THE CBL GROUP

RESPONSE TO URCA'S 2024 DRAFT ANNUAL PLAN

Submitted
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TABLE OF C O N T E N T S

SECTION 2: INTRODUCTION & GENERAL COMMENTS

Cable Bahamas Ltd. (CBL) and Be Aliv Limited (Aliv), (together the CBL GROUP), embrace the opportunity afforded by the Utilities Regulation and Competition Authority Act,2009, as amended ,(the URCA Act) and the Communications Act 2009, as amended, and facilitated by the Utilities Regulation and Competition Authority (URCA) , to provide comments and feedback on the 2024 Draft Annual Plan (draft AP) prepared by URCA for the Electronic Communications Sector (ECS) and the Electricity Sector (ES).

An Annual Plan sets the tone and the pace for the ECS for the calendar year 2024 and hence its relevance and importance is undisputed. Not surprisingly, however, the 2024 Draft AP's projects and key strategic initiatives are for the most part a "catch up" rather bland draft AP with the majority of projects being ones that have dragged on and or been deferred for several years.

A look back at URCA's Final Determination (ECS02/2023) in particular the responses to the submissions by licensees to the 2023 Draft Annual Plan, is discouraging and does not provide an incentive to respond to the 2024 Draft Annual Plan. In ECS 02/23 URCA's final determination demonstrated that responses, requests and proposals submitted by licensees are not valued, as they are not wholly or even partly adopted but rather rationalized away with weak justifications. In fact historically URCA's Final Determinations tend to only provide clarifications to Licensee questions. This ongoing approach by URCA to licensee submissions on draft APs is unhelpful and stifles enthusiasm for what is a time consuming exercise for licensees. There appears to be little or no incentive for URCA to adopt licensee proposals which are of value and if the contents of the draft APs are a foregone conclusion then it is possible that licensee responses will become perfunctory and unhelpful. URCA continues to miss opportunities to allow the voice of the licensees, who bring industry experience and expertise to be heard and provide input, which can go a long way towards engendering good corporate relations and industry development.

In particular, URCA's draft annual budgets continue to increase significantly year over year with complete disregard to the pleas and complaints of all major licensees. It cannot be that all major licensees year after year, without prior reference to each other, echo similar criticisms to unconscionable and fiscally irresponsible budget increases by a Regulator who appears to be impervious to the realities of the costs incurred by licensees in seeking to provide state of the art emerging technologies(including 5G, AI and quality infrastructure to the country), and the new expense of managing cybersecurity. Profits are under siege from the grey markets and robust competition in our relatively small markets. These conditions mandate fiscal responsibility on the part of the Regulator and indeed, given the Government of the Bahamas' commendable initiatives to assist operators in the costs associated with investing in the country's telecoms infrastructure and technologies in several areas including those contained in the Guidelines for the reduction of the Communications Licence Fee (ECS 57/2022) and the intention in the new draft ECS Policy 2024-27 to start a universal fund with a contribution of a percentage of the Communications Fee and the waiver of taxes on telecommunications equipment, URCA's budget ultimately undermines the Government's efforts. An analysis of the draft budget with regional benchmarks which demonstrate the inordinately high cost of regulation in The Bahamas compared to others in the region is contained in Section 8.

The CBL Group therefore, hereby calls on the Minister with responsibility for Telecommunications and the Minister for Relations with URCA to use their respective influences and prevail on URCA to adjust its draft budget closer to realistic norms prior to its finalization for 2024. Further, we call on the Honourable Ministers to seek corrections to earlier amendments to the URCA Act made in 2013 and 2017 respectively with regard to excess funds in URCA's accounts which were redirected to the Consolidated Fund rather than to the benefit of the industry and or licensees (section 40). Further there is a need for correction of Sections 18 and 20 (Part IV, Appointment of non-executive members and reappointment of non-executive members) which appear to have had the unanticipated effect of causing settlement payouts to Board directors likely as a result of their termination prior to their statutory tenure, thereby adding to budgetary amounts to be paid by licensees. The CBL Group is of the view that revising these two sections will result in cost savings to the ECS budget going forward. (Further discussion on this item is included in Section 7).

