URCA

DRAFT ANNUAL PLAN

2024

STATEMENT OF RESULTS

URCA 02/2024

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Statement of Results

1. Introduction and General Comments

The 2024 Draft Annual Plan (AP2024) was issued on 20 December 2023 as a key document indicating the strategic and operational direction of the Utilities Regulation and Competition Authority (URCA). It sets the tone and priority objectives for developing the electronic communications sector (ECS) and electricity sector (ES) for the year ahead. Since this plan impacts URCA's stakeholders significantly, URCA invited stakeholder submission of comments by February 2, 2024, per Section 41(4) of the Utilities Regulation and Competition Act, 2009 (URCA Act).

URCA received written comments from three respondents regarding the AP2024: The Bahamas Telecommunication Company (BTC); a joint response from Cable Bahamas Limited and Be Aliv Limited (CBL Group); and Samuel Samon Thompson (Thompson). In their comments, the respondents provided a critical analysis of the AP2024.

1.1 Structure of the Statement of Results and Final Decision

In this Statement of Results (SoR), URCA will address comments on the AP2024 in six discreet sections and then explain the next steps. In each section, URCA summarises the related section in the Draft Annual Plan, summarises the respondents' comments, and articulates its final decision. The various sections are set out as follows:

- Section 1: Introduction and General Comments
- Section 2: Strategic Outlook for 2024
- Section 3: Priorities for 2024-2025
- Section 4: Key Performance Indicators for 2024
- Section 5: Budget for Fiscal Year 2024
- Section 6: Project Specific Comments
- Section 7: Next Steps

1.2 General Comments and Recommendations from Respondents

BTC's Comments. BTC's response to the AP2024 included an introduction reiterating the critical need for reliable electricity to support the telecommunications sector. BTC provided detailed commentaries on the proposed projects and work plan, highlighting the interdependencies between the electronic communications sector, the electricity sector, and overall national development.

The CBL Group's Comments. The CBL Group submitted its response to the AP2024, emphasising the importance of strategic alignment with the industry's needs and fiscal prudence. The CBL Group provided detailed commentaries on fiscal prudence, benchmarking the cost of regulations in The Bahamas against other jurisdictions. The CBL Group also highlighted the impact of the carryover projects on sector development.

Thompson's Comments. Thompson gave feedback on the AP2024, praised URCA for a website revamp, and suggested improving the user interface, organising content, and making application forms more accessible. Thompson expressed concern about the electricity sector's projects in 2024 and their impact on the regulated sectors. He also recommended improving the reporting of key performance indicators (KPIs).

1.3 Response from URCA

URCA thanks all respondents to this consultation for their contributions. URCA has carefully considered all comments and recommendations in finalising the Annual Plan. We will provide a substantive response to the issues or allegations raised in the appropriate section of this Statement of Results. URCA intends to publish the AP2024 combined with its 2023 Annual Report on or before 30 April 2024.

2. Strategic Outlook for 2024

As outlined in the AP2024, URCA aims to position the ECS and ES as key drivers for national development, aligning with The Bahamas' respective sector policies. Regarding the ECS, this strategic direction emphasises enhancing the ECS infrastructure and integrating ICTs centrally within the national development agenda. Regarding the ES, URCA aims to address the efficiency gaps of the major electricity suppliers and emphasise support for enhancing the electricity generation mix and strengthening the transmission and distribution network.

2.1 Comments and Recommendations from Respondents

BTC's Comments. BTC expressed concern over URCA's ambition to become a globally respected regulator, highlighting a significant impediment to achieving this goal. BTC pointed out that URCA's retention of a Rate of Return (ROR) regulatory regime, a form of price regulation long abandoned by most global regulators, stood as a barrier to reaching global regulatory standards. BTC argued that modernising regulatory frameworks and moving away from outdated models like the ROR regime were essential for URCA to gain international respect and effectively support the sector's growth.

The CBL Group's Comments. The CBL Group commended the alignment with the national development vision but noted a need for tangible actions in the AP2024 to expand the ECS meaningfully. The CBL Group highlighted the absence of a direct connection with the Department of ECS and suggested that URCA prioritise domestic strategic impacts before pursuing global recognition. The CBL Group reiterated the need for a balanced regulatory approach that fairly addresses the needs of both consumers and industry stakeholders, encouraging URCA to leverage technology for regulatory advancements.

