



# **2017 Annual Report and 2018 Annual Plan**

**URCA 04/2018**

**30 April 2018**

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# Part 1 – 2017 Annual Report

## About URCA

The Utilities Regulation and Competition Authority (URCA), is an independent regulatory authority with responsibility for the electronic communications sector (ECS) and the electricity sector (ES) in The Bahamas. The ECS comprises fixed and mobile telephone services, spectrum and numbering, broadcasting including pay television and Internet services. As regulator of the ES, URCA's remit covers all persons who generate, transmit, distribute or supply electricity to, from or within The Bahamas.

URCA's legislative framework for the ECS is set out in the Communications Act 2009, as amended. The legislation outlines URCA's regulatory powers, and provides a summary of the tools that enable URCA to exercise its responsibilities as the independent regulator of the sector. Similarly, the Electricity Act 2015 gives URCA the authority to carry out its regulatory functions as regards the ES. The organization's regulatory responsibilities are also guided by Government policies which guide the respective regulated sectors, in particular the Electronic Communications Sector Policy (ECSP) and the National Energy Policy (NEP).

URCA supports a cross-section of stakeholders and its efforts have significant bearing, not only on the companies and individuals under its regulatory authority, but also upon the consumers who benefit from services provided by the regulated entities, and those otherwise invested in any of the matters which URCA regulates.

## Corporate Governance

URCA was established as a statutory body by the URCA Act 2009, which came into force on 1 August 2009, and which guides the organisation in relation to matters pertaining to corporate governance.

URCA's corporate governance is critical to its success and allows the organization to ensure fiscal responsibility, effective stakeholder relations, and accountability. The URCA Act (most recently amended in 2015) provides for a board of seven members, comprising four non-executive members (one of whom is appointed as the Board's chairperson), and three

executive members; the Chief Executive Officer (CEO), the Director of Electronic Communications (DEC), and the Director of Utilities and Energy (DUE).

Non-executive members are appointed by the Governor General, while the executive members are appointed by the non-executive members, following a competitive selection process. In late 2017, URCA welcomed new non-executive members to its Board, a new chairperson and two new members, one of whom is URCA's deputy chairman. URCA's board during 2017 comprised:

### **Non-Executive Members**

From 1 January 2017 to 16 November 2017:

Mr. Randol Dorsett, Chairman

Mr. J. Paul Morgan, Deputy Chairperson

Mrs. Cherise Cox-Nottage, Member

17 November 2017 to date

Mr. Neville Wilchcombe, Chairman

Mr. Serfent Rolle, Deputy Chairman

Mr. J. Paul Morgan, Member

Mr. Kendal Culmer, Member

### **Executive Members**

Mr. Stephen Breaux, Director of Electronic Communications (up to 28 February 2017), Chief Executive Officer (From 1 March 2017)

Mr. Shevonn Cambridge, Director of Utilities and Energy (From 13 March 2017)

### **Board Secretary**

Mrs. Clara Taylor Bell, Secretary to the Board and General Counsel (From 15 March 2017)

## **Relationship with Government Ministries**

The URCA Act envisages the assignment by Cabinet of ministerial responsibility for Government's relations with URCA. This Minister of Government is responsible for the Government's responsibilities regarding URCA's Corporate Governance, which includes ensuring appointment of members as necessary, receipt and parliamentary review of budgets and annual reports, matters pertaining to board and executive compensation, and generally liaison between Government and URCA regarding URCA's proper Governance. Currently (and throughout 2017), the Minister with responsibility for Government relations with URCA is the Attorney General and Minister of Legal Affairs.

URCA is also required from time to time as a matter of legislation to engage with the minister assigned responsibility for the electronic communications sector (as required by the Comms Act), and as a practical matter with other government ministers responsible for matters within URCA's regulatory mandate.

## **Audit Committee**

URCA's activities are subject to the review of its audit committee. The audit committee is led by an external chairperson and also includes the non-executive members. The audit committee is required by law to meet bi-annually and to provide to the board, four months before the publication of URCA's annual report, a report that reflects the following:

1. URCA's performance against its annual plan; and
2. The extent to which URCA's deployment of its financial resources has delivered value for money.

In fact, URCA's audit committee fulfils a wider and more comprehensive function of ensuring general good governance within the organisation, including by overseeing:

- oversight and guidance of the internal audit function
- selection of external auditors and annual review of audited financial statements
- monthly review of the management accounts

## Chairperson's Message

On 17 November 2017, the Governor General appointed new non-executive members to URCA's Board. Mr. Serfent Rolle, Mr. Kendal Culmer and I, joined non-executive member Mr. J. Paul Morgan and the Executive members Mr. Stephen Bereaux, CEO and Mr. Shevonn Cambridge, Director of Utilities and Energy, to form URCA's new Board.

At the outset, I take this opportunity to thank Mr. Randol Dorsett, URCA's previous Chairperson, as well as his fellow non-executive members Mrs. Cherise Cox-Nottage and Mr. J. Paul Morgan for their excellent stewardship of URCA during the majority of 2017. By all accounts, 2017 was a successful year for URCA due in no small part to the work of URCA's Board, ably supported by the executives, management and the strong team of regulatory and other professionals assembled at URCA.

A few of the particularly noteworthy efforts during 2017 included the continued work on ensuring the roll-out of competitive cellular services across The Bahamas, bolstered by URCA's successful launch of Mobile Number Portability in April 2017. I congratulate the team on its achievement of launching MNP in what is acknowledged to be one of the shortest implementation timeframes across the world, particularly when considered in the context of the launch of mobile competition in The Bahamas less than seven months earlier. On the international stage, URCA's work in representation of The Bahamas at the International Telecommunication Union (ITU) was crowned during 2017 by its leadership in The Bahamas' hosting of the Global Symposium for Regulators (GSR) 2017, lauded across the world as an exemplary event. In the electricity sector, our nascent regulation was marked by the launch of the Small Scale Renewable Generation (SSRG) programme, which permits residential and small commercial customers of BPL in New Providence to generate electricity for their own use using solar photovoltaic systems, and sell excess electricity to BPL for distribution across the grid. These initiatives, and other by URCA continue to enhance the regulatory framework, and demonstrate The Bahamas' commitment to the sectors URCA's regulates.

As URCA's new Board takes the reigns, our focus is on building on the foundation already in place toward fulfilment of URCA's vision, of *"a globally respected regulator, championing the interests of people in The Bahamas and of the sectors we regulate"*. We are fully aware of the

heavy responsibility we have as regulators of two sectors which have the potential to drive prosperity and growth of the Bahamian economy, and we intend to ensure that URCA effectively guides these sectors to meet the needs and aspirations of all residents of The Bahamas.

The Board is firmly committed to URCA's role as regulator of critical sectors of the Bahamian economy, as a champion for the interests of consumers in respect of our regulated sectors, as an advisor on Government policies, and as representative of the Government of The Bahamas at international organizations.



## CEO's Message

During 2017 URCA continued the significant adjustments required to adapt the organisation to its dual role as regulator of two key sectors of the Bahamian economy, the Electronic Communications and Electricity Sectors.

In the ECS, our regulation has matured and the bulk of URCA's efforts are directed towards reviewing ongoing compliance, and addressing issues which arise in the sector either through complaints or URCA's information gathering efforts. URCA continues to work to introduce new or re-designed regulatory measures but increasingly URCA is finding itself heavily engaged in resolving competition complaints and allegations of non-compliance by stakeholders with URCA's regulatory measures.

URCA is still a newcomer to the ES and during 2017 we worked to impress upon the stakeholders in that sector the realities of operating in a regulated environment, to ensure that moving forward URCA is able to implement regulatory measures in an effective and successful manner. We anticipate that it will take time for the new paradigm to settle in, particularly with longstanding participants in the sector, however we have received strong support from the public and interested persons in the sector for our mandate and are confident that we will be able to achieve the objectives set for URCA.

From an organisational standpoint, URCA has continued to develop along the lines necessary for URCA to achieve its new vision and mission. We have added staff in key areas, expanded our corporate outreach programme, begun work on revamping our organisational development efforts, and continue to work to create the necessary internal frameworks within which to most effectively achieve our mandate.

Our international efforts on behalf of The Bahamas continue to bear fruit and we truly believe that these will help position The Bahamas as a regional centre of excellence in ICTs and thereby support the Government's policies for the development ICTs in The Bahamas.

I take this opportunity to thank the management and staff of URCA for their strong team spirit and dedication to URCA's goals during the past year notwithstanding a fast changing environment, and the extraordinary challenges the organisation has been called upon to meet

during 2017. I thank the Board for its continuing support of the Executive Management in its fulfilment of the Board's directions for URCA, and welcome the new non-executive members who joined the Board in 2017. I also acknowledge the efforts over the past several years of our outgoing non-executive members, former Chairperson Mr. Randol Dorsett, and Mrs. Cherise Cox-Nottage, both of whom contributed greatly to the development of URCA and the sectors we regulate.

## Introduction

URCA's is required by section 41 of the URCA Act to prepare and publish by 30 April in each year, an Annual Report for the previous year, and its final Annual Plan (following consultation) for the year. The Annual Report for 2017, which follows, provides the public:

- A report on the performance of URCA's regulated sectors during 2017;
- Highlights of objectives URCA accomplished during 2017;
- A report on URCA's fiscal performance during 2017, including its Audited Financial Statements for the year; and,
- URCA's performance against its Key Performance Indicators (KPI) for 2017.

Additionally, URCA now publishes its final Annual Plan for 2018. The annual plan which takes into account regional and international trends within the respective sectors URCA regulates, outlines the specific tasks that will lead to the success of achieving what the organization set out, in the overarching strategic plan.

Published for public consultation on 21 December 2017, the annual plan here published takes into consideration comments received from interested stakeholders both in writing and at a stakeholder forum held by URCA on 4 April 2018. The Annual Plan outlines the following:

- URCA's key projects for 2018, which includes the 2018 consultation schedule;
- The KPI's URCA will use to measure its performance during 2018; and,
- URCA's budget for the 2018 financial year.

## **URCA's Achievements for 2017**

Our Vision is to be *"A globally respected regulator, championing the interests of people in The Bahamas and of the sectors we regulate"*. The unique nature of our work requires URCA to measure our achievements by the impact on the people in The Bahamas, but to assess our performance based on comparison with similar regulators in other countries.

Our Mission, *"Improving Lives through Effective Utilities Regulation"* seeks to ensure that URCA remains focused, in everything we do, on the intended outcome of our work, the improvement of lives of people who live in, visit or are connected to, The Bahamas.

2017 was an exciting year for URCA as the organization continued to respond to the changes of 2016 and the changes in governance brought about as a result of a change of Government in May 2017. Since this change, URCA has sought to engage with the new Government to ensure that as the regulator of key sectors of the Bahamian economy, URCA remained fully seized of Governments policies as they relate to those regulated sectors.

The focus very early in the year was build capacity in the newly created Electricity Sector while concurrently developing and introducing key regulatory measures necessary to the development of the ES regulatory framework. In the Electronic Communications Sector, URCA continue to build on the success of the cellular liberalisation project, and to continue its work to encourage and promote competition.

Outside of its regulatory work, URCA accomplished a major feat in the organization in its role to represent The Bahamas at international organisations, in the hosting of a major international conference, and a regional conference, on behalf of The Bahamas Government.

### **Regulatory Activities in the Electronic Communications Sector**

URCA's most significant accomplishments in the ECS during 2017 are related to URCA's oversight of the liberalised cellular mobile market, a reality since October 2016 with the launch of services by Aliv. URCA continued its work during 2017 to ensure that services are delivered seamlessly across The Bahamas to customers of both mobile networks (operated by the Bahamas Telecommunications Company Ltd. (BTC) and Aliv), and that competition

between the licensees proceeded on a fair, non-discriminatory, level playing field. This involved regulatory intervention, as appropriate, in the following areas during 2017:

- Monitoring and assessing the roll-out of services by Aliv;
- Introduction of Mobile Number Portability, and management of the MNP process;
- Managing infrastructure sharing between the operators (towers, undersea inter-island capacity and on island backhaul links);
- Implementation of National Roaming; and,
- Investigation of complaints of possible anti-competitive behaviour.

Generally, URCA considers that the introduction of competition in the cellular mobile market has proceeded in a robust manner and has already begun to deliver benefits to the population in terms of better quality, prices and availability of services. As at the end of 2017 Aliv's services were available to 95% of the populated areas in country, and continued roll out was proceeding to complete the program during 2018. More than 95% of The Bahamas can access LTE mobile services with high speed data connections, and penetration of mobile broadband grew from just over 50% at the end of 2017 to over 80% at the end of the year. While URCA has not conducted a full review of prices and quality of service, URCA is confident that the value delivered in the mobile sector was greatly enhanced by the introduction of competition in that market.

A key aspect of URCA's mandate is the protection of consumers, by ensuring a high quality of service by ECS licensees, where competitive pressures are inadequate to do so. During 2017 URCA continued to closely monitor the quality of service delivered by operators in the ECS, particularly those with significant market power (SMP) to ensure that those services met the standards established by URCA in its Consumer Protection Regulations – ECS 19/2013 and Quality of Service For Electronic Communications Networks and Services in The Bahamas Regulations – ECS 42/2016.

Also geared toward more effective and timely regulatory action, and the empowerment of consumers, during 2017 URCA completed a comprehensive revision of its processes and procedures for the collection of data from licensees in the ECS. The Statement of Results and Final Decision, published on 13 December 2017, paves the way for the collection of

comprehensive sector information on a quarterly basis and the publication of relevant and timely reports.

In 2017, URCA completed work it commenced in 2015 on the review and revision of its Licensing Framework, having regard to the knowledge gained by URCA in the years since the framework was first introduced in 2009. As an output, URCA published its Revised Licensing Guidelines – ECS 19/2017 on 30 November 2017. The Guidelines will be effective from 1 January 2018.

The current ECS Policy was published on 23 April 2014 and section 6 of the Communications Act (Comms Act) provides for the review of the ECSP every three years through a consultative process between URCA and the Minister of Government with responsibility for the Electronic Communications Sector (ECS). During 2017, URCA began the consultative process by canvassing key stakeholders on sector related issues and will in early 2018 complete preparation of a draft ECS Policy document for consultation with the Government.

### **Regulatory Activities in the Electricity Sector**

Passage of the Electricity Act 2015 (EA) and the subsequent amendment to the URCA Act, and URCA's assumption of responsibility for regulation of the ES, resulted in an aggressive effort by URCA to establish the Utilities and Energy Department in 2016. Early in 2017 following an intensive talent search, URCA's board appointed the organization's first Director of Utilities and Energy. 2017 saw the development of the regulatory framework for the ES in accordance with the EA and the National Energy Plan 2013 – 2030, with great emphasis on capacity building in the UE department.

Also during 2017, URCA completed the licensing framework for licensed entities in the ES, completed the consultation phase of the development of a Consumer Protection Plan for the country's largest Public Electricity Supplier (BPL), and successfully facilitated the integration of small-scale Renewable Energy self-generation facilities into BPL's electricity grid.

In addition, during 2017 work was commenced on the following projects which will be further developed in 2018:

- **Utility Scale Renewable Generation:-** The framework for the integration of utility scale generation is currently under development, and once rolled out should allow for the production of cleaner, cheaper, sustainable power to local grids by both utilities and Independent Power Producers (IPP). This program has the potential to benefit all stakeholders via access to private capital, reduced consumption of conventional fuels, and the inherent bolstering of foreign cash reserves.
- **Efficiency Study of BPL:** During 2017 URCA commenced work on an efficiency study, which will comprise a constructive review of all aspects of the BPL's business with a view to optimizing the same within the capacity of existing resources in the short term, and seeking regulatory means to incentivize their enhancement going forward.

## **Engaging with our Stakeholders**

### **Consumer Education**

URCA is keenly aware of its mandate under both the Electronic Communications Sector Policy, the Electricity Sector Policy (ESP) and National Energy Policy (NEP), to educate the public in general and specifically those consumers who use the services in the regulated sectors. It is URCA's responsibility to 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.

Throughout the year the organization made visits to various other civic organizations, radio and television shows to discuss a number of matters of great interest to consumers. These activities allowed the organization to engage with almost 1,000 students and teachers and approximately 200 residents throughout town hall meetings and other visits in New Providence, Grand Bahama, Abaco, Eleuthera and Exuma.

### **Public Awareness Campaigns**

During 2017, URCA started a public awareness programme directed at heightening public knowledge and identification of the organisation, its mandate, vision and mission. This exercise was started with the adoption and roll out of URCA's new mission "*Improving lives*

*through Effective Utilities Regulation”* and enhanced with the launch of the organization’s redesigned website in October 2017.

Highlights of URCA’s Public Awareness activities in 2017 included:

- **Mobile Number (MNP) Public Awareness Campaign**  
URCA executed a very comprehensive MNP campaign during the first half of 2017. The campaign included the use of multiple media which allowed URCA to get information out to the general public in a strategically coordinated manner. The coordination allowed for the swift reporting and resolution of porting issues as they arose.
- **International Girls in ICT Day 2017**  
More than 100 female high school and college students came together for the 3<sup>rd</sup> observation of this ITU initiative to promote careers in the ICT sector. As in 2016, participants came from several family island schools including Grand Bahama, San Salvador and Bimini. This year a pre event was also included and took the form of the showing of the movie *Hidden Figures* which was well received by both students and parents.
- **URCA’s Inaugural ICT Competition**  
In September URCA launched its first ICT Competition at the RM Bailey Senior High School campus. There was enormous show of support for this project from both the public and private schools and the public in general. The competition attracted more than 187 entries from 10 schools in four islands, as well as 10 young adults from New Providence and Grand Bahama. At the end of the competition URCA awarded 15 prizes including cash awards, mobile devices, a summer internship at URCA, and a grand prize of a paid trip to an international ICT related forum. URCA also recognized Queens College, for its efforts to promote the competition, which resulted in a total of 15 entries from that institution.
- **Consultation on the BPL Consumer Protection Plan**  
Pursuant to The new EA, URCA initiated public consultation on BPL’s draft Consumer Protection plan, CPP, in New Providence, Grand Bahama, Abaco, Eleuthera and Exuma.



The consultation closed on 30<sup>th</sup> November. Following an analysis of the feedback, URCA will forward its determination on the CPP to BPL in anticipation that a final document will be ready for circulation during the first trimester of 2018.

## **Developing Our People**

URCA is committed to talent (people) development and in 2017 focused on initiatives geared towards capacity building. The implementation of a new Strategic plan, vision, mission and core values at the beginning of 2017 combined with the need to replace human resources lost in 2016 and staff the newly added Utilities and Energy sector helped direct the organization's efforts in the areas of recruitment, learning and development, employee engagement and records management. During 2017 URCA's staff complement saw a rise of approximately fifty percent over the previous year. The increase was partly attributed to the need to staff URCA's the Utilities and Energy department which is responsible for the regulation of the Energy Sector, and to fill a number of positions that became vacant in 2016.

In 2017 new and existing staff members were provided with learning and development opportunities focused on upskilling in the areas of energy regulation, electronic communication regulation and leadership. An improved Records Management System having been identified as a key strategic initiative, URCA hired a Records Management Officer to oversee the implementation of a robust, secure and effective Records Management function. Improvements to URCA's Records Management function began during 2017, and should be fully implemented by the second trimester of 2018.

URCA's current high level Organisational Chart is provided in Figure 1 below:

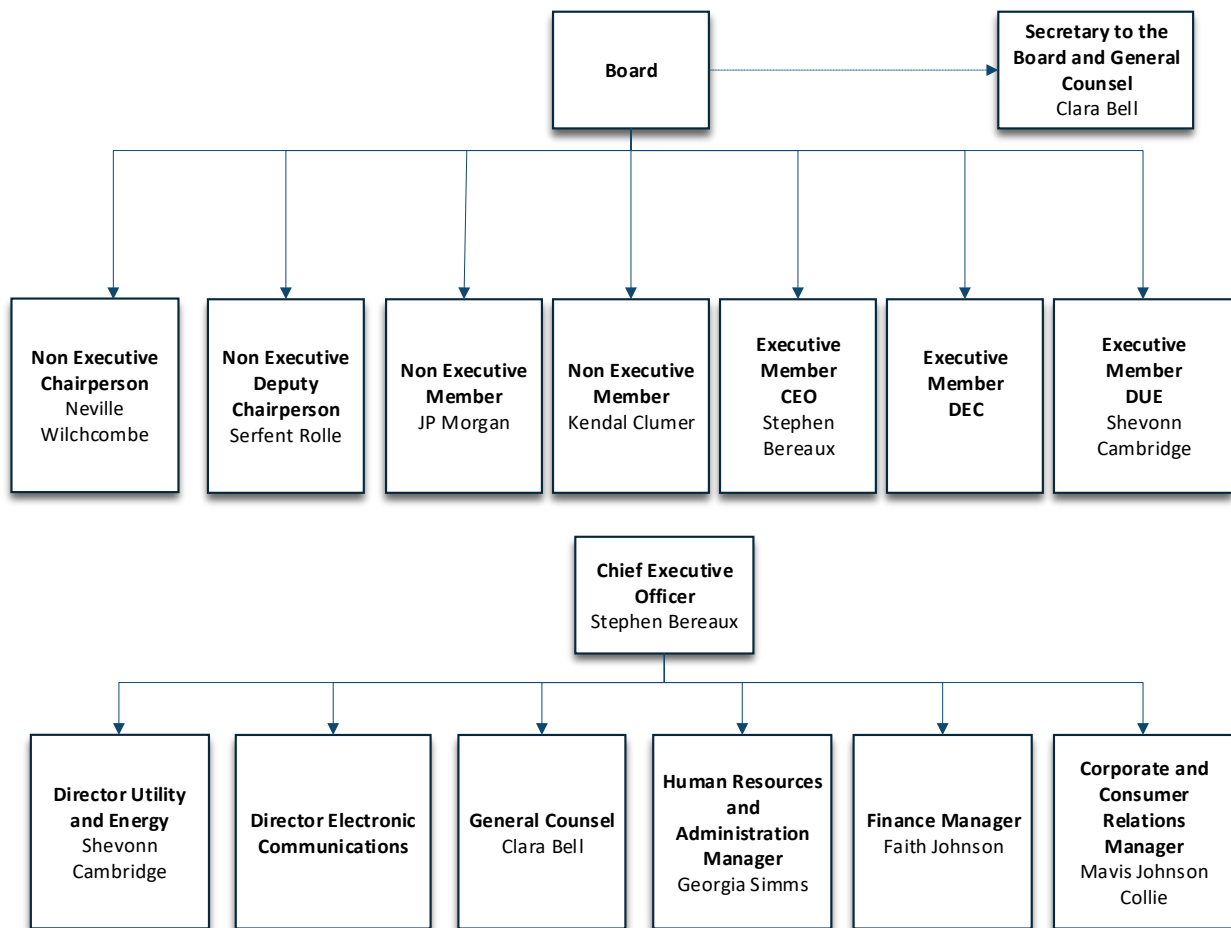


Figure 1 - URCA Organisational Chart 2017

## Legal Update

During 2017 URCA was involved in legal proceedings relating to three matters, as follows:

### Cable Bahamas Ltd. et al v URCA

This action arises out of long running dispute between Cable Bahamas Limited (CBL) and its subsidiaries and URCA, regarding URCA’s jurisdiction to regulate the businesses carried out by CBL and its subsidiaries in the Freeport Area of Grand Bahama.

Following efforts by URCA in early 2017 to exercise its regulatory powers, and to collect URCA Fees from CBL in respect of its businesses in Freeport, CBL commenced legal proceedings against URCA in the Supreme Court on the matter. CBL’s action seeks declarations *inter alia* that the businesses of providing cable television, voice telephony and internet services within the Port Area in Grand Bahama do not require CBL to obtain licences from URCA nor to pay URCA licence fees for the business of its subsidiaries operating within the Port Area on the

basis of rights acquired as a licensee of the Grand Bahama Port Authority and under the Hawksbill Creek Agreement. CBL also seeks injunctive relief restraining URCA from exercising its regulatory powers inter alia a public consultation on CBL's non-payment of licence fees for its subsidiaries.

#### Grand Bahama Power Company Ltd. v. URCA

This action, also related to URCA's regulatory jurisdiction in Freeport, Grand Bahama, was commenced on 7 July, 2016, by Grand Bahama Power Company Ltd. ("GBPC") against URCA, and seeks declarations that certain provisions of the Electricity Act 2015 which require GBPC to obtain a licence to generate, transmit distribute and supply electricity in the Port Area of Grand Bahama, contravenes GBPC's rights acquired as licensee of the Grand Bahama Port Authority and under the Hawksbill Creek Agreement. GBPC also seeks an injunction restraining URCA from performing its regulatory duties in relation to generation, transmission, distribution and supply services in the Port Area.

#### Navette Broadcasting and Entertainment Co. Ltd. v. URCA

This action relates to the licensing of an entity, Navette Broadcasting and Entertainment Co. Ltd. (Navette) which has operated a radio station on the frequency 103.5MHz, in partnership with persons who were approved for a licence by the Government of The Bahamas in 2009, and granted a licence by URCA. Navette has commenced various actions in the Supreme Court and before the UAT, to challenge decisions made by URCA related to the licensing of that frequency.

By these decisions URCA approved an application to amend the Individual Spectrum Licence (ISL) and the Class Operating Licence Not Requiring Registration (COLNRR) in respect of the radio frequency 103.5Mhz, authorizing the said frequency for use by Paramount Systems Limited. Navette continued use of this radio frequency without licence from URCA, notwithstanding URCA's cease and desist demand. Navette commenced applications to the Supreme Court and UAT seeking review of URCA's decisions, neither of which was successful.

## Market Review of Regulated Sectors

### Electronic Communications

Electronic communications is a vital component to the growth and development of the Bahamian economy. As a revenue generating sector it makes a significant and direct contribution to the economy by way of fees and taxes paid to the public treasury and contribution to national insurance. Electronic Communications Sector (ECS) also enhances the competitiveness and efficiency of the economy.

As the drive to grow and enhance the Information and Communications Technology (ICT) sector continues, and ICTs become even more ubiquitous in everyday life through developments like the Internet of Things (IOT), Artificial Intelligence, and wider use of block chain technologies, the size of the ECS is expected to expand to meet the increased demand.

In 2017, the total revenue earned in the sector was stagnant at approximately \$409 million as shown in Figure 1. Figure shows the development in revenues attributable to the provision of fixed line, mobile, pay TV, internet and broadcasting services by major licensees. These services together brought about employment opportunities for many Bahamian residents. The ECS employed more than 1,109 persons within The Bahamas in 2017. This total included approximately 641 females and 468 males on a full time basis.

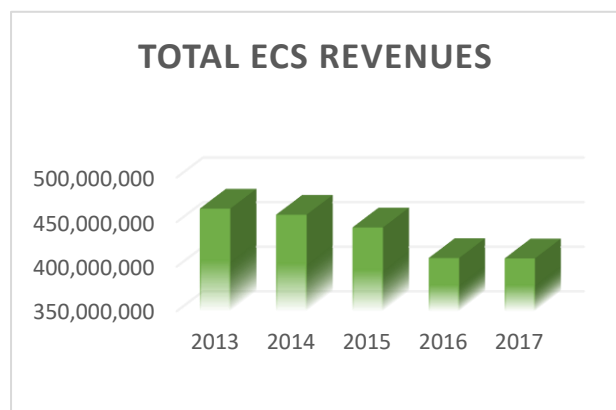


Figure 1 - ECS Revenue

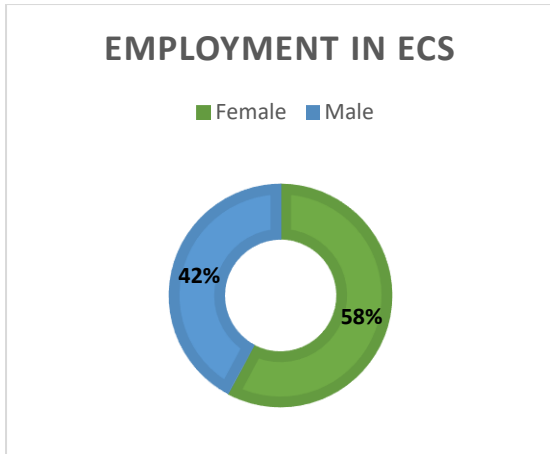


Figure 2 - Employment in the ECS

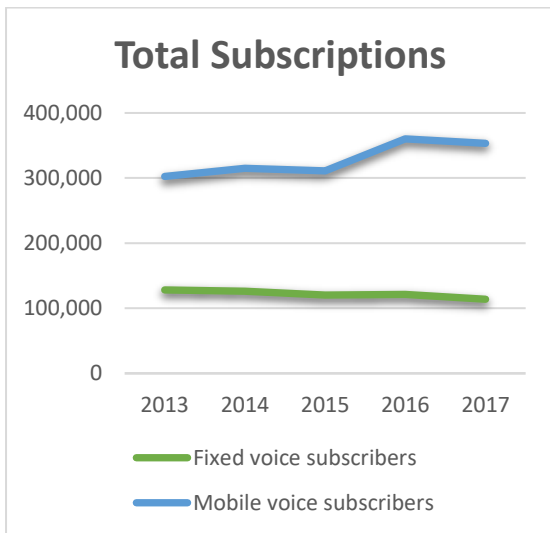


Figure 3 - Total Telephone Subscriptions, Fixed and Mobile

**Fixed Telephone Services**

The Bahamas Telecommunication Company Limited (BTC) and Cable Bahamas Limited (CBL) are the main providers of fixed telephony services in The Bahamas. BTC offers local, domestic long distance (inter-island) and international calls with the use of its Public Switched Telephone Network (PSTN)/fibre optic network infrastructure that services nationwide. CBL (and its affiliates System Resource Group Limited and Caribbean Crossings Ltd) also provides local, domestic long distance (inter-island) and international calls to four islands, namely New Providence, Grand Bahama, Eleuthera and Abaco through the use of its fibre optic/coaxial cable network and fibre optic submarine cable system.

The number of fixed line subscribers fell from 121,178 in 2016 to 113,852 in 2017 with a corresponding decrease in the penetration rate from 32.05 in 2016 to 29.77 subscribers per 100 population in 2017.

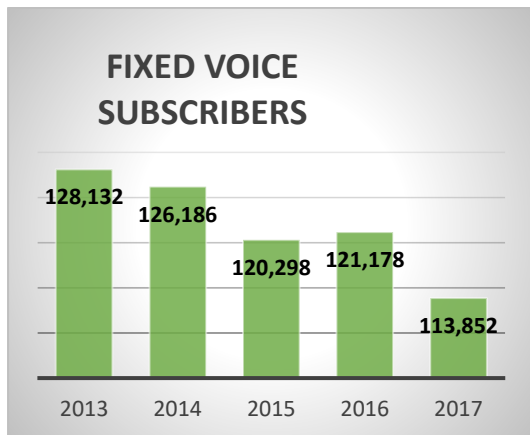


Figure 4 - Fixed Voice Subscribers

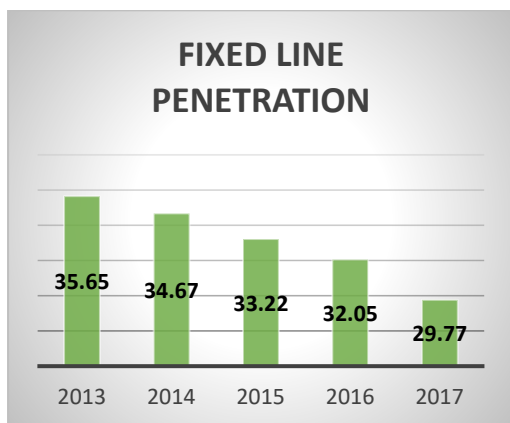


Figure 5 - Fixed Line Penetration

### Cellular Mobile Services

The Bahamian cellular mobile service market is a duopoly consisting of the incumbent BTC and newly joined company, Aliv. With the advent of competition in 2016, BTC and Aliv compete for market share by the lowering of prices and innovative offerings which ultimately benefits its consumers.