Importantly, the CBL Group requires that URCA as the regulator for both the ECS and the ES, in its pursuit of improved quality of service for consumers by operators pursuant to consumer and operator complaints in the ECS acknowledge and address expeditiously the nexus between the unreliable electricity supply in the country and its negative effect on the quality of service standards and the equipment of operators in the ECS. Indeed, ECS licensees are of the view that they are overly penalized and ES licensees are coddled.

In the interest of transparency and with reference to URCA's explanation under General & Administrative expenses that the increase in bad debt budgeted is due to a "..Major Licensee that has not paid the assessed fee due to litigation", it is likely that the Major Licensee is a member of the CBL Group which commenced litigation in 2019 having regard to specific concessions provided to telecommunications operators in the Freeport Grand Bahama area by the Hawksbill Creek Agreement Act (as amended) and is similar in its content to the litigation being conducted by the Grand Bahama Power & Light Company.

We note that August, 2024 will mark the 15th Anniversary of URCA, certainly a pivotal point for reflection on URCA's standing and effectiveness in the sector.

And finally and once again, the Group points out that the absence of a dedicated and focused Minister of I.C.T. for the ECS has negative implications for the expectations and obligations placed on the ECS in the new draft Sector Policy in a period of robust advancement of the telecommunications industry globally. There is a need in The Bahamas for the industry to keep abreast of the developments including the ability to marshal necessary change and coordinate and collaborate with all stakeholders, Government, private enterprise, licensee operators, the Regulator and consumers in order to transition The Bahamas to where it must be to ensure its socio-economic sustainability.

SECTION 3 : URCA's 2024 STRATEGIC OUTLOOK

In the draft ECS Policy for 2024 -27, the Government of The Bahamas has made it clear that the policy vision of the ECS as "the catalyst impetus for the overall National Development Plan" (Paragraph 23) is pervasive throughout the new ECS Policy with the standard set as that of developed countries (Paragraph 77) which is consistent with those standards of the CBL Group. The ECS Policy also recognizes the need for a robust ECS and a resilient ECS infrastructure (Paragraph 5) as the key for propelling growth for sustainable development and a critical component in the furtherance of access to ICTs through "putting ICTs at the centre of the national development agenda." (Paragraph 10).

The CBL Group sees little evidence, however , in this draft AP which speaks to this expansion of the ECS or an acknowledgement of the effort needed to achieve these objectives. It is rather the "same 'ole same 'ole". There is, for example, no apparent nexus with the Department of ECS , newly established, which will surely require URCA's expertise and guidance.

URCA's Strategic Outlook for 2024 includes becoming " a globally respected Regulator", however we would first urge URCA to focus on its strategic vision and image at home.

Additionally we note URCA's commitment to "balance industry stakeholder needs with those of consumers when setting priorities". Again we urge URCA to address the perception in the industry that its leaning is to consumer protection advocacy at the expense of licensee operators. Certainly "industry stakeholders " is a broad and vague term.

Otherwise the Group commends URCA for its stated intention to "leverage innovative technology to enhance its regulatory functions". (Page 6, draft AP) as a part of its digitization, transformation and modernization of its IT infrastructure to ensure agility and responsiveness in its functions.

SECTION 4: URCA's PRIORITIES FOR 2024-5

4.1: Carry Over Projects

The CBL Group recognizes the possibility of the adjustment of the draft AP plan given the pending Government approval and finalization of the draft ECS Policy 2024-7 and requests advanced notice of such changes including possible workshops. Further, we wish to highlight to URCA that the likely adjustment of the National Energy Policy 2013-33 could have relevance for the ECS given the interdependency with telecoms and the electricity supply, which is an ongoing challenge and requires solutions.

