charge for the first box; however, information suggests that in all cases, cable operators charge for additional boxes.</p> |

| Comments Received | URCA's Views and Conclusion |
|--|--|
| <p>CBL has not increased the SuperBasic package price in 20 years; however CBL subscribers should receive value for money (i.e., more variety and less duplicated channel, if the price increase is granted).</p> | <p>Readers are referred to Section 2.1.2 above for URCA's response on this issue.</p> |
| <p>CBL should not increase the price of SuperBasic because it has outdated programming and frequent channel outages that go ignored.</p> | <p>On quality of service concerns, URCA advises that there is already a mechanism in place to address customers' complaints and urges respondents to bring such issues to URCA's attention in a timely manner. Please see Section 2.1.2 above for further comments on this subject.</p> |
| <p>CBL should not increase the price of SuperBasic because CBL has poor service, duplicated channels, Spanish-language channels, and frequent service disruptions.</p> <p>CBL should not increase the price of SuperBasic. SuperBasic's channel line-up has been reduced over the years and the public cannot afford an increase since implementation of VAT. CBL is not incurring a loss by charging the current price of \$30.</p> | <p>Please see Section 2.1.2 above for URCA's response on these issues.</p> <p>CBL argues that at \$30 per month, it is not recovering its regulated cost of capital on SuperBasic. CBL added that the proposed price increase would make the price of SuperBasic more cost reflective. Regarding VAT implementation and service quality issues, URCA refers to its responses above to similar comments raised by other respondents.</p> |
| <p>CBL should not be granted a price increase. CBL has duplicated channels and the line-up lacks variety. Some channels in premium packages, such as Sundance Channel, MTV Hits, MTV Jams, MTV Soul, TCM, are off-air or have been removed from packages that I subscribe to. CBL has poor customer service and faulty set-top boxes. There are frequent cable outages in the south-western New Providence area for which CBL does not refund customers for.</p> | <p>URCA refers to its responses to similar comments raised by other respondents on CBL's channel line-up for SuperBasic and service quality concerns. URCA understands that it is standard industry practice for cable operators to review their channel line-up from time to time and make changes as they see necessary. The issue of customers being refunded for service disruption is outside the scope of this consultation but is addressed in URCA's Consumer Protection Regulations.¹⁸</p> |
| <p>URCA should uphold the standards in the provision of services in The Bahamas. The SuperBasic package is unsatisfactory and CBL should prove the proposed price is comparable to that in other countries.</p> | <p>The basis of CBL's application to increase the price of SuperBasic is that CBL is not making its regulated cost of capital on the service. CBL provided URCA with relevant financial analysis to support its proposal. CBL also provided a price benchmarking study in its application. The proposed price is comparable to the average price (\$37.75/month) across the benchmarked jurisdictions.</p> |
| <p>URCA should prohibit CBL from reapplying in the near future so consumers would not endure the stress of a potential price increase repeatedly.</p> | <p>There is no legal limit or time restraint on the frequency of applications for permanent price changes that an SMP licensee can make to URCA. When an application is made, URCA must follow the procedures laid out in Paragraph 14 of the Retail Pricing Rules for reviewing price or service change applications for Price Regulated Services.</p> |

¹⁸The complete document can be found at <http://www.urcabahamas.bs/download/019062100.pdf>.