2.2 Response from URCA

In response to the concerns and feedback from stakeholders, URCA will adopt a multi-faceted approach that addresses each area of concern while strategically positioning itself as a globally respected regulator. We note that the CBL Group questioned the feasibility of URCA seeking global respect under the current regulatory regime and emphasised the need for URCA to focus domestically before achieving international acclaim. URCA advises CBL that it is not merely seeking international acclaim, but rather, URCA is seeking to ensure its practices are consistent with international standards and best practices. The objective is to ensure stakeholders obtain the best outcomes when URCA addresses regulatory matters. We consider that regulatory performance assessed objectively by international bodies using ICT and Energy Reliability Indices, which measure domestic outcomes, would ensure that URCA focuses on national sector development, which should be an acceptable yardstick for all URCA stakeholders. Further, URCA's focus on the establishment of reliable, sustainable, electronic communications and electricity service at affordable rates across the archipelago is fundamental to the country's national development priority and, as a Small Island Developing State (SIDS), ultimately results in global respect.

Strategic Vision and Global Aspirations. URCA is committed to initiating more transparent and inclusive dialogues with stakeholders to better communicate its strategic vision and global aspirations. In 2024, this will include setting up regular consultation forums, workshops, and seminars to discuss URCA's goals, strategies, and practical steps toward achieving international recognition as a G5 regulator.[1] Through these engagements, URCA intends to clarify the feasibility of its ambitions and gather valuable feedback to refine its approach.

International Collaboration. In an increasingly globalised world, URCA understands the importance of collaborating with international regulatory bodies. This collaboration allows URCA to adopt best practices in both the ECS and ES, align with international standards, and effectively manage cross-border issues related to regulation and competition. This involves studying successful models, understanding best practices, and identifying areas for improvement while respecting the unique microeconomic forces that define The Bahamas' context. Engaging in international regulatory forums, partnerships, and exchange programs has provided URCA with

[1] Fifth-generation collaborative regulation, or G5 for short, is part of an International Telecommunication Union (ITU) concept of continual technological development, with successive "generations" evolving from command-and-control public monopolies to collaborative regulation across institutions and stakeholders as part of a digital economy.

insights and opportunities to elevate its regulation standards to a globally recognised level. We intend to continue this practice, as we are sure it delivers significant value for money.

Revision of Regulatory Frameworks. URCA notes that respondents are concerned about revising the regulatory framework. We agree with this stance. In URCA's view, revision of the regulatory framework is a continuous multi-year process that requires tremendous focus and effort, which is only partially reflected in URCA's workplan. The table below highlights the dynamic nature of sector legislative and regulatory frameworks and the tremendous level of effort URCA has made to ensure that we remain in step with the changing dynamics of the ECS. In due course, the ES will cycle back to revise the regulations it is working assiduously to develop and implement.

Revision of URCA Regulation between 2019-2024	**Status of Review**
Review of Consumer Protection	Ongoing
Review of ECS Policy	Ongoing
Review of Wholesale Internet Access	Completed
Review of Broadcast Content Code	Completed
Market Review: Mobile Services	Completed
Review of Interconnection Rates	Completed
Market Review: Fixed Services (Incl. Pay TV)	Ongoing
Review of USO/USF	Ongoing
Mobile Market Assessment- The Feasibility of a 3rd Operator	Completed
Review of Spectrum Management	Ongoing
Review of Public Service Framework	Ongoing
Review of Licences Due to Expire	Ongoing
Review of National Spectrum Plan	Ongoing

The table above contains a non-exhaustive list of recent and ongoing revisions of the regulations. It illustrates that URCA has been engaged in the process of regulatory revision for several years and demonstrates that regulatory revision is a continuous process.

As stated in footnote 19 of the Draft Electronic Communications Policy published on 23 September 2023, URCA exercises its regulatory powers per sound administrative principles. The table reflects a robust system providing the opportunity for examination, which has been implemented to allow for the review of legislation, policy, regulations, and decisions by URCA that affect parties' rights.

Stakeholder Collaboration in Framework Revision. URCA has always involved stakeholders actively in the process. This collaborative approach will ensure that the revisions are well-informed and practical and consider the perspectives and needs of all industry participants. Workshops, public consultations, and task forces will be instrumental in gathering input and building consensus around the new regulatory approaches.

Balancing Stakeholder Interests. Regarding the perception in the industry, as noted by the CBL Group, URCA believes that this stems from its recent efforts to address ongoing concerns in the sector about quality of service and customer care. More specifically, are the consultations on URCA's proposed revisions to the Consumer Protection Regulations[2] and reporting requirements for network outages.[3] Based on survey data[4] and other information, residents and businesses in The Bahamas are dissatisfied with the quality of service and customer care they currently receive from major licensees. The Communications Act, 2009 (Comms Act) affirms that electronic communications are essential in promoting the economic and social welfare of The Bahamas. To this end, URCA, as the sector regulator, must balance its licensees' needs with consumers' desire for enhanced service quality and better customer care. URCA's plan to update the network quality of service regulations during the 2024-5 period complements the abovementioned measures. It affirms URCA's commitment to balance licensees' needs with those of consumers when setting priorities.

Developing a Multi-Stakeholder Engagement Strategy. To address the need to balance diverse interests within the ECS and ES, URCA is developing and implementing a multi-stakeholder engagement strategy. This strategy aims to understand and reconcile the different needs,

[2] ECS 10/2023 available at https://www.urcabahamas.bs/consultations/ecs-10-2023-urca-ecs-consultation-revised-2023-consumer-protection-regulations/

[3] ECS 12/2023 available at https://www.urcabahamas.bs/consultations/ecs-12-2023-draft-outage-reporting-and-mitigation-regulations-for-the-electronic-communications-sector-in-the-bahamas/

[4] Section 3 of ECS 06/2023 available at https://www.urcabahamas.bs/consultations/ecs-06-2023-5g-public-consultation/

expectations and challenges various stakeholders face, including service providers, consumers, and government entities. Regular engagement and feedback mechanisms will help URCA make informed decisions that reflect the collective interests of the ECS and ES communities.

Adaptive and Inclusive Regulatory Practices. URCA is working to ensure its regulatory practices are adaptive to technological and market dynamics and inclusive of diverse stakeholder interests. This involves creating flexible regulatory mechanisms that accommodate different business models and consumer needs while ensuring fair competition and consumer protection. URCA hopes to encourage investment and development within the ECS and ES by fostering a regulatory environment that supports the overall objectives of the relevant national sector policies.

In conclusion, our AP2024 reflect URCA's aim to pivot to a proactive, collaborative approach and focus on continuous improvement. By enhancing our strategic vision communication, revising regulatory frameworks with national focus and in line with global best practices, while ensuring balanced and inclusive stakeholder engagement, URCA can address the critiques and concerns effectively. Such an approach will elevate URCA's effectiveness nationally and promote more dynamic, competitive, and sustainable electronic communications and electricity sectors.

In response to BTC’s comments about RoR, it is important to note that the current Retail Pricing Rules (RPR), which BTC felt is a form of RoR regulation, no longer applies to BTC’s mobile-only services and mobile-only bundles since 2022. Further, URCA has proposed major changes to applying the RPR to SMP operators in other markets. These changes stem from URCA’s provisional assessment of the competitive dynamics within the retail markets for pay TV, landline, and fixed broadband services.

The table below is indicative of the types of changes proposed. A ‘No’ indicates areas of the RPR that no longer apply to SMP operators and signals URCA's reliance on its ex-post powers.

Product market	Excessive pricing	Predatory pricing	Margin squeeze	Undue bundling	Undue price discrimination	Anti-competitive customer lock-in

Retail Fixed Voice Services	**YES**	**NO**	**NO**	**NO**	**NO**	**NO**
Retail Fixed Broadband Services	**YES**	**NO**	***YES***	**NO**	**NO**	**YES**
Retail Pay TV services	**YES**	**NO**	**NO**	**NO**	**NO**	**NO**
Multi-product bundles	**YES**	**NO**	**NO**	**NO**	**NO**	**YES**

Source: Page 170 of Preliminary Determination on Retail Fixed Market Review and Assessment under Section 39(1) and (2) of the Communications Act, 2009 (ECS 04/2024).[5]

This initiative underscores URCA's commitment to best practice regulation and fostering a competitive and fair market landscape for electronic communications services in The Bahamas, ensuring access to modern communications services at reasonable prices.

[5] ECS 04/2024 available at ECS 04/2024 Preliminary Determination - Retail Fixed Market Review and Assessment - URCA Bahamas

3. Priorities for 2024-2025

This section of the AP2024 addresses comments regarding URCA's priorities for 2024-2025, which spans various strategic and operational areas across the ECS and ES sectors and organisational functions.

3.1 Comments and Recommendations from Respondents

BTC's Comments. BTC's response to URCA's Draft Annual Plan 2024 raised concerns about URCA's project management, particularly criticising the delayed and crammed scheduling of projects. They noted several projects carried over year after year without adequate explanations for delays. BTC criticised issuing multiple consultations quickly, which strains the operators' capacity to respond effectively. BTC emphasises the need for better planning and prioritisation of projects to avoid these issues. BTC highlighted concerns over the repeated delays of the retail fixed market review, emphasising the project's importance and criticising its scheduling in the last trimester. Given its history of delays, BTC questioned URCA's ability to complete this critical review within the planned timeframe. BTC emphasised that this review should be a top priority, reflecting scepticism towards URCA's project management and prioritisation. Additionally, BTC addressed issues with the impact of unreliable electricity supply on telecom services, urging URCA to ensure reliable electricity for operational efficiency. BTC emphasised streamlining regulatory frameworks and critical areas such as ECS license renewals and the Universal Service Obligations/Universal Service Fund (USO/USF) framework. They called for a more dynamic and responsive regulatory environment.

The CBL Group's Comments. The CBL Group highlighted the need for strategic adjustments in project management and the anticipation of changes due to the ECS Policy 2024-27. The CBL Group expressed concerns about URCA's carryover projects, noting that many projects from previous years continue into 2024 without substantial completion. The CBL Group urged URCA to provide advanced notice of changes, especially regarding carryover projects and highlighted the need to address the interdependencies between the ECS and electricity supply. The CBL Group also emphasised the ongoing challenges requiring solutions in this regard. The CBL Group advocated for a balance between ambition and practicality in project selection, urging URCA to prioritise initiatives that significantly enhance sector efficiency and service quality. The CBL Group also called for attention to the interdependencies highlighted in the National Energy Policy, criticised budget increases, and advocated for fiscal responsibility. The CBL Group addressed specific concerns regarding the expansion of the ECS and questioned the feasibility of URCA achieving global respect under the current regulatory regime. They emphasised the need for URCA to focus on its strategic vision and image domestically before achieving international acclaim.

Thompson's Comments. Thompson expressed concerns about the quality of projects due to the ambitious number planned for 2024, especially noting that nearly 30% were carried over from previous years. He highlighted the need for clarity on projects' priority to enhance the transparency and effectiveness of URCA's efforts. Thompson also encouraged publishing data related to renewable energy to foster sector growth. Thompson proposed making licensee reporting less burdensome and emphasised the importance of including emissions reporting for sustainability assessments.

3.2 Response from URCA

The respondents' comments suggested a need for URCA to refine its project management practices, improve transparency and communication with stakeholders, and prioritise projects more effectively to address the challenges and inefficiencies highlighted by BTC, the CBL Group, and Thompson. URCA's response is set out below.

Response Regarding Project Management. The primary issue that impacts project management was raised in the 2018 Annual Plan. We remind the respondents that URCA introduced the tiered project prioritisation concept as a project management strategy that year. URCA stated that to ensure the most critical needs of the sectors are addressed each year and to manage stakeholder expectations, URCA would prioritise projects into three tiers (Tier I, Tier II and Tier III). The rationale for the placement of projects in a specific tier was as follows:

- Tier I projects are of significant importance and urgency to the regulated sectors, in respect to which URCA, therefore, ensures that it directs all available resources to achieve completion in accordance with scheduled dates, which may adversely impact the completion of lower-tiered projects. Generally, URCA would seek to set forth and commit to a specific trimester to complete Tier I projects.

- Tier II projects are also significantly important to the organisation or the regulated sectors. URCA will endeavour to complete them 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;
  - 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 that URCA desires to address and will complete as soon as resource availability dictates. However, these 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.

The explanation for adopting a tiered approach highlights the challenges URCA faced in project management, especially where public consultation and ministerial approval are mandatory. Notwithstanding the above, in 2024, URCA plans to discontinue the tiered approach, and moving forward, only those projects for which URCA can specify definitive timelines will appear on the list of projects.

Another issue that adversely impacts URCA's ability to complete the project per the timelines set out in its Annual Plans is URCA's willingness to accede to requests to extend the consultation periods. Before the start of every financial year, URCA, in compliance with Section 41 of the URCA Act, provides a clear and comprehensive overview of the organisation's plans for the upcoming year, including consultation and publication schedules. Key stakeholders invariably request extensions to deadlines close to the published deadlines for submission. URCA almost always accedes to requests for extensions because it regards the statutory requirement to consult and recognises the importance of stakeholders' feedback in the regulatory process. This practice results in delays and rescheduling of project timelines. URCA recognises it can significantly improve its project management performance by strictly enforcing consultation deadlines. Still, we are hesitant because doing so would mean denying key stakeholders the opportunity to comment on matters that could significantly impact them.

Project delays, for any reason, have far-reaching impacts on upstream and downstream initiatives. URCA must aim to progress all projects listed in the draft AP2024 to mitigate that impact. For this reason, URCA does not accede to the suggestion to deviate from the proposed project plan.

Response Regarding Retail Fixed Market Review ECS License Renewals and The Universal Service Obligations/Universal Service Fund (USO/USF) Framework. Response from URCA to the substantive issue raised regarding the retail fixed market review, ECS license renewals, USO/USF framework, and other specific projects are set out in minute detail in Section 6 of this SoR.

Response to the CBL Group Regarding URCA's Fiscal Prudence. Response from URCA to the substantive issue raised regarding its fiscal prudence is detailed in Section 5 of this SoR. In that section, URCA will also address the issues raised in the benchmarking exercise conducted by CBL.

Response To the CBL Group Regarding the Interdependencies Between the ECS And ES. URCA acknowledges the interdependencies between the quality of service in ECS and electricity supply. URCA considers that addressing these issues is critical to the progress of both sectors. We aim to develop integrated plans to address the cross-sectoral impacts and dependencies.

Response to the CBL Group Regarding the Feasibility of URCA Achieving Global Objectives. URCA addressed the CBL Group comments regarding this strategic focus in Section 2 of this SoR, including matters related to regulatory adjustments.

Response to Thompson Regarding the Quality of Projects. Thompson expressed concerns about the quality of projects due to the ambitious number planned for 2024, especially noting that nearly 30% were carried over from previous years. He highlighted the need for clarity on projects' priority to enhance the transparency and effectiveness of URCA's efforts. URCA thanks the respondent for this comment. We refer the respondent to the previous response regarding project management and the tiered approach. We further inform the respondent that eight projects were selected for the Utilities and Energy Department in 2023. Six were Tier 1 projects (slated for completion in the calendar year), and two were Tier 2 (slated to be started in 2023 and carried over to 2024). Five of the six Tier 1 projects were completed. The two Tier 2 projects were started and are expected to be completed in the first trimester 2024.

Response To Thompson Regarding Publishing Data Related to The Revision of Renewable Energy Frameworks. Thompson also encouraged publishing data related to renewable energy to foster sector growth. Thompson proposed making licensee reporting less burdensome and emphasised the importance of including emissions reporting for sustainability assessments. URCA agrees and confirms that the recommendation will be incorporated into the document where appropriate. URCA affirms that the report will be published once complete.

Response to Thompson Regarding Revision of the Licensee Reporting Requirements. Thompson proposed making licensee reporting less burdensome and emphasised the importance of including emissions reporting for sustainability assessments. URCA confirms that the review is designed to capture only key data in the reports to lessen licensees' inability to provide data. In addition, URCA will include education of licensees and assistance with compliance as part of the project.

4. Key Performance Indicators for 2024

URCA's approach to monitoring and reporting its performance is structured through a detailed set of Key Performance Indicators (KPIs) across five critical areas: statutory/regulatory, finance, HR, IT, and URCA Organizational Performance Indices (OPIs). These KPIs and OPIs are foundational to our commitment to transparency, accountability, and continuous improvement.

4.1 Comments and Recommendations from Respondents

BTC's Comments. BTC's feedback on URCA's KPIs for 2024 critiques the proposed KPIs as largely being operating metrics rather than true performance indicators, lacking clear performance standards. BTC suggested that statutory/regulatory KPIs should be broadened to genuinely measure URCA's performance against its annual plans, including the timely completion of projects. BTC expressed concern that the KPIs focus solely on accomplishments while ignoring delayed and missed projects. Furthermore, BTC recommended that the finance, HR, and IT KPIs include cost savings or efficiency measures to minimise licence fees passed to the industry. BTC also noted insufficient information on the purpose of the three proposed URCA OPIs and suggested including explanations in the final plan.

The CBL Group's Comments. The CBL Group criticised URCA's approach to self-evaluation through institutional KPIs and the proposed OPIs, noting a general lack of merit in these measurements as perceived by major licensees, including BTC. The CBL Group highlighted a collective call from major licensees for their involvement in the evaluation process. It stressed the need for an objective assessment element that could drive the industry forward. The CBL Group questioned URCA's reluctance to evaluate these KPIs and OPIs with licensees, suggesting that including benchmarks against measured KPIs would be beneficial. Additionally, the CBL Group sought clarification on the KPIs related to government interactions, particularly with the regulator and the minister responsible for the ECS, indicating a desire for more transparent and inclusive evaluation processes incorporating licensee feedback and objective industry assessments.

Thompson's Comments. Thompson recommended the inclusion of a column for units within the KPI tables, particularly highlighting Table 4.5, to elucidate the scale at which URCA measures its performance. This addition aims to improve the understanding of URCA's performance metrics and their significance.

4.2 Response from URCA

In response to the concerns and suggestions raised by BTC, the CBL Group, and Thompson regarding URCA's Key Performance Indicators (KPIs) and Organizational Performance Indices (OPIs) for 2024, URCA has formulated a comprehensive and proactive approach. This response will address the criticisms while emphasising URCA's commitment to transparency, stakeholder engagement, and the continuous improvement of its regulatory framework.

Response from URCA to BTC's The CBL Group's Comments. URCA acknowledges BTC and CBL Group's constructive feedback regarding our proposed KPIs. We agree that it is important to evolve our KPIs to encompass a broader measurement of URCA's performance, including the timely completion of projects and the effectiveness of our regulatory actions. This is precisely the objective behind the URCA Organisation Performance Indices (OPIs). URCA notes that BTC and CBL indicated that URCA has not been forthcoming regarding the purpose and intent of the OPIs. We remind BTC and CBL Group that in 2019, URCA invited Analysys Mason and The Cedar Tree Advisory Service to apply their regulatory and market expertise to develop a set of organisational performance indices (OPIs) for URCA. During the development of the OPIs, the consultants from Analysys Mason and Cedar Tree Advisory Service visited the offices of BTC and CBL Group to explain the objectives of the URCA OPI project and seek input regarding the specific KPIs to employ and the implementation schedule. On 19 November 2020, URCA issued an addendum to its document Market Information Reporting Requirements for Specified Licensees in the Electronic Communications Sector Licensees (ECS 28/2017) for public consultation setting out additional market data needed to measure a set of key performance indicators (KPIs) under URCA's organisational performance indices (OPIs) framework. Then, in 2021 URCA issued this Statement of Results and Final Decision on its Consultation document (ECS 16/2020) captioned "Addendum to Market Information Reporting Requirements for Specified Licensees in the Electronic Communications Sector (ECS 28/2017)," stating that the purpose of the addendum was to require Specified Licensees in the Electronic Communications Sector (ECS) to provide additional data needed to satisfy associated key performance indicators (KPIs) for URCA's organisational performance indices (OPIs). BTC and CBL Group were intimately involved in the consultation process, and your advice significantly informed the outcome.

Unfortunately, implementation had to be delayed because of the COVID-19 pandemic. We advised BTC and CBL Group that the implementation has restarted. Once fully implemented, the OPIs will bridge gaps in URCA's performance measurement framework, including measuring the effectiveness of strategic planning, regulatory governance and other operational efficiency.

Response from URCA to Thompson's Comments. URCA appreciates Thompson's suggestion to include a column for units within our KPI tables, recognising the value of clarity in understanding the scale and significance of our performance metrics. In response, URCA will implement Thompson's recommendation by adding a column for units in our KPI tables, starting with Table 4.5. We agree this enhancement could give stakeholders a clearer understanding of URCA's performance metrics and their implications.

Conclusion. URCA agrees that a transparent methodology would foster trust and collaboration and significantly enhance the KPI framework, making it more detailed, transparent, and actionable for URCA's operations in 2024 and beyond.

5. Budgets for Fiscal Year 2024

The URCA budget for the fiscal year 2024-25 is crucial for the organisation's ability to regulate and promote the development of the ECS and ES. The budget intends to distribute resources strategically to planned initiatives, guaranteeing that URCA's objectives are accomplished proficiently.

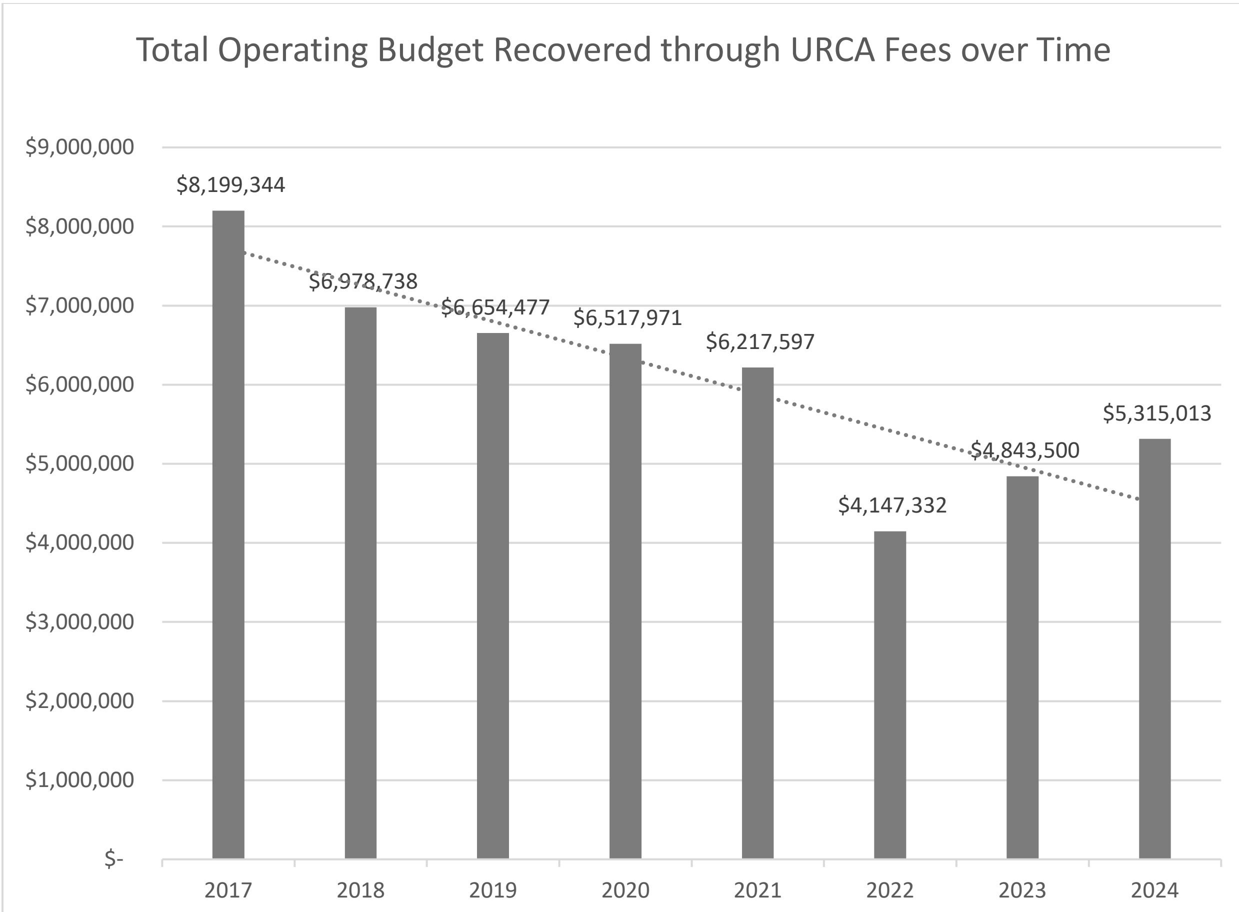
5.1 Comments and Recommendations from Respondents

BTC's Comments. BTC also shared concerns about the proposed budget increases, warning of potential adverse effects on the telecommunications sector. BTC urged URCA to adopt a balanced budgeting approach that mitigated the financial burden on licensees while promoting sector sustainability. BTC called for increased transparency in budget allocation and urged the alignment of budgets with the industry's realistic capabilities and needs. BTC emphasised that investments should target areas promising significant sector growth and efficiency benefits.

The CBL Group's Comments. The CBL Group expressed significant concerns about URCA's annual budgets, stating they did not sufficiently consider the financial impact on licensees. CBL criticised the proposed budget for primarily focusing on catch-up initiatives, with many projects from previous years being carried over. The CBL Group emphasised the need for URCA's budget to reflect economic realities, advocating for a balanced and justifiable approach that fostered sustainable growth in the sector.

5.2 Response from URCA on Fiscal Prudence

Feedback from CBL and BTC underscores concerns regarding budget increases and a balanced approach that acknowledges the financial challenges faced by licensees. URCA's analysis of Audited Financial Statements from 2017 (when Operating Costs peaked) to 2024 shows that URCA has taken a balanced approach to financial management and has acknowledged the financial challenges faced by licensees, which is evidenced by a negative trendline, indicating an average reduction in the Total Operating Budget Recovered through URCA Fees since 2017. Respondents should consider the below graph of the total operating budget recovered through URCA fees and operating costs over time.



Note: The Gray bar represents the amount of the Total Operating Budget Recovered through URCA Fees and the dot lines in the trendline.

The graph above shows the operating budget recovered each year from 2017 through 2024 from URCA fees and the trendline. A trend analysis of the Operating Budget Recovered through URCA Fees shows:

- There is a notable decreasing trend in the total operating budget recovered from 2017 to 2022.
- In 2017, the recovered amount was the highest at $8,199,344 due to purchasing Frederick House on Frederick Street, which serves as URCA's main office.
- The following two years, 2018 and 2019, show a slight decrease in the recovered budget to $6,978,738 and $6,654,477, respectively.

- The year 2020 shows a more significant drop to $6,517,971.
- The downward trend continued with a sharper decrease in 2021 to $6,217,597 and then a substantial drop in 2022 to $4,147,332, reflecting URCA's decision to cut budget acknowledging the financial challenges faced by licensees because of the Covid-19 Pandemic.
- However, in 2023, there was a minor increase to $4,843,500 as URCA gradually transitioned to its pre-covid operating budget.
- The trend continued in 2024 with a recovery of $5,315,013, which is still significantly lower than the 2017 peak.

URCA stresses that the 2024 budget is below the pre-pandemic levels and remains below the average of $5,910,529 for the 15 years of URCA's life. The respondents can independently verify the results of URCA's analysis using the Audited Financial Statements published on URCA's website.

URCA reminds Licensees that URCA is an independent regulator and URCA Fees are a significant source of URCA's operating budget. The respondent should appreciate that the substantial drop in 2022 to $4,147,332 in response to financial realities during the Pandemic is not sustainable and, if not addressed, could adversely impact the organisation's financial health and regulatory effectiveness. We advised that increases in 2023 and 2024 reflect the necessary recovery to pre-COVID operational costs.

5.3 Response from URCA on Specific Financial Concerns.

Recurring Expenses. CBL Group commented that, yet again, the elevator and generator are in the draft budget 2024, having been deferred from 2023, and asked where the budget for these items in the 2023 Budget went, which now requires duplicate budgeting in the 2024 Budget. URCA advises licensees that **t**he URCA fee calculation model seeks to recover operating costs, which URCA currently defines as operating expenses plus depreciation. The acquisition costs of capital items are not included directly in the URCA fee but are recovered through the depreciation charge over the useful life of the asset. If a capital item is deferred to a subsequent year, the original depreciation charge associated with the deferred asset reduces the subsequent year's budgeted depreciation. Therefore, in this specific instance, the generator and elevator are scheduled to be acquired in 2024. These items remain on the Capital Expenditure list; however, the depreciation calculated and included in the 2023 budget reduces the recoverable operating costs for the 2024 budget year.

Operating Expenses (Opex). Licensees' comments concerning increases in Opex are noted. However, it should be noted that the main factors driving the quantum of Opex are the operational initiatives and regulatory projects articulated in the draft Annual Plan. One of the initiatives planned for the forthcoming year is the introduction of Organizational KPIs that seek to address the comment about the absence of cost related KPIs. The increased bad debt is a function of increased billing to licensees from whom we have been unable to collect.

Compensation Costs. URCA continues to offer competitive compensation packages in the local environment to attract and retain talent. Further, there have been increases in staff complement in 2023, which is expected to continue in 2024. This has resulted in increased staff and executive compensation packages, including increased staff benefit costs over which URCA has no control. Concerning the increase in non-executive compensation, the significant increase is due to the cost associated with the settlement of non-executive litigation during 2023 and will continue in 2024.

Premises and Utilities Costs. The line item includes the cost of continued maintenance and repairs to Frederick House. In this budget year, 2024, necessary repairs to the roof have been planned. Additionally, insurance of the Frederick House property has increased by approximately 30%, and increased costs due to electricity rates have been budgeted. The disposing of Frederick House to seek space elsewhere is not an option that will be pursued now.

Overall Concerns. The balance of proffering reasons for the line items' existence and providing explanations for increases without delving into minutiae continues to be a matter that is addressed and refined over time.

5.4 Response from URCA on Benchmarking Operating Cost

URCA acknowledges the benchmarking analysis undertaken by the CBL Group and recognises benchmarking as a valuable analytical tool when applied correctly. However, URCA cautions that direct comparisons of operating costs with other regulators can be misleading and may not account for critical contextual differences.

For instance, URCA's mandate in the ECS presents unique regulatory challenges distