



URCA Annual Report 2016

URCA 06/2017

Issue Date: 30 April 2017

Table of Contents

1. Chairman’s Message	4
2. Chief Executive Officer’s Report	6
3. Introduction	9
4. Electronic Communications Sector Update	10
5. Electricity Sector Update	18
5.1 Background	18
5.2 The Sector	18
6. Review of URCA’s Achievements in 2016	20
6.1 Electronic Communications Sector	20
6.1.1 Highlights of URCA’s Achievements.....	20
6.2 Electricity Sector	33
6.2.1 Establishment of the Utilities and Energy Department.....	33
6.2.2 Issuing an Interim Licence to BPL.....	34
6.2.3 Establishing Regulatory Fee Structure	34
6.2.4 Review of BPL Consumer Protection Plan.....	35
6.2.5 Review of BPL Renewable Energy Plan	35
6.3 International Participation and Engagement.....	36
6.4 Building Regulatory Capacity and Human Capital	37
6.5 Educating and Supporting our Stakeholders	38
6.6 Protecting Our Stakeholders.....	39
6.7 Legal Matters	40

6.7.1	Litigation	40
6.7.2	Legislative and Regulatory Reform	41
6.8	Summary of URCA’s 2016 Workplan Outcomes	41
7.	2016 Key Performance Measurements	45
8.	2016 Audited Financial Statements	50

Annual Report 2016

1. Chairman's Message

On behalf of the Board of the Utilities Regulation and Competition Authority, I am pleased to present the Authority's Annual Report for the year 2016. This report signals another year of great achievement for the Authority amidst momentous change.

During 2016 the Authority began its transformation from a single sector to a multi sector regulator, with its assumption of responsibility for regulation of the electricity sector alongside URCA's previous responsibility for the electronic communications sector. By the end of 2016 the Authority had made significant strides toward establishment of the regulatory regime that will govern the electricity sector, whilst continuing to implement regulatory changes in the ECS.

The most significant development in the ECS was the introduction of competition in the mobile market with the commencement of services by Be Aliv Limited (Aliv). This change, which has been a cornerstone of URCA's efforts for the past four (4) years, heralds a shift in the market which has delivered and will continue to deliver significant benefits to the public in The Bahamas. URCA is pleased to have been a significant part of this transformation.

In the area of electronic communications, URCA has also taken on a broader focus of promoting Information and Communications Technologies (ICT) in The Bahamas, and of promoting The Bahamas as a regional leader in ICTs. Our hosting of our second annual symposium for Girls in ICT day 2016 was a cornerstone of these efforts, as was our representation of The Bahamas globally. These efforts will continue in 2017 with the hosting, on the Government's behalf, of the International Telecommunication Union (ITU)'s 17th Annual Global Symposium for Regulators from 11 to 14 July 2017 at the Atlantis Resort where we will bring together telecommunications regulators and professionals from across the globe under the theme ***"Living in a World of Digital Opportunities"***.

On behalf of the Board, I salute Mrs. Kathleen Riviere Smith, who resigned as URCA's Chief Executive Officer in August 2016, for her fifteen (15) years of dedication to URCA and its predecessor the Public Utilities Commission, both of which she served with distinction. Mrs. Smith's work as CEO established a

sound institutional framework for the Authority's future as a multi-sector regulator, and we thank her for her tireless efforts.

Through its successes in 2016, URCA has continued to build and develop its reputation as a strong regulator of essential sectors of The Bahamas' economy. During 2016 we reaffirmed our commitment to an updated mission of *"Improving Lives through Effective Utilities Regulation"*, and I can attest to the dedication and focus of each and every member of URCA's staff to improving the lives of all in The Bahamas.

I thank my fellow non-executive members of the Board, including Deputy Chair, Mr. J. Paul Morgan and Mrs. Cherise Cox Nottage for their hard work and consistent support to me as Chairperson, and to URCA, without which our accomplishments would not have been possible. I thank our recently appointed Chief Executive Officer Mr. Stephen Bereaux, for his outstanding efforts during 2016 as Director of Electronic Communications and Acting CEO, in mobilising and motivating the URCA team to meet our mandate and to implement the Board's vision.

Our achievements during 2016 continue to move URCA closer and closer to achieving our vision of *"A globally respected regulator, championing the interests of people in The Bahamas and the Sectors we regulate"*.

Randol Dorsett
Chairperson

2. Chief Executive Officer's Report

2016 turned out to be a year of significant change for URCA, in many respects. Our mandate was expanded by the addition of the Electricity Sector, competition was introduced in the mobile market, and the organisation experienced changes in our human resources at executive and staff levels. Each of these changes has left their mark on the organisation in varying ways, and as a result URCA started 2017 with a revised strategic direction which is intended to better focus and motivate the team to meet the new challenges.

One of our greatest new challenges was the assumption of regulation of the Electricity Sector. On 28 January 2016, URCA assumed responsibility for regulation of the Electricity Sector (ES) which comprises all persons involved in the Generation, Transmission, Distribution and Supply of electricity. These changes were the culmination of several years of effort by the Government of The Bahamas and during 2015 members of URCA's management team were involved in consultations with the Government of The Bahamas in the formulation of the legislation which was eventually passed on 31 December 2015. While the lack of a transition period may have impacted the pace of the regulatory reforms implemented by URCA during 2016, URCA was still able to achieve a number of significant regulatory initiatives in the ES. These included the issuance of a temporary licence to Bahamas Power and Light Limited (BPL), commencement of the review of BPL's Consumer Protection Plan, completion of URCA consultation and decision making on the implementation of Regulatory fees for the ES, and the completion of URCA's Initial Decision on BPL's Small Scale Renewable Generation (SSRG) Programme. URCA is particularly pleased that it was able to make significant progress on the BPL SSRG Programme, which paves the way for persons in the parts of The Bahamas served by BPL, to install renewable generation capacity for their own use and to sell any excess energy produced to BPL's grid.

Much of URCA's efforts in 2016 relating to the ES centred on recruitment of the senior skilled persons who will lead URCA's ES regulatory efforts moving forward. In particular, URCA commenced its competitive selection process for a Director of Utilities and Energy (DUE) who is an executive member of

URCA's Board with overall responsibility for URCA's regulation of the Electricity Sector. That selection process continued as at the end of 2016.¹

During the year under review, URCA also oversaw significant changes in the Electronic Communications Sector (ECS) heralded by the introduction of competition in the cellular mobile market on 1 October 2017 with the launch of services by Be Aliv Limited (Aliv). URCA completed several regulatory measures to implement the necessary changes to accommodate cellular competition, and the introduction of competition was achieved within the mandated timeframes, with The Bahamas going from issuance of a second licence, to active competition, within three (3) months. As at the end of the year URCA continued its work on cellular liberalisation with regulatory interventions necessary to achieve National Roaming, Infrastructure Sharing, and to monitor the roll out of services by Aliv.

Perhaps most significantly overall, during 2016 URCA also weathered drastic internal reorganisation which was occasioned by the changes in our regulated sectors, the increased workload being experienced by the organisation, and material changes in staff at all levels. It is noteworthy that organisational changes resulted in attrition of almost thirty percent in URCA's staff complement, with its total staff falling from 26 at the beginning of 2016, to 19 at the end of the year. This included the resignation at the end of August 2016 of URCA's Chief Executive Officer, Mrs. Kathleen Riviere Smith, having served URCA and its predecessor the Public Utilities Commission. On behalf of the Management and Staff, I join the Board in thanking Mrs. Riviere Smith for her dedicated and diligent service to URCA and to the sectors we regulate.

To ensure that URCA was well equipped to face its expanded role as a multi-sector regulator, during the latter part of 2016 we undertook a review of the Strategic Plan using an externally facilitated process involving all staff. The revisions to the previous plan, which had been formulated during 2014, took account of the changes in mandate and a need to reimagine the organisational culture. The outputs of that review resulted in URCA adopting a more focussed vision and mission, and rethinking the critical success factors on which the organisation intends to focus. URCA's new mission, ***"Improving lives through effective utilities regulation"*** and its updated vision, ***"A globally respected regulator, championing the interests of persons in The Bahamas and of the sectors we regulate"*** signal a more results oriented focus

¹ On 13 March 2017, Mr. Shevonn Cambridge was appointed as URCA's Director of Utilities and Energy. The appointment is for a period of five (5) years.

for the organisation. The revised plan will necessitate new initiatives focussed on driving organisational performance, and measuring URCA's success as an organisation through its tangible impact on the society, which will be rolled out progressively from 2017 onwards.

Against that backdrop, I am pleased to join URCA's Chairperson in presenting the results of URCA's work in 2016 and its plans for 2017. I take this opportunity to thank the entire staff for their hard work and dedication during 2016 which enabled the organisation to achieve great progress, despite the challenges. I also thank the Board for its unfailing support and motivation of the entire URCA team on its mission, towards achieving our shared vision.

Stephen Bereaux
Chief Executive Officer

3. Introduction

URCA, in compliance with the requirements of section 41 of the Utilities Regulation and Competition (URCA) Act 2009, is pleased to present for public information:

- A report on the performance of URCA's regulated sectors in 2016;
- A review of URCA's achievements in 2016;
- A report on URCA's financial performance during 2016, including its Audited Financial Statements for the year; and,
- URCA's performance against its Key Performance Indicators for 2016.

Together with its report for 2016, URCA also includes in this publication, its Final Annual Plan for 2017, following consultation on URCA's draft Annual Plan 2017, which was published for consultation on 23 December 2016. In the Annual Plan section of this publication, URCA presents the following:

- URCA's key projects for 2017, including its planned consultation schedule for 2017;
- The key performance indicators which URCA shall use to measure its performance during 2017; and,
- URCA's budget for financial year 2017.

URCA considers the transparency inherent in its consultation on and publication of its Annual Plan and Report to be a critical factor of URCA's ultimate accountability to the public in The Bahamas, and thanks all persons who participated in the development and consultation on the plan.

4. Electronic Communications Sector Update

In 2016, there was a contraction of operator revenues in the electronic communications sector (ECS) in The Bahamas, the bulk of the decrease appears to have been driven by changes in revenue derived from non-regulated services as the overall decrease is not consistent with the reported revenues for regulated services.

Total revenues earned in the ECS decreased by approximately 7.72% from \$443,760,554 in 2015 to \$409,513,001 during 2016. The progression of revenues in the ECS over the past five (5) years is shown in Figure 1 below.

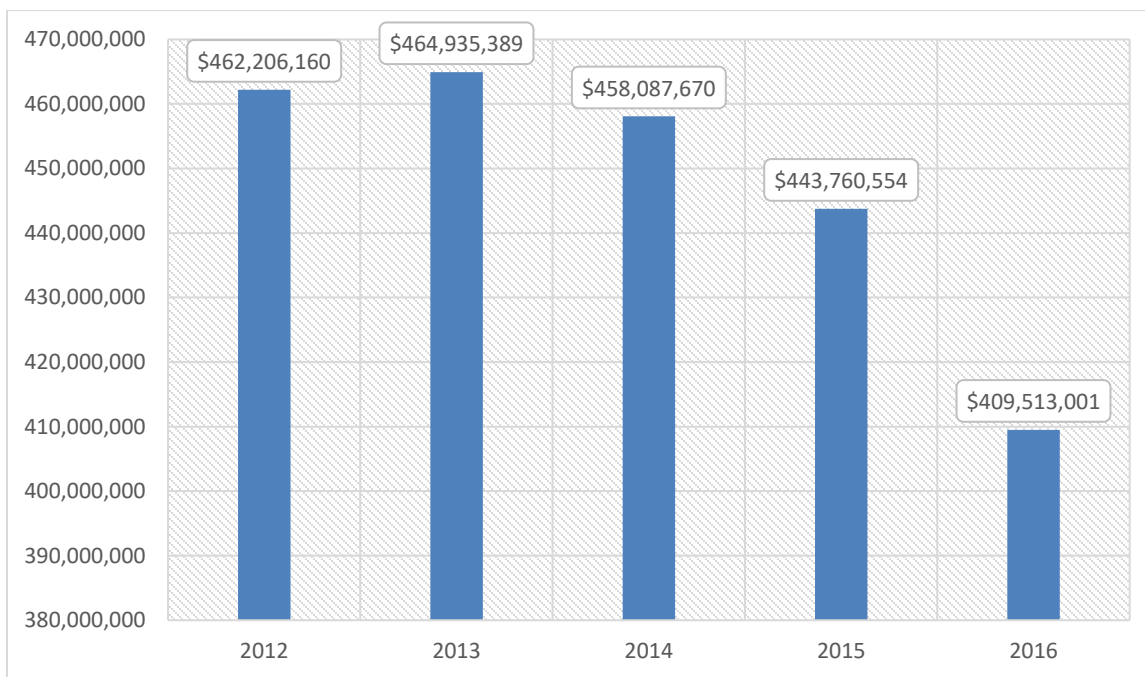


Figure 1 - Total ECS Revenues

The year also saw BTC expand its IPTV offerings which were launched in 2015. We look at some of the key market segments in turn below. It should be noted that the figures are estimates based on information collected by URCA from key licensees.

Fixed Telephone Services

Fixed voice telephony services in The Bahamas are provided by both the Bahamas Telecommunications Company Limited (BTC) and Cable Bahamas Limited (CBL).

BTC is the incumbent fixed voice provider in The Bahamas and is designated by URCA as having significant market power (SMP) in this market. BTC provides local, domestic long distance (inter-island) and international calls using a PSTN/fibre optic network, submarine cable system and supporting Satellite communications facilities. 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. CBL commenced offering fixed voice services in 2012.

During the year 2016, the number of fixed line subscribers experienced a slight increase by approximately 0.21% from 120,925 in 2015 to 121,178 in 2016 for a corresponding penetration rate (i.e. number of subscribers per 100 individuals) of 32.05 subscribers per 100 population (using population projections for The Bahamas in 2016 as published by the Department of Statistics) as shown in Figure 2 and Figure 3 below.

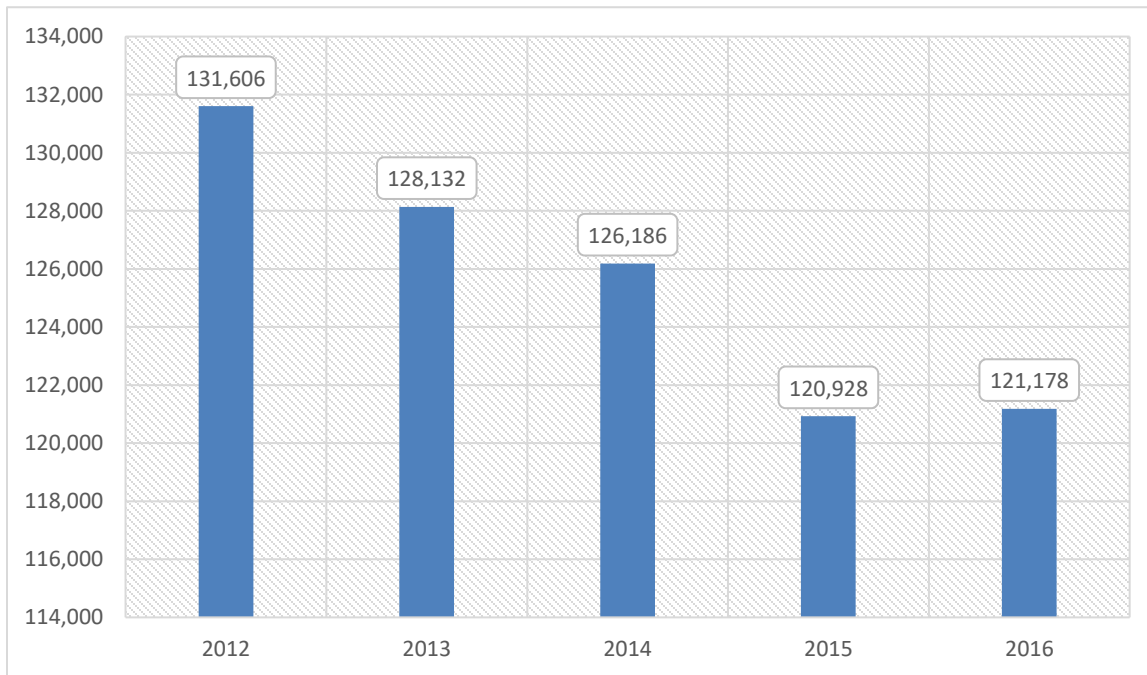


Figure 2 - Fixed Voice Subscribers

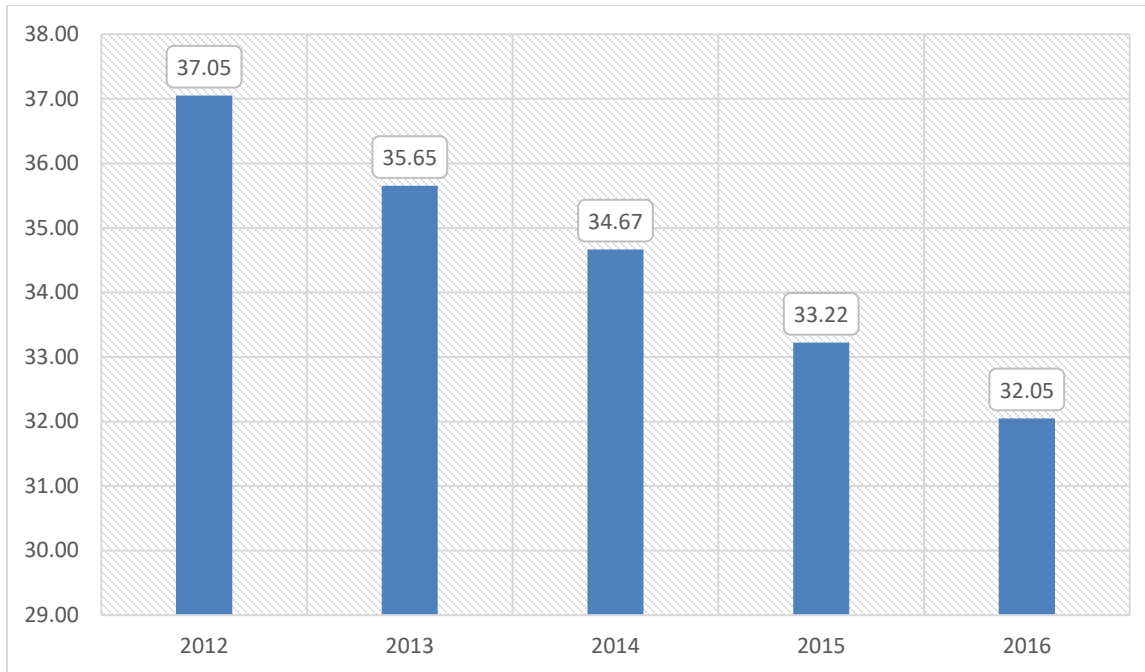


Figure 3 - Fixed Line Penetration (Subscribers per 100 Population)

Conversely, fixed line revenue decreased from \$60,896,882 in 2015 to \$57,673,765.00 in 2016 representing a decrease of approximately 5.29%.

Cellular Mobile Services

2016 marked the first year that BTC was no longer the sole mobile services provider in The Bahamas, with the launch on 1 October 2016 of the second mobile provider, Be Aliv Limited (Aliv). BTC responded to competition by lowering some of its prices and altering some services to provide more value for money. URCA expects the newly competitive mobile market to continue to benefit consumers in the long run with a continued trend of lower prices and improved offerings.

The total number of mobile voice subscribers during the year 2015 increased by 16% from 311,175 in 2015 to 360,200 in 2016. This corresponded to an increase in the 2015 mobile penetration rate of 85.49 to 95.31 subscribers per 100 population in 2016. Figure 4 and Figure 5 illustrate these changes.

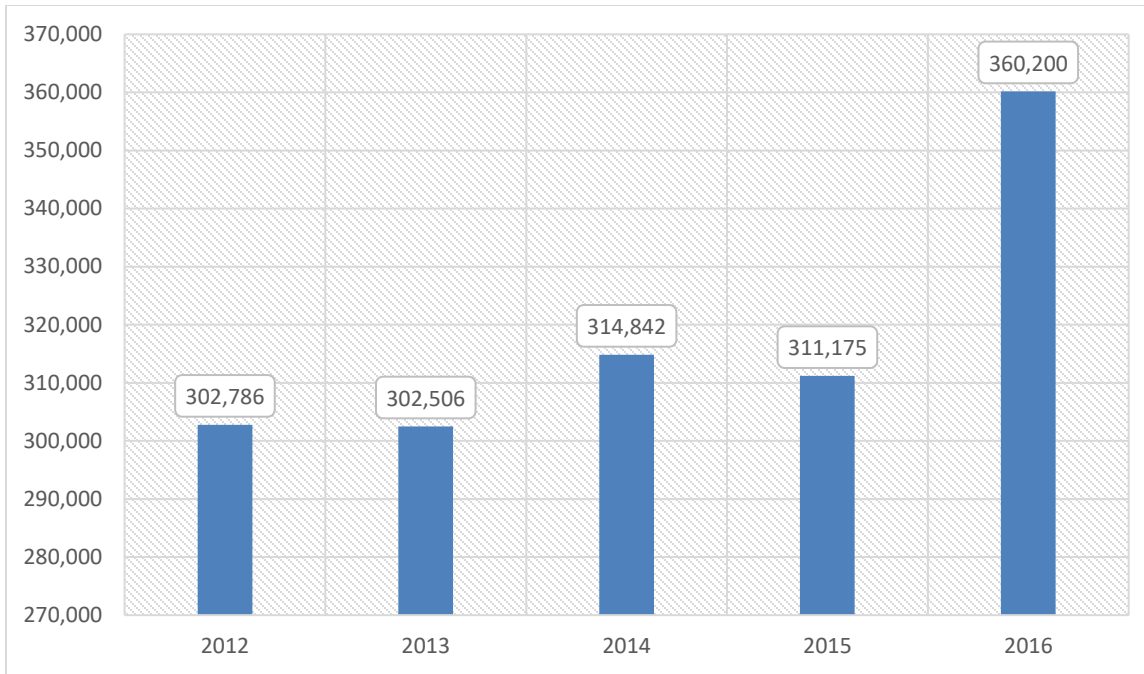


Figure 4 - Total Mobile Voice Subscribers

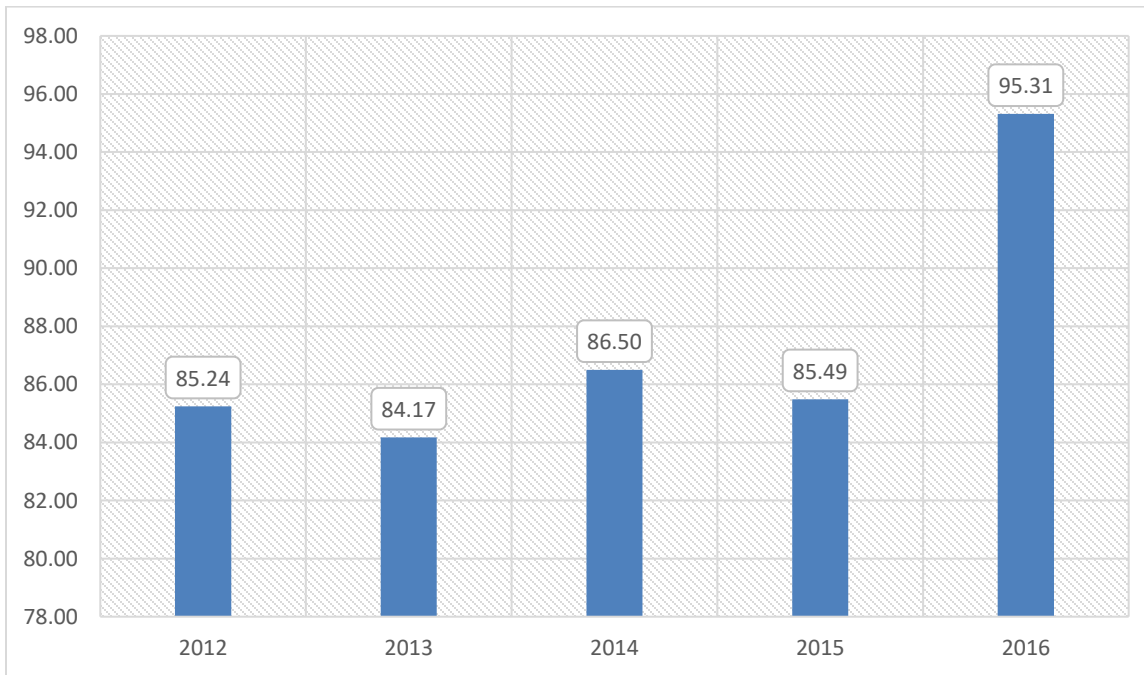


Figure 5 - Mobile Voice Penetration (Subscribers per 100 Population)

The number of mobile data subscribers also increased significantly by 9.85%, from 182,685 in 2015 to 200,696 in 2016. Figure 6 and Figure 7 illustrate the trend in total mobile data subscribers.

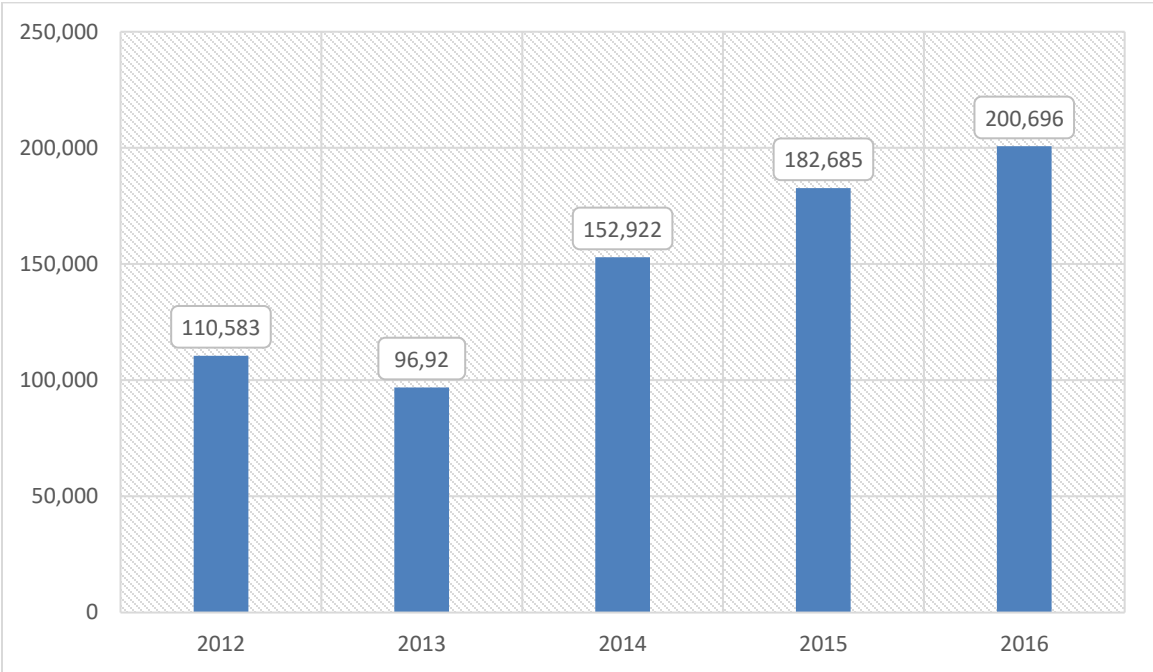


Figure 6 - Total Mobile Data Subscribers

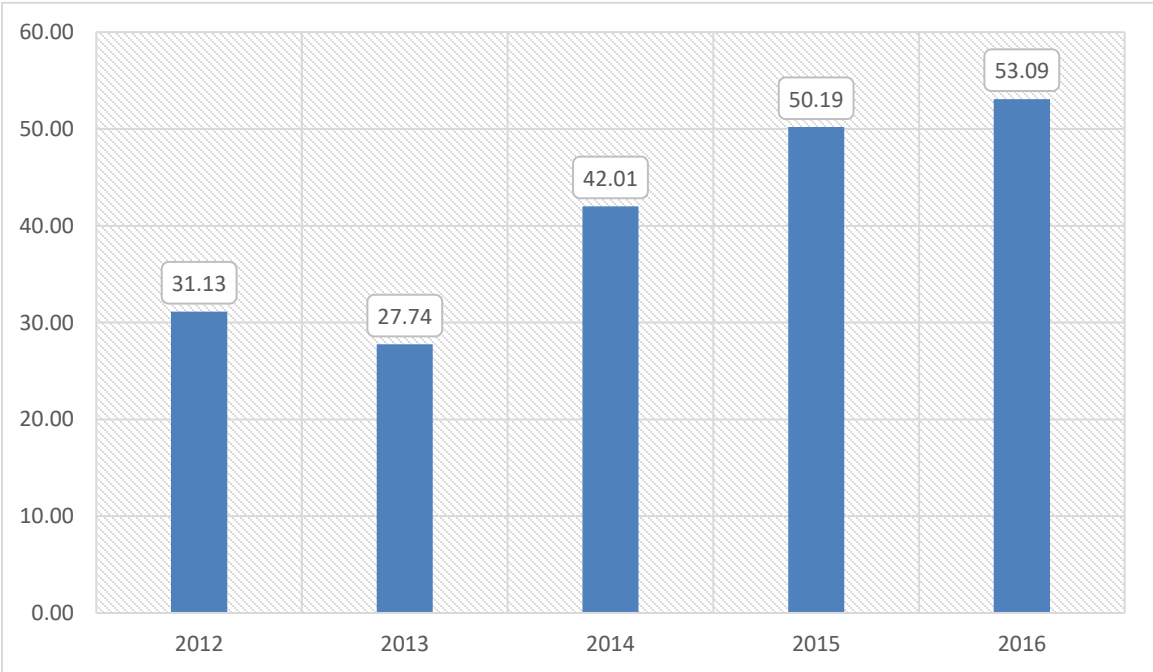


Figure 7 - Mobile Data Penetration (Subscribers per 100 Population)

Revenues from cellular mobile services increased marginally from \$175,965,000 in 2015 to approximately \$176,611,000 in 2016. Considering the significant increase in subscriber numbers, the modest increase is most likely due to price reductions, significant promotional activity, and the continued trend toward Over-The-Top (OTT) applications in lieu of traditional voice and messaging services.

Pay TV Services

CBL maintains SMP provider status for Pay TV services in The Bahamas, however BTC is now providing competition in selected areas with its Flow TV product.

As illustrated in Figure 8 below, there were 74,381 Pay TV subscribers at the end of 2016 down from 2015's 77,572 Pay TV subscribers, representing a decrease of approximately 4.11%. As with the decrease in mobile revenues, this also seems to reflect a shift towards web based alternatives.

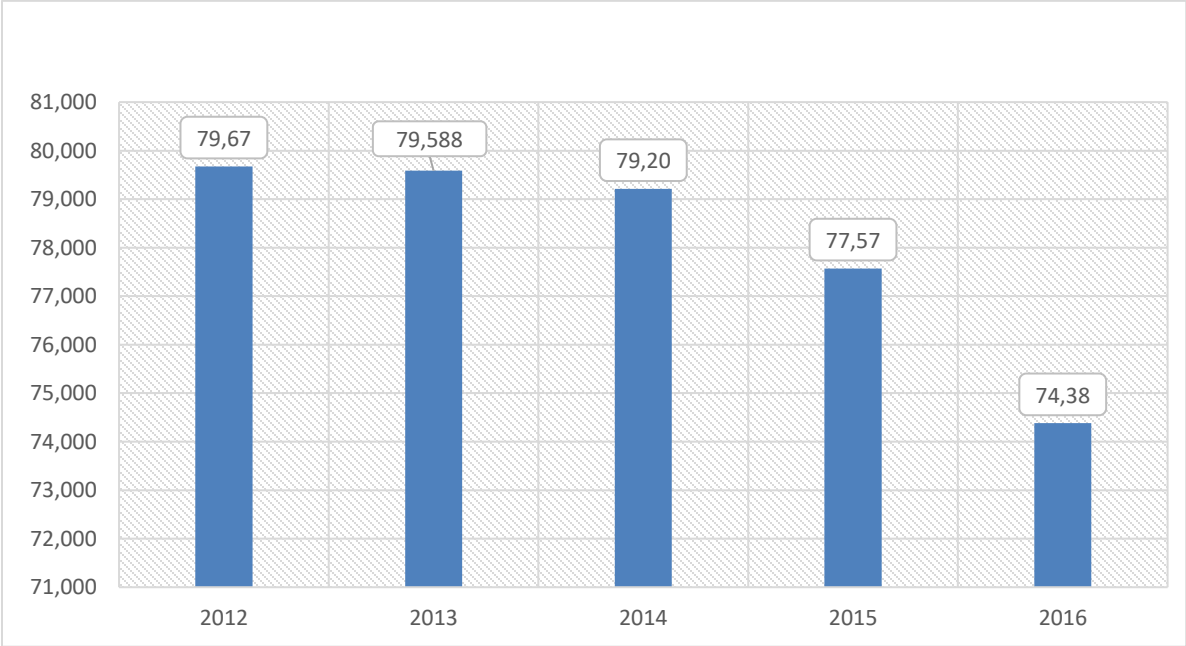


Figure 8 - Total Pay TV Subscribers

Despite a decrease in subscriber numbers, Pay TV revenues increased from approximately \$50 million in 2015 to \$53, 842,547 in 2016.

Fixed Broadband Services

Fixed internet services are provided primarily through broadband infrastructure by CBL and BTC, though a number of smaller providers also provide broadband in limited geographic areas, mostly using wireless networks. These include Last Mile Communications Limited (trading as Bahamas Wimax) and Out Island Internet Limited.

CBL has been 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 does not provide broadband internet services.

The number of fixed broadband subscribers increased by approximately 6.48% during 2016 from 81,018 in 2015 to 86,268 in 2016 continuing an upward trend over the past four years as shown in Figure 9 below.

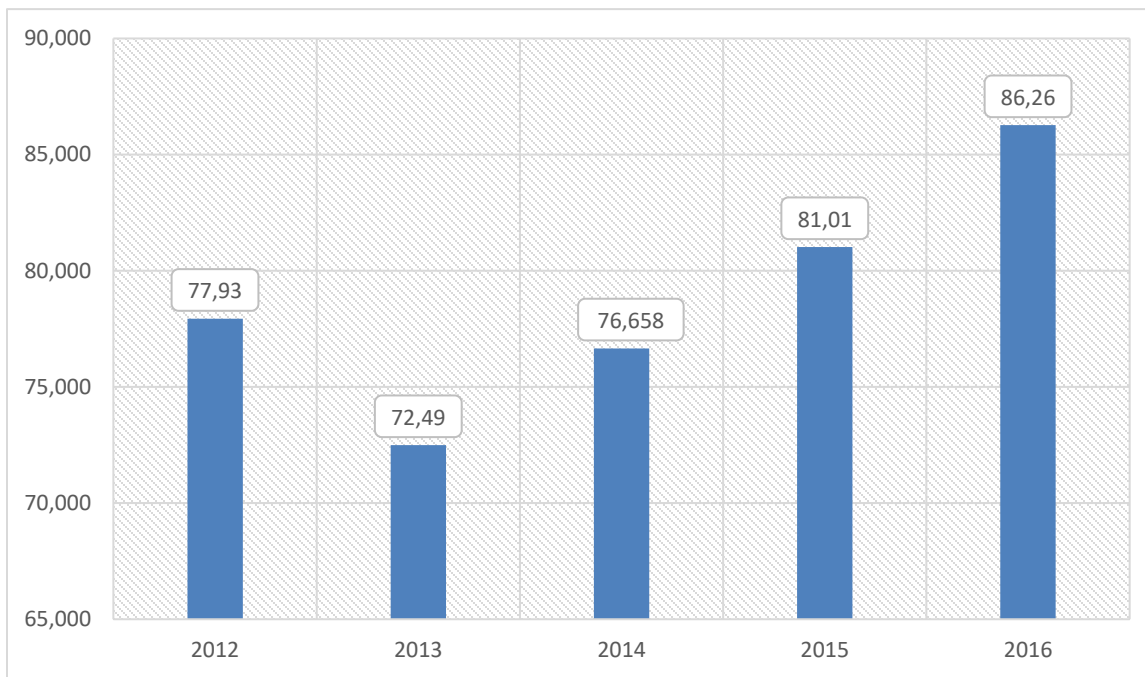


Figure 9 - Fixed Broadband Subscribers

This resulted in a fixed broadband penetration rate at the end of 2016 of 22.81 subscribers per 100 population, as shown in Figure 10 below.

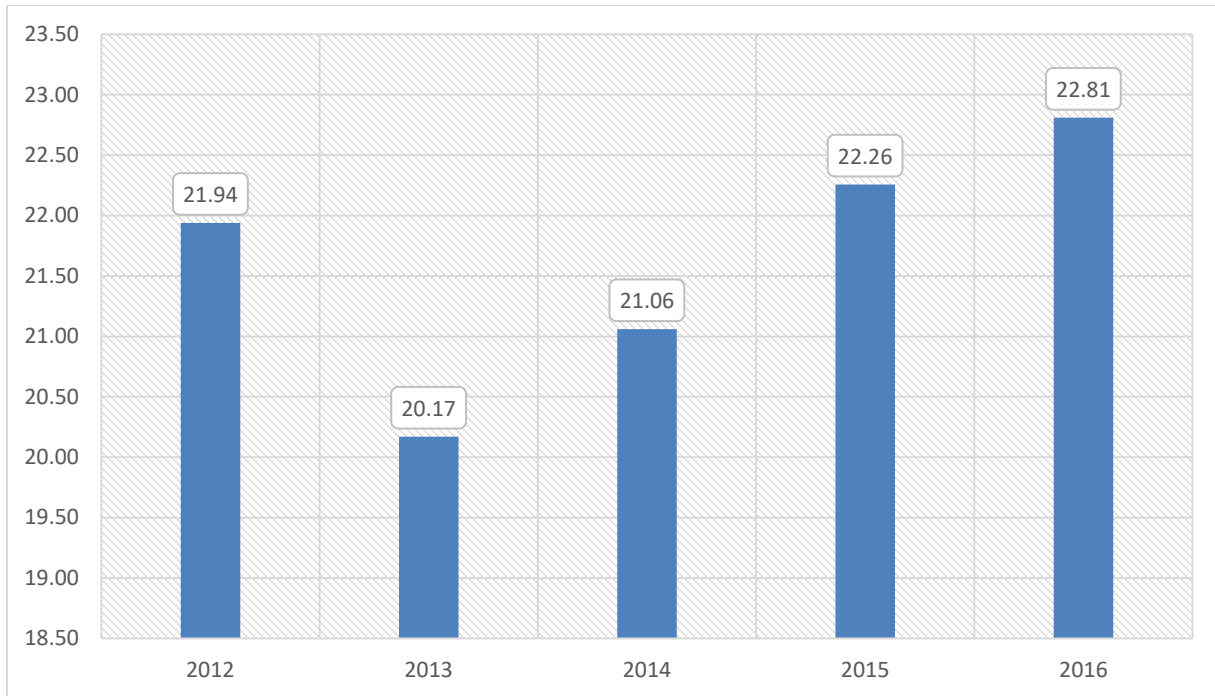


Figure 10 - Fixed Broadband Penetration (Subscribers per 100 Population)

A key objective of the ECS Policy is broadband penetration among the population, and in that context a useful metric is the number of residential broadband connections, as a percentage of the total number of households in The Bahamas. As at the end of 2016, URCA estimates that the number of residential broadband subscribers per 100 households was 73.8. This, combined with the steadily increasing mobile broadband penetration suggests that a very high percentage of persons in The Bahamas have access to broadband.

Fixed broadband revenue increased by approximately 4.99% from \$44,225,903 in 2015 to \$46,432,669 in 2016.

5. Electricity Sector Update

5.1 Background

URCA assumed regulatory responsibility for the ES in January of 2016. By virtue of this responsibility URCA is tasked with ensuring the safe, efficient, and affordable provision of energy services and the progressive development of the sector for the betterment of all stakeholders. These stakeholders include electricity generation, transmission, distribution and supply (GTDS) providers, consumers, the Government, future generations of Bahamians, and all others with energy interest within the geographical boundaries of the Commonwealth of The Bahamas.

As of and consistent with its mandate, URCA has commenced the following:

- licensing Public Energy Suppliers (PES);
- implementation of the Renewable Energy component of the National Energy Plan; and,
- development of a Consumer Protection Plan for BPL.

These three initiatives that will lay the foundation for the regulation and reform of ES were well underway at the writing of this report and are envisioned to be completed by the third quarter of 2017.

5.2 The Sector

At present the ES has two recognized PES, BPL which is a wholly owned subsidiary of and the successor provider to the Bahamas Electricity Corporation (BEC) and is responsible for all GTDS in New Providence and most of the Family Islands, and Grand Bahama Power Company (GBPC) which is responsible for GTDS in the Port Area of Grand Bahama. Together, these two entities are estimated to serve more than 90% of the public power needs in The Bahamas. The remainder is served by small franchisees of BPL such as Spanish Wells Power and Bakers Bay local network which provide GTDS on specific family islands by virtue of legacy agreements with BEC.

The most recently published data lists the number of active meters and annual generation by BPL at approximately 120,000 meters and 1,800 GWh, while the corresponding figures for GBPC are approximately 21,000 meters and 351 GWh. While a quick glance at the data would suggest that BPL is merely 5 times the size of GBPC, it is noted that BPL presents an entirely different case from a regulatory perspective due to its operations spanning the entire length of the archipelago with 26 separate networks.

BPL also has the added distinction of being a wholly owned government entity, while all of the other providers in the country are privately held or community cooperatives.

Prior to the enactment of the EA all of the energy providers had been either loosely or self-regulated, which in some instances led to notable issues with the quantity, quality, and costs of the services provided. It is envisioned that regulation will facilitate a symbiotic relationship with socio-economic benefits for all of the sector's stakeholders. That is, the intention is to enhance the efficiencies of the sector by fostering an environment that would ensure that end-users needs are met at standards that reflect the best practices in the sector, while simultaneously securing the sustainability of its service providers.

In addition to the above, a brief synopsis of the goals and objectives of the National Energy Plan is necessary to gain a full appreciation of URCA's mandate. The NEP is the Government of The Bahamas' long-term holistic plan to meet the energy needs for the country, while balancing internal and external social, fiscal, and environmental obligations. The plan takes into account matters such as:

- *security of supply*: the need to secure the provision of a safe, reliable, and affordable supply of electricity to all inhabited locations desirous of obtaining the same;
- *integration of renewables*: the embracing of green technology to demonstrate the Government's environmental stewardship and to fulfil global climate change treaty obligations; and
- *economic impact*: the impact of the cost of electricity on livelihoods and investments within The Bahamas.

The significance of URCA's role as the regulator of the ES is clearly understood in the context of the essential role that energy plays in the lives of all residents of The Bahamas today and the need to ensure that our energy usage is sustainable for a foreseeable future.

Overall the compendium of legislation and policy documents released by the Government of The Bahamas in relation to the ES have sought to revitalize the sector by encouraging the leveraging of emerging technologies and commercial tools available. By virtue of its statutory duties, URCA has been assigned stewardship of the ES; therefore, we will endeavour to shape a sector that would make The Bahamas regionally competitive and to afford its residents a better quality of life.

6. Review of URCA's Achievements in 2016

6.1 Electronic Communications Sector

6.1.1 Highlights of URCA's Achievements

Some of the key projects undertaken by URCA in the ECS during 2016 are discussed below.

Cellular Mobile Liberalisation

Undoubtedly URCA's most significant achievement in the ECS during 2016 is URCA's work to further the introduction of cellular mobile competition, which became a reality in The Bahamas on 1 October 2016.

Consequent to the Government's *"Request for Proposals to Operate a Cellular Network and Provide Cellular Services in The Bahamas"* (the "RFP") issued on 13 November 2014, a selection process was commenced to determine the entity that would operate the second cellular mobile provider in The Bahamas.

Proposals for the offered licence were received from three applicants, Cable Bahamas Limited (CBL), Digicel (Bahamas) Holdings Limited and Virgin Mobile (Bahamas) Limited. The selection process was completed on 16 October 2015, at which point CBL emerged as the successful applicant, committing to a financial bid of \$62,500,000, which would comprise the Spectrum Fees payable by CBL to the Government, in return for the necessary spectrum and licences to operate the second mobile provider.

The negotiations between CBL and the Government to agree upon the full terms for CBL's operation of the second cellular mobile operator in The Bahamas were completed on 6 April 2016, at which time URCA was notified that it should proceed to award the necessary licences to NewCo 2015 Limited (NewCo). NewCo is a company established by CBL and the Government to operate the second cellular mobile network in The Bahamas. CBL owns a 48.25% stake in NewCo and has Board and management control, while the Government owns 51.75% of the shares in NewCo through a holding company, HoldingCo 2015 Limited.

On 30 June 2016, having collected the licence fees in the amount of \$62,500,000 from CBL, URCA granted to NewCo the following licences:

- an Individual Operating Licence (IOL) authorising the operation and an electronic communications network and provision of carriage services; and,
- Individual Spectrum Licence (ISL) authorising the use of specific allocations of radio spectrum.

In accordance with the obligations set out in its licences, on 1 October 2016 NewCo began a soft launch phase for its cellular mobile network on the islands of New Providence with 99% coverage, and Grand Bahama with 89% coverage. On 23 November 2016, NewCo's full service offering was launched in those islands under the brand name "Aliv". On 14 December 2016, NewCo officially changed its name to Be Aliv Limited.

In parallel with its work on the Selection Process, and in order to ensure robust regulation of the competitive cellular service market, during 2015 and 2016 URCA developed several regulatory measures to facilitate cellular liberalisation.

During 2016, URCA completed regulatory measures relating to cellular liberalisation in the following areas:

Amendments to BTC's RAIO

The introduction of competition into the mobile market requires seamless communication and a level playing field between operators. As BTC would hold 100% market share upon NewCo's market entry, URCA recognised that NewCo must have its network interconnected with BTC's network to enable subscribers on NewCo's network to be able to call and send messages to subscribers on BTC's network and vice versa. Interconnection is a fundamental pre-requisite to enabling choice of service provider and successful competition as it ensure any person in the country can connect any other person, regardless of each person's chosen service provider.

On 30 March 2016, URCA commenced consultation on the amendments BTC would be required to make to its Reference Access and Interconnection Offer (RAIO) as a result of mobile liberalisation. URCA concluded its consultation and published its Final Determination on 8 August 2016². Some of the amendments that BTC were required to make include:

² ECS 19/2016

- BTC must agree to deliver SMS messages from NewCo subscribers to BTC subscribers and include relevant technical specifications and parameters in its RAIO for SMS services.
- BTC must amend its RAIO to include the URCA-approved interim mobile termination rates of 2.48 cents per minute for calls originating on NewCo’s cellular mobile network and terminating on BTC’s cellular mobile network and 1.40 cents per message for each SMS terminated on BTC’s cellular mobile network;
- BTC shall provide IP/SIP interconnection to NewCo;
- BTC must provide a direct interconnection link to its mobile network for NewCo; and

BTC has updated its RAIO as set out in the final determination above (except direct interconnection) and at the end of 2016, URCA was conducting its review of the final amendments to the BTC RAIO before issuing final approval.

SMP in Call and Messaging Termination Services on NewCo’s Network

The making of telephone calls between persons on two separate networks requires that the operators concerned connect their networks physically (known as interconnection) and that the operator on whose network the receiving party obtains their service “terminates” calls from the operator on whose network the calling party has services. This service is called termination, and the term mobile termination refers to that service when operated on a mobile network. Following a review of the expected market status of mobile termination services on NewCo’s cellular mobile network in The Bahamas, URCA issued its Final Determination and Statement of Results on 4 October 2016³. In the Final Determination:

- URCA determined that NewCo holds SMP in the wholesale markets for mobile call termination and mobile message termination on NewCo’s cellular mobile network;
- URCA required NewCo to comply with the specific SMP obligations specified in section 40(4) of the Communications Act, and Condition 34 of NewCo’s Individual Operating Licence;
- URCA established NewCo’s mobile termination rates based on the URCA-approved interim mobile termination rates for BTC plus a 25% mark-up. Therefore NewCo’s termination rates were set at no more than:

³ ECS 33/2016

- 3.10 cents per minute for any incoming domestic calls to NewCo’s mobile network;
- 5.76 cents per minute for any incoming international calls to NewCo’s mobile network;
- and
- 1.75 cents per SMS termination on NewCo’s mobile network.
- NewCo was required, within six weeks from the issue date of the Final Determination, to publish on its website the tariff and other terms and conditions for all services it provides within the Wholesale Mobile Termination Service markets.
- NewCo must ensure that published terms and conditions are compatible with the Final Determination, the Communications Act, relevant licence conditions, the Electronic Communications Sector Policy and all relevant regulatory and other measures issued by URCA from time to time.

This Final Determination and the associated rates determined by URCA formed the basis for the NewCo/BTC interconnection agreement which was concluded on 30 September 2016, and on the basis of which traffic is routed between the operators. URCA reserved the right to revisit interim mobile termination rates set out above (and URCA particularly noted the differential in rates between NewCo and BTC in this regard) if URCA considers it appropriate to do so or in response to a request by BTC.

National Roaming

National Roaming refers to an agreement between cellular mobile operators to use each other’s network to provide retail mobile services in geographic areas where their respective networks are inaccessible. National roaming would allow the second mobile operator to provide mobile services nationwide during its network build-out and ensure that the benefits of competition accrue to residents and visitors in all geographical areas of The Bahamas simultaneously.⁴

On 30 March 2016, URCA commenced public consultation on the “Provision of National Roaming Services on the Cellular Mobile Networks of the Bahamas Telecommunications Company Ltd. in The Bahamas to the Second Cellular Mobile Operator for an Interim Period.” The consultation considered whether it

⁴ Similar measures have been used in many overseas jurisdictions to support their cellular mobile liberalisation processes. Examples of countries that are using (or have used) a national roaming regulatory requirement to support entrants to the cellular mobile market are New Zealand, India, the United Kingdom, Denmark, Spain, Slovakia, Turkey and Canada.

would be necessary for URCA to impose a Significant Market Power (SMP) obligation on BTC to provide national roaming services to NewCo for an interim period and if so, the regulatory obligations to impose on BTC to ensure that all reasonable requests for the service are met.

On 22 July 2016, URCA published its Statement of Results, Final Determination and Order⁵ which imposed an obligation on BTC to provide national roaming services to NewCo for all prepaid and postpaid retail mobile services. The obligation does not require BTC to support international roaming agreements between NewCo and its foreign counterparts. The obligation is for a period of up to 24 months from the issuance date (30 June 2016) of NewCo's Individual Operating License and Individual Spectrum Licence. From a charging perspective, BTC is allowed to earn a reasonable rate of return on capital efficiently incurred in providing the service.

As at the end of 2016, BTC and NewCo were continuing negotiations for the specific terms and conditions for a commercial agreement in relation to national roaming.

Mobile Number Portability

A key enabler of competition in the mobile market is the implementation of Mobile Number Portability, which will enable consumers to keep their existing telephone numbers when switching between mobile services providers. URCA has committed to implement MNP as soon as possible after the introduction of mobile competition, and to that end, work began on MNP implementation in early October 2016. URCA issued a Preliminary Determination on the Implementation of MNP in The Bahamas on 23 December 2016 (ECS 40/2016). MNP will be implemented using the same systems and processes as Fixed Number Portability which was implemented in The Bahamas in December 2013. As at the end of 2016 work continued on MNP implementation, which is expected to be completed in the first half of 2017.

Monitoring Aliv's Network Roll-out

The conditions of the Licences granted to Aliv stipulate that by no later than 1 October 2016 Aliv was required to provide service to the general public in The Bahamas with its network covering 99 percent of

⁵ ECS 18/2016

New Providence and 80 percent of Grand Bahama, meeting specified service levels (Phase 1a). On 3 October 2016, Aliv submitted to URCA its report on network coverage against the requirements of Phase 1a. URCA was due to commence its verification exercise on Aliv's network on 3 October 2016. The paper based review began as scheduled with the review of Aliv's submission. However, the field exercise to verify Aliv's submission with URCA's tests was delayed until 18 November 2016 due to the passage of Hurricane Matthew and the restoration work being conducted on Aliv's network, particularly in Grand Bahama. During the verification exercise, URCA reviewed Aliv's submissions on its performance dated 3 October 2016 and 18 November 2016 (after restoration following Hurricane Matthew). URCA carried out more than 23,000 of its voice and data test sessions in New Providence and Grand Bahama to verify the information submitted. URCA is now able to confirm that based on its investigations, as at the time of submission of both reports, Aliv was fully compliant with the roll-out and quality of service requirements for the first milestone (Phase 1a), in that the Aliv network:

- covered 99% of the Island of New Providence within the required minimum and maximum signal strengths;
- covered 80% of the island of Grand Bahama within the required minimum and maximum signal strengths;
- was able to provide cellular mobile services to members of the public in The Bahamas, with the required quality of service, that is:
 - the network was capable of offering, with 90% confidence when lightly loaded, a mobile broadband data service with a sustained downlink speed of at least 5Mbps – in URCA's verification exercise the network achieved an average speed of approximately 9.6 Mbps;
 - the network provided a mobile broadband data service with 99% availability – in URCA's verification exercise, mobile data service availability was approximately 99.91%
 - the network provided a mobile voice service with 99.9% availability – in URCA's verification exercise, mobile voice service availability was approximately 99.93%

The next milestone (Phase 1b) required that by 1 January 2017 the BeAliv network cover, in addition to the Phase 1a areas, 75% of Abaco, Eleuthera, Exuma, Andros and Bimini and their neighbouring cays with at least 75% population coverage. The third milestone (Phase 2) requires that by 1 March 2017 the Aliv network's coverage, in addition to the Phase 1a and 1b areas, must extend to 99% of Grand Bahama, Eleuthera, Bimini, Andros, Exuma and Bimini, and to 85% of Abaco and their neighbouring cays.

The passage of Hurricane Matthew caused significant destruction to the islands of The Bahamas, and in particular, significantly damaged the networks of all electronic communications networks in several islands of The Bahamas, most notably in Grand Bahama. The restoration efforts for some of the damage are still ongoing. Due to the disruption of The Bahamas' electronic communications networks, significant roll-out delays were experienced by BeAliv as a result of matters outside BeAliv's control. URCA assessed the impact of the damage on the roll-out progress and considered it appropriate and necessary to extend the compliance deadline for each of the second and third milestones (Phase 1b and Phase 2) by six (6) weeks to 14 February 2017, and 14 April, respectively. URCA's review of BeAliv's performance in respect of Phases 1b and 2, will commence on 15 February and 17 April respectively and will take up to three (3) weeks in each instance.

Tower Sharing Reviews and Approvals for New Towers

The Infrastructure Sharing Regulations are applicable to all licensees issued an Individual Operating Licence, or an Individual Spectrum Licence and makes it possible for Infrastructure Providers, Licensees that own or control infrastructure amenable to sharing, and Infrastructure Seekers, person desirous of entering into agreement with an Infrastructure provide for the purpose of sharing infrastructure, to share electronic communication facilities within a regulated framework. These Regulations helps to limit any adverse impact of networks and carriage services on the environment that could result in the proliferation of towers by ensuring that additional towers are constructed only if it is not economically and/or technically feasible to co-locate on an existing tower.

Where it is not possible for a provider to share on an existing tower, and a new tower is required, the operator is required to obtain a Certificate of Non-Objection (CNO) from URCA which permits the construction of a new electronic communications tower at a specified location. As at the end of 2016, URCA had issued more than one hundred and thirty (130) CNOs as indicated in Table 1 below.

Currently, URCA is reviewing applications to construct cellular mobile towers on others islands Andros, the Exumas, Long Island, Bimini, Berry Islands, Inagua, Ragged Island and San Salvador. It is expected that the sharing of towers in The Bahamas where possible, and their construction where necessary, will promote competition and affordable access to high-quality services in all regions of the Bahamas in the most efficient and sustainable manner practicable.

Table 1 - Applications for Certificates of Non-Objection

APPLICATIONS FOR CERTIFICATES OF NON-OBJECTION (CNO)			
APPLICANTS	NO. OF APPLICATIONS	CNOs ISSUED	CNOs DENIED
CBL	117	113	4
BTC	9	6	3
JCN	1	1	0
ZNS	1	1	0
Total	128	121	7

Review of Implementation of Consumer Protection Regulations

On December 30, 2013 URCA published its Consumer Protection Regulations⁶ which is aimed at protecting consumers in relation to electronic communication services in The Bahamas. The Regulations place significant obligations on BTC and CBL as licensees with SMP in the provision of retail services, however a less stringent obligation has been placed on Be Aliv Limited (Aliv) and other providers that have not been declared as having SMP in retail markets.

During 2016 URCA worked along with BTC and CBL to ensure their implementation and full compliance of the Consumer Protection Regulations. While there were some challenges faced with BTC in particular, URCA continued its efforts throughout 2016 to ensure the service provider's compliance with the Regulations. As of 2016 BTC was well advanced in meeting the requirements of the Regulations, and URCA anticipates full compliance early in 2017.

As providers of SMP, BTC and CBL are required to submit to URCA, Customer Quality of Service standards and levels of compensation for consumers in the event quality of service levels are not met by the providers.⁷ As at the end of 2016 URCA was conducting a review of the compensation schemes to ensure compliance.

⁶ ECS 18/2013

⁷ URCA approved BTC's and CBL's Compensation Scheme under the Consumer Protection Regulations in early 2017.

URCA has faced some challenges with BTC as it relates to its reporting requirements, however URCA will continue to work along with the service provider to ensure its timely compliance. URCA has also sought to address BTC and CBL on other important obligations under the Regulations, and anticipates that each provider will before the end of 2017 become fully compliant with these obligations as provided in the Consumer Protection Regulations.

Network Quality of Service Regulation

On 22 December 2015, URCA published its consultation document on "*Quality of Service Regulations for Electronic Communications Networks and Services in The Bahamas*"⁸, which invited comments from interested parties and the public. The period for submission of written responses and comments to the consultation document closed on 26 February 2016. During the consultation period URCA received written responses from BTC and CBL. On 23 December 2016 URCA issued its Statement of Results and Final Decision⁹ along with the finalised text of the Quality of Service Regulations¹⁰ (the "QoS Regulations"). The QoS Regulations are applicable to holders of Individual Operating Licences (IOLs) that provide fixed or fixed wireless telephony services, cellular mobile voice and data services, and Internet services, including both legacy services and next-generation services and supplements URCA's Consumer Protection Regulations. These Regulations seek to implement clear and enforceable standards for electronic communications networks which will improve the quality of service delivered by licensees to persons in The Bahamas, thereby promoting the ECS Policy objectives set out in the Communications Act.

In 2017, URCA will commence work to implement the provisions of the QoS Regulations.

Implementation of Price Cap Regulation

URCA has been working toward advancing its current rules based regulation of prices to one in which operators would have more flexibility in adjusting their prices within pre-existing boundaries, or caps, or "Price cap regulation". Implementation of price cap regulation was an outcome of URCA's 2014 market review. The framework is complete. However, URCA has delayed the public consultation process due to

⁸ ECS 06/2015

⁹ ECS 41/2016

¹⁰ ECS 42/2016

mobile liberalisation. In view of this there is now a need for URCA to update its analysis to take into account of the operators' 2015A/S results and other information. URCA plans to complete this project in 2017.

Retail Pricing Rules for Non Price Capped Services

URCA commenced a public consultation on 26 May 2016 on proposed changes to the Retail Pricing Rules for Non Price Capped Services. As noted above, URCA intended to introduce its Price Cap regulation for retail fixed voice, broadband and Pay TV services and therefore the rules for Non Price Capped Services would be essentially limited to BTC's retail mobile voice and data services. The objectives of revising the rules were to allow BTC greater pricing flexibility to operate in a competitive environment while maintaining some measures to prevent anti-competitive behaviours (such as abusive on-net and off-net retail pricing) and consumer protection. Under the revised rules¹¹ which considerably relaxed the restrictions on BTC's pricing activities in the mobile market, URCA relies more on its ex-post investigative powers to address anti-competitive concerns including margin squeeze and price predation, allowing BTC to make price changes with minimal delay or pre-requirements, but ensuring that URCA is able to intervene swiftly in the case of any questionable activity. The revised rules are an interim measure until URCA conducts a full mobile market review once Aliv has established itself in the market.

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, to identify any regulatory impact and to ensure they remain fit for purpose moving forward. Reviews begin upon submission of the accounts according to the SMP Operators' respective annual due dates which for CBL is 30 June whereas BTC's due date is 30 September of each year. The review for both operators are still ongoing due in the case of BTC to continued significant challenges with verification of the information submitted by BTC, and in the case of CBL to a change in its year end period resulting in an additional six months for review.

¹¹ Regulation of Retail Prices for SMP Operators of Non-Price Capped Services, ECS 35/2016

Promoting Affordable Access to Services throughout The Bahamas

Since 2012, URCA has worked assiduously on the Universal Service Obligations (USO) as contemplated by the Communications Act. In 2013, URCA published its Statement of Results and Final Decision (ECS 01/2013) on the “Framework for the Clarification and Implementation of Existing Universal Service Obligations under section 119 and Schedule 5 of the Communications Act”. URCA had scheduled work on the additional regulatory measures which would comprise this framework for 2016, however, recent reviews of the universal framework proposals has highlighted that the proposals on which these documents are founded may not be appropriate for the current environment in The Bahamas. It is noteworthy that the universal service framework which URCA intended to implement is based on transitional provisions contained in the Communications Act, and the then sector policy. Technological and market changes in the intervening seven years have rendered those provisions dated and ineffectual. URCA’s assessment of market requirements and circumstances suggests that forcing implementation of the transitional provisions would be inefficient as services would be duplicated in several markets, and URCA would enshrine the continuance of outdated and obsolete technologies such as dial-up internet access, at significant cost.

URCA notes that 2017 will see the conduct of a review of the Electronic Communications Sector Policy pursuant to section 6 of the Communications Act. In those circumstances, URCA decided to halt further work on the universal service documents in favour of a revision of the universal framework together with the review of the ECSP.

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 2014 the Content Regulation Industry Group (CRIG), a joint regulator/industry working group envisaged by the Code met regularly with a view to reviewing the Code. This work continued throughout 2015 and it was expected that a draft revised Code would be published for consultation in 2016. Following a comprehensive review and consultation with the industry group, there were limited proposed changes

which comprised almost entirely cosmetic changes. There was only a single substantive recommendation to URCA, which related to the definition of the watershed period. URCA, upon consideration of the proposal, considered that it would weaken the existing protections under the Code in a manner which would be inappropriate without widespread public consultation. URCA also did not consider such a weakening to be consistent with the ECS Policy Objectives, and therefore decided not to proceed with the proposed change.

Spectrum Management

URCA is responsible for managing radio spectrum in The Bahamas. In 2016, URCA concentrated monitoring efforts in New Providence and Grand Bahama, particularly to ensure optimal use of radio spectrum during the roll-out of services by Aliv, the new cellular mobile provider.

These efforts will continue into 2017 focussed on other islands and cays of The Bahamas following the required roll-out schedule mandated upon Aliv in its Individual Spectrum licence. URCA’s monitoring activities will therefore encompass assessment of spectrum usage across The Bahamas. URCA recognises that conducting monitoring and compliance exercises on all required islands and cays will be a significant task, but URCA believes it has developed an effective and efficient strategy, and secured the required resources to achieve this goal.

Licensing

During 2016 URCA continued its role of considering applications for licensing, and issuing new licences and renewals of licences. The number of new licences issued in the ECS during 2016 by URCA was as set out in Table 2 below:

Table 2 - 2016 New Licences

Category	Licences Issued
Individual Spectrum Licence	14
Individual Operating Licence	1
Class Spectrum Licence (Requiring Registration)	110

Class Operating Licence (Requiring Registration)	1
--------------------------------------------------	---

As at the end of 2016, the total number of current licensees in each category is as set out in Table 3 below:

Table 3 - Total Licences as at 31 December 2016

Category	Total
Individual Spectrum Licence	150
Individual Operating Licence	18
Class Spectrum Licence (Requiring Registration)	89
Class Operating Licence (Requiring Registration)	18
Total Number of Licences As At 31 December 2016	275

Type Approvals

URCA is also required to ensure the safety and coexistence of the entire ecosystem of receiving and transmitting devices used in everyday life in The Bahamas. These range from high powered transmitters that can send signals over miles to make national telecommunications networks possible, as well as low power transmitters used for remote control locking of modern cars and controlling televisions. URCA achieves this objective by ensuring all low power electronic communications devices are tested by approved compliance testing laboratories and meet global industry standards, safety, and quality of service standards before they are imported into The Bahamas.

In 2016, URCA issued a total of one hundred and forty-seven (147) Type Approval Certificates for newly developed and innovative electronic communications devices entering the country for the first time. This continued work by URCA, enables the availability and safe and effective use of new and innovative electronic communication technology in the Bahamas and enhances the productivity of the Bahamian economy, and the everyday lives of residents and visitors.

6.2 Electricity Sector

URCA was established as the regulator for the Electricity Sector in The Bahamas when the Electricity Act 2015 and the URCA (Amendment) Act 2015 came into force on 28 January 2016. Within URCA, we established the Utilities and Energy Department to lead regulation of this new sector. We have also begun to put in place the framework of regulations needed for the electricity sector by granting BPL an interim licence, establishing a regulatory fee structure, reviewing BPL's Customer Protection Plan, and reviewing BPL's Renewable Energy Plan.

6.2.1 Establishment of the Utilities and Energy Department

Within URCA, a new Executive member of URCA's Board, the Director of Utilities and Energy, will assume overall responsibility for regulation of the Electricity Sector. The DUE will be supported by a team of professionals in areas of Engineering (with an emphasis in power systems), Economic Regulation and Law. Accompanying this change, the previous Policy and Regulation Department has been restructured as the Electronic Communications Department, headed by the Director of Electronic Communications (DEC), and that department will retain responsibility for regulation of the ECS. As at the end of 2016, URCA had not yet been able to recruit the DUE, which has constrained URCA's ability to carry out its mandate in relation to the ES¹².

To ensure efficient and cost effective use of resources, both the Utilities and Energy and Electronic Communications departments will be expected to share resources to the greatest extent possible, to maximise efficiencies of scope and scale gained by URCA as a multi-sector regulator. Each department will require resources with expertise in law, engineering (electrical and communications and related fields), economics, and accounting. It is expected that sharing will be most significant among the legal and economics resources, and URCA has designed its new structure to take advantage of those anticipated synergies.

URCA's recruitment efforts in the UE Department have been slowed by the limited availability of locally trained resources. However, significant progress is anticipated in the first trimester of 2017. As such, URCA

¹² Mr. Shevonn Cambridge was appointed as Director of Utilities and Energy on 13 March 2017.

has made extensive use of external consultants to supplement its ES resource needs in 2016, and we anticipate continuing to do so in 2017 with gradual reduction in reliance on external consultants from 2018 onwards.

6.2.2 Issuing an Interim Licence to BPL

The Electricity Act 2015 requires anyone who generates, transmits, distributes, or supplies electricity to have a licence. The Act applies to incumbent as well as future suppliers. URCA's role is to ensure compliance with this provision in the Act, and that licences are consistent with the overarching framework for licensing and regulation in the electricity sector.

To ensure legal compliance and allow flexibility, URCA issued BPL a Public Electricity Supplier Licence on 5 August 2016 (PESL-16-0001). The licence will last up to one year from the date it is issued. The licence provides further details on BPL's right to supply electricity in all of The Bahamas (except for the Port Area of Grand Bahama), and its obligations to customers and to the public.

The existing Public Electricity Supplier Licence will be replaced in 2017 by a longer term licence. URCA is currently working on drafting this longer-term licence, along with the other licence types that will be available in the electricity sector.

URCA also sought to regularise the status of Grand Bahama Power Company Ltd. (GBPC) the public electricity supplier in Grand Bahama. However, GBPC applied to the court to challenge URCA's jurisdiction to regulate utilities in the Freeport area, and to challenge the decisions taken by URCA in the remainder of Grand Bahama based on the franchise agreements made between GBPC and the Government. During 2017 URCA will be seeking to progress this matter in the best interests of consumers in The Bahamas.

6.2.3 Establishing Regulatory Fee Structure

URCA has taken the necessary steps to fund regulation of the electricity sector in 2017 by imposing fees on licensees in the electricity sector as required under the Electricity Act. On 26 September 2016 URCA issued document ES 03/2016, which sets out the types of fees that URCA will charge in the electricity sector. ES 03/2016 also states that URCA may in the future charge for additional services, and that all fees and charges will be published on the URCA website.

URCA will shortly publish the schedule of fees that URCA will charge for 2017. There are two main types of fees: annual URCA fees and fees for specific services in the electricity sector. Annual URCA fees are charged to licensees that are connected to the grid, and are based on the licence type and the licensee's relevant turnover. The annual fees will be designed to cover URCA's expected costs for regulating the electricity sector for 2017. URCA will re-calculate annual fees every year to adjust for changes in licensees' relevant turnover and URCA's electricity-related costs. Fees for services are set amounts charged to licensees for administrative services.

6.2.4 Review of BPL Consumer Protection Plan

On 29 April 2016, BPL submitted a draft Consumer Protection Plan (CPP) to URCA as required under section 40 of the Electricity Act 2015. The purpose of the CPP is to set the service standards that BPL aims to provide to its customers, as well as BPL's protocols for hearing and responding to customer complaints.

URCA has reviewed the draft CPP against the criteria in the Electricity Act and against consumer protection standards in other jurisdictions in the Caribbean. Based on this review, URCA has been working with BPL to develop the CPP into a plan that best meets customers' interests.

6.2.5 Review of BPL Renewable Energy Plan

One of the Government's main policy objectives in the electricity sector is to increase generation from renewable sources. The National Energy Policy (2013-2033) establishes the Government's target that by 2030, 30 percent of electricity generation in The Bahamas will come from renewable sources. The Electricity Act 2015 furthers this policy objective by requiring BPL and other Public Electricity Suppliers to develop ongoing plans to increase renewable generation.

BPL submitted its draft Renewable Energy Plan (REP) in July 2016. The draft REP had two main components: increasing generation from small-scale renewable sources owned and operated by customers, and building utility-scale renewable resources owned by BPL or independent power producers. In its review of the REP, URCA determined that the strategy for increasing small-scale renewable generation was considerably more developed than the utility-scale strategy.

To move forward with the small-scale plan as quickly as possible, URCA released an Initial Decision and Preliminary Determination on the Small-Scale Renewable Generation Plan on 12 December 2016¹³. The decision allows BPL to move forward with a phased approach to incorporate small-scale renewables onto the grid. The first phase is to begin immediately, and will allow BPL to pilot its proposed interconnection agreement and process. BPL will report on the progress and propose adjustments for Phase 2 in T2 2017. Phase 2, which will include a standardized process for customers to apply to provide small-scale renewable generation to the BPL grid, will begin in T3 2017. In the meantime, URCA continues to invite public comments on ES 04/2016 until 31 March 2017.

URCA will be providing feedback to BPL on the additions to the utility-scale component of the REP that are needed for it to comply with the Electricity Act and with the Government's targets for renewables in the electricity sector. URCA expects to publish the REP before the end of T1 2017, and for BPL to begin implementing utility-scale projects immediately upon publishing the REP.

6.3 International Participation and Engagement

To implement and encourage development within The Bahamas, it is necessary to be part of the international community of regulators and governments that are seeking to develop information and communications technologies (ICT) on a global level. Thus, URCA has during 2016 continued its work to cement The Bahamas as an integral part of the international discussion on ICT, and to do its part toward establishing The Bahamas as the regional centre of excellence for ICT.

International Telecommunication Union (ITU)

The ITU is the United Nations' specialized agency for ICTs. The ITU allocates global radio spectrum and satellite orbits, develops the technical standards that ensure networks and technologies seamlessly interconnect, and strive to improve access to ICTs to underserved and unserved communities worldwide. The Bahamas is a member country of the ITU by virtue of being a signatory of the ITU Convention, and URCA, by virtue of a delegation by the Minister under section 7(c) of the Comms Act, represents the Government of The Bahamas at the ITU.

¹³ ES 04/2016

During 2016, a Bahamas delegation headed by Senator Allyson Maynard Gibson, Attorney General, supported by URCA attended the ITU World Telecom Forum in Bangkok, Thailand. The Bahamas sponsored refreshment breaks on one of the days of the Forum at which the delegation highlighted The Bahamas' achievements and future plans in ICT development, including the Smart Bahamas initiative. Perhaps the highlight of the forum was the signing by the Attorney General on behalf of the Government, and Mr. Houlin Zhao, Secretary General of the ITU, of an agreement for The Bahamas to host the Global Symposium for Regulators 2017 in The Bahamas from 14 – 17 July, 2017. The ITU announcement can be viewed at <http://telecomworld.itu.int/daily-highlights-3/signing-host-country-agreement-bahamas-hosting-gsr-17/>.

URCA also participated in conferences, fora and other activities conducted by several other international organisations during 2016 relating to both the ECS and the ES, including:

- ✓ Inter-American Telecommunications Commission (CITEL)
- ✓ Organisation of Caribbean Utilities Regulators (OOCUR)
- ✓ Caribbean Telecommunications Union (CTU)

6.4 Building Regulatory Capacity and Human Capital

Our People

As noted above, URCA experienced many significant changes in 2016. The organization assumed the responsibility of regulating the ES and experienced a change in Leadership. Throughout the changes URCA remained committed to one of its main objectives; developing its people.

Organizational Restructuring

With the new responsibility to regulate the ES, the organizational structure required various changes to accommodate this function. The Policy and Regulation division was split into two new departments; Utilities and Energy, and Electronic Communications. Each department is responsible for the policy and regulation functions for its respective sector. Consistent with the amendments to the URCA Act which were passed in 2015 and brought into force concurrently with the Electricity Act 2015, each department is headed by a Director (the Director of Electronic Communications and the Director of Utilities and Energy) both of whom are executive members of URCA's Board.

Recruitment and Staffing

With a new office and additional space designed for growth, URCA resumed its recruitment activities to source highly qualified talent to fill the various positions. The addition of the Utilities and Energy department, also required additional recruitment efforts to ensure that the department is staffed appropriately. The search process continues due to the limited supply of candidates available locally with the requisite knowledge, skills and experience.

URCA's staff complement at the close of 2016 was nineteen, which is a significant decrease from 2015. This total comprised eleven staff members in the Electronic Communications department (formally Policy and Regulation) and eight within the various operational departments.

Performance Management, Learning and Development

URCA continued its commitment to providing a performance management system that encourages the alignment of organizational and employee objectives. The Performance Management Framework provides a holistic approach to performance management and includes, career paths, development plans, coaching and more.

6.5 Educating and Supporting our Stakeholders

URCA is keenly aware of its mandate under the Electronic Communications Sector Policy, the Electricity Sector Policy (ESP) and National Energy Policy (NEP), all of which highlight the important role URCA must play in ensuring that citizens and residents of The Bahamas can fully participate in and benefit from growth and development in both the ECS and the ES.

Heightened efforts in 2016 to provide regular opportunities for consumer education resulted in visits to five family islands which included visits to schools, presentations to various civic organizations, and scheduled appearances on talk shows to discuss matters of interest to stakeholders. During these initiatives, URCA visited and engaged almost 900 students and teachers in 14 high schools and approximately 170 residents at five town meetings in Abaco, Eleuthera, Andros, Cat Island and Exuma. The reception from the residents of these islands was extremely encouraging as residents enthusiastically participated in discussions and asked questions about their electronic communications services.

The family island visits will continue as URCA continues to educate its stakeholders about the sectors it regulates.

Another of the year’s highlights for URCA’s consumer education activities, was the 2nd observance of the ITU’s “Girls in ICT Day” held in April in Nassau. Participation in the event increased by more than 50%, with URCA sponsoring the participation of students from each of the family island schools visited by URCA’s team during the year. This event continues to enjoy the support both in attendance and sponsorship of licensees in the electronic communication sector with major sponsorship by BTC and CBL. URCA was also pleased this year to have had the patronage and support of the Honourable Attorney General who gave the opening address.

Stakeholders were further engaged during URCA’s annual Oral Hearing held for the first time this year on URCA’s premises. The purpose of the Oral Hearing is to provide an opportunity for interested persons to learn more about the operations of URCA, and to be informed as to how and why it plans to do what is stated in its Annual Plan. The Hearing also provides an opportunity for attendees to request further information and/or clarification about URCA’s work for the previous year.

Activity on, and contact with URCA via social media, particularly Facebook continues to increase as this social media platform becomes a key medium through which consumers can voice their concerns and complaints about the services they receive in the sectors regulated by URCA.

6.6 Protecting Our Stakeholders

During 2016, URCA received complaints from consumers and other stakeholders in both the ECS and the ES, as set out in Table 4 below:

Table 4 - Consumer Complaint Statistics

LICENSEE	BILLING	DISCONNECTION	REFUND	FEES	SERVICE*	QOS**	INFO/ GUIDE	OTHER	CONTENT	TOTAL
CBL-PAYTV	17	1	1	0	8	0	0	1	2	30
CBL-FIXED	0	0	0	0	0	1	0	0	0	1

CBL-Internet	1	0	0	1	2	1	0	0	0	5
CBL GENERAL	3	0	0	0	2	0	0	3	0	8
BTC - Fixed	7	2	0	0	13	0	0	2	0	24
BTC - Mobile	2	0	1	0	2	0	0	0	0	5
BTC Internet	0	0	0	0	7	0	0	0	0	7
BTC - General	0	0	0	0	0	0	0	0	0	0
BEC/BPL	0	0	0	0	0	0	0	7	0	7
Radio	0	0	0	0	0	0	0	3	3	6
Television	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total	30	3	2	1	34	2	0	16	5	93

6.7 Legal Matters

During 2016 URCA's Legal Department advised on matters to ensure that URCA complied with the requirements of discharging its functions in accordance with regulated sector legislation, in order to maintain an effective and efficient regulatory environment.

6.7.1 Litigation

The Legal Department had carriage of five (5) litigation matters, comprised of: three (3) before the Supreme Court of The Bahamas, and two (2) before the Utilities Appeal Tribunal (UAT).

The following lists the Supreme Court matters: (i) *Clarke & Co. et al v Cable Bahamas Ltd., the Public Utilities Commission/URCA and the Attorney General*; (ii) *Cable Bahamas Ltd. v URCA*; and (iii) *Grand*

Bahama Power Company Ltd. v URCA. The following lists the matters before the UAT: (i) *Frederick Mitchell v URCA* (re Sale of BTC); and (ii) *BTC v URCA* (re URCA’s Adjudication on the sale of calling cards).

It is anticipated that these matters will carry into 2017.

6.7.2 Legislative and Regulatory Reform

Consistent with its advisory role in matters related to the regulation of utility services in The Bahamas, URCA’s Legal Department reviewed and provided extensive comments on various utility sector Acts and draft Bills. In relation to the electronic communications sector, comments were provided on the Communications Act, 2009 and the Utilities Regulation and Competition Act, 2009. In relation to the Government’s water sector legislative reform process, comments were provided on the following draft Bills: (i) Water Services Bill, 2016; (ii) Water and Sewerage Regulation Bill, 2016; and (iii) the Environmental Regulatory Authority Bill, 2016.

URCA, with the assistance of its Legal Department, anticipates and looks forward to continuing its advisory role in 2017.

6.8 Summary of URCA’s 2016 Workplan Outcomes

Table 5 below presents a summary of URCA’s completion of work that was proposed for 2016.

Table 5 - Summary of Project Completion 2016

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Review of Content Codes	Commenced in 2014	T1, 2016	T2, 2016	
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T2, 2016	Delayed to 2017	T1, 2017

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Network Quality of Service Regulations	Commenced in 2014	T2, 2016	T3, 2016	
Universal Service Affordability Guidelines	Commenced in 2014	T2, 2016	Cancelled	
Licensing of New Cellular Mobile Operator	Commenced in T2, 2015	T1, 2016	T2, 2016	
FM Broadcasting Technical Standards	Commenced in T1, 2015	T1, 2016	Delayed to 2017	T1, 2017
Market Review – Implementation of Price Caps	Commenced in T1, 2015	T3, 2016	Delayed to 2017	T2, 2017
Review of BTC RAIO	Commenced in T2, 2015	T2, 2016	T2, 2016	
SMP in Call Termination for New Mobile Operator	Commenced in T2, 2015	T2, 2016	T2, 2016	
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2, 2015	Ongoing	Ongoing	
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2, 2015	T1, 2016	Delayed to 2017	T1, 2017
Annual Plan 2016	Commenced in T3, 2015	T1, 2016	T1, 2016	

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Review of Pricing Rules – Mobile Competition	T3, 2015	T2, 2016	T3, 2016	
Mobile Number Portability	T1, 2016	T2, 2016	Delayed to 2017	T1, 2017
URCA Annual Report 2015	T1, 2016	T1, 2016	T1, 2016	
Review of Consultation Procedures	T1, 2016	T1, 2016	Delayed to 2017	T1, 2017
Temporary Public Electricity Supplier Licence for BPL	T1, 2016		T2, 2016	
Establishing Regulatory Fees for the Electricity Sector	T2, 2016		T3, 2016	
Review of BPL Consumer Protection Plan	T2, 2016		Ongoing	T2, 2017
Review of BPL Renewable Energy Plan	T2, 2016		Ongoing	T1, 2017
Licensing Package for the ES	T2, 2016		Ongoing	T2, 2017
Universal Service Implementation Plan	T2, 2016	Ongoing	Cancelled	N/A
Net Neutrality and OTT services	T2, 2016	T3, 2016	Delayed to 2017	T2, 2017

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Digital Switchover – Identification of Available Spectrum	T2, 2016	T3, 2016	Delayed to 2017	
Review of Accounting Separation Results (CBL)	T3, 2016	T3, 2016	Rescheduled to 2017 (Change in CBL Financial Year)	T2, 2017
Draft Annual Plan 2017	T3, 2016	T1, 2017	Ongoing	T1, 2017

7. 2016 Key Performance Measurements

The following tables set out URCA's performance for 2016 against its KPIs.

Table 6 - Publication of Annual Plan and Annual Report

Publication of Draft Annual Plan and Strategy			
Publish Draft Annual Plan 2017 by 31 December 2016	2017 Annual Plan Published on	23-Dec-16	Yes
Publication of Annual Report and Annual Plan			
Publish final Annual Plan within 4 months of end of preceding year	2016 Annual Plan published on	3-May-16	No
Publish Annual Report within 4 months of end of reporting year	2015 Annual Report published on	3-May-16	No

Table 7 - Time to Completion of Final Decisions

Target	Number of Decisions
Publication Within 30 Days of Final Comments	11
Publication Within 60 Days of Final Comments But More than 30 Days	1
Publication Exceeding 60 Days of Final Comments	0

Table 8 - Completion of Projects in Accordance with Annual Plan

Description	Annual Plan Consultation Publication Period	Actual Consultation Publication Date	Was KPI Date Met?	Annual Plan Consultation Closing Period	Actual Consultation Closing Date	Was KPI Date Met?
URCA Annual Plan 2016	Published in 2015	2015	N/A	T1, 2016	30-Apr-15	Yes
FM Broadcasting Technical Standards	Published in 2015	2015	No	T1, 2016	N/A	N/A
Review of Consultation Procedures	T1, 2016	12-Oct-16	No	T1, 2016	T3, 2016	No
ADR Schemes for Disputes between Consumers and Licensees	T2, 2016	Not Published	No	Not Published	Not Published	No
Network Quality of Service Regulations	Published in 2015	23-Dec-15	N/A	T1, 2016	26-Feb-16	Yes
Review of Content Codes	T1, 2016	Not Published for Consultation	N/A	T1, 2016	Not Published for Consultation	N/A

Description	Annual Plan Consultation Publication Period	Actual Consultation Publication Date	Was KPI Date Met?	Annual Plan Consultation Closing Period	Actual Consultation Closing Date	Was KPI Date Met?
Market Review – Implementation of Price Caps	T1, 2016	Delayed to follow Cellular Liberalisation	No	T2, 2016	Delayed to follow Cellular Liberalisation	No
Review of Pricing Rules	T1, 2016	22-May-16	No	T1, 2016	T2, 2016	No
ICTs for Disaster Preparedness and Management	T2, 2016	Delayed to 2017	No	T3, 2016	Delayed to 2017	No
Digital Switchover – Identification of Available Spectrum	T2, 2016	Delayed to 2017	No	T3, 2016	Delayed to 2017	No
Net Neutrality and OTT Services	T3, 2016	Delayed to 2017	No	T3, 2016	Delayed to 2017	No
Annual Plan 2017	T3, 2016	23-Dec-16	Yes	T1, 2017	TBC	N/A
Revised Licensing Guidelines	T1, 2016	Delayed to 2017 due to Cellular Liberalisation	No	T1, 2016	Delayed to 2017 due to Cellular Liberalisation	No

