



**REQUEST FOR PROPOSALS
EFFICIENCY STUDY OF
THE BAHAMAS TELECOMMUNICATIONS COMPANY LIMITED (BTC)**

1. INTRODUCTION

1.1 The Utilities Regulation and Competition Authority (URCA), wishes to engage the services of a suitably qualified consultant to undertake an efficiency study of The Bahamas Telecommunications Company Limited (BTC). Broadly, the aim of the study is to determine whether BTC's Accounting Separation results represent an efficient level of cost which serves as a basis for:

- profit and loss by service;
- setting interconnection/wholesale charges;
- *ex post* investigations under the competition provisions of the Communications Act; and
- retail price regulation.

1.2 The results of the study will be used to guide decisions on interconnection charges and, any other regulatory measures which require as an input an estimate of the efficient cost of BTC.

1.3 The project team must have expert knowledge of the subject matter to make recommendations that are feasible and implementable.

1.4 This Request for Proposals defines the objectives and deliverables of the study along with the parameters within which these objectives are to be achieved.

1.5 Consultants are required to disclose any potential or perceived conflict of interest issues in their proposals to URCA. URCA reserves the right to disqualify any consultant that in URCA's sole discretion has an actual or potential conflict of interest or an unfair advantage, whether existing now or is likely to arise in the future. Any potential or perceived conflict of interest that arises at any time following submission of proposals should be disclosed to URCA as soon as it arises. URCA may permit the consultant to continue the assignment and impose such terms and conditions, as URCA in its sole discretion may require.

2. SUBMISSION OF PROPOSALS

2.1 Consultants are required to submit their Proposals for the Study by 5:00 p.m. on April 15, 2011 to:

Kathleen Smith
Director of Policy and Regulation
Utilities Regulation and Competition Authority
UBS Annex Building, East Bay Street
P.O. Box N-4860
Nassau, Bahamas
Email: info@urcabahamas.bs

- 2.2 Consultants should submit electronic copies of their proposals to the above address, with the subject **“RFP for Efficiency Study of The Bahamas Telecommunications Company Limited.”**

3. BACKGROUND

- 3.1 The Bahamas is an archipelago nation consisting of some 700 islands and cays. The population of The Bahamas is approximately 353,658 with the islands of New Providence and Grand Bahama accounting for 70.39% (248,948) and 14.63% (51,756) of total population (353,658), respectively. The island of Abaco represents 4.72% (16,692) whilst the remaining 10.26% is largely scattered across 10 to 20 smaller islands and cays.
- 3.2 The legal architecture for regulation and competition in the Electronic Communications Sector (“ECS”) has undergone significant reforms with the enactment of¹:
- the Communications Act, 2009 (“the Comms Act”);
 - the Utilities Regulation and Competition Authority Act, 2009 (“the URCA Act”); and
 - the Utilities Appeals Tribunal Act, 2009 (“the UAT Act”).

All segments of the ECS have been liberalized with the exception of mobile voice and mobile data services.

- 3.3 The URCA Act established URCA as the converged sector regulator and competition authority for electronic communications networks and carriage services.² The Comms Act grants URCA wide ranging *ex ante* and *ex post* powers to regulate licensees operating in the sector. One of URCA’s duties is to determine the types of obligations which should be imposed on SMP licensees³ to satisfy the need to *“maintain ... the objective of encouraging, promoting and enforcing sustainable competition.”*
- 3.4 Consistent with s.116 (2) of the Comms Act URCA issued its Final Decision on SMP Obligations (ECS11/2010) on 22 April 2010 that sets out, amongst others, the regulatory measures to which BTC and Cable Bahamas Ltd. must adhere. One of these obligations require BTC to prepare and publish a Reference Access and Interconnection Offer (RAIO), setting out charges and terms and conditions upon which it will offer interconnection to other licensees in The Bahamas. Alongside the Final SMP Decision,

¹ These documents are available at www.urcabahamas.bs.

² Telecommunications, broadcasting (including pay TV), and radio frequency spectrum.