The review of the CBL Group does take issue with URCA's general statement that "substantial headway" has been made on its " ambitious agenda of diverse topics" (Page 7) as the majority of projects in the ECS have been carried over from prior years, albeit some of which were scheduled for completion in 2024. Progress with the completion of these projects remains to be seen. URCA has expressed its confidence in bringing the eight (8) planned carry over projects to completion and certainly the CBL Group looks forward to this undertaking. Particularly, for the completion of Review of the Fixed Services including Pay TV which has been repeatedly promised for years and has serious implications for the CBL Group's original service product which has been eroded by modern day disruptive technology and which requires a major regulatory upheaval. Review for ICTs for Persons with Disabilities has been deferred year after year since 2018 and any further delay is untenable. Time is also running down for the review of Licences which are due to expire by August 2024 and licensees to date remain in a place of uncertainty not knowing whether there are expected changes to the licence obligations.

4.2 URCA's General Priorities for 2024

URCA has become a multi-sector regulator with the addition of the Electricity sector to its regulatory duties in 2016-17, however , we see scant evidence at this time that URCA regulates the ES with the focus and vigor with which it regulates the ECS, acknowledging that the ES is relatively more recent to the regulatory environment. The electrical supply issues are particularly of concern to the ECS given their damaging effect on equipment and quality of service standards, the latter blamed on licensee operators by consumers, and it would seem that URCA appears to be intent on penalizing telecoms operators with no reference to the electricity operators. URCA is encouraged to address the ES licensees' outages and their extended effects as the perception in the telecoms industry is that the providers of electricity are not being held to account.

4.3 (Internal) General Priorities 2024

We note that in 2024 URCA intends to focus internally on a revised strategic plan for new purpose driven priorities.(Page 9). More important, however, is the capacity building component which seeks to address the continuous churn of employees as URCA looks to retain and develop human resource capital as it states that it is "committed to develop utility regulators". We caution that Millennials and GenZs do not seek cradle to grave careers and those who might do so may not necessarily be at the quality needed for the job of a regulator, We do support increased benefits and salaries for critical employees in order to be competitive with a well-paid private sector and to secure a substantive tenure of employment.

Together with alignment with international best practices and the cross pollination of ideas and knowledge, full transparency and accountability on the part of the regulator is also crucial to success whilst URCA recognizes the importance of international collaboration and exposure of its employees, such objectives should be carried out in a manner to ensure the greatest benefit to the institution and the sector and include the sharing of knowledge acquired. We would like to see a strong commitment from URCA to follow this path as significant budget amounts are spent under this budget item.

Again, URCA speaks to its collaborative regulatory approach initiated in 2021 which we have commended, and which includes the request to licensees as to what they would wish to see in this draft AP, but alas , in referring to engagement with a wide array of shareholders there remains no mention of an improved relationship with licensees separate and apart from the" broad array" of shareholders. URCA's stated intention is to transition to the 5th generation of the International Telecommunications Union's (ITU) Five Generations of I.C.T. regulation in a forward looking approach including a "solid rapport with government" (Page 11) which URCA views as indispensable to market reform and further liberalization. We remind URCA that notwithstanding relations with Government URCA is intended to be an autonomous entity for good reason and it must not lose sight of this status. Collaboration between Regulator, Government and Licensees is especially important at this time of robust and explosive growth in telecommunications with the emerging technologies of generative AI and non-terrestrial satellite services together with ancillary services which emerge from the 5G and fibre networks. New regulatory legislation and measures are essential to competition and level playing fields

The redevelopment of URCA's website is a carry-over project and we again request the tool on the website which provides notifications to licensee members of the release and publication of important documents which was a popular feature of the original URCA website.

4.4 Relations with Government and International Organizations

As always we acknowledge the global nature of telecommunications and encourage the active representation by URCA in the key international telecoms organizations. In the 2023 Draft Annual Plan the CBL Group questioned the value of the establishment of the International Government Relations Unit and whether it was an added budget expense with few returns. We note that URCA makes no reference to this Unit in the present Draft AP.

4.5 Human Resources and Learning Priorities

URCA's stated priorities in this area, namely leadership effectiveness and enhancement, talent management , change management and employee engagement (Page 13) are all HR practices observed in the private sector by Licensees and we wish URCA success in this regard. We also encourage URCA to initiate a partnership with the University of the Bahamas (UB) in order to showcase the ECS and its academic requirements and career opportunities. We propose that URCA include this as a strategic objective in its new Strategic Plan as going forward, the requisite STEM skills to work in and regulate the ECS and the ES must be developed in the school and tertiary level institutions in order to ensure that the sector has available local talent of high caliber , a prerequisite for telecommunications.

4.6 Corporate & Consumer Relations

URCA's mantra as stated at Page 13 is to foster a competitive environment for utility services, protect the interests of consumers and support The Bahamas' economic development . The CBL Group sees these objectives as ignoring licensees and their well-being, and whilst it is commendable that stakeholder engagement is a cornerstone of URCA's Plan we, as licensees see a regulator who far too frequently jumps on the consumer bandwagon without proper due diligence inquiries of the licensee in matters of complaints. The attitude that the licensees will and can take care of themselves is not helpful to the industry. Licensees make the sector what it is and without them there is no sector to regulate. We are of the view that closer attention must be given to the support of licensees and to ensuring that our commercial freedom is not unduly fettered.

The hosting of a major digital transformation forum four times a year is an interesting and commendable initiative but it must be relevant and of substance. The intention of bi-monthly webinars on industry topics as a part of consumer education is again a good start , particularly if college students are included consistent with URCA's recognition that "continuous learning is essential to the industry " (Page 14). We do note approximately the same budget for 2024 as for 2023 and query whether the move to digitization will create cost savings for URCA and be more attractive to potential on line participants rather than in-person events.

The reference to 15th Anniversary celebrations in August inclusive of a new marketing campaign and a brand assessment campaign is not borne out specifically in the Budget items and we trust that fiscal restraint will be exercised by URCA.

4.7 ECS priorities for 2024-5

The Group is pleased that URCA intends as a major priority to "facilitate the adoption of emerging technologies and enhancing connectivity throughout The Bahamas" .(Page 14). URCA regards the administration of the Communications Licence fee reduction mechanism for qualifying investments after the fact, and the exploration of the 5G supply chain issues impacting infrastructure development as being critical to this priority. No explanation is needed, however, to determine that the foundation of the investment initiative is for licensees to have access to revenue streams and reasonable profits therefrom to finance the implementation of emerging technologies and infrastructure upgrades and expansion. URCA's fiscal responsibility towards licensees will play a major role and it cannot be that the Government forfeits revenue from the ECS in order to support these sustainable national development initiatives, whilst increasing licence fees, the result of continuous budget hikes year on year, thereby driving the cost of regulation to unacceptable levels and beyond regional benchmarks continues to be the norm.

A priority objective outstanding for far too long, namely the review of Universal Service Obligations and an assessment to establish a Universal Service Fund is once again in the 2024 projects having been a key objective in the 2020-3 ECS Policy. The new draft 2024-7 ECS Policy mandates the commencement of said Fund with a percentage contribution from the Communications Licence fee, another initiative by the government to assist telecommunications operators to ensure access and connectivity across the archipelago, As previously recommended by the CBL Group in last year's Group submission, another method of funding Universal Service is the payment of fines by licensees to be placed into said Fund.

As commented earlier, the time is long overdue for the accommodation of persons with disabilities in the ECS. Previously the Group has proposed a phased approach to the implementation of the requisite tools and the concern is that the passage of time may no longer allow for this approach.

As licensees we look for the regulator to be innovative particularly when re-examining what may have been in place for 15 years or more and which no longer achieves the desired end results ,particularly given the dramatic ECS evolution and revolution. Licensees expect the regulator to demonstrate fiscal prudence rather than to plod on oblivious to changes which have happened as the ECS has evolved. In this regard we remain dissatisfied with the silence from URCA on the introduction of retail satellite services and the granting of a licence for these services in the country, particularly given the implications for the two cellular licensees as it is apparent that the technology has now developed to the provision of retail cellular services via satellite connectivity. Globally there is a recognition for the need for legislation on retail and wholesale satellite services and here in The Bahamas we expect similar action by the regulator.

The CBL Group welcomes fair and equitable competition and the benefits it brings to the industry. We recognize that satellite services do bring advantages , particularly to an archipelago with far flung remote areas, however satellite regulation must be transparent and comparable to the telecommunications regulatory regime notwithstanding the lack of terrestrial infrastructure. Presently the CBL Group is not convinced that the playing field is level for telecommunications licensees compared to the Starlink licence conditions and obligations. URCA's Director of the ECS is quoted in the Nassau Guardian's article of the 29th January 2024 as saying that Starlink " promotes healthy competition" in a liberalized market. (New market contender Starlink brings healthy competition, Nassau Guardian, January 29th 2024), however we question (i) the amount of the Annual Class licence fee paid by Starlink and its percentage contribution to the URCA Annual Budget and(ii) whether an initial licence award fee was charged and paid for the granting of a licence and the introduction of a new category of service involving spectrum which could be comparable to a cellular mobile licensee on several levels and going forward. We continue to await a response from URCA on Starlink and the transparency of its licence conditions .

SECTION 5 : THE LIST OF ECS 2024 PROJECTS AND KEY PUBLICATION DATES

As we have earlier stated in this submission, it is our view that the 2024-5 ECS projects are catch up carry over projects from prior years. We note the absence of Tier 1 and Tier 2 designations and we query whether we are to presume that all projects are now Tier 1.

In Table 3.1B (Page 8) the carry over projects are listed : Spectrum Management Plan, described as "vital" (Page 20) ; 2009 Licences Review with a public consultation on any proposed licence amendments or modifications ; Quality of Service Review, with ECS 42 of 2016 requiring updating given the passage of time ; the Fixed Retail Services including Pay TV Review ; ICTs for

Persons with Disabilities with delays caused by resource constraints according to URCA and the National Spectrum Plan 2024-27 consultation,(Phase 2 of the Spectrum Management Plan), which URCA states it is confident that its team will be able to complete in 2024 .

All six carry overs are listed in the ECS 2024 Projects in Table 3.3 (Page 15) in addition to : A consultation on 5G supply side issues which follows up on Phase 1 which was a demand side consultation in 2023, described as a part of the process to develop the regulatory framework for a 5G rollout ; A consultation on Universal Service Obligations and the process for the designation of Universal Service Providers ; A consultation on the Code of Practice for Content Regulation, which is in fact a carry-over from 2022 although not listed as such.

A completion date of Trimester 3 (September-December) for eight of the nine 2024 projects is noted with the USO consultation having a Final Decision Publication date in Trimester 2 (April-August).2025.

It becomes tedious to repeat the comments made in the CBL Response to the draft 2023 Annual Plan on aspects of the projects proposed in the Draft 2024 Annual Plan again. We therefore adopt Pages 7 to 8 in the CBL Group's 2023 response to URCA's Draft 2023 Annual Plan (SEE ANNEX CBL 1) to said comments in regards to:

(a) *The Review of Retail Fixed Services including Pay TV. (We add to the adopted comments that the 2022 statistics published in URCA's 2023 Annual Report which showed a levelling off of earlier dramatic decreases in subscribers does not in any way absolve the urgent need for this review and follow up measures. URCA has informed that the review was commenced in T3 2023 with significant data required from CBL and BTC and was hampered by numerous extension requests for delays and challenges with accuracy and reliability of data . The review will also be further extended by separate work streams for the remedies and regulations to be determined post review.*

(b) *The National Spectrum Plan 2024-27: we assume that the Spectrum Management Project which URCA dubs as Phase ! of the Plan is completed (See Annex CBL 1). Please note in particular comments with regard to the pricing of spectrum and in particular, premium spectrum.*

We have observed again the omission of the original intended review of OTT services which is not even referenced. We submit that a review of Pay TV must of necessity include a review of the existing OTT grey market competition which creates an unequal playing field and is not even referenced. We have noted URCA's comments in its Final Determination to Responses to the 2023 Annual Plan that said review had not been abandoned but that URCA was delaying it in order to explore alternative approaches to the review which may be more beneficial to stakeholders given the ongoing policy positions being debated at the international and regional level which could impact any premature URCA position. Nevertheless we do not wish to see this review fall between the cracks and we propose it being added as a potential review in abeyance and awaiting a final policy conclusion.

Further, however, to the international and regional debates on OTTs in the paragraph above, the CBL Group wishes to highlight the work of the regional CANTO C9 Advocates for the Fair Share to Drive Caribbean Telecommunications , of which the CBL Group is a member. We call on URCA to support the Fair Share proposition as " a mechanism to ensure robust, ubiquitous and affordable I.C.T infrastructure". (CANTO Press Statement , 30th January 2024) as revenues flatten and decline, and we urge URCA to exert its influence with the relevant Government Ministers to support and advocate for the " new policies and revisions to the telecommunications structure throughout the region " at the Caricom level as appropriate. We have included the said CANTO Press Statement as ANNEX 3 hereto given the valuable information contained therein which we deem relevant to support the necessary Review of Fixed Retail Services including Pay TV in particular and the consistent impact of the OTT services on our revenue stream and subscribers. The Fair Share proposition can secure much needed financial revenue for emerging technologies and infrastructure and URCA is reminded that apart from its duty to ensure the financial viability of the sector it must also balance its obligations to consumers with the necessary support for licensee sustainability through regulatory measures which strengthen and protect licensees from unfair external assaults on their services by unlicensed foreign operators who pay no fees or taxes and employ no local talent but who ride local networks for free.

Having regard to the Projects for the Electricity Sector 2024 and the goals of The Bahamas listed at Page 18 we are disappointed that amongst the lofty goals there is no clear basic goal which states the maintenance of a reliable and affordable electricity supply which surely must be the foundation to all other goals and which are yearned for by the residents of this country in addition to telecommunications operators.

SECTION 6: URCA's K.P.I.s for 2024

It is notable that the CBL Group and the other major licensee BTC saw little merit in URCA's self-evaluation through institutional KPI measurements and the OPIs to be implemented. The three major licensees have previously called for involvement by licensees in the evaluation process and the inclusion of an objective assessment element to move the industry forward is believed to be necessary together with constructive commentary from licensees . We query URCA's reluctance to engage with licensees on this element of the Draft AP. It would also be helpful in this exercise to include the benchmarks against which the KPIs are measured. Further, we ask what are the KPIs associated with the government interactions, particularly with the Regulator and the Minister with responsibility for the ECS..

SECTION 7 : The URCA BUDGETS 2024 – 5

As a result of 2024 increases to the Total Budget (ECS and ES) of almost 20% year on year, and the ECS Budget for 2024 and despite the implorations of licensees, most specifically in 2023, the CBL Group hereby adopts all statements it made in the Budget section of its Response to the draft 2023 Annual Plan at pages 9 through 11 which remain as relevant today for the draft 2024 draft budget as they apply to the 2023 Budget. (For ease of reference see Annex CBL 1 hereto for the CBL Group's 2023 submission on the 2023 Draft Annual Plan)..

Notwithstanding the extensive and aggressive critique by all three major licensees of the Draft 2023 AP Budgets which included a 23% increase year over year, URCA's response in its Final Determination (ECS02/ 2023) was sorely lacking by way of persuasion as it sought to justify increases. For example, in the proposal by all three major licensees to stop the bleed by Frederick House which in 2023 attracted a significant increase and in 2024 an outrageous 80 % increase, licensees were told that those are "unavoidable costs as preventative or constructive maintenance in order to ensure the investment is preserved and the property does not fall into disrepair ". (See URCA's Final Determination ECS 02/2023). The time worn justification of usability for future growth and rental spaces to offset costs of operations should be abandoned by URCA. Indeed, the CBL Group notes that in 2023 the rationale was that the expenditure for capital projects at Frederick House was to include " replacement of the elevator and generator" and those two items were budgeted for in 2023. We note however that yet again the elevator and generator are in the draft budget for 2024 having been "deferred" from 2023 and so we ask the question, where did the money budgeted for these items in the 2023 Budget go which now requires duplicate budgeting in the draft 2024 Budget ? This is a prime example of the need for the 1st July 2013 amendment to the URCA Act at Section 40 which previously read : Subsection (2) URCA shall retain any excess sums collected under Section (1) licence fees for application the following financial year or years…" to be reinstated and the amended 2013 section : "…at the end of each financial year pay into the Consolidated Fund all surplus funds standing to the credit of URCA" to be deleted and the original provision reinstated. We observe that some $175,404.00 is collected from licensees in excess of the total operational expenditure. This is again, a drain on licensees and this excess will likely end up in the Consolidated Fund with no direct benefit to the ECS.

The CBL Group will lobby relentlessly for this travesty in budget increases to be corrected for the benefit of the industry and we invite all other licensees to join this lobby.

Whilst a modest increase in staff costs as part of providing a more attractive package to attract and retain top talent is tolerable, we are constrained to make reference to the amount of Non-executive Compensation which bears the explanation that the amount budgeted includes yet again a provision for settlement fees for two Non-executive Directors further to the earlier settlement with one Non-Executive Director. It should be noted that the amendment of the URCA Act in July 2017 provided for Directors to be appointed for continuous three year terms. In light of this, the Governments of The Bahamas ought to observe the statutory tenure of URCA Directors and the intended staggering of Directors' terms and refrain from appointing new Directors at the start of a new administration's term and casting out properly appointed Directors regardless of the term left to be served. Failure to do so results in this unjustifiable financial burden of term pay-outs of Directors for the licensees to absorb into licence fees. It is most apparent that it is likely to continue uncorrected. Statutory terms were designed to ensure continuity of service of URCA Board Directors in order to be independent of government changes. We therefore call on URCA Directors as a part of their fiduciary duty to the organization that they serve to have this fiscal burden corrected if such is the case, forthwith, and for the government to be educated and to recognize the unique attributes of an URCA Board appointee.

We again repeat that URCA's excessive Budget flies in the face of Government's efforts to lessen fees and taxes in a concerted effort to enable the necessary investments by licensees in emerging technologies and modern infrastructure and Family Island projects. the Government has further provided for the sector in the new draft ECS Policy (2024-27) with a percentage of the Communications Licence fee going into a Universal Service Fund equivalent. Surely this is not lost on URCA ? An 80% increase in capital expenditure for the Frederick Street albatross must be curtailed and indeed, at this juncture it would be more advantageous for URCA to move to rental premises.

In summary, the cost of regulation is disproportionate to the size and financial status of the ECS in The Bahamas and the returns for licensees on license fees paid. Lest we forget, licensees are also expected to pay an annual fee which is not insignificant for the URCA Appeal Tribunal of 0.116% of relevant turnover which in 2023 totaled $135,711.40 and this sum is required to be paid whether or not the CBL Group utilizes the Tribunal in that year. In the section following we will show through benchmarks the disproportionate regulatory licence fees imposed on licensees in The Bahamas.

The overall Budget increase of over $1.5m year over year on operational spending and the 80% increase on Frederick House maintenance and repairs are an ongoing concern to major licensees and we call for an itemized budget for allocations to specific headings including generator and elevator replacements.

We take issue with URCA on the explanation for increased bad debt due to "continued non-payment of major licensees". (Page 24). URCA is all too aware of the issues surrounding its ability to fully regulate aspects of telecommunications in the Port area due to the existing provisions of the Hawksbill Creek Agreement Act. Port licensees are entitled by law to exercise their legal rights in this regard until a court of law decides otherwise and the CBL Group takes exception to this rather inartful statement. This is a matter that has been litigated through the courts without resolution for many years and we trust that recent litigation which also includes the Grand Bahama Power Company will bring some clarity shortly. In the meantime we are of the view that there is justification for the withholding of specified revenues. Otherwise the Group has challenged specified categories of definitions on what constitutes relevant turnover as a part of the licence fees' calculation.

SECTION 8 : THE COST OF REGULATION BENCHMARKED

The CBL Group determined to research the comparative cost of regulation in the region in order to identify the extent to which regulation in The Bahamas is significantly more expensive.

The assignment proved difficult in identifying benchmarks due to limitations on publicly available data, the restriction to telecommunications, the state of the industry and changing country conditions and needs. Ultimately the two relevant countries for benchmarking in the region were Jamaica and Trinidad & Tobago. The conclusion of the research comparisons with Jamaica and Trinidad&Tobago was that regulation in The Bahamas is significantly more expensive and the rate of growth or increases year on year in budget totals is very “unique” when compared.

Two other countries in the region which were examined but found to be too small and therefore not comparable were the Turks & Caicos Islands and Curaco. We did note that the rate of budget growth in Turks was 1% between 2022 and 2023.

The total URCA budget (ECS and ES) has increased by 74% between 2022 and 2024 and the ECS budget by 78% between 2022 and 2024 with the total ECS cost of $8.3m in 2024 compared to Jamaica at $6.4m in 2023 and Trinidad&Tobago at $8.4m in 2022 ($8.0m in 2019).

The cost of regulation per connection for URCA in 2023 was $13.00, increasing to $15.00 in 2024 as we note that connections have been relatively flat recently. Jamaica was $1.00 in 2023 and Trinidad $3.00 in 2023.

URCA’s cost as a percentage of industry revenue is at 73%, by comparison the Federal Communications Commission (the US regulator of telecoms, the FCC) is at 1% of industry revenue and 1% of the cost of a connection.

Under related metrics, whilst The Bahamas’ inflation rate is slowing, URCA’s budget is seven times higher than the inflation rate.

It is quite evident, therefore, that URCA’s ECS 2024 draft budget is out of all proportion to the two closest regional benchmarks and the United States’s regulatory costs. URCA’s draft Budget must be brought in line with regional benchmarks as the industry cannot sustain budget fees which continue on this trajectory. Questions must be asked and budget items must be more detailed in keeping with URCA’s commitment to transparency . Licensees want to know how these dramatic increases are stimulating industry growth or improved services or indeed improved technical infrastructure in order to enable The Bahamas to be competitive globally.

Included as ANNEX CBL 2 are the four tables on URCA’s total budget, the ECS/Telecommunications budget, the Benchmarks and related metrics together with the background statistics for Regional benchmarks.

NOTE: Licensees must also pay an annual fee to fund the URCA Tribunal, which although an ad hoc body attracts a fee of approximately $135,700.00 per annum. This additional regulatory fee has not been included in the cost of regulation..

SECTION 9: CONCLUSION

A catch up year can be the introduction to a fresh start in the following year and given the progress of the sector 2025 is likely to be a far more dynamic year.

We urge URCA to move expeditiously to a more ex post market driven industry with less time consuming , commercially restrictive and pedantic regulatory measures, to engage more directly with licensees and their concerns and where reasonable adopt suggestions. Finally, URCA must realize that its budget must be brought into line with global industry norms on the cost of regulation given that licensees cannot withstand the unjustifiable financial onslaught of increased fees year after year. As this is a draft budget it is not too late to make necessary adjustments prior to the final April budget and we presume to say that should URCA desire to demonstrate its accountability and good faith to licensees, URCA will make such downward adjustments forthwith for the overall benefit of the ECS and ultimately the country.

Respectfully submitted,

On behalf of CBL and Aliv

RESERVATION OF RIGHTS

CBL and Aliv expressly reserves all rights including the right to comment further on any and all matters herein and categorically states that CBL and Aliv's decision not to respond to any matter raised herein in whole or in part, or any position taken by CBL and Aliv herein does not constitute a waiver of CBL and Aliv's rights in any way.