Table 9 - Commencement of Projects in Accordance with Annual Plan

Description	Start Date	Planned Completion Date	Actual Completion Date	Was KPI Date Met?
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T2, 2016	Delayed to T1, 2017	No
Licensing of New Cellular Mobile Operator	Commenced in T2, 2015	T1, 2016	6/30/2016	No
Review of BTC RAIO	Commenced in T2, 2015	T2, 2016	8/11/2016	Yes
SMP in Call Termination for New Mobile Operator	Commenced in T2, 2015	T2, 2016	10/4/2016	No
Network Quality of Service Regulations	Commenced in 2014	T2, 2016	12/20/2016	No
Universal Service Affordability Guidelines	Commenced in 2014	T2, 2016	Cancelled	No
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2, 2015	Ongoing	Ongoing	Yes
Review of Content Codes	Commenced in 2014	T1, 2016	4/13/2016	Yes
FM Broadcasting Technical Standards	Commenced in T1, 2015	T1, 2016	Not Completed	No
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2, 2015	T1, 2016	Not Completed	No

Description	Start Date	Planned Completion Date	Actual Completion Date	Was KPI Date Met?
Annual Plan 2016	Commenced in T3, 2015	T1, 2016	5/3/2016	No
Mobile Number Portability	T1, 2016	T2, 2016	Delayed Due to Cellular Liberalisation Delay	No
URCA Annual Report 2015	T1, 2016	T1, 2016	5/3/2016	No
Market Review – Implementation of Price Caps	Commenced in T1, 2015	T3, 2016	Delayed Due to Cellular Liberalisation Delay	No
Review of Consultation Procedures	T1, 2016	T1, 2016	Not Completed	No
Review of Pricing Rules – Mobile Competition	T3, 2015	T2, 2016	9/30/2016	No
Review of Accounting Separation Results (CBL)	T3, 2016	T3, 2016	Delayed Due to CBL Change in Accounting Period	N/A
ICTs for Disaster Preparedness and Management	T1, 2016	T3, 2016	Not Completed	No
Universal Service Implementation Plan	T2, 2016	Ongoing	Cancelled	No
Digital Switchover – Identification of Available Spectrum	T2, 2016	T3, 2016	Delayed to 2017	No
Net Neutrality and OTT Services	T1, 2016	T3, 2016	Not Completed	No
Annual Plan 2017	T3, 2016	T1, 2017	12/23/2016	Yes
Review of Accounting Separation Results (BTC)	T3, 2016	T1, 2017		N/A
Revised Licensing Guidelines	T2, 2015	T2, 2016	Not Completed	No

Table 10 - Operational KPIs - Human Resources and Administration

Performance Measure	2016 Result
Cost of HR function (as a % of total operating expenses)	5.1%
Cost of HR, Administration and IT function per employee	\$11,232.71
Ratio of employee to HR staff	7.75 : 1
Annual average training days per employee	5.2
Turnover rate	30%
Annual average sick days per employee	3.9

Performance Measure	2016 Result
Investment in learning and development as a % of total payroll	5.5%
Cost of advisors as a % of total payroll	0.00%
% of roles held by Bahamians	95.9%
Average length of vacancy	90
Average cost of recruitment per vacancy	\$ 2,395.44
% of new employees still in their post after 12 months of service	100.0%
% of eligible employees receiving an annual performance appraisal	100.0%
Cost of IT Support Services	1.3%
IT investment	1.8%
Investment of IT per user	\$4,269.82
Percentage of users with remote access	100%

Table 11 - Operational KPIs - Finance

Performance Measure	2016 Result
Cost of Finance (% of Opex)*	4.4%
Period end Cycle time (Working days)	13
Year-end Cycle time (working days)	33
Budgeting Accuracy (as a % of Opex) *	19.29%
Cost of license invoice	\$ 136.28
Debtor Days	29
Number of Adjustments	10
Value of Adjustments	\$246,790
Long outstanding Debt (>90 days) as a % of total debt owed to URCA	100.00%

Table 12 - Time to Issue Licences - Individual Spectrum Licences

Total Number of Applications	Total Number of Applications Processed	Average Processing Time [Days]	Percentage Processed in Thirty (30) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
16	14	11	100%	2	0	0	14

Table 13 - Time to Issue Licences - Class Spectrum Licence Requiring Registration

Total Number of Applications	Total Number of Applications Processed	Average Processing Time [Days]	Percentage Processed in Forty Five (45) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Registrations
120	120	19	100%	9	0	1	110

Table 14 - Time to Issue Licences - Individual Operating Licence

Total Number of Applications Received	Total Number of Applications Processed	Days To Respond to Rejected Applications	Average Processing Time [Days]	Percentage Processed in Thirty (30) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
1	1	0	23	100%	0	0	0	1

Table 15 - Time to Issue Licences - Class Operating Licence Requiring Registration

Total Number of Applications	Total Number of Applications Processed	Days To Respond to Rejected Applications	Average Processing Time [Days]	Percentage % of Applications Processed in Forty Five (45) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
1	1	37	26	100%	0	0	1	1

8. 2016 Audited Financial Statements

**THE UTILITIES REGULATION
AND COMPETITION AUTHORITY**

**Financial Statements For The
Year Ended December 31, 2016
And Independent Auditors' Report**

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016:	
Statement of Financial Position	4
Statement of Income Over Expenditure and Other Comprehensive Income	5 - 6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 26

INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2016, and the statements of income over expenditure and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management and those charged with governance are responsible for the Other information. The Other information comprises all the information in The Utilities Regulations and Competition Authority 2016 annual report other than the financial statements and our auditors' report thereon ("the Other Information"). The Utilities Regulations and Competition Authority 2016 annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the Other Information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other information identified above when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read The Utilities Regulations and Competition Authority 2016 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

April 27, 2017

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

(Expressed in Bahamian dollars)

	Notes	2016	2015
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	\$ 1,863,956	\$ 1,092,616
Pension asset	6	73,423	-
Total non-current assets		<u>1,937,379</u>	<u>1,092,616</u>
CURRENT ASSETS:			
Cash on hand and at banks	10	2,212,692	2,573,271
Accounts receivable	4,10	563,885	298,934
Prepaid expenses and other assets		314,482	284,141
Energy sector recoverable	8	234,669	27,476
Total current assets		<u>3,325,728</u>	<u>3,183,822</u>
Total assets		<u>5,263,107</u>	<u>4,276,438</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	10	549,578	874,502
Pension liability	6	-	28,798
Deferred revenue		-	3,000
Total current liabilities		<u>549,578</u>	<u>906,300</u>
Net assets		<u>\$ 4,713,529</u>	<u>\$ 3,370,138</u>
NET ASSETS REPRESENTED BY:			
Contributed capital	9	\$ 1,537,891	\$ 1,537,891
Electronic Communication Fund			
- Not immediately required	9	666,093	173,247
- Immediately required	9	2,509,545	1,659,000
Total equity		<u>\$ 4,713,529</u>	<u>\$ 3,370,138</u>

See notes to financial statements.

These financial statements were approved by the Board of Directors on April 26, 2017, and are signed on its behalf by:



Chairperson



Chief Executive Officer

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF INCOME OVER EXPENDITURE AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

	Notes	2016	2015
REVENUE:			
Electronic communications operating licence fees	10	\$ 5,808,731	\$ 6,437,275
Telecommunications, radio communications and other fees	10	<u>43,221</u>	<u>134,118</u>
Total revenue		<u>5,851,952</u>	<u>6,571,393</u>
EXPENSES:			
Salaries and benefits	6, 10	2,293,905	2,183,861
Legal, professional and consultancy fees		722,962	1,253,304
Rent and occupancy costs	10, 11	542,410	582,343
Depreciation	7	326,650	259,398
Office services		246,819	207,855
Professional membership		193,853	169,972
Travel		175,016	184,693
Training		152,693	162,538
Conference hosting	13	138,219	318,417
Advertising and public relations		95,815	86,810
Information technology		78,644	85,769
Communications	10	62,738	48,580
Premises repairs and maintenance		49,659	30,382
Provision for doubtful accounts	4	44,757	42,146
Automotive maintenance		<u>14,197</u>	<u>18,427</u>
Total expenses		<u>5,138,337</u>	<u>5,634,495</u>

(Continued)

See notes to financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF INCOME OVER EXPENDITURE AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

	Notes	2016	2015
OPERATING INCOME		\$ 713,615	\$ 936,898
OTHER INCOME AND EXPENSES			
Fines	10, 12	114,271	1,581,385
Donations	10, 12	(26,535)	(1,070,842)
Interest income		25,450	62,923
Gain (loss) on disposal of assets		4,379	(19,080)
Other income		<u>460</u>	<u>1,508</u>
Other income and expenses		<u>118,025</u>	<u>555,894</u>
INCOME OVER EXPENDITURE		831,640	1,492,792
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension asset	6	<u>24,214</u>	<u>(85,546)</u>
TOTAL COMPREHENSIVE INCOME		<u>\$ 855,854</u>	<u>\$ 1,407,246</u>

(Concluded)

See notes to financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

		Electronic Communications Fund			
		(Not			
		Contributed	immediately	(Immediately	
	<u>Notes</u>	<u>Capital</u>	<u>required)</u>	<u>required)</u>	<u>Total</u>
Balance as of December 31, 2014		\$ 1,537,891	\$ 1,324,989	\$ 425,000	\$ 3,287,880
Excess of income over expenditure		-	1,492,792	-	1,492,792
Funds required for immediate use	9	-	(1,234,000)	1,234,000	-
Other comprehensive loss		-	(85,546)	-	(85,546)
Distribution to Consolidated Fund	9	-	(1,324,988)	-	(1,324,988)
Balance at December 31, 2015		1,537,891	173,247	1,659,000	3,370,138
Excess of income over expenditure		-	831,640	-	831,640
Funds required for immediate use	9	-	(850,545)	850,545	-
Other comprehensive income		-	24,214	-	24,214
Recovery from Consolidated Fund	9	-	487,537	-	487,537
Balance at December 31, 2016		<u>\$ 1,537,891</u>	<u>\$ 666,093</u>	<u>\$ 2,509,545</u>	<u>\$ 4,713,529</u>

See notes to financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2016 (Expressed in Bahamian dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of income over expenditure		\$ 831,640	\$ 1,492,792
Adjustments for:			
Depreciation	7	326,650	259,398
Provision for doubtful accounts	4	44,757	42,146
Interest income		(25,450)	(62,923)
(Gain) loss on disposal of property, plant and equipment		(4,379)	19,080
(Increase) decrease in operating assets:			
Accounts receivable		(309,708)	(86,996)
Prepaid expenses and other assets		(30,341)	150,239
Energy sector recoverable		(207,193)	(27,476)
Pension asset		(73,423)	79,145
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		(324,924)	416,601
Pension liability		(4,584)	(56,748)
Deferred revenue		(3,000)	3,000
Interest received		25,450	62,923
Net cash from operating activities		<u>245,495</u>	<u>2,291,181</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	7	(1,099,183)	(1,067,928)
Proceeds from sale of property, plant and equipment		<u>5,572</u>	<u>6,368</u>
Net cash used in investing activities		<u>(1,093,611)</u>	<u>(1,061,560)</u>
CASH FLOWS FROM FINANCING ACTIVITY:			
Funds received (payment to) Consolidated Fund		<u>487,537</u>	<u>(1,324,988)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(360,579)	(95,367)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,573,271</u>	<u>2,668,638</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 2,212,692</u>	<u>\$ 2,573,271</u>

See notes to financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

1. GENERAL

The Utilities Regulation and Competition Authority (the “Authority” or “URCA”) 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 Frederick House, Frederick Street, New Providence, Bahamas.

The functions of the Authority are to: i) regulate the electronic communications sector (ECS) to further the interests of consumers in accordance with the electronic communications policy objectives; ii) regulate the electricity sector (ES) in accordance with the goals, objectives and principles underpinning the national energy and electricity sector policies; iii) to represent the Government of the Commonwealth of The Bahamas (the “Government”) in regional and international organisations as provided for in the legislation; iv) charge and collect licence fees from regulated entities in accordance with relevant legislation, including billing and collecting communications licence fees and spectrum fees on behalf of the Government; and vi) perform any other duties or functions assigned to it under relevant legislation.

The ECS is regulated by URCA in accordance with the Communications Act, 2009 (the “Communications Act”) and the Electronic Communications Sector Policy. For the subject financial year, as in previous years, the financial performance of the Authority related to regulation of the ECS is allocated to the Electronic Communication Fund.

With the passing of the Electricity Act 2015 and the URCA (Amendment) Act 2015, on January 28, 2016 URCA commenced regulating the ES in addition to the ECS. As the independent regulator of the ES, URCA is responsible for the development of a regulatory regime which governs the generation, transmission, distribution and supply of electricity throughout The Bahamas as well as encourage an environment that promotes renewable energy. URCA has a responsibility to ensure that funds related to and expenses attributable to each regulated sector are separated.

It should be noted that the regulation of other sectors of The Bahamas economy may be added to URCA’s responsibility as determined by the Government, and consequent to the passing of legislation governing the regulation of any such sectors.