| Comments Received | URCA's Views and Conclusion |
|--|---|
| <p>CBL should not be granted a price increase because the cost of living is already high. An increase would result in customers unsubscribing and seeking alternatives to cable.</p> | <p>URCA refers to Section 1.1 above for the primary factors URCA is required to consider in this rate-setting exercise.</p> |
| <p>CBL should not be granted a price increase. Customers should not have to pay an additional \$10 to watch local channels. Poor workers cannot afford the \$10 and will be unable to view local channels.</p> | <p>URCA clarifies that in the event that CBL's applications are approved, customers will not be required to pay an additional \$10 to watch the Prime Local package. Customers would have the option of subscribing to that package for \$10 but that package is a standalone package and will not be in addition to REVTV Prime or any other TV packages. Indeed, customers will still have the option to keep existing TV packages that will include local channels such as ZNS, the Parliamentary Channel, and Bahamas Christian Network (BCN).</p> |
| <p>The 6-channel package does not give consideration to prospective users and lacks a movie package; the public should read books instead. CBL should offer a senior citizens rate.</p> <p>Respondent suggested that there should be a grace period of 3-5 days following the end of the month to pay bills. Noted that once a package becomes popular, the channels are moved to another package to get customers to purchase an additional package. Many programs are duplicated across various channels. The revenues derived from late fees can be used to construct a new (more spacious) building for customers to pay bills and there should be more than one payment centre. Technicians can take up to 7 days to visit your house and there is no reimbursement for service disruptions. Technicians are unable to repair set-top boxes therefore a new box has to be purchased. People are being charged for watching movies within a package for which they are already paying for. CBL does not pay for the channels that it broadcasts. It was mentioned (at the town hall meeting) that the price of cable in The Bahamas is comparable to other countries however the high cost of living in The Bahamas should be factored in. The telephone service has been poor since Indigo was sold to CBL.</p> | <p>CBL is required to include ZNS and the Parliamentary Channel in the Basic Television Universal Service package. URCA has determined that the other four channels must be <i>"sufficiently informative on matters that are relevant to the Bahamian society and include relevant programming on news, sports, variety and family entertainment."</i> CBL is not obliged to offer a senior citizen rate. This is entirely a commercial matter for CBL to determine. See Section 2.2.4 above for URCA's final position on CBL's USO channel line-up.</p> <p>In respect of bill payments and reimbursements for service disruptions, these are covered in URCA's Consumer Protection Regulations. URCA understands that CBL obtains programming from various overseas content providers who require CBL to pay for channels received. URCA also advises that CBL's SuperBasic application includes data on payments to overseas content providers for channels provided by CBL in The Bahamas. Such payments are legitimate business expenses that CBL may recover from its subscribers in The Bahamas. If the respondent's underlying concern is about possible breaches of copyright laws, URCA advises that it does not have the legal mandate to direct a licensee as to how, when or where it may acquire copyrighted content.</p> <p>Other comments (e.g., IndiGo service quality) are outside the scope of this consultation.</p> |

| Comments Received | URCA's Views and Conclusion |
|---|---|
| <p>Will they add more services, more channels or 24 hour support as a result of this? What is the reason for the increase?</p> <p>No to price increase. The price of the SuperBasic package should not change because it only contains news/weather. Premium packages/channels (i.e., HBO) should be increased because it is a privilege for those that want that option.</p> | <p>CBL's rationale for applying for the increase was presented in its application document which can be found at http://www.urcabahamas.bs/download/096774600.pdf. At Section 4.2 of URCA's consultation document, URCA discussed the factors underpinning CBL's price increase request and set forth its own views and analysis on the application. URCA refers to Section 2.3 above for its final views on CBL's submissions.</p> <p>URCA notes respondent's objection to CBL's price application and other comments.</p> |
| <p>CBL's billing is for the 1st to 30th of each month. Payment is required by the 20th of the month after which a \$5.50 late fee is applied to the following month's bill if payment is not made by the 20th of the (current) month. This amounts to a prepayment of 10 days. No other entity with a post payment system acts in this manner. CBL does not publish a telephone directory while a number of Government Departments (e.g., Immigration, Customs, Passport Office) in Grand Bahama use their services. The public should not have to pay to find the telephone listings for these essential services.</p> | <p>URCA addressed the issue of billing in its Consumer Protection Regulations. URCA can confirm that CBL's licence requires it to provide "Directories and Directory Enquiry Facilities" and "Provision of Directory Information" to end-users. URCA has been advised that CBL currently provides an online directory service in fulfilment of the obligation.</p> |
| <p>The price should not be increased as the existing price is already too high.</p> | <p>Please see URCA's response at Section 2.1.1 above. URCA adds that CBL provided costs and revenue information alongside benchmarking data in support of the price increase.</p> |
| <p>CBL should not be granted a price increase until it provides service to all areas of The Bahamas.</p> | <p>The information underpinning CBL's application is consistent with the obligations of the RPR and other relevant documents that URCA must adhere to. Under CBL's submissions, the intent is to make the Basic Television universal service available in New Providence, Abaco, Grand Bahama and parts of Eleuthera, at this time. From URCA's viewpoint, this proposal appears reasonable and proportionate, having regard to CBL's proposal to implement the SuperBasic price increase only on those islands where a lower priced USO package will be available. Please see Section 2.2.2 above for additional comments.</p> |
| <p>The same channels appear across various packages. CBL should not get a price increase. Looks forward to BTC offering TV services.</p> | <p>URCA understands that cable operators across international jurisdictions generally offer channels across different packages. URCA considers that the launch of a pay TV service by BTC and/or other licensees in direct competition with CBL would be a welcome development in the sector.</p> |

| Comments Received | URCA's Views and Conclusion |
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| <p>CBL should not be granted a price increase for a permanent price change in SuperBasic and the introduction of a basic television service.</p> | <p>URCA notes the respondent's objection to CBL's application and the absence of any supporting evidence to substantiate the position. URCA underscores that the introduction of a basic television universal service package is a statutory requirement introduced in the 2009 Comms Act and is not intended to be a substitute service for SuperBasic. Instead, the USO package is a minimum level of service for customers who may not wish to subscribe to SuperBasic or consider SuperBasic unaffordable. As the sector regulator, URCA must ensure compliance with the Comms Act and the Sector Policy by ensuring CBL complies with the Basic Television Universal Service Obligation.</p> |
| <p>Does not agree with CBL being granted an increase for a permanent price change in SuperBasic and the introduction of a basic television service. Cable 12 should be included in the Prime Local package as ZNS is a political station and does not show the news in its entirety. CBL should provide fair service. For example, customers do not receive credit for service disruptions while late fees are applied accordingly.</p> <p>The applications for a price increase and the introduction of a basic television service should be dismissed. "The company is adequately capitalized and has immediate access to significant sources of funding which can support its growth potential" – quote by CBL SuperBasic should remain "as is" – there is no need to segregate (local) news channels at a cost because they are a necessity (to view) not a luxury.</p> <p>An increase should only be granted if customers are allowed to choose the channels that are included in their basic package or if the increase amounts to \$0.05 per day with no channel duplication.</p> | <p>As stated previously, the introduction of a basic television package is mandated by the Comms Act. Under established regulatory procedures, CBL has the right to make price applications as often as it chooses and URCA has a duty to review any such applications made by CBL (or BTC). Please see Sections 2.1.2 and 2.2.4 above for URCA's responses in relation to compensation for service disruption and CBL's USO Basic Television channel line-up.</p> <p>CBL's financial data shows that while CBL remains profitable overall, CBL continues, on the basis of the fully allocated cost data included in its regulatory accounts, to earn less than 10.86% regulated cost of capital on SuperBasic at the \$30 per month price. In other words, while the current price of SuperBasic television is not causing CBL to make losses overall, under the present RPR, CBL is not recovering its cost of capital for SuperBasic television services. In economic terms the cost of provisioning a service includes the company's regulated cost of capital. Not all of CBL's pay TV packages and services are price regulated. For this reason, CBL's profitability in respect of CBL's un-regulated services are outside the scope of URCA's consideration and have no bearing on the narrower issue of URCA's review of the CBL price increase application.</p> <p>At Section 2.2.4 above, URCA responds to the proposal that customers should be allowed to choose the channels in their packages. Additional comments on the factors URCA is required to consider in this review are discussed at Section 1.1 above.</p> |

| Comments Received | URCA's Views and Conclusion |
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| <p>Respondents stated that if there were a price increase, they would switch to Satellite, Android box or use the Internet to watch TV online. A few persons would reluctantly keep cable.</p> | <p>Based on URCA's understanding switching would be limited to some price changes.</p> |