There were 353,540 mobile voice subscribers throughout The Bahamas in 2017. This figure is a modest decrease from 2016 when voice subscribers totalled 360,200 likely due to market settling following the introduction of competition. The corresponding penetration rate in

2017 was 92.44 versus 95.31 per 100 subscribers in 2016. Prepaid subscribers represented 86% of the mobile voice market.

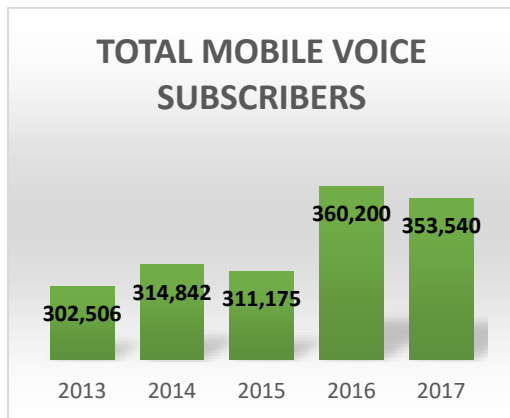


Figure 6 - Total Mobile Voice Subscribers

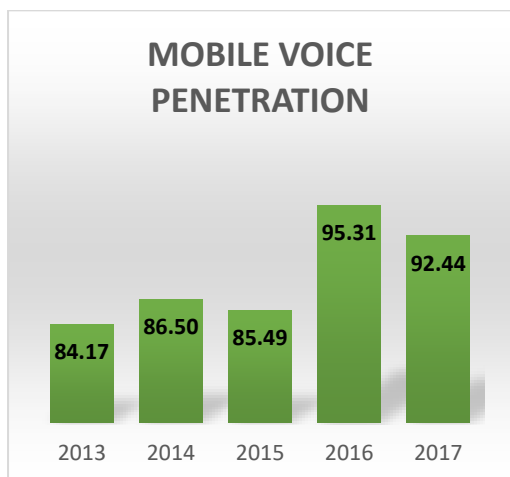


Figure 7 - Mobile Voice Penetration

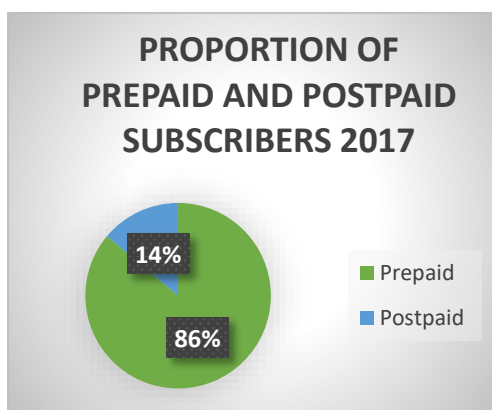


Figure 8 - Proportion of Prepaid and Postpaid Subscribers 2017

## Mobile Data

Total mobile data subscribers continues to inflate each year, as illustrated in Figure , and consistent with the trend towards increasing use of ICTs. BTC and Aliv are the two providers of mobile data services within The Bahamas. With the introduction of Aliv as the second provider of mobile data in late 2016, there is an evident increase in total mobile data subscribers. In 2017, the number mobile data subscribers stretched to 329,244 from 200,696 in 2016. Simultaneously, mobile data penetration increased to 89.09 in 2017 from 53.09 in 2016.

Mobile data only service is another growing market and relates to the total number of active subscribers to mobile internet service via a laptop, tablet with 3G/4G connectivity or a USB dongle. Mobile data only subscribers is a useful indicator to monitor as the service can be a potential substitute for fixed broadband internet. During the year 2017, there were 23,080 subscribers to mobile data only services.

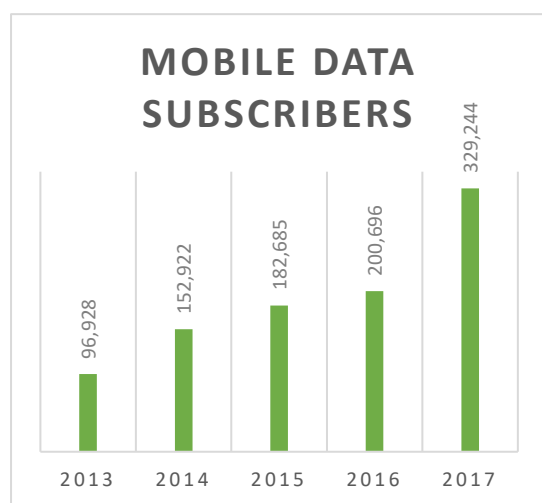


Figure 9 - Mobile Data Subscribers



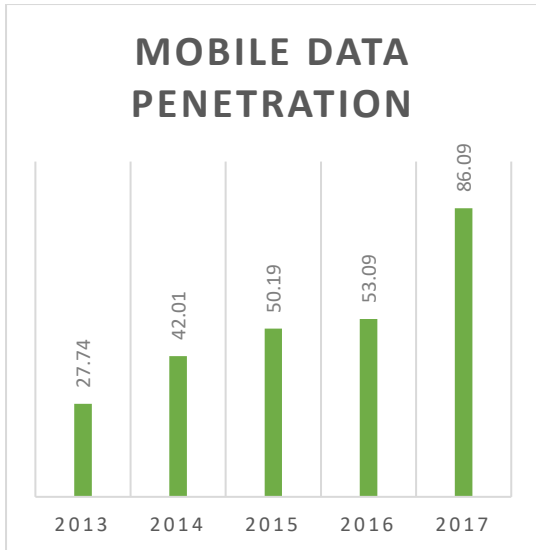


Figure 10 - Mobile Data Penetration

Pay TV

CBL retains the position as the leading provider for Pay TV services in The Bahamas, notwithstanding BTC’s challenge commenced in 2016 with its provision of Flow TV services in selected areas of The Bahamas, including New Providence, Bimini and Inagua and beta testing in other islands. These Pay TV services are available to business, residential customers and in 2017 both operators expanded the offering to include services targeted at mobile devices.

As demonstrated in Figure , there were 76,278 Pay TV subscribers in 2017, which was an increase from 74,381 reported in 2016. Concurrently, Pay TV revenues grew to \$55,396,403 in 2017 from 53,842,547 in 2016.

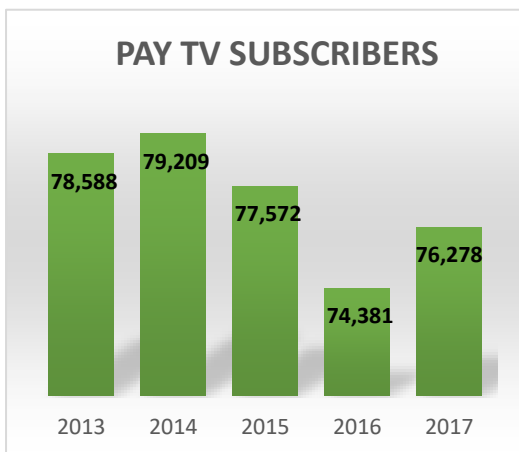


Figure 11 - Pay TV Subscribers

## Fixed Broadband Services

Both CBL and BTC offer fixed internet services through a broadband infrastructure in The Bahamas. CBL holds SMP for their provision of high speed internet and connectivity services in New Providence, Grand Bahama, Eleuthera and Abaco. In the islands that CBL does not provide broadband internet services BTC has been designated by URCA as having SMP.

As shown in Figure 12, fixed broadband subscribers increased marginally by 0.27% to a total of 86,868 subscribers from 2016 which was 86,628. Conversely, the penetration rate falls slightly to 22.71 subscribers per 100 population.

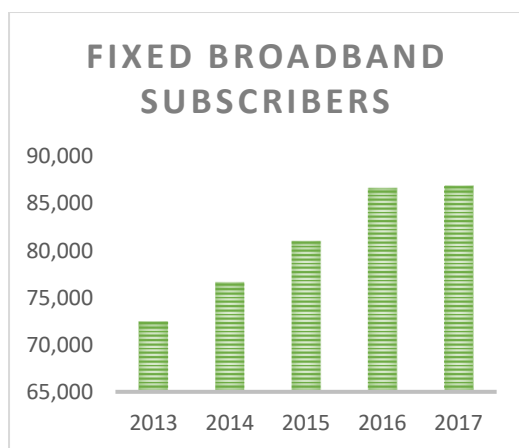


Figure 12 - Fixed Broadband Subscribers

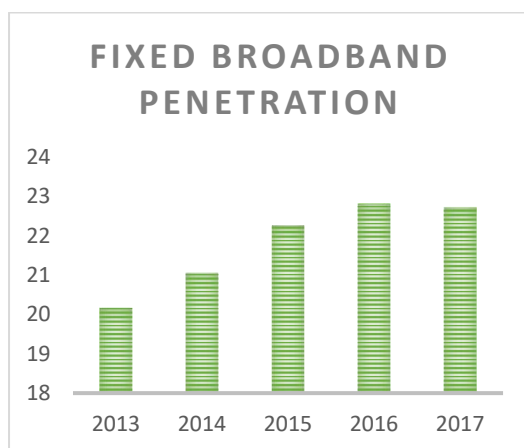


Figure 13 - Fixed Broadband Penetration

## Electricity

The Bahamas' electricity landscape continues to be dominated by Bahamas Power & Light Limited (BPL) as the monopoly generation, transmission, distribution and supply operator for New Providence and the family islands, except for Grand Bahama and a few small island communities served by legacy franchisees. Grand Bahamas Power Company (GBPC) provides GTDS services on the island of Grand Bahama.

Pursuant to the EA, both BPL and GBPC are classified as Public Electricity Suppliers (PES). This designation is reserved for fully integrated electricity service providers, and the EA directed that Bahamas Power and Light (BPL) and Grand Bahama Power Company (GBPC) be licensed by URCA as such. It should be noted that GBPC has challenged URCA's jurisdiction to regulate them based on their reliance on arrangements related to the Grand Bahama Port Area, and related agreements with the Government, and the matter is currently before the courts.

The second type of recognized provider would be those entities that previously held franchises under the existing Public Electricity Suppliers, and these entities are to be categorised as Authorized Public Electricity Suppliers (APES) under the EA. While the EA automatically awarded licences to the existing PES entities, these entities are required to complete an application process with URCA before being granted Authorized Public Electricity Supplier Licences (APESL). Currently, the providers in this category are St. George's Cay Power Company, and Baker's Bay.

There is one existing Independent Power Producer in the form of North Abaco Power and Electric Company.

Total Commercial Generation Capacity installed throughout The Bahamas is about 645MW, serving approximately 142,000 consumers split 80% Residential to 20% Commercial, and the sector directly employs approximately 1350 people.

Total sector revenues during 2016 (URCA is not in possession of complete 2017 information) amounted to approximately B\$513 million, and electricity prices have remained stagnant, with BPL charging between 10.95 and 14.95 cents per kWh, plus a variable fuel surcharge based on a pass-through of the cost of the fuel used by BPL in generating power during the

relevant period. During 2017 the Fuel Charge ranged from a low of just under 12 cents to a high of approximately 15.5 cents per kWh.

## International Participation and Engagement

2017 was a busy year for The Bahamas as URCA worked to cement The Bahamas' role as key participant in the world's telecommunications arena, and simultaneously position The Bahamas as an integral part of the international discussion on ICTs. During 2017, on behalf of the government of The Bahamas, URCA hosted two significant telecommunications related conferences.

The first, the International Telecommunications Union's (ITU) Global Symposium for Regulators, GSR-17, is the premier event for ICT regulators across the globe, and was hosted in The Bahamas under the Theme *"Living in a World of Digital Opportunities"*. More than 400 delegates attended GSR-17 which was held at the Atlantis Paradise Island Resort from 11 to 14 July 2017. The event was also well attended by local ICT and telecommunications experts and service providers.

The second conference hosted by URCA on behalf of the Government was ICT Week, Bahamas an event organised in partnership with the Caribbean Telecommunications Union (CTU). ICT Week, The Bahamas included the Annual Meeting of the CTU's Council of Ministers, and the Meeting of its Executive Council. ICT Week, The Bahamas was held in November 2017 at the Atlantis Paradise Island Resort.

URCA acknowledges the support of the international and local entities whose kind support was integral to the success of these events, these included the ITU and CTU, sponsors who included Facebook, BTC, Aliv, GSMA and Laurasia, and our local event management partners.

During 2017 URCA also, on behalf of the Government, played a significant role at the World Telecommunications Development Conference, helping to coordinate international consensus on matters relevant to ICT development in The Bahamas, including Cybersecurity, Disaster Preparedness and Management, and Broadband deployment.

URCA also continued its participation in the Organisation of Caribbean Utilities Regulators (OOCUR), of which URCA is a founding member. URCA was elected as a member of the Executive Council of OOCUR at its General Assembly held in Tobago in October 2017.

## Performance Against URCA’s 2017 Annual Plan

In its 2017 Annual Plan, URCA outlined an aggressive work programme which proposed work on twenty-one (21) projects, across the two regulated sectors, seventeen of which were to be completed during 2017. URCA was able to complete 8 of the projects with its available resources.

URCA notes that the extent to which it was unable to complete projects scheduled for 2017 has been raised by some stakeholders as a matter of concern, however URCA notes the following factors which influenced URCA’s work during 2017:

- URCA continued to suffer from significant resource shortage from 2016 attrition, notwithstanding some recovery during 2017
- Hosting of International Events on behalf of Government not included in the list of scheduled projects and requiring significantly more human resource allocation than anticipated
- Significant volume of other work completed based on complaints, legal proceedings, and stakeholder interventions

**Error! Reference source not found.** below presents a summary status of URCA’s project elated work in 2017.

**Table 1 - URCA’s Achievements in 2017**

Project	Start Date	2017 Anticipated End Date	End Date	Revised End Date
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T1, 2017	T3, 2017	N/A
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2, 2015	Ongoing	Ongoing	N/A
Revised Licensing Guidelines	T2, 2015	T1, 2017	T3, 2017	N/A
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2, 2015	T2, 2017	T2, 2017	N/A

Project	Start Date	2017		Revised End Date
		Anticipated End Date	End Date	
Annual Plan 2017	Commenced in T3, 2016	T1, 2017	T1, 2017	N/A
Mobile Number Portability	Commenced in T1, 2016	T1, 2017	T1, 2017	N/A
Review of Consultation Procedures	Commenced in T1, 2016	T1, 2017	T1, 2017	N/A
Net Neutrality and OTT Services	Commenced in T1, 2016	T2, 2017	Delayed to 2018	T1, 2018
Review of URCA Website	Commenced in T1, 2016	T1, 2017	T3, 2017	N/A
Review of BPL Renewable Energy Plan	Commenced in T2, 2016	T1, 2017	Delayed to 2018	T2, 2018
Review of BPL Consumer Protection Plan	Commenced in T2, 2016	T2, 2017	Delayed to 2018	T1, 2018
Licensing Guidelines for the ES	Commenced in T2, 2016	T2, 2017	Delayed to 2018	T1, 2018
URCA Annual Report 2016	T1, 2017	T1, 2017	T1, 2017	N/A
Review of ECS Policy	T1, 2017	T1, 2017	Delayed to 2018	T3, 2018
Market Surveys (ECS and ES)	T1, 2017	T3, 2017	Delayed to 2018	T1, 2019
Review of CBL 2015 Accounting Separation Results	T1, 2017	T3, 2017	T2, 2017	N/A
ICTs for Disaster Preparedness and Management	T1, 2017	T3, 2017	Delayed to 2018	T3, 2018
Digital Switchover – Identification of Available Spectrum	T1, 2017	T3, 2017	Delayed to 2018	T2, 2018
Review of BTC 2015 Accounting Separation Results	T1, 2017	T3, 2017	Delayed to 2018 due to change in BTC year-end.	T2, 2018
Review of CBL 2016 Accounting Separation Results	T3, 2017	2018	Delayed to 2018 due to change in CBL year-end.	T2, 2018
BPL Efficiency Assessment	T2, 2017	T1, 2018	T1, 2018	T3, 2018

## Key Performance Indicators

The following tables set out URCA's performance in relation to the Key Performance Indicators (KPIs) by which URCA set out to measure its achievements in 2017.