URCA’s decisions are appealable to the Utilities Appeal Tribunal, which was formed pursuant to the Utilities Appeal Tribunal Act, 2009. URCA is also responsible for billing and collection of the Tribunal Fee, through which the Tribunal is funded, on behalf of the Tribunal.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, the Authority has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for the year ended December 31, 2016. The adoption of the following standards and interpretations has not led to any changes in the Authority’s accounting policies:

a. New Accounting Standards / Amendments And IFRS Interpretations That Are Effective For The Year Ended December 31, 2016

New standards

IFRS 14 Regulatory Deferral Accounts

Amended standards

IFRS 5 Amendments resulting from September 2014 annual improvements to IFRSs

IFRS 7 Amendments resulting from September 2014 annual improvements to IFRSs

IFRS 10 & IAS 28 Amendments to clarify the accounting for the loss of control of a subsidiary when the subsidiary does not constitute a business

IFRS 11 Amendments to clarify the accounting for the acquisition of an interest in a joint operations when the activity constitute a business

IAS 16 & IAS 38 Amendments to clarify acceptable methods of depreciation and amortisation

IAS 16 & IAS 41 Amendments to clarify accounting for agriculture Bearer Plants

IAS 27 Amendments to allow the application of the equity method in separate Financial Statements

IFRS 10, IFRS 12 & IAS 28 Amendments to clarify the application of the Consolidation exception for Investment Entities

Various Amendments to various Standards derived from Annual improvements to IFRSs 2012-2014 Cycle

IAS 1 Amendments to IAS 1 - Disclosure Initiative

IAS 19 & IAS 34 Amendments resulting from September 2014 Annual improvements to IFRSs

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

b. New Accounting Standards And IFRS Interpretations That Are Not Yet Effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.

New and amended Standards	Effective for annual periods beginning on or after	
IFRS 2	Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 & IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 16	Leases	1 January 2019
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Disclosure initiative	1 January 2017
IFRS 15	Clarification to IFRS 15	1 January 2018

(*) The IASB decided in December 2015 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

The directors anticipate that all of the relevant standards and interpretations will be adopted in the Authority's financial statements in the relevant periods but have not yet had the opportunity to consider the potential impact of the adoption of the amendments in future periods.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

3. 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 3(d), 3(e), 3(g) and 3(h).

(b) Foreign currency translation

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

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 income over expenditure and 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 income over expenditure and other comprehensive income.

Provisions are made against accounts receivable from the Government, or entities which it controls, only to discount expected future cash flows; no credit losses are expected. Provisions are made against accounts receivable from non-related licences, by amortising the receivable balance deemed collectible using the effective interest method.

(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 UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

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.

(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 both defined contribution and defined benefit pension plans. Effective 2016, all new hires' participation in the defined contribution pension plan is mandatory. The defined contribution plan requires that contributions by URCA equals a stipulated percentage of each participant's salary. The defined benefit plan requires contributions, determined by periodic actuarial calculations, to be made to a separately administered fund.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

A defined contribution plan is a pension plan that defines the amount of the contributions to be made by the plan sponsor (URCA) and participant (employee). These contributions are placed in individual accounts maintained at a financial institution to the credit of the participant. The participant determines how the funds are invested and any amount that the participant receives on exiting the plan is not guaranteed but is determined by the quantum of contributions made by both sponsor and participant, vesting rules of the plan and how well the credited funds have been invested and the return of the investment.

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.

Payments to the defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions. The costs of providing benefits for 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.

(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.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

(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. The recoverable amount for 2015 of \$27,476 was presented separately from prepaid expenses and other assets.

4. ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable	\$ 895,092	\$ 585,384
Provision for doubtful accounts	<u>(331,207)</u>	<u>(286,450)</u>
	<u>\$ 563,885</u>	<u>\$ 298,934</u>

Movements in provision for doubtful accounts are as follows:

	2016	2015
Opening balance	\$ 286,450	\$ 244,304
Provision for doubtful accounts	<u>44,757</u>	<u>42,146</u>
	<u>\$ 331,207</u>	<u>\$ 286,450</u>

Included in Account Receivables is \$448,245 due from Cable Bahamas Limited for fees billed for the years 2009, 2010, 2011 and 2012. These fees have been calculated on revenue generated for Cable Bahamas' operations in Freeport. Cable Bahamas has maintained that based on provision of the Hawkbill Creek Agreement, the Authority does not have legal basis to license its operations in the Freeport area. The Authority however believes that Cable Bahamas is in breach of Parts IV and XVI of the Communications Act and as such has pursued regulatory measures against Cable Bahamas Limited with the view to resolve this matter.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

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 has established and funds two pension plans, one of which is a non-contributory defined benefit pension plan (the Plan) established for the provision of pension benefits to the members of the Plan. During 2016, the Plan was amended to allow active participants the option to transfer to the newly created defined contribution plan (DC Plan) and to be closed to new participants. Sixteen (16) active participants voluntarily transferred from the Plan to the DC Plan. The amount transferred for each member (Settlement) was the estimate of what would have accumulated to their credit had a defined contribution plan been in place from their start of employment with the Authority. As of December 31, 2016, there are 3 (2015: 19) members and 2 retired 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 normally subject to an actuarial valuation at least every 3 years, however due to the reduction in plan participants, the Authority decided to have an actuarial valuation performed by an independent actuary as of December 31, 2016.

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

	2016	2015
Discount rate	5.00%	5.00%
Future salary increases	3.00%	4.00%

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

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

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 (income) expense comprises:

	2016	2015
Current service cost	\$ 61,902	\$ 129,561
Administrative costs	20,114	21,237
Net interest income	(956)	(154)
Gain due to Settlement	<u>(104,073)</u>	<u>-</u>
Total included in salaries and benefits	<u>\$ (23,013)</u>	<u>\$ 150,644</u>

The pension plan (asset) liability is analysed as follows:

	2016	2015
Present value of benefit obligations	\$ 937,999	\$ 2,195,321
Fair value of plan assets	<u>(1,011,422)</u>	<u>(2,166,523)</u>
(Asset) liability in the statement of financial position	<u>\$ (73,423)</u>	<u>\$ 28,798</u>

Movements in the (asset) liability in the statement of financial position comprise:

	2016	2015
(Asset) liability as of beginning of year	\$ 28,798	\$ (79,145)
Pension benefit (income) expense	(23,013)	150,644
Amount recognized in other comprehensive income	(24,214)	85,546
Contributions	<u>(54,994)</u>	<u>(128,247)</u>
(Asset) liability as of end of year	<u>\$ (73,423)</u>	<u>\$ 28,798</u>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

Movements in the present value of the benefit obligations comprise:

	2016	2015
Present value of benefit obligations as of beginning of year	\$ 2,195,321	\$ 1,917,090
Interest cost	63,581	101,915
Current service cost	61,902	129,561
Actuarial gain (loss) on benefit obligations	(48,020)	63,486
Actuarial gain due to settlement	(104,073)	-
Benefits paid	<u>(1,230,712)</u>	<u>(16,731)</u>
Present value of benefit obligations as of end of year	<u>\$ 937,999</u>	<u>\$ 2,195,321</u>

Movements in the fair value of plan assets comprise:

	2016	2015
Fair value of plan assets as of beginning of year	\$ 2,166,523	\$ 1,996,235
Expected return on plan assets	64,537	102,069
Contributions	54,994	128,247
Administrative costs	(20,114)	(21,237)
Actuarial loss on plan assets	(23,806)	(22,060)
Benefits paid	<u>(1,230,712)</u>	<u>(16,731)</u>
Fair value of plan assets as of end of year	<u>\$ 1,011,422</u>	<u>\$ 2,166,523</u>

Sensitivity Analysis

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

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

Benefit obligations as at December 31, 2016 due to 1% change in the discount rate and future salary increases are shown below:

	1% p.a. Increase	1% p.a. Decrease
Discount rate	\$ (121,143)	\$ 139,763
Future salary increases	\$ 67,830	\$ (61,025)

- \$165,242 of the benefit obligation is due to salary increases.
- If all members lived one year longer, the benefit obligation would be \$945,402 (2015: \$2,245,511).
- The duration of the benefit obligation is 15.2 years.

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.

Defined Contribution Plan

The Authority established a defined contribution plan during the year. Employees are required to contribute a minimum of 5% and the Authority contributes 10%. The Authority's contributions totaled \$52,828 (2015: \$Nil) and there were 11 (2015: Nil) participants in the Plan as at December 31, 2016.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016 (Expressed in Bahamian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold Improvements</u>	<u>Information Systems</u>	<u>Vehicles</u>	<u>Furniture and Office Equipment</u>	<u>Work in Progress</u>	<u>Total</u>
COST:						
Balance at December 31, 2014	\$ 728,123	\$ 2,581,293	\$ 131,090	\$ 287,427	\$ -	\$ 3,727,933
Additions	649,247	2,457	77,995	338,229	-	1,067,928
Disposal	<u>(728,123)</u>	<u>(299,602)</u>	<u>(26,200)</u>	<u>(248,745)</u>	<u>-</u>	<u>(1,302,670)</u>
Balance at December 31, 2015	649,247	2,284,148	182,885	376,911	-	3,493,191
Additions	378,631	93,936	-	120,641	505,975	1,099,183
Disposal	<u>-</u>	<u>(5,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,675)</u>
Balance at December 31, 2016	<u>\$ 1,027,878</u>	<u>\$ 2,372,409</u>	<u>\$ 182,885</u>	<u>\$ 497,552</u>	<u>\$ 505,975</u>	<u>\$ 4,586,699</u>
ACCUMULATED DEPRECIATION:						
Balance at December 31, 2014	\$ 629,672	\$ 2,505,605	\$ 64,415	\$ 218,707	\$ -	\$ 3,418,399
Depreciation expense	128,609	50,768	26,544	53,477	-	259,398
Disposal	<u>(716,231)</u>	<u>(299,470)</u>	<u>(26,200)</u>	<u>(235,321)</u>	<u>-</u>	<u>(1,277,222)</u>
Balance at December 31, 2015	42,050	2,256,903	64,759	36,863	-	2,400,575
Depreciation expense	168,855	38,330	36,577	82,888	-	326,650
Disposal	<u>-</u>	<u>(4,482)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,482)</u>
Balance at December 31, 2016	<u>\$ 210,905</u>	<u>\$ 2,290,751</u>	<u>\$ 101,336</u>	<u>\$ 119,751</u>	<u>\$ -</u>	<u>\$ 2,722,743</u>
CARRYING VALUE:						
As at December 31, 2016	<u>\$ 816,973</u>	<u>\$ 81,658</u>	<u>\$ 81,549</u>	<u>\$ 377,801</u>	<u>\$ 505,975</u>	<u>\$ 1,863,956</u>
As at December 31, 2015	<u>\$ 607,197</u>	<u>\$ 27,245</u>	<u>\$ 118,126</u>	<u>\$ 340,048</u>	<u>\$ -</u>	<u>\$ 1,092,616</u>

8. ENERGY SECTOR RECOVERABLE

During the 2016 financial year, no fees were assessed in respect of the Energy Sector, and the Authority's accumulated expenditure totaling \$234,669 (2015: \$27,476) are recorded in these financial statements as a receivable.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

9. FUND BALANCES

Contributed capital

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.

The Authority will determine, at the end of each financial year, whether any fund balances include amounts that are required in respect of existing contracts, planned projects and other commitments which are anticipated to arise and become payable during the first quarter of the following year. Such amounts will be designated as funds immediately required by the Authority. As at December 31, 2016, \$2,509,545 (2015: \$1,659,000) has been designated as funds immediately required.

As a result of the Bahamas Government commencing the cellular mobile liberalization process in 2015, the Authority was tasked with managing the auctioning of the spectrum phase of the project. In the current year, the Authority recovered \$487,537 for expenses incurred in managing the process from the proceeds of the auction.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

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:

	2016	2015
<i>Assets</i>		
Cash at banks	\$ 1,969,080	\$ 2,268,611
Accounts receivable	<u>10,963</u>	<u>19,779</u>
	<u>\$ 1,980,043</u>	<u>\$ 2,288,390</u>
<i>Liabilities</i>		
Accounts payable and accrued expenses	<u>\$ 21,932</u>	<u>\$ 518,482</u>
<i>Revenue</i>		
Electronic communications operating licence fees	\$ 4,539,396	\$ 4,718,761
Telecommunications, radio communications and other fees	<u>9,269</u>	<u>41,983</u>
	<u>\$ 4,548,665</u>	<u>\$ 4,760,744</u>
<i>Expenses</i>		
Salaries and benefits	\$ 44,533	\$ 44,719
Communications	58,444	46,704
Rent and occupancy costs	<u>17,738</u>	<u>42,500</u>
	<u>\$ 120,715</u>	<u>\$ 133,923</u>
<i>Other income</i>		
Fines	<u>\$ -</u>	<u>\$ 1,581,385</u>
<i>Other expenses</i>		
Donations	<u>\$ 350</u>	<u>\$ 1,070,842</u>

Key Management Compensation - Key management personnel comprise the members of the Board, the chairman of the Audit Committee and members of the Executive Committee. The executive members of the Board and three other members of the Authority's management constitute the Executive Committee. Compensation of key management personnel for the year for salaries and other short term benefits amounted to \$ 1,130,121 (2015: \$887,651).

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Authority signed a five-year lease for office space, which commenced 1 May 2015. Future minimum rental payments required under the operating lease are as follows:

2018	\$ 425,449
2019	\$ 425,449
2020	\$ 212,725

In 2016, the Authority entered into an agreement to purchase the Frederick House for \$3,800,000. The Authority completed the purchase transaction in March 2017 thus the lease agreement was terminated.

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. DONATIONS AND FINES

During 2015, the Authority levied a fine of \$1,581,385 to a major licensee determined to be in breach of its licence and its failure to comply with the Authority's Final Determination and Order issued on March 7, 2013. Subsequent to the payment of the fine, the Authority in November 2015 donated to the National Emergency Management Agency (NEMA) a significant portion of the fine (\$1,054,256) to assist NEMA in providing aid and reconstruction throughout the parts of the Bahamas adversely affected by Hurricane Joaquin.

13. CONFERENCE HOSTING

During the year, the Authority supported a delegation to ITU World Telecom Forum headed by the Attorney General who, on behalf of the Bahamas Government committed to host the Global Symposium for Regulators in 2017. In 2015, the Authority hosted the ITU Study Group 3 and Green Standards Week. The cost associated with the travel and sponsorship ancillary activities amounted to \$ 138,219 (2015: \$318,417).

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

14. 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 gross accounts receivable comprises:

	2016	2015
<i>Days Outstanding</i>		
0 - 90 days	\$ 4,213	\$ 22,121
91 - 180 days	88,362	60,522
181 - 365 days	240,791	18,858
More than 365 days	<u>561,726</u>	<u>483,883</u>
	<u>\$ 895,092</u>	<u>\$ 585,384</u>

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.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian dollars)

(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 December 31, 2016, 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.

15. 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.

16. 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.

* * * * *