³ Cable Bahamas Limited (CBL) and Bahamas Telecommunications Company Limited (BTC)

- URCA also published its Final Access and Interconnection Guidelines (ECS14/2010)⁴, and Final Accounting Separation and Cost Accounting Guidelines for BTC (ECS12/2010).
- 3.5 In line with established procedures⁵, BTC published its draft RAIO on its website on 2 July 2010.⁶ URCA, on 7 September 2010, published a consultation paper on BTC's draft RAIO. The consultation highlighted URCA's preliminary views and proposed modifications to the draft BTC RAIO. On 11 January 2011, URCA published its Response to the Public Consultation and Final Decision (ECS01/2011).
- 3.6 The aforementioned URCA documents are available at URCA's website (www.urcabahamas.bs).
- 3.7 BTC's current system of regulatory accounts is prepared according to the Fully Distributed Cost Allocation principle utilizing Historical Cost Accounting techniques. The implemented approach does not incorporate any potential current inefficiencies in BTC's operations or past inefficiencies in investment.
- 3.8 In its Final Decision document on the BTC RAIO consultation, URCA noted that, *"... at this stage, it was only able to review whether the proposed charges were cost oriented and it would require further analysis to assess the need for any efficiency adjustments. As such, URCA has not, within this final Decision document, made any statement on whether BTC's A/S cost results are reflective of an efficient level of costs."*
- 3.9 The Study is to entail an econometric/statistical analysis of BTC's efficiency.

4. PRINCIPAL TASKS

- 4.1 As mentioned above, the assignment as defined in this Request for Proposals is intended to secure the services of a suitably qualified consultant to determine whether BTC's Accounting Separation results represent an efficient level of cost which serve as a basis for:

⁴ Section 4.2 of the Guidelines state that BTC's RAIO charges must be cost oriented and reflective of efficiently incurred costs only.

⁵ Section 5.3.3 "Obligations imposed on Operators with Significant Market Power (SMP) – Final Decision" ECS11/2010 issued 22 April 2010.

⁶ www.btcbahamas.com

- profit and loss by service;
- setting interconnection/wholesale charges;
- *ex post* investigations under the competition provisions of the Comms Act; and
- retail price regulation.

- 4.2 Accordingly, the consultant is required to:
- (i) carry out a comprehensive investigation of BTC's efficiency relative to operators in comparable jurisdictions; and
 - (ii) examine the recent historic changes in BTC's productivity.
- 4.3 The outputs of the Study will be used as an essential input in setting interconnection charges and, any other regulatory measures which require as an input an estimate of the efficient cost of BTC.
- 4.4 As necessary the Study outputs shall take the form of progress reports, discussion papers/decision papers, interim reports, and final reports to URCA on the tasks identified below (4.5) and include:
- discussion on the purpose and relevance of efficiency studies in regulatory proceedings;
 - efficiency methodology;
 - data request templates for BTC;
 - analysis of BTC's historic efficiency and efficiency relative to operators in comparable jurisdictions; and
 - relevant "efficiency adjustments" factors and how these should be implemented in BTC's system of accounts.
- 4.5 The principal tasks to be undertaken by the consultant are as specified below:
- (i) Provide a substantive discussion on:
 - (a) the role and importance of efficiency studies in regulatory proceedings; and
 - (b) the range of approaches available to regulators when determining the historic changes in the productivity and relative efficiency of electronic communications operators (i.e., networks and service providers).
 - (ii) Recommend (with justification) the most suitable and defensible methodology (ies) for evaluating:
 - (a) BTC's relative efficiency; and
 - (b) recent historic changes in BTC's productivity.
 - (iii) Develop data request templates for BTC.
 - (iv) Conduct a detailed analysis of BTC's historic productivity and relative efficiency using the recommended approach identified at 4.5 (ii) above.

- (v) Where there is reasonable certainty that BTC’s Accounting Separation results are above the efficient level, the consultant shall advise URCA on:
 - (a) the appropriate “efficiency adjustment” factor(s) for regulatory purposes; and
 - (b) how these adjustment factors should be implemented in BTC’s Accounting Separation framework.
 - (vi) Comment on responses received from BTC and interested third parties on the BTC efficiency study.
- 4.6 The data and methodology(ies) used should be validated with reference to the corresponding ones in comparable jurisdictions. Data used for the study must be credible, verifiable and sources clearly identified and discussed. Any benchmarking of parameters should be relevant but exhaustive as possible.
- 5. PROPOSALS AND QUALIFICATIONS**
- 5.1 Proposals must contain at a minimum:
- (i) relevant details of the list of individual consultants to be involved in the Study, with their CVs attached and the amount of time each would be expected to contribute to the project; and
 - (ii) description of similar assignments and details on appropriate skills, knowledge, and experience of experts to be committed to the project (both on a firm, and per individual basis).
 - (iii) Local consultants must be licensed and registered in The Bahamas and evidence of this should be provided upon request.
 - (iv) A project plan, outlining methodology, approach, and workplan dates for completion of tasks to meet the specified deadline.
 - (v) An engagement plan with BTC on data requirements and any other matters relevant to the successful completion of the Study.
 - (vi) A fixed fee proposal containing fee estimates, based on level of effort and seniority of consultants. This should be transparent so that it is possible to work through each individual’s rates, number of man-days to be spent on the work, and fee estimate per person.
 - (vii) Estimate of expenses, where applicable, including airfares and hotels depending on the need for time on the ground and industry engagement and training of and knowledge transfer to URCA colleagues.
 - (viii) Proposed payment terms, with payment dates to correspond to measurable deliverables.
- 5.2 The proposal shall state fees and expenses separately for each member of the project team along with the number of days each will devote to the project.

- 5.3 Consultants shall disclose to URCA any potential or perceived conflict of interest issues together with their proposals. In addition, any potential or perceived conflict of interest which arises at any time following submission of proposals should be disclosed to URCA as soon as it arises.
- 5.4 All proposals should remain valid for at least 45 days. URCA reserves the right to accept or reject any proposal. In the event that URCA may not be able to successfully negotiate a contract with the best evaluated bidder, it may proceed to the second ranked bidder.
- 5.5 It is a mandatory requirement that all fees and expenses be denominated in United States Dollars or Bahamian Dollars.
- 5.6 All requests for clarification and/or additional information should be in writing.

6. PROJECT TIMESCALES AND DELIVERABLES

- 6.1 The duration of the assignment shall be for a period not exceeding sixteen (16) weeks from the Study commencement date. All documents and reports may be submitted in electronic form. It is expected that additional time of about two to three weeks will be necessary to review and finalize draft Reports.

Proposed Project Timescales:

Deliverables/Tasks	Timelines
URCA issues Request for Proposals	by April 1, 2011
Due date for Proposals	April 15, 2011
Selection of Consultant	1 st week in May
Study commences	2 nd Week in May
Consultant submits draft Report to URCA on 4.5(i)(a), (b) and 4.5(ii)(a) and (b) above, and 4.5 (iii) above	Last Week in May
Consultant submits draft Report to URCA on 4.5(iv) and (v) above.	June 21, 2011
URCA publishes consultation on the BTC efficiency study	Mid-August 2011
URCA publishes Final Decision on BTC's efficiency study	September 30, 2011

- 6.2 The above timescales are indicative only and will be confirmed upon selection of the consultant. The timing for completion of the project will also depend on the cooperation of BTC in meeting URCA's information/data requests in a timely manner.
- 6.3 The draft final Reports will form the basis of a public consultation on BTC's efficiency.

7. Evaluation Criteria

- 7.1 Proposals will be evaluated by a committee selected from URCA's management team.
- 7.2 The Evaluation committee will make recommendation to URCA's Board which will make the final decision.
- 7.3 Proposals will be evaluated based on price (40%) and technical expertise (60%).
- 7.4 Technical criteria consist of, *inter alia*:

- 7.4.1 The Consultant's relevant knowledge and expertise in the required area.
- 7.4.2 Demonstrated experience to perform efficiency studies and relate those studies to separated accounts and cost accounting systems.
- 7.4.3 The applicability of the methodological approach to the assignment detailed previously.
- 7.4.4 The proposed project plan and BTC's engagement plan and adherence to timeframe specified for completion.
- 7.4.5 The qualification and experience of the personnel proposed to provide the required consultancy.
- 7.5 The technical criteria will be assessed both on a firm, and per individual basis.
- 7.6 Financial criteria consist of, *inter alia*
 - 7.6.1 The level of fee estimates, based on level of effort and seniority of consultants.
 - 7.6.2 The estimate of expenses, including, airfares and accomodation.
- 7.7 URCA shall not be bound to accept the lowest or any proposal. In the event that URCA, in its sole discretion, decides to reject all proposals or cancel this process (with or without reissuance of the RFP) it may do so without any liability to any bidder.

8. FORM OF AGREEMENT

It is expected that services shall be performed on the basis of a contract.

March 31, 2011