**Table 2 - 2017 Key Performance Indicators (KPIs)**

Ref.	Category	Description	KPI Result 2017
<b>S1</b>	Statutory	Draft Annual Plan & Strategy published before end of financial year	Published 21 December 2017
<b>S2</b>	Statutory	Annual Report and final Annual Plan published within 4 months of year end	Published 30 April 2017
<b>R1</b>	Regulatory	Final Determinations to be published within one month from closing date for comments on Preliminary Determination	Six (6) Final Determinations issued during 2017. 0 published within 1 month.
<b>R2</b>	Regulatory	Percentage of public consultations started within period stated in Annual Plan	50%
<b>R3</b>	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: <ul style="list-style-type: none"> <li>• 45-60 days</li> <li>• 60-90 days</li> <li>• &gt;90 days</li> </ul>	6 0 2
<b>R4</b>	Regulatory	Licenses issued within: <ul style="list-style-type: none"> <li>• 30 days - individual licences</li> <li>• 45 days - class licences</li> </ul>	18 96
<b>R5</b>	Regulatory	Volume of licences processed in the year	115
<b>CR1</b>	Consumer Relations	Number of Consumer Complaints received	97
<b>CR2</b>	Consumer Relations	Percentage of total complaints resolved	57%
<b>CR3</b>	Consumer Relations	Average time taken to resolve complaints	4 days
<b>F1</b>	Finance	Cost of Finance function as a percentage of total operating expenditure	4.66%
<b>F2</b>	Finance	Period-end cycle time (working days to close) Year-end cycle time (working days to close)	22 27
<b>F3</b>	Finance	Forecasting accuracy	15.58%
<b>F4</b>	Finance	Cost of Licensee invoicing	\$105.65
<b>F5</b>	Finance	Debtor Days	28
<b>F6</b>	Finance	Number of Creditor Notes and Adjustments Value of Creditor Notes and Adjustments	3 \$27,526



Ref.	Category	Description	KPI Result 2017
F7	Finance	Long outstanding debt (>90 days) as a percentage of total debt	97.95%
HR1	Human Resources	Cost of HR function as a percentage of expenditure	4.4%
HR2	Human Resources	Cost of HR function per employee	\$10,881.45
HR3	Human Resources	Ratio of employees (full time equivalent) to HR staff	7:1
HR4	Human Resources	Average days for full time employee per year invested in learning and development	4.3
HR5	Human Resources	Cost of learning and development activity as percentage of total payroll	5.4%
HR6	Human Resources	Cost of HR advisors as a percentage of the total payroll	0.22%
HR7	Human Resources	Percentage of roles filled by permanent and contract staff	89.3%
HR8	Human Resources	Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post	86
HR9	Human Resources	Average lapse time (working days) from when there is a decision to fill a vacancy to submission of advertisement	Not Reported. <sup>1</sup>
HR10	Human Resources	Average lapse time (working days) from a vacancy announcement to selection of a candidate or reposting of the vacancy advertisement	Not Reported. <sup>2</sup>
HR11	Human Resources	Average lapse time (working days) from selection of candidate to the acceptance of an offer for the post	Not Reported. <sup>3</sup>
HR12	Human Resources	Percentage of people in role after 12 months of service	100%
HR13	Human Resources	Percentage of eligible staff who received face to face performance appraisal	100%
IT1	Information Technology	Cost of IT function as a percentage of total expenditure	1.4%
IT2	Information Technology	Organizational IT spend (investment in IT infrastructure & hardware across the organization) per user	\$2,574.61

<sup>1</sup> Measurement of HR9, HR10 and HR11 for 2017 was not possible due to relevant data not being collected for vacancies occurring in 2016 where the position was filled in 2017.

<sup>2</sup> Measurement of HR9, HR10 and HR11 for 2017 was not possible due to relevant data not being collected for vacancies occurring in 2016 where the position was filled in 2017.

<sup>3</sup> Measurement of HR9, HR10 and HR11 for 2017 was not possible due to relevant data not being collected for vacancies occurring in 2016 where the position was filled in 2017.

Ref.	Category	Description	KPI Result 2017
IT3	Information Technology	Percentage who are able to access the network and system remotely	100%

**Table 3 - Actual vs Budgeted Expenditure**

CATEGORY	ACTUAL FY-2017	BUDGET FY-2017	VARIANCE
<b>CONSOLIDATED</b>			
Revenue	7,501,752	7,722,447	(220,695)
Other Income	741,330	-	741,330
<b>Total Income</b>	<b>8,243,082</b>	<b>7,722,447</b>	<b>520,635</b>
<b>Expenses:</b>			
Non- Executive Honoraria & expenses	243,170	210,130	(33,040)
Executive Members Compensation	442,504	589,341	146,837
Staff Costs	1,841,482	2,418,922	577,440
Conference, Training and Travel	1,700,381	1,153,506	(546,875)
Professional Services	1,053,367	1,140,360	86,993
Consumer Education and Public Relations	269,232	443,000	173,768
Premises Costs and Utilities	309,391	598,373	288,982
Information Technology	99,638	111,818	12,180
Office Services	249,622	309,131	59,509
General and Administrative Services	313,082	483,879	170,797
Depreciation	399,752	740,884	341,132
<b>Total Operating Expenses</b>	<b>6,921,621</b>	<b>8,199,344</b>	<b>1,277,723</b>
Re-measurement of pension asset	41,344	-	41,344
Gain on disposal of asset	9,378	-	9,378
<b>Comprehensive Income/(Loss)</b>	<b>1,372,183</b>	<b>(476,897)</b>	<b>1,849,080</b>
<b>Capital Expenditure</b>			
Capital Expenditure	3,816,196	5,210,000	1,393,804
<b>ELECTRONIC COMMUNICATIONS</b>			
Revenue	5,500,279	5,756,650	(256,371)
Other Income	775,406	-	775,406
<b>Total Income</b>	<b>6,275,685</b>	<b>5,756,650</b>	<b>519,035</b>

CATEGORY	ACTUAL FY-2017	BUDGET FY-2017	VARIANCE
<b>Expenses:</b>			
<b>Non- Executive Honoraria &amp; expenses</b>	182,378	146,130	(36,248)
<b>Executive Members Compensation</b>	231,805	371,065	139,260
<b>Staff Costs</b>	1,384,427	1,678,255	293,828
<b>Conference, Training and Travel</b>	1,621,444	914,371	(707,073)
<b>Professional Services</b>	702,585	687,588	(14,997)
<b>Consumer Education and Public Relations</b>	183,823	287,950	104,127
<b>Premises Costs and Utilities</b>	148,301	424,716	276,415
<b>Information Technology</b>	74,729	83,863	9,134
<b>Office Services</b>	285,019	228,460	(56,559)
<b>General and Administrative Services</b>	277,198	408,409	131,211
<b>Depreciation</b>	300,545	530,363	229,818
<b>Total Operating Expenses</b>	5,392,254	5,761,170	368,917
<b>Re-measurement of pension asset</b>	35,142	-	35,142
<b>Gain on disposal of asset</b>	9,378	-	9,378
<b>Comprehensive Income/(Loss)</b>	927,952	(4,520)	932,472
<b>Capital Expenditure</b>	2,636,337	3,619,000	982,663
<b>UTILITIES AND ENERGY</b>			
<b>Revenue</b>	1,965,797	1,965,797	-
<b>Other Income</b>	1,600	-	1,600
<b>Total Income</b>	1,967,397	1,965,797	1,600
<b>Expenses:</b>			
<b>Non- Executive Honoraria &amp; expenses</b>	60,793	64,000	3,208
<b>Executive Members Compensation</b>	210,699	218,276	7,577
<b>Staff Costs</b>	415,107	740,667	325,560
<b>Conference, Training and Travel</b>	78,939	239,135	160,196
<b>Professional Services</b>	350,782	452,772	101,990
<b>Consumer Education and Public Relations</b>	84,453	155,050	70,597
<b>Premises Costs and Utilities</b>	60,842	173,657	112,815

CATEGORY	ACTUAL FY-2017	BUDGET FY-2017	VARIANCE
Information Technology	24,908	27,954	3,046
Office Services	106,122	80,671	(25,451)
General and Administrative Services	37,516	75,471	37,955
Depreciation	99,208	210,521	111,313
Total Operating Expenses	1,529,369	2,438,174	908,806
Re-measurement of pension asset	6,202	-	6,202
Gain on disposal of asset	-	-	-
Comprehensive Income/(Loss)	444,231	(472,377)	916,608
Capital Expenditure	1,179,859	1,591,000	411,141

Table 4 – Publication of Annual Plan and Annual Report

Publication of Draft Annual Plan and Strategy			
Publish Draft Annual Plan 2018 by 31 December 2017	2018 Annual Plan Published on	21 December 2017	Yes
Publication of Annual Report and Annual Plan			
Publish final Annual Plan within 4 months of end of preceding year	2017 Annual Plan published on	30 April 2017	Yes
Publish Annual Report within 4 months of end of reporting year	2017 Annual Report published on	30 April 2017	Yes

Table 5 – Regulatory: Completion Timeframes for URCA Decisions

Target	Percentage
Publication Within 30 Days of Closing Date	0
Publication Within 60 Days of Closing Date	75
Publication Exceeding 60 Days of Closing Date	25

Table 6 – Consultation dates Compared to Annual Plan Period

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 2017	T3, 2016	2016	Yes	T1, 2017	T1, 2017	Yes
BPL Small-Scale Renewables Plan	T3, 2016	2016	N/A	T1, 2017	T1, 2017	Yes
Market Review – Implementation of Price Caps	T2, 2017	Delayed to 2018	No	T3, 2017	T3, 2017	No

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?
ICTs for Disaster Preparedness and Management	T2,2017	Delayed to 2018	No	T3, 2017	Delayed to 2018	No
Digital Switchover – Identification of Available Spectrum	T2,2017	Delayed to 2018	No	T3, 2017	Delayed to 2018	No
Review of BPL Consumer Protection Plan	T2, 2017	T2,2017	Yes	T3, 2017	T3, 2017	Yes
Licensing Guidelines for the ES	T2,2017	T2, 2017	Yes	T2, 2017	T2, 2017	Yes
Net Neutrality and OTT Services	T2, 2017	Delayed to 2018	No	T2, 2017	Delayed to 2018	No
Annual Plan 2018	T3,2017	T3,2017	Yes	2018	N/A	N/A
Review of Resale Broadband Obligation	Not Planned	T3, 2017	N/A	Not Planned	2018	N/A
Collection of Market Data	Not Planned	T2, 2017	N/A	Not Planned	T3, 2017	N/A

**Table 7 - Commencement and Completion Timeline of Projects Compared 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	T1,2017	N/A	No
FM Broadcasting Technical Standards	Commenced in T1,2015	T2,2017	Delayed to 2018	No
Market Review – Implementation of Price Caps	Commenced in T1,2015	T3,2017	Delayed to 2018	No
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2,2015	Ongoing	N/A	Yes
Revised Licensing Guidelines	T2,2015	T1,2017	T3,2017	No
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2,2015	T2,2017	T2,2017	Yes
Annual Plan 2017	Commenced in T3, 2016	T1,2017	T1,2017	Yes
Mobile Number Portability	Commenced in T1, 2016	T1,2017	T1,2017	Yes
Review of Consultation Procedures	Commenced in T1, 2016	T1,2017	T1,2017	Yes
Net Neutrality and OTT Services	Commenced in T1,2016	T2,2017	Delayed to 2018	No
Review of URCA Website	Commenced in T1,2016	T1,2017	T3,2017	No
Review of BPL Renewable Energy Plan	Commenced in T2,2016	T1,2017	Delayed to 2018	No
Review of BPL Consumer Protection Plan	Commenced in T2,2016	T2,2017	Delayed to 2018	No
Licensing Guidelines for the ES	Commenced in T2,2016	T2,2017	Delayed to 2018	No

Description	Start Date	Planned Completion Date	Actual Completion Date	Was KPI Date Met?
URCA Annual Report 2016	T1,2017	T1,2017	T1,2017	Yes
Review of ECS Policy	T1,2017	T1,2017	Delayed to 2018	No
Market Survey (ECS and ES)	T1,2017	T3,2017	Delayed to 2018	No
Review of 2015 Accounting Separation Results (CBL)	T1,2017	T3,2017	T2,2017	Yes
ICTs for Disaster Preparedness	T1,2017	T3,2017	Delayed to 2018	No
Digital Switchover-Identification of Available Spectrum	T1,2017	T3,2017	Delayed to 2018	No
Review of 2015 Accounting Separation Results (BTC)	T1,2017	T3,2017	Delayed to 2018 due to change in BTC year-end	N/A
Review of 2016 Accounting Separation Results (CBL)	T3,2017	2018	Delayed to 2018 due to change in CBL year-end	N/A
BPL Efficiency Assessment	T2,2017	T1, 2018	T3,2018	No
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T1,2017	N/A	No

**Table 8 - 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
18	18	8	100%	2	0	2	17

**Table 9 - 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
96	98	23	100%	7	0	0	98

**Table 10 - 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
0	0	0	0	100%	0	0	0	0

**Table 11 - Time to Issue Licences - Class Operating Licence Requiring Registration**

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

## **Audited Financial Statements**



**THE UTILITIES REGULATION  
AND COMPETITION AUTHORITY**

**Financial Statements For The  
Year Ended December 31, 2017  
And Independent Auditors' Report**

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

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## 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, 2017, and the statement 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, 2017, 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 2017 annual report other than the financial statements and our auditors' report thereon ("the Other Information"). The Utilities Regulations and Competition Authority 2017 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 2017 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**

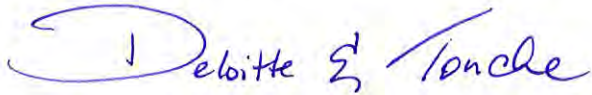
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

A handwritten signature in blue ink that reads "Deloitte & Touche". The signature is written in a cursive style, with the first letter of "Deloitte" being a large, stylized 'D'.

April 30, 2018

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

	Notes	2017	2016
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	\$ 5,262,952	\$ 1,863,956
Pension asset	6	<u>101,806</u>	<u>73,423</u>
Total non-current assets		<u>5,364,758</u>	<u>1,937,379</u>
CURRENT ASSETS:			
Cash on hand and at banks	11	1,474,340	2,212,692
Accounts receivable, net	4,11	793,215	563,885
Prepaid expenses and other assets		213,208	314,482
Energy sector recoverable	8	<u>-</u>	<u>234,669</u>
Total current assets		<u>2,480,763</u>	<u>3,325,728</u>
Total assets		<u>\$ 7,845,521</u>	<u>\$ 5,263,107</u>

*(Continued)*

See notes to financial statements.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

(Expressed in Bahamian dollars)

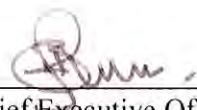
	Notes	2017	2016
<b>LIABILITIES</b>			
CURRENT LIABILITIES:			
Current portion of long term debt	9	\$ 83,788	\$ -
Accounts payable and accrued expenses	11	<u>800,331</u>	<u>549,578</u>
Total current liabilities		<u>884,119</u>	<u>549,578</u>
NON-CURRENT LIABILITY:			
Long term debt	9	<u>875,690</u>	<u>-</u>
Total liabilities		<u>1,759,809</u>	<u>549,578</u>
Net assets		<u>\$ 6,085,712</u>	<u>\$ 4,713,529</u>
<b>NET ASSETS REPRESENTED BY:</b>			
Contributed capital	10	\$ 1,537,891	\$ 1,537,891
URCA Fund:			
- Not immediately required	10	2,692,026	666,093
- Immediately required	10	<u>1,855,795</u>	<u>2,509,545</u>
Total equity		<u>\$ 6,085,712</u>	<u>\$ 4,713,529</u>

(Concluded)

See notes to financial statements.

These financial statements were approved by the Board of Directors on April 30, 2018, 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, 2017

(Expressed in Bahamian dollars)

	Notes	2017	2016
REVENUE:			
Electronic communications operating licence fees	11	\$ 5,500,279	\$ 5,808,731
Energy sector licence fees	11	1,965,797	-
Telecommunications, radio communications, energy and other fees	11	<u>35,676</u>	<u>43,221</u>
Total revenue		<u>7,501,752</u>	<u>5,851,952</u>
EXPENSES:			
Salaries and benefits	6, 11	2,497,986	2,293,905
Conference hosting	13	1,364,592	138,219
Legal, professional and consultancy fees		1,053,367	722,962
Depreciation	7	399,752	326,650
Advertising and public relations		252,190	95,815
Office services		249,622	246,819
Travel		229,979	175,016
Rent and occupancy costs	11, 12	227,405	542,410
Professional membership		223,982	193,853
Training		134,980	152,693
Information technology		99,638	78,644
Premises repairs and maintenance		81,986	49,659
Communications	11	64,364	62,738
Interest charges	9	20,949	-
Donations	11	17,042	26,535
Automotive maintenance		9,055	14,197
(Reversal of) provision for doubtful accounts	4	<u>(5,268)</u>	<u>44,757</u>
Total expenses		<u>6,921,621</u>	<u>5,164,872</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, 2017

*(Expressed in Bahamian dollars)*

	Notes	2017	2016
OPERATING INCOME		\$ 580,131	\$ 687,080
OTHER INCOME AND EXPENSES:			
Fines		735,000	114,271
Gain on disposal of assets		9,378	4,379
Interest income		6,330	25,450
Other income		<u>-</u>	<u>460</u>
Total other income		<u>750,708</u>	<u>144,560</u>
INCOME OVER EXPENDITURE		1,330,839	831,640
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension asset	6	<u>41,344</u>	<u>24,214</u>
COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 1,372,183</u>	<u>\$ 855,854</u>

*(Concluded)*

See notes to financial statements.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017

(Expressed in Bahamian dollars)

	<u>Notes</u>	<u>Contributed Capital</u>	<u>(Not immediately required)</u>	<u>(Immediately required)</u>	<u>Total</u>
Balance as of 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	10	-	(850,545)	850,545	-
Other comprehensive income		-	24,214	-	24,214
Recovery from Consolidated Fund	10	-	487,537	-	487,537
Balance at December 31, 2016		1,537,891	666,093	2,509,545	4,713,529
Excess of income over expenditure- ECS	10	-	892,810	-	892,810
Excess of income over expenditure- ES	10	-	438,029	-	438,029
Funds not required for immediate use		-	653,750	(653,750)	-
Other comprehensive income	10	-	41,344	-	41,344
Balance at December 31, 2017		<u>\$ 1,537,891</u>	<u>\$ 2,692,026</u>	<u>\$ 1,855,795</u>	<u>\$ 6,085,712</u>

See notes to financial statements.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017 (Expressed in Bahamian dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of income over expenditure		\$ 1,330,839	\$ 831,640
Adjustments for:			
Depreciation	7	399,752	326,650
(Reversal of) provision for doubtful accounts	4	(5,268)	44,757
Interest income		(6,330)	(25,450)
Interest expense		20,949	-
Gain on disposal of property, plant and equipment		(9,378)	(4,379)
(Increase) decrease in operating assets:			
Accounts receivable		(224,062)	(309,708)
Prepaid expenses and other assets		101,274	(30,341)
Energy sector recoverable		234,669	(207,193)
Pension asset		12,961	(73,423)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		250,753	(324,924)
Pension liability		-	(4,584)
Deferred revenue		-	(3,000)
Net cash from operating activities		<u>2,106,159</u>	<u>220,045</u>

See notes to financial statements.

(Continued)

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017 (Expressed in Bahamian dollars)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	7	(3,805,270)	(1,099,183)
Proceeds from sale of property, plant and equipment		15,900	5,572
Interest received		<u>6,330</u>	<u>25,450</u>
Net cash used in investing activities		<u>(3,783,040)</u>	<u>(1,068,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Funds received from long term debt		1,000,000	-
Long term debt principle repayments		(40,522)	-
Interest paid		(20,949)	-
Funds received from Consolidated Fund		<u>-</u>	<u>487,537</u>
Net cash from financing activities		<u>938,529</u>	<u>487,537</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(738,352)	(360,579)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>2,212,692</u>	<u>2,573,271</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 1,474,340</u>	<u>\$ 2,212,692</u>

See notes to financial statements.

(Concluded)

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

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### 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.

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. For the current financial year, unlike previous years, the financial performance of the Authority is the result of the regulation of both the ECS and ES. The results of operations of both sectors are allocated to “the Fund”.

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, 2017

*(Expressed in Bahamian dollars)*

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### 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, 2017. 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, 2017*

IAS 7	Amendments resulting from a disclosure initiative
IAS 12	Recognition of deferred tax assets for unrealized losses
IFRS 12	Amendments derived from Annual improvements to IFRSs standards 2014-2016 Cycle

#### *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.

<b>New and amended Standards</b>	<b>Effective for annual periods beginning on or after</b>	
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
IFRS 15	Clarification to IFRS 15	1 January 2018

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

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IAS 19	Plan Amendments, Curtailment or Settlements	1 January 2019
IAS 28	Long-term interests in Associates And Joint Ventures	1 January 2019
IAS 40	Transfers of investment property (Amendments)	1 January 2018
IFRS 9	Prepayment features with negative compensation (Amendments)	1 January 2019
IFRS 1 & IAS 28	Annual improvements to IFRSs 2014-2016 cycle	1 January 2018
IFRS 11	Annual improvements to IFRSs 2015-2017 cycle	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

(\*) 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, 2017

*(Expressed in Bahamian dollars)*

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### 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, 2017

*(Expressed in Bahamian dollars)*

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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:

Building		20 years
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, 2017

*(Expressed in Bahamian dollars)*

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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 income over expenditure.

### **(f) Accounts payable and accrued expenses**

Accounts payable and accrued expenses 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, 2017

*(Expressed in Bahamian dollars)*

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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, 2017

(Expressed in Bahamian dollars)

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### (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.

## 4. ACCOUNTS RECEIVABLE

	2017	2016
<i>Accounts receivable:</i>		
Electronic Communications	\$ 865,877	\$ 895,092
Energy	253,277	-
<i>Provision for doubtful accounts:</i>		
Electronic Communications	(275,939)	(331,207)
Energy	<u>(50,000)</u>	<u>-</u>
	<u>\$ 793,215</u>	<u>\$ 563,885</u>

Movements in provision for doubtful accounts are as follows:

	2017	2016
Opening balance	\$ 331,207	\$ 286,450
(Reversal of) provision for doubtful accounts	<u>(5,268)</u>	<u>44,757</u>
	<u>\$ 325,939</u>	<u>\$ 331,207</u>

Included in accounts receivable 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 Hawksbill 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, 2017

*(Expressed in Bahamian dollars)*

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### 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, 2017, there are 3 (2016: 3) 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. An actuarial valuation was performed by an independent actuary as of December 31, 2017.

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

	2017	2016
Discount rate	5.20%	5.00%
Future salary increases	3.00%	3.00%

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, 2017

(Expressed in Bahamian dollars)

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The following tables summarise the components of net pension benefit expense and the funded status and amounts recognised in the statement of financial position for the Plan as determined as of the date of the last actuarial review.

Pension benefit expense (income) comprises:

	<b>2017</b>	<b>2016</b>
Current service cost	\$ 29,590	\$ 61,902
Administrative costs	3,010	20,114
Net interest income	(2,544)	(956)
Gain due to Settlement	<u>-</u>	<u>(104,073)</u>
Total included in salaries and benefits	<u>\$ 30,056</u>	<u>\$ (23,013)</u>

The pension plan asset is analysed as follows:

	<b>2017</b>	<b>2016</b>
Present value of benefit obligations	\$ 957,259	\$ 937,999
Fair value of plan assets	<u>(1,059,065)</u>	<u>(1,011,422)</u>
Asset in the statement of financial position	<u>\$ (101,806)</u>	<u>\$ (73,423)</u>

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

	<b>2017</b>	<b>2016</b>
(Asset) liability as of beginning of year	\$ (73,423)	\$ 28,798
Pension benefit expense (income)	30,056	(23,013)
Amount recognized in other comprehensive income	(41,344)	(24,214)
Contributions	<u>(17,095)</u>	<u>(54,994)</u>
Asset as of end of year	<u>\$ (101,806)</u>	<u>\$ (73,423)</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

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Movements in the present value of the benefit obligations comprise:

	<b>2017</b>	<b>2016</b>
Present value of benefit obligations as of beginning of year	\$ 937,999	\$ 2,195,321
Interest cost	47,961	63,581
Current service cost	29,590	61,902
Actuarial gain on benefit obligations	(41,560)	(48,020)
Actuarial gain due to settlement	-	(104,073)
Benefits paid	<u>(16,731)</u>	<u>(1,230,712)</u>
Present value of benefit obligations as of end of year	<u>\$ 957,259</u>	<u>\$ 937,999</u>

Movements in the fair value of plan assets comprise:

	<b>2017</b>	<b>2016</b>
Fair value of plan assets as of beginning of year	\$ 1,011,422	\$ 2,166,523
Expected return on plan assets	50,505	64,537
Contributions	17,095	54,994
Administrative costs	(3,010)	(20,114)
Actuarial loss on plan assets	(216)	(23,806)
Benefits paid	<u>(16,731)</u>	<u>(1,230,712)</u>
Fair value of plan assets as of end of year	<u>\$ 1,059,065</u>	<u>\$ 1,011,422</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

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### 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.

Benefit obligations as at December 31, 2017 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	\$ (114,304)	\$ 140,381
Future salary increases	\$ 64,709	\$ (58,717)

- \$160,266 of the benefit obligation is due to salary increases.
- If all members lived one year longer, the benefit obligation would be \$977,298 (2016: \$945,402).
- The duration of the benefit obligation is 14.4 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 2016. Employees are required to contribute a minimum of 5% and the Authority contributes 10%. The Authority's contributions totaled \$115,416 (2016: \$52,828) and there were 14 (2016: 11) participants in the Plan at December 31, 2017.



# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017 (Expressed in Bahamian dollars)

### 7. PROPERTY, PLANT AND EQUIPMENT

		Land	Building	Leasehold Improvements	Information Systems	Vehicles	Furniture and Office Equipment	Work in Progress	Total
<b>COST:</b>									
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
Disposals		-	-	-	(5,675)	-	-	-	(5,675)
Balance at December 31, 2016		-	-	1,027,878	2,372,409	182,885	497,552	505,975	4,586,699
Additions		1,313,500	2,313,839	-	43,047	50,000	84,884	-	3,805,270
Disposals		-	-	-	(107,576)	(45,800)	(3,240)	-	(156,616)
Transfers		-	1,522,034	(1,027,878)	4,935	-	6,884	(505,975)	-
Balance at December 31, 2017	\$	<u>\$ 1,313,500</u>	<u>\$ 3,835,873</u>	<u>\$ -</u>	<u>\$ 2,312,815</u>	<u>\$ 187,085</u>	<u>\$ 586,080</u>	<u>\$ -</u>	<u>\$ 8,235,353</u>
<b>ACCUMULATED DEPRECIATION:</b>									
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
Disposals		-	-	-	(4,482)	-	-	-	(4,482)
Balance at December 31, 2016		-	-	210,905	2,290,751	101,336	119,751	-	2,722,743
Depreciation expense		-	144,389	56,633	51,263	37,207	110,260	-	399,752
Disposals		-	-	-	(101,817)	(45,037)	(3,240)	-	(150,094)
Transfers		-	267,538	(267,538)	-	-	-	-	-
Balance at December 31, 2017	\$	<u>\$ -</u>	<u>\$ 411,927</u>	<u>\$ -</u>	<u>\$ 2,240,197</u>	<u>\$ 93,506</u>	<u>\$ 226,771</u>	<u>\$ -</u>	<u>\$ 2,972,401</u>
<b>CARRYING VALUE:</b>									
As at December 31, 2017	\$	<u>\$ 1,313,500</u>	<u>\$ 3,423,946</u>	<u>\$ -</u>	<u>\$ 72,618</u>	<u>\$ 93,579</u>	<u>\$ 359,309</u>	<u>\$ -</u>	<u>\$ 5,262,952</u>
As at December 31, 2016	\$	<u>\$ -</u>	<u>\$ 816,973</u>	<u>\$ -</u>	<u>\$ 81,658</u>	<u>\$ 81,549</u>	<u>\$ 377,801</u>	<u>\$ 505,975</u>	<u>\$ 1,863,956</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017 (Expressed in Bahamian dollars)

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### 8. ENERGY SECTOR RECOVERABLE

During the current year, the Energy Sector was assessed regulatory fees for the first time. In the 2016 financial year as no fees were assessed in respect of the Energy Sector, the Authority's accumulated expenditure during 2016 on behalf of the Sector totaled \$234,669 and were recorded in these financial statements as a receivable. This amount was recovered from the Energy Sector fees assessed in 2017.

### 9. LONG TERM DEBT

During the year, the Authority entered into a long term financing agreement with First Caribbean International Bank for \$1,000,000 to assist with the purchase of URCA's current premises, Frederick House. The term of the debt is 5 years with a 10 year amortization at an interest rate of Bahamian Dollar Prime (currently 4.25%) and is secured by Frederick House. Interest charges of \$20,949 were recognized on this loan in 2017. Principle payments made in 2017 were \$40,522. Principle payment due in 2018 is \$83,788 and due in years 2019-2022 is \$875,690.

### 10. 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.

#### *Utilities Regulations and Competition Authority Fund (URCA Fund)*

Under the Communications and Electricity Acts, 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 and Electricity Acts; 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 (EC Fund): monies paid into the EC 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.

*(Continued)*

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Expressed in Bahamian dollars)

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 results of the current year operations of the Electronic communications and Energy Sectors are as follows:

DESCRIPTION	Electronic Communications	Energy (Electricity)
Revenue	\$ 5,500,281	\$ 1,965,795
Other income	<u>775,406</u>	<u>1,600</u>
Total income	<u>\$ 6,275,687</u>	<u>\$ 1,967,395</u>
<b>Expenses:</b>		
Staff costs	\$ 1,776,734	\$ 679,304
Conference hosting	1,364,590	-
Professional services	702,585	350,782
Depreciation	300,545	99,208
Office services	285,019	106,122
General and administrative services	282,465	37,516
Conference, training and travel	278,731	86,231
Advertising and public relations	183,823	84,453
Rent and occupancy fees	148,301	60,842
Information technology	74,729	24,908
Recovery of provision for doubtful accounts	<u>(5,267)</u>	<u>-</u>
Total expenses	5,392,255	1,529,366
Gain on disposal of assets	<u>9,378</u>	<u>-</u>
Excess of income over expenditure	892,810	438,029
Other comprehensive income	35,142	6,202
Opening Fund Balance - January 1, 2017	<u>3,175,638</u>	<u>-</u>
<b>Closing Fund Balance - December 31, 2017</b>	<u>\$ 4,103,590</u>	<u>\$ 444,231</u>

Prior to January 1 2017, the URCA Fund consisted of surplus funds that have been accumulated since the commencement of operations of the Authority. These surplus funds at December 31, 2016 totaled \$3,175,638 are assigned to the Electronic Communications Sector and until January 1, 2017 was included in the financial statements as the Electronic Communications Fund.

(Continued)

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

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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, 2017, \$1,855,795 (2016: \$2,509,545) has been designated as funds immediately required. Additionally under section 40 of the Communications Act, the Authority was to retain any excess sums collected for application to the following financial year(s). In previous years, 2009-2012 (prior to the repeal of section 40), the Authority utilized surpluses in the fund to amend charges and fees in subsequent years levied on the licensees by the Authority.

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 previous year, the Authority recovered from Consolidated Fund \$487,537 for expenses incurred in managing the process from the proceeds of the auction.

*(Concluded)*

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Expressed in Bahamian dollars)

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### 11. 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:

	2017	2016
<i>Assets</i>		
Cash at banks	\$ 474,370	\$ 1,969,080
Accounts receivable	<u>3,438</u>	<u>10,963</u>
	<u>\$ 477,808</u>	<u>\$ 1,980,043</u>
<i>Liabilities</i>		
Accounts payable and accrued expenses	<u>\$ 889</u>	<u>\$ 21,932</u>
<i>Revenue</i>		
Electronic communications operating licence fees	\$ 3,919,493	\$ 4,539,396
Energy sector licence fees	1,965,797	-
Telecommunications, radio communications, energy and other fees	<u>3,377</u>	<u>9,269</u>
	<u>\$ 5,888,667</u>	<u>\$ 4,548,665</u>
<i>Expenses</i>		
Salaries and benefits	\$ 66,568	\$ 44,533
Communications	57,279	58,444
Rent and occupancy costs	<u>46,112</u>	<u>17,738</u>
	<u>\$ 169,959</u>	<u>\$ 120,715</u>
<i>Other expenses</i>		
Donations	<u>\$ -</u>	<u>\$ 350</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 \$1,065,870 (2016: \$1,130,121).

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

*(Expressed in Bahamian dollars)*

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### 12. COMMITMENTS AND CONTINGENCIES

#### *Commitments*

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.

### 13. CONFERENCE HOSTING

During the year, the Authority on behalf of the Bahamas Government hosted the International Telecommunications Union Global Symposium for Regulators and Caribbean Telecommunications Union ICT Week. In 2016, the Authority supported a delegation headed by the Attorney General to the ITU World Telecom Forum. The cost associated with the travel and sponsorship ancillary activities amounted to \$1,364,592 (2016: \$138,219).

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Expressed in Bahamian dollars)

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### 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:

	2017	2016
<i>Days Outstanding</i>		
0 - 90 days	\$ 22,952	\$ 4,213
91 - 180 days	455,756	88,362
181 - 365 days	388,026	240,791
More than 365 days	<u>252,420</u>	<u>561,726</u>
	<u>\$ 1,119,154</u>	<u>\$ 895,092</u>

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

Accounts receivable primarily comprise of balances due from Cable Freeport, a subsidiary of Cable Bahamas Ltd, 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, 2017

*(Expressed in Bahamian dollars)*

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### (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, 2017, with the exception of long term debt, 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 long term debts. 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.

The interest rate on the long term debt is floating. The interest charge would change by \$209 due to a 1% change in the Bahamian dollar prime rate.

## 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.

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## Part 2 – 2018 Annual Plan

### 1. Strategic Outlook

URCA's projects for 2018 have been selected to achieve the following objectives:

- build out URCA's regulatory framework for the ES;
- to complete high priority regulatory work in the ECS already commenced in previous years, or to conduct reviews of existing policy and regulatory measures; and,
- to fully implement URCA's new strategic plan, in particular, initiatives for measurement of new and innovative performance indicators for URCA and the sectors it regulates.

#### 1.1 URCA's Key Regulatory Projects for 2018

This section identifies the specific projects URCA proposes to work on during 2018 and also includes projects which URCA has under consideration for commencing in 2018, but which it expects will continue into the two years following. This approach diverges from previous URCA Annual Plans which sought to identify projects to be worked on during the planning year only, and tended to be overly aggressive regarding anticipated completion timelines.

To ensure the most critical needs of the sectors are addressed each year, and to manage stakeholder expectations, URCA has prioritised projects into three tiers (Tier I, Tier II and Tier III). The rationale for placement of projects in a specific tier is as follows:

- Tier I projects are of significant importance and urgency to the regulated sectors, in respect of which URCA therefore ensure that it directs all available resources to achieve completion in accordance with scheduled dates during 2018, which may adversely impact completion of lower tiered projects. Generally, for Tier I projects URCA seeks to set forth and commit to a specific trimester for completion, within 2018.
- Tier II projects are also of significant importance to the organisation or the regulated sectors directly, and URCA will endeavour to complete in the shortest possible timeframe though with lower priority than the Tier I projects. URCA cannot commit to

completion of Tier II projects during a specific period for one or more of the following reasons:

- There is heavy dependence on external stakeholder input or approval; and/or
  - the availability of adequate resources to complete the project in a specific timeline is uncertain; and/or
  - URCA has limited control over the completion date (for example approval is external to URCA).
- Tier III projects address emerging regulatory or management issues which URCA is desirous of addressing and will complete as soon as resource availability dictates, but which are of lower priority than Tier I or Tier II Projects. URCA does not commit to any specific timeframe for completion of Tier III projects.

It must be noted that the proposed projects do not represent all the work that will be undertaken by URCA. More specifically, the myriad of secondary issues, complementary competition investigations and research activities that lend support to the achievement of URCA's overall goals are not included below, and the identified proposed projects are those that have a significant public impact.

#### 1.1.1 2017 Projects Carried Over

It should be noted that the following projects have been carried over from 2017 in relation to each regulated sector:

##### Electronic Communications Sector

- FM Broadcasting Technical Standards
- Market Review – Implementation of Price Caps
- Review of URCA Position on Net Neutrality and Regulation of OTT Services
- Review of ECS Policy
- ICTs for Disaster Preparedness
- Identification of Spectrum for Digital Switchover
- Review of Wholesale Internet Access
- Monitoring the rollout of cellular services by Aliv

## Electricity Sector

- Licensing Guidelines for the ES and Licensing of Public Electricity Suppliers
- Review of BPL Consumer Protection Plan
- Review of BPL Renewable Energy Plan
- BPL Efficiency Assessment

### 1.1.2 Tier I Projects

During 2018, URCA expects to work on and complete the following projects:

#### *Annual Report 2017 and Final Annual Plan 2018*

Section 41 of the URCA Act, 2009 requires that URCA, no later than four months after the end of each year, prepare and publish a plan of its proposed objectives for the forthcoming year; and a report of the carrying out of its functions during that financial year. This document commences the consultation on URCA's 2018 Annual Plan, which will be continued and completed during the first three months of 2018 with the publication of the final Annual Plan 2018. During the first trimester of 2018, URCA will also complete and publish its Annual Report for 2017, including its audited financial statements.

#### *FM Broadcasting Technical Standards*

In 2014 URCA commenced work on the formulation of technical standards for FM radio stations and set out its proposals in a Consultation Document ECS 07/2015 in December 2015. The consultation document attracted significant public and stakeholder responses which has prompted a review by URCA. As a result URCA has decided to reengage on this matter during 2018 and will reopen the subject for a further round of public consultation with a view to issuing its determination by the end of 2018.

#### *Licensing Guidelines for the ES and Licensing of Public Electricity Suppliers*

In 2017 URCA had intended to finalise the suite of licences for providers in the ES through the Licensing Guidelines and to issue revised licences to the Public Electricity Suppliers. This was not completed due to a delay in responses from key entities with a significant interest in the process. URCA has made further enquiries and attempts to engage the identified significant

stakeholders in the process, and subsequent to that effort received a response from one of those entities.

This submission, received on 20 November 2017, is now being considered in the final determination process, which is anticipated to be completed in T1, 2018. This will be finalised along with the full licensing package so that the guidelines and licences can be issued.

#### *Monitoring the Rollout of Cellular Services by Aliv*

The monitoring of the full roll-out of cellular mobile services by NewCo2015 (subsequently renamed Be Aliv Limited (Aliv)) continued to place heavy demands on URCA's resources during 2017. In January 2017, URCA confirmed that Aliv had complied with its roll-out requirements in the first milestone for Phase 1a, for New Providence of 99% coverage and Grand Bahama of 80% coverage, as required by 1 October 2016. In February 2017, URCA issued Aliv a Certificate of Completion certifying that Aliv achieved its Milestone coverage for Phase 1a to URCA's satisfaction.

URCA has been considering the impact of the network disruptions in the wake of Hurricane Matthew and in the period since the passage of that hurricane, and has been engaged in addressing matters related to timelines for Aliv's compliance with its remaining roll-out obligations. URCA expects to provide a comprehensive update to the public in early 2018 and to continue to monitor the roll-out of Aliv's cellular mobile services closely.

#### *Formulation of URCA Position on Net Neutrality and Regulation of OTT Services*

URCA is aware that Net Neutrality and Over-the-Top (OTT) Services are topical issues globally. Net Neutrality is the principle that all electronic communications passing through a network should be treated equally regardless of content, application, service, user device, sender address or receiver address. OTT services are short message, video, audio, and other media services that are delivered over the internet without the service provider being involved in the control or distribution of the content. Some of the more popular examples of these products include Skype, WhatsApp, Netflix, Facebook, Lime, and Viber. In fulfilment of its 2016 Annual Plan commitment to review the regulatory framework for Net Neutrality and OTT services in The Bahamas, URCA has now been able to consider the very complex issues

associated with Net Neutrality and OTT services and complete a Consultation Document setting out its thinking on Net Neutrality and OTT Services in The Bahamas. This consultation document will be published early in 2018, and the Determination is programmed for completion by the end of 2018.

#### *Review of BPL Consumer Protection Plan*

On 5 May 2017 BPL produced its proposed Consumer Protection Plan for URCA's consideration as required by section 40 of the Electricity Act. On 29 May 2017 URCA published the plan for consultation and commenced a comprehensive widespread consultation throughout The Bahamas. The consultation included town meetings and other initiatives in the following islands (in addition to New Providence):

- Abaco
- Acklins
- Bimini
- Crooked Island
- Eleuthera
- Exuma
- Grand Bahama
- Inagua

The consultation having been completed on 30 November 2017, the deadline for comments, URCA commenced the process of reviewing the comments in order to formulate its final decision.

During 2018 URCA will finalise its decision, which is expected to be completed and issued before the end of the first trimester. URCA's decision will direct BPL to make final revisions to the CPP so that it can be published and implemented by BPL by the end of T2 2018.

#### *Review of BPL Renewable Energy Plan*

During the third trimester in 2017, URCA provided feedback to BPL on its utility-scale portion of the Renewable Energy Plan (REP). BPL's response was due on 23 November 2017. However, URCA has to date still not received the full revised REP submission from BPL. URCA considers this output to be critical to achieve the objectives of the NEP and to promote and establish

renewable energy as an active component of the public electricity supply system. URCA intends to push for the completion and publication of BPL's final REP during 2018, and for BPL to begin implementing utility-scale projects immediately upon publishing the REP. Based on the external factors which will impact this work, URCA recognises that there may be challenges with meeting the 2018 completion timeline, though this has been maintained as a Tier I project due to its high priority.

#### *Review of the ECS Policy*

Section 6 of the Communications Act mandates URCA to present to the Minister with responsibility for the ECS its recommendations for a revised Electronic Communications Sector Policy (ECSP) within three years of each publication of each ECSP. Having sought input and recommendations from key sector stakeholders, URCA is compiling its recommendations and will seek the Government's initial input early in 2018. Upon authorization by the Government, URCA will publish the draft ECSP document to the wider public for consultation. Thereafter, URCA will collate the responses from the public and provide its views and final recommendations to the Government for its consideration, prior to the publication of the final ECSP. The ECSP is a Government document, and URCA will work toward putting the Government in a position to publish the final document during 2018, however as further consultation is envisaged in collaboration with the Government, URCA notes that this project may carry over into 2019, though it has been maintained as a Tier I project due to its statutory importance.

#### *ICTs for Disaster Preparedness and Management*

Electronic communications services are vital to the dissemination of early warnings, emergency response and disaster relief efforts in The Bahamas. In 2017 URCA commenced work to develop a multi-stakeholder initiative to ensure that critical communications remain operational when disaster strikes and are fully restored in the aftermath of a disaster. To this end, URCA has drafted its "ICTs for Disaster Preparedness and Management Regulations for the Electronic Communications Sector in The Bahamas" document for public consultation. This work will continue in 2018 and is scheduled to be completed in the third trimester.

#### *Consideration of Aliv Mobile Termination Rates*

Further to work done in 2016 regarding the setting of mobile termination rates which apply for calls terminated on Aliv's network, URCA will review those rates in the light of changes in the market share of the competing mobile operators to ensure that these rates are set at an appropriate level. URCA will complete this work in 2018.

#### *Review of the National Spectrum Plan*

Under section 31 of the Comms Act, within three years of each publication of a National Spectrum Plan, URCA is required to publish a new spectrum plan which is consistent with any applicable international treaties, commitments or standards including those of the International Telecommunications Union, and must also take into account relevant international recommendations. URCA is reviewing the existing National Spectrum Plan (published on 10 April 2014) and will draft another three-year plan aimed at facilitating new and emerging technologies. The new National Spectrum Plan will maintain the principal objective of fostering the optimal use of spectrum as a state asset. URCA will publish the new National Spectrum Plan for consultation in 2018, following which recommendations will be made to the Minister having regard to the comments received. URCA is working to complete this project by the third trimester of 2018.

#### *Draft Annual Plan 2019*

During October through November 2018, URCA will commence work on its draft Annual Plan for 2019, to ensure publication for consultation before the end of 2018 as required by the URCA Act.

#### *Campaign for ITU Council*

In late 2016 the Government of The Bahamas decided to explore the possibility of The Bahamas seeking election to the Council of the ITU. In 2017, The Government confirmed its commitment to this initiative.

Section 7 of the Comms Acts places the duty on URCA to represent the Government of The Bahamas in regional and international organisations when the Minister has officially delegated such tasks to URCA. URCA has, since its inception, been delegated responsibility for representing the Government at the International Telecommunication Union (ITU). The

ITU Council acts as the ITU's governing body in the interval between the Plenipotentiary Conferences (which are held every four years). The Council's role is to consider broad telecommunication policy issues to ensure that the Union's activities, policies and strategies adequately respond to today's dynamic, rapidly changing telecommunications environment.

The Bahamas obtaining a seat on the ITU Council would significantly enhance the country's international profile in relation to ICTs and would present numerous further opportunities for development of ICTs in The Bahamas. Further, the English speaking Caribbean has not been represented on ITU Council since the 2007-2011 period. The years since have seen significant challenges in ensuring that matters of importance to The Bahamas and the region are given due prominence at the ITU, which can be addressed by The Bahamas as a member of Council.

As the Government's delegated representative to the ITU, URCA has assumed the administrative and financial responsibility for the candidacy. URCA considers that the initiative is consistent with URCA's role in promoting the development of the ECS in The Bahamas as set out in section 4 of the Communications Act. In particular, the activities of The Bahamas at the ITU as led by URCA have already increased the profile of The Bahamas in the ICT world and have attracted the interest of several multinational ICT companies, and the support of several regional and international member states of the ITU. During 2018 URCA will continue its work in this respect geared toward a successful election at the ITU's Plenipotentiary Conference which will be held in October 2018. If elected, The Bahamas will serve a four-year term on the ITU Council.

#### *URCA's 2018 Public Awareness Activities*

Throughout the year, a key initiative of URCA is to ensure that the public is fully engaged with URCA and its work which makes it important that the public and stakeholders are aware of URCA, its role, mandate, vision and mission.

During 2017, URCA started a public awareness programme directed at heightening public knowledge and identification of the organisation, its mandate, vision and mission. This exercise commenced with the adoption and roll out of URCA's new mission "*Improving lives through Effective Utilities Regulation*" and the launch of the organization's redesigned website in October 2017.



In 2018 URCA's external public awareness activities will seek to ensure that URCA's activities and messages are congruent with its mission. URCA's public relations activities will focus on those that support URCA's national role as an independent multisector regulator, and its international role as representative of The Government at the ITU and other international and regional organisations.

During the first half of 2018, an aggressive campaign will be launched to acquaint first internal stakeholders and then external stakeholders with the new consumer complaint handling process. This exercise will overlap with the countrywide promotion of the Bahamas Power and Light Consumer Protection Plan.

URCA will embark on initiatives to ensure that its educational campaigns reach as many members of the population as possible. Some planned new initiatives will include informal *'lunch and learn'*, *'snack and chat'*, and *'meet and greet'* sessions in public meeting places, and an *'URCA unplugged'* segment. As in the past two years, URCA will again take its *'roadshow'* to as many family islands as possible. The target this year will be the south-eastern islands, which were not visited in 2017 due to the passage of hurricanes Irma and Maria. URCA's family island activities will be enhanced by the planned implementation of the URCA Northern Bahamas pop-up office in 2018.

URCA will continue to channel its social outreach towards those activities which promote the use and awareness of ICT's, renewable energy and effective utilities management, with particular emphasis on young people and women.

### 1.1.3 Tier II Projects

The projects set out in this section are those which URCA intends to work on during 2018, but which it anticipates will be completed in 2019.

#### *Market Surveys*

URCA has identified that a significant hindrance to its regulatory effectiveness is a lack of adequate information about stakeholder sentiments and behaviours within the regulated sectors. During 2018 URCA intends to address this issue by commissioning one or more surveys to assess the markets in both the ES and ECS (including the broadcasting sector).

URCA is confident that this will significantly enhance URCA's ability to regulate these sectors in the interests of the public effectively.

#### *ICTs for Persons with Disabilities*

The ECS policy objectives contemplate that the ECS will ensure that ICTs are available to and accessible by all persons in The Bahamas, including those with disabilities. In addition, recently innovative uses of ICTs have enhanced the potential of ICTs to significantly enhance the quality of life for persons with disabilities.

URCA has conducted a significant amount of research in conjunction with the National Disabilities Commission during 2017, and will in 2018 commence work on a set of policies and regulatory measures intended to optimise the use of ICTs in The Bahamas by and for persons with disabilities. It is intended to complete this project during 2019, before the end of the first trimester.

#### *Market Review – Implementation of Price Caps*

Implementation of price cap regulation was an outcome of URCA's 2014 market review. The framework is complete. However, URCA delayed the public consultation process in 2016 due to mobile liberalisation. In 2017, URCA resumed the project and is updating its analysis to take into account the relevant operators' 2015 and 2016 accounting results and other information. URCA notes that several issues which will require further stakeholder input have arisen during the process, and also that this project represents a significant shift in the approach to price changes in the ECS which may be of significant interest to the public. Accordingly, URCA notes that this project may be carried over into 2019, depending on the reactions from various stakeholders.

#### *Digital Switchover – Identification of Available Spectrum*

The transition from analogue to digital broadcasting involves the conversion of analogue to digital terrestrial television to free up scarce spectrum for other uses such as wireless broadband communications. Digital Switchover will also result in the free-up of valuable spectrum for emerging mobile telecommunications systems. URCA considers that the implementation of a framework for Digital Switchover will also further the objectives of the

Electronic Communications Policy by preparing The Bahamas for the adoption of new high definition digital over-the-air television network and services. URCA has prepared a draft Framework for Digital Switchover consultation document that will be published during the first term of 2018, and proposes to complete this process during 2019, following completion of the revisions to the National Spectrum Plan.

#### *Review of Wholesale Internet Access*

In 2014, URCA conducted a full market review of the key retail communications services in The Bahamas, including retail broadband services (ECS 14/2014) which confirmed, amongst others, BTC's and CBL's SMP designations in retail broadband services. Given the focus on retail services, URCA at that time did not review the competitive dynamics in the relevant wholesale markets and consequently only imposed resale broadband obligations. There has been no take-up of the resale broadband services to date. URCA has therefore reviewed the fixed broadband resale SMP obligations in order to reconfirm the SMP designations of BTC and CBL in wholesale fixed broadband services and review the price and non-price terms and conditions of BTC's and CBL's resale offers. To this end, on 31 October 2017 URCA issued its "Review of the Broadband Resale Obligation imposed on BTC and CBL under Section 116 and Schedule 4 of the Communications Act, 2009" consultation document. Completion of this work stream will be completed in 2018.

In 2018, based on the feedback regarding the Broadband Resale Obligation that the existing remedies are inadequate, URCA will also commence work on possible expansion of the scope of the *ex-ante* remedies imposed on SMP operators providing wholesale broadband access. URCA will consider the implementation of more high-level wholesale services, to provide more versatile solutions which will encourage and facilitate the take-up of these services by other operators and thereby open the market to further competition. To this end, a new project has been included for commencement in 2018, which will continue into 2019.

#### *Review of Consumer Protection Regulations*

On 30 December 2013 URCA published its Consumer Protection Regulations (CPR)(ECS 19/2013) which established standards for consumer protection applicable to all holders of Individual Operating Licences (IOL) and Class Operating Licences Requiring Registration

(COLRR) in the ECS. During the years since the publication of the CPR, URCA has noted areas where a review is necessary as the existing standards either do not address existing issues or are not being applied in the manner which was intended.

In addition, URCA notes that there is the need to implement similar standards for the ES. Accordingly, in 2018 URCA will commence a project to review the existing CPR as it applies to the ECS, and also to extend similar standards to the ES. It is anticipated that the outcome of the review exercise will be a single document applying standards to both the ES and ECS. The review is anticipated to be completed during 2019.

#### *URCA Performance Indices*

One of the key outcomes of URCA's recent Strategic Planning process has been the recognition that URCA needs more relevant and meaningful methods of measuring its performance. To that end, URCA is developing a series of Key Performance Indicators (KPI) in the form of Indices, which can be used to track URCA's performance, combining considerations such as market growth and performance, fiscal responsibility, consumer satisfaction and licensee performance. URCA will commence the process for formulation of these indices during 2018, and expects to complete the work in 2019.

#### *BPL Efficiency Assessment*

The reliability and cost of the electricity supply in The Bahamas is a source of considerable concern for residents and businesses which operate in The Bahamas. The NEP identifies that Government's key objective is the creation of a "modern, diversified and efficient energy sector, providing Bahamians with affordable energy supplies and long-term energy security towards enhancing international competitiveness and sustainable prosperity".

The reliability and cost of electricity provided by BPL, in particular, is subject to significant challenges which may be influenced by inefficiencies in BPL's systems, and URCA, therefore, intended in 2017 to commence a study of the efficiency of the BPL system which will, among other things, assist URCA to determine any efficiency improvement measures that can reasonably be undertaken in the current environment. URCA intended to commence this work in the second trimester of 2017 and to complete the project in late 2017 however

organisational changes at BPL delayed URCA's commencement of the project. URCA is engaging with BPL to restart the project and has scheduled the project to start in T1 2018. URCA cannot anticipate the matters which will be disclosed upon receipt of information from BPL, and therefore while it is hoped to complete this project in 2018, it is possible that that completion will be delayed to 2019.

#### *Review of Broadcasting Content Code*

The Content Regulation & Industry Group (CRIG) met during 2017 and has completed its review of the Code of Practice for Content Regulation (the Code). New terms of reference will be issued to the CRIG in 2018 as it will be required to focus on two major areas of the Code: Political Advertisements and Broadcasts (part 6) and Complaints Handling (part 10). In 2018, the CRIG will also take part in closed information sessions/workshops for broadcasters to assist in further development of the complaints handling processes.

#### 1.1.4 Tier III Projects

The projects outlined in this section are those which URCA is desirous of working on in 2018, but are of lower priority in the allocation of resources, and therefore may not be commenced and/or completed during this year.

#### *Internet Exchange Point for The Bahamas*

Internet exchange points, or IXPs, are pieces of critical infrastructure that provide points of physical interconnection between the networks that make up the global internet. By connecting these networks locally, an IXP can significantly reduce the volume of internet traffic that is routed through international networks. Through the establishment of a local IXP, there is the potential for a more enabling internet environment that should not only reduce internet costs but also improve transmission efficiencies and foster the development of the local internet eco-system and economy. As such URCA intends to commence a project to establish a fair, non-discriminatory regulatory framework for the establishment of IXPs in The Bahamas.

### *URCA Northern Bahamas Office*

URCA has recognised the growing need for developing a greater presence throughout the Bahamas. To that end, during 2018 URCA will commence trials of a “pop-up” approach across the Northern Bahamas in which members of URCA’s Nassau team would work on scheduled dates on islands in the Northern Bahamas. This will continue for at least one year, following which, based on the feedback from URCA’s pop-up offices and local consumer engagement, URCA will assess whether there is need for a permanent office in the Northern Bahamas.

### *URCA Green Project*

The Green Project Initiative is based on URCA’s desire to lead by example. Therefore, URCA intends to conduct an energy audit on URCA’s Frederick House building and other relevant areas of its operations, with a view to reducing its energy consumption via the use of energy-efficient and renewable technologies where economically viable and practical. Possible enhancements may include HVAC enhancing cooling and insulation measures, supplemental solar power integration, and possibly the acquisition and use of electric vehicles powered by an URCA solar EV charging station. It is noted that these initiatives will not only demonstrate the Authority’s commitment to Green Energy but will save money and serve as live test and training environments as URCA strives to build capacity in emerging technologies related to URCA’s regulatory remit.

### **On-going Activities**

#### *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 and are completed within three (3) to nine (9) months depending on the issues to be considered, and the level and timeliness of supplementary information submission required from the operators. It should be noted that due to the recurring nature of this work and the dependency on operators’ responses and the prevalence changes in financial year end of

operators, URCA has decided to cease tracking the annual activity as a discrete project in its Annual Plans.

### *Ad Hoc Activities*

In addition to the planned projects and initiatives that URCA has outlined above, there are additional activities which URCA is obliged to undertake in the fulfilment of its responsibilities under the URCA Act, the Comms Act and the Electricity Act. These activities are particularly related to administrative functions and the handling of ad hoc regulatory matters. These include, but are not limited to the following:

- Statutory duties such as satisfying URCA's accountability to its stakeholders by publishing its work plans and annual reports within the statutory periods;
- Monitoring compliance by licensees with licence conditions and regulatory measures and taking enforcement action where appropriate;
- Investigations and enforcement in respect of complaints of anti-competitive behaviour;
- Spectrum monitoring activities;
- Reviewing and investigating complaints under the Content Code;
- Handling consumer complaints regarding regulated services as they arise; and

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

#### 1.1.5 URCA Project Timelines

Based on the foregoing, the schedule of Tier I, Tier II and Tier III projects is set out in Tables 2 through 4 below. It should be noted that the table provides URCA's total work period on the project, and therefore reflects time taken on internal development policy and regulatory positions, the external engagement on any initiative and the publication of a final regulatory measure (where relevant).

Project	Start Period	End Period
URCA Annual Plan 2018	T3, 2017	T1, 2018
Review of Retail Broadband Access	T2, 2017	T2, 2018
Monitoring the Roll-Out of Competitive Cellular Mobile Services	T3, 2016	T2, 2018
Position on Net Neutrality and Regulation of OTT Services	T1, 2016	T2, 2018
Review of BPL Consumer Protection Plan	T2, 2016	T2, 2018
FM Broadcasting Technical Standards	T2, 2014	T3, 2018
Licensing Guidelines for the ES, and Licensing of Public Electricity Suppliers	T2, 2016	T3, 2018
ICTs for Disaster Preparedness and Management	T1, 2017	T3, 2018
Draft Annual Plan 2019	T3, 2018	T1, 2019
Campaign for ITU Council	T3, 2017	T3, 2018
Review of ECS Policy	T1, 2017	2019
Market Review – Implementation of Price Caps	T1, 2015	T3, 2018
Review of ECS Policy	T1, 2017	T3, 2018
Market Review – Implementation of Price Caps	T1, 2015	T3, 2018
Review of BPL Renewable Energy Plan	T2, 2016	T3, 2018
Review of National Spectrum Plan	T1, 2018	T3, 2018

**Table 12 - 2018 Tier I Projects**

Project	Start Period	End Period
Market and Consumer Satisfaction Surveys	T1, 2018	TBC
ICTs for Persons with Disabilities	T1, 2018	TBC
Identification of Spectrum for Digital Switchover	T1, 2017	2019
Review of Wholesale Internet Access	T1, 2018	2019
Review of Consumer Protection Regulations	T2, 2018	2019



Project	Start Period	End Period
URCA Performance Indexes	T2, 2018	2019
BPL Efficiency Assessment	T2, 2017	2019

**Table 13 - Tier II Projects**

Project	Start Period	End Period
Framework for Internet Exchange Points (IXP) for The Bahamas	T1, 2018	2020
URCA Northern Bahamas Office	T1, 2018	2020
URCA Green Project	T1, 2018	Ongoing
Review of Accounting Separation Results of SMP Operators	Ongoing	Ongoing

**Table 14 - Tier III Projects**

#### 1.1.6 Planned Consultation Schedule for 2018

While URCA will carry out several activities during 2018, not all of these will involve public engagement and consultation throughout the process. Table 15 below outlines the major public consultations proposed for 2018, including anticipated publication dates.

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
URCA Annual Plan 2018	Published on 20 December 2017	T1, 2018
FM Broadcasting Technical Standards	T2, 2018	T3, 2018
Net Neutrality and OTT Services	T1, 2018	T2, 2018
ICTs for Disaster Preparedness and Management	T2, 2018	T3, 2018
Market Review – Implementation of Price Caps	T2, 2018	T3, 2018
Draft Annual Plan 2019	T3, 2018	T1, 2019

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
Review of Consumer Protection Regulations	T3, 2018	2019
ECS Policy Review	T3, 2018	2019
Review of Broadcast Content Code	T3, 2018	2019
ICTs for Persons with Disabilities	T3, 2018	2019

**Table 15 - URCA Planned 2018 Consultation Schedule**

## 2. Evaluating Our Effectiveness

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

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

KPIs for URCA's work completed in 2017 will be tabulated and included in URCA's 2017 Annual Report, which will be published by the end of April 2018. URCA provides below in

Ref.	Category	Description
S1	Statutory	Draft Annual Plan & Strategy published before end of financial year
S2	Statutory	Annual Report and final Annual Plan published within 4 months of year end
R1	Regulatory	Final Determinations to be published within one month from closing date for comments on Preliminary Determination
R2	Regulatory	Percentage of public consultations started within period stated in Annual Plan
R3	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: <ul style="list-style-type: none"> <li>• 45-60 days</li> <li>• 60-90 days</li> <li>• &gt;90 days</li> </ul>
R4	Regulatory	Licenses issued within: <ul style="list-style-type: none"> <li>• 30 days - individual licences</li> <li>• 45 days - class licences</li> </ul>
R5	Regulatory	Volume of licences processed in the year
CR1	Consumer Relations	Number of Consumer Complaints received
CR2	Consumer Relations	Percentage of total complaints resolved
CR3	Consumer Relations	Average time taken to resolve complaints
F1	Finance	Cost of Finance function as a percentage of total operating expenditure

Ref.	Category	Description
<b>F2</b>	Finance	Period-end cycle time (working days to close) Year-end cycle time (working days to close)
<b>F3</b>	Finance	Forecasting accuracy
<b>F4</b>	Finance	Cost of Licensee invoicing
<b>F5</b>	Finance	Debtor Days
<b>F6</b>	Finance	Number of Creditor Notes and Adjustments Value of Creditor Notes and Adjustments
<b>F7</b>	Finance	Long outstanding debt (>90 days) as a percentage of total debt
<b>HR1</b>	Human Resources	Cost of HR function as a percentage of expenditure
<b>HR2</b>	Human Resources	Cost of HR function per employee
<b>HR3</b>	Human Resources	Ratio of employees (full time equivalent) to HR staff
<b>HR4</b>	Human Resources	Average days for full time employee per year invested in learning and development
<b>HR5</b>	Human Resources	Cost of learning and development activity as percentage of total payroll
<b>HR6</b>	Human Resources	Cost of HR advisors as a percentage of the total payroll
<b>HR7</b>	Human Resources	Percentage of roles filled by permanent and contract staff
<b>HR8</b>	Human Resources	Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post
<b>HR9</b>	Human Resources	Average lapse time (working days) from when there is a decision to fill a vacancy to submission of advertisement
<b>HR10</b>	Human Resources	Percentage of people in role after 12 months of service
<b>HR11</b>	Human Resources	Percentage of eligible staff who received face to face performance appraisal
<b>IT1</b>	Information Technology	Cost of IT function as a percentage of total expenditure

Ref.	Category	Description
IT2	Information Technology	Organizational IT spend (investment in IT infrastructure & hardware across the organization) per user
IT3	Information Technology	Percentage who are able to access the network and system remotely

the indicators which will be adopted for 2018.

Ref.	Category	Description
S1	Statutory	Draft Annual Plan & Strategy published before end of financial year
S2	Statutory	Annual Report and final Annual Plan published within 4 months of year end
R1	Regulatory	Final Determinations to be published within one month from closing date for comments on Preliminary Determination
R2	Regulatory	Percentage of public consultations started within period stated in Annual Plan
R3	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: <ul style="list-style-type: none"> <li>• 45-60 days</li> <li>• 60-90 days</li> <li>• &gt;90 days</li> </ul>
R4	Regulatory	Licenses issued within: <ul style="list-style-type: none"> <li>• 30 days - individual licences</li> <li>• 45 days - class licences</li> </ul>
R5	Regulatory	Volume of licences processed in the year
CR1	Consumer Relations	Number of Consumer Complaints received
CR2	Consumer Relations	Percentage of total complaints resolved
CR3	Consumer Relations	Average time taken to resolve complaints
F1	Finance	Cost of Finance function as a percentage of total operating expenditure
F2	Finance	Period-end cycle time (working days to close) Year-end cycle time (working days to close)
F3	Finance	Forecasting accuracy
F4	Finance	Cost of Licensee invoicing

Ref.	Category	Description
F5	Finance	Debtor Days
F6	Finance	Number of Creditor Notes and Adjustments Value of Creditor Notes and Adjustments
F7	Finance	Long outstanding debt (>90 days) as a percentage of total debt
HR1	Human Resources	Cost of HR function as a percentage of expenditure
HR2	Human Resources	Cost of HR function per employee
HR3	Human Resources	Ratio of employees (full time equivalent) to HR staff
HR4	Human Resources	Average days for full time employee per year invested in learning and development
HR5	Human Resources	Cost of learning and development activity as percentage of total payroll
HR6	Human Resources	Cost of HR advisors as a percentage of the total payroll
HR7	Human Resources	Percentage of roles filled by permanent and contract staff
HR8	Human Resources	Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post
HR9	Human Resources	Average lapse time (working days) from when there is a decision to fill a vacancy to submission of advertisement
HR10	Human Resources	Percentage of people in role after 12 months of service
HR11	Human Resources	Percentage of eligible staff who received face to face performance appraisal
IT1	Information Technology	Cost of IT function as a percentage of total expenditure
IT2	Information Technology	Organizational IT spend (investment in IT infrastructure & hardware across the organization) per user
IT3	Information Technology	Percentage who are able to access the network and system remotely

Table 16 - URCA Performance Indicators 2018

### 3. URCA’s Final Budget 2018

#### 3.1 Changes from Draft Budget

On 21 December 2017, together with the draft Annual Plan 2018, URCA published its draft Budget 2018, and received feedback on the budget from interested stakeholders. There have also been events since the publication of the draft Annual Plan 2018 which have resulted in changes to URCA’s estimates of likely spending in some categories. Based on that input and review of those matters, in arriving at the Final Budget for 2018, the following increases were made to the specified categories in the draft budget:

- Staff Costs
  - Recruitment and ancillary costs  
\$ 2,800
- Professional Services
  - Legal (litigation) fees \$500,000
- Premises Costs and Utilities
  - Frederick House maintenance  
\$ 50,000
- General and Administration Expenses
  - Auto maintenance \$ 1,000
  - Communications \$ 7,080
  - Depreciation \$ 1,834
- Capital Expenditure
  - Laptops/pads \$ 1,000
  - Furniture and fittings \$ 6,000

It should be noted that URCA does not intend to use the increased budget for calculation of the URCA Fee for any sector. URCA will seek to meet the increases by pursuing economies in other categories where feasible.

#### 3.2 Summary

URCA’s overall budget during 2018 will decrease compared to the 2017 budget as a reflection of URCA’s commitment to effectively managing the burden of regulation on the sector, and the impact of economies achieved between the two currently regulated sectors. URCA’s full-

time staff complement during 2018 is anticipated to grow to thirty-six (36), up from twenty-eight (28) persons at the end of 2017. The proposed new hires represent URCA’s continuous efforts to improve its effectiveness and to secure the desired levels of knowledge transfer.

Stakeholders are reminded that URCA acquired its office premises, Frederick House, during 2017. During 2018 URCA intends to begin work toward pursuing rental opportunities for Frederick House which, if successful will result in additional cost savings.

URCA will ensure that it has sufficient finances to meet its regulatory mandate and will make sure that it delivers the best possible service to its stakeholders. In so doing, URCA will also ensure that it provides a full accounting of its activities as required by Section 41(1)(b) of the URCA Act.

URCA’s 2018 Budget is presented as a combined budget, and separated into discrete budgets for each of the ECS and the ES, in accordance with section 39 of the URCA Act. These budgets have anticipated the level of expenditure necessary to provide regulatory supervision of both sectors, and as such, the budgets seek to recover same through the imposition of fees on licensees in the ECS and the ES respectively, in accordance with section 92 of the Communications Act 2009 and section 54 of the Electricity Act 2015.

### 3.3 URCA Budget 2018 – All Regulated Sectors

The combined budget for URCA’s activities (including both ECS and ES regulation) is set out in Table 17 below.

Category	2017	2018
Staff Costs	2,513,293	2,405,714
Non-Executive Compensation	225,184	229,000
Executive Compensation	494,970	478,652
Professional Services	1,140,360	1,536,000
Conferences, Training, and Travel	1,138,452	553,400
Premises Costs and Utilities	533,909	304,900



Category	2017	2018
Consumer Education and Public Relations	443,000	202,000
Office Services	309,131	322,600
Information Technology	111,818	103,300
General and Administrative Expenses	548,342	370,830
<b>Total Operations Expenditure (OPEX)</b>	<b>7,458,460</b>	<b>6,506,396</b>
Depreciation	740,884	472,342
<b>Total Operating Budget Recovered through URCA fees</b>	<b>8,199,344</b>	<b>6,978,738</b>
Capital Expenditure	5,210,000	498,300

**Table 17 - URCA Budget 2018**

Further explanation of key overall expense categories is set out below:

- The recalculated budgeted operating expenditure inclusive of depreciation is included in the budget for 2018 at \$6,978,738; the draft 2018 budget previously published was calculated at \$6,415,224 and factored into the calculation of the URCA fee. In 2018 the depreciation expense is anticipated to decrease by approximately 31% due to the acquisition cost of Frederick House being less than anticipated and therefore resulting in less budgeted depreciation of URCA’s permanent accommodation. It should be noted that the size of the building exceeds URCA’s current requirements by approximately 12,000 sq. ft. If tenants are secured for the space in the building in excess of URCA’s own needs, the resulting rental income will assist in significantly defraying the expenditure for URCA premises, which is currently recovered through the URCA fee. Having regard to the ongoing ownership costs, even without tenants, the building would have ample room for future growth, at an operating cost (inclusive of depreciation) which is only marginally higher than the rental paid by URCA in previous years. Premises costs and utilities were also decreased due to the exclusion of financing cost that had been anticipated in the acquisition of Frederick House, but not realised due to the purchase being achieved primarily using cash flow.

- Non-executive members' compensation includes honoraria for 4 non-executive members of the Board and business-related travel expenses for one non-executive member who is resident overseas. When compared to 2017 budget, this expenditure decreased 2.9% notwithstanding continuing Board involvement in regulatory oversight of sector and the increase of the number of non-executive members and the allocation of a portion of non-executive expenses to the ES.
- Executive members' compensation includes salaries and other benefits for executive members and represents approximately 7% (2017: 5%) of the operating expenses for the period.
- As set out in 5.1 above, subsequent to the publication of the draft Budget 2018 additional unanticipated expenses have required increases to some budget allocations. The most significant of these is an increase of \$500,000 to Professional Services to cover additional legal expenses to cover litigation that has commenced since the beginning of 2018. An increased allocation of \$50,000 to premises maintenance has been made to cover underestimated and unanticipated maintenance costs to Frederick House.
- Eighty percent (80%) of the general Professional Fees has been allocated to ECS.
- Eighty percent (80%) of the total Capital Expenditure has been allocated the ECS.

Based on the relevant provisions of the empowering legislation, URCA is required to allocate its expenses between the ECS and the ES, in accordance with the following principles:

- Directly incurred costs and expenses that relate to one sector only are allocated to the regulated sector to which they relate in their entirety;
- Directly incurred costs and expenses that relate to both the ECS and the EC, and indirectly incurred costs and expenses, have been allocated proportionately based on the estimated burden from each of the ECS and the ES.

Sections 5.4 and 5.5 below set out URCA's budgets for the ECS and the EC, respectively, together with notes on changes in specific items from the previous year.

### 3.4 Electronic Communications Sector Budget 2018

Table 18 contains a summary of URCA’s 2018 budget for its regulatory activities in the ECS.

Category	Budget 2017	Budget 2018
Staff Costs	1,797,072	1,495,484
Non-Executive Compensation	146,129	141,855
Executive Compensation	287,378	230,800
Professional Services:		
<i>Sector specific projects</i>	376,500	1,036,000
<i>URCA projects allocated</i>	311,088	220,000
Conference, training and travel:		
<i>Training</i>	271,920	169,050
<i>Duty travel (net of non-executive travel)</i>	227,323	231,300
<i>Conferences</i>	380,000	-
Premises Costs and Utilities	371,321	204,134
Consumer education and Public Relations	287,950	148,470
Office Services	228,460	209,111
Information Technology	83,863	82,640
General and Administrative Expenses:		
Professional memberships and subscriptions	263,034	230,490
Repairs and maintenance	86,200	32,704
Automobile costs	22,570	20,000
Bad Debt	90,000	60,000
<b>Total Operations Expenditure</b>	<b>5,230,808</b>	<b>4,512,038</b>
Depreciation	530,363	367,566
<b>Total Operating Budget Recovered through URCA fees</b>	<b>5,761,171</b>	<b>4,879,604</b>
Capital Expenditure		
Frederick House	3,459,400	234,640
Computers	40,600	23,200
ICT Upgrade	28,000	96,000
Automobile	35,000	40,000
Office furniture	56,000	4,800

**Table 18 – Draft ECS Budget 2018**

Further explanation of each expense category in the ECS budget is set out below:

- Staff costs decreased to 33% of the total operating budget (2017: 34%) notwithstanding increase in staff complement and concurrent significant reductions in other operating budget categories; however the ECS staff costs are anticipated to decrease by approximately 17% compared to 2017, due to revised allocation to ES of a portion of the staff costs as indirect staff costs.
- Professional services expenditure is anticipated to increase by 83% due to continued regulatory litigation, new regulatory projects during 2018 and continuation in 2018 of projects that were initiated in 2017 but not concluded during the year.
- Conferences, Training and Travel is anticipated to significantly decrease by 55% compared to 2017 as significant funds had been allocated in the 2016 and 2017 budgets to the hosting of the ITU's GSR 2017 conference. It is anticipated that there will be travel expenditure related to professional development and engagement with international organizations, through attendance at meetings, conferences, seminars and workshops.
- Premises costs and utilities decreased compared to 2017 due to inclusion in the 2017 budget of the cost of financing the acquisition of Frederick House, which was eventually purchased by URCA primarily using funds at its disposal, with only 28% of the acquisition cost being financed. Included in the budgeted expenses for the first time in 2018 are costs associated with the ownership of Frederick House (property insurance and real property taxes) which although resulting in expenditure increases in the short term.
- Consumer Education and Public Relations is anticipated to decrease by 48% due to efficiencies and economies achieved in the cost of educating and informing consumers on the regulatory regime in the ECS, and the absence of any significant one-off projects in 2018 (as compared to 2017 when cellular liberalisation and the launch of MNP resulted in additional expenditure). These initiatives will continue to include public consultations on sector issues, community outreach, and utilizing other advertising media.

- Office services are budgeted to decrease by 9% over prior year due to the allocation of the cost associated with the security of Frederick House, office supplies, printing, general insurance and miscellaneous items to both ECS and ES.
- Information technology expenditure includes LAN maintenance, cloud backup monitoring and numerous software renewals.
- General and administrative expenses are budgeted to decrease notwithstanding allocations to cover the anticipated costs associated with the Bahamas' candidacy for an ITU Council seat. Other budgeted costs are allocated to cover the funding of contributions and participation in international regulatory bodies, professional memberships and subscriptions.

### 3.5 Electricity Sector Budget 2018

Table 19 contains a summary of URCA's 2017 budget for its regulatory activities in the ES.

Category	Budget 2017	Budget 2018
Staff Costs	751,351	910,230
Non-Executive Compensation	79,055	87,145
Executive Compensation	207,592	247,852
Professional Services:		
<i>Sector specific projects</i>	375,000	225,000
<i>URCA projects allocated</i>	77,772	55,000
Conference, Training And Travel		
<i>Training</i>	137,980	108,950
<i>Duty travel (net of non-executive travel)</i>	86,100	44,100
<i>Conferences</i>	-	-
Premises Costs and Utilities	162,588	100,766
Consumer education and Public Relations	155,050	53,530
Office Services	80,671	113,489
Information Technology	27,954	20,660
General and Administrative Expenses:		
<i>Professional memberships and subscriptions</i>	51,305	14,460
<i>Communications</i>	28,733	8,176
<i>Automobile costs</i>	6,500	5,000
<i>Bad Debt</i>	-	-

Category	Budget 2017	Budget 2018
<b>Total Operations Expenditure</b>	<b>2,227,652</b>	<b>1,994,357</b>
Depreciation	210,521	104,776
<b>Total Operating Budget Recovered through URCA fees</b>	<b>2,438,173</b>	<b>2,099,133</b>
Capital Expenditure:		
Frederick House	1,482,600	58,660
<i>Computers</i>	17,400	5,800
<i>ICT Upgrade</i>	12,000	24,000
<i>Automobile</i>	55,000	10,000
<i>Office furniture</i>	24,000	1,200

**Table 19 - ES Budget 2018**

Explanations of changes from 2017 to 2018 in the major expense categories are as follows:

- The depreciation category has been reduced by 50% due mainly to purchase price of Frederick House.
- Staff costs have been increased (by 21%) due to continued hiring in 2018 of new dedicated ES staff, as well as the allocation of a proportion of expenses for other staff to the ES.
- Professional services expenditure is anticipated to decrease by 38% due to carryover to 2018 of projects such as efficiency/operational audits and litigation concerning URCA's jurisdiction from 2017; additionally, it is anticipated that in future years, there will be a reduced reliance on external consultants as URCA engages new experienced staff in the ES department.
- Conferences, Training and Travel allocation is anticipated to decrease by 32% over the previous year notwithstanding continuing efforts in learning and development of newly hired staff in ES, and cross training of ECS team members, in addition, allocation has been made for engagement with international organizations through attendance at meetings, conferences, seminars and workshops.
- Consumer Education and Public Relations is anticipated to decrease by 66% as significant initiatives to educate the public on URCA's role as regulator of the ES

occurred in 2017, which will wind down in 2018. However, Consumer Education and outreach will continue to be a major focus through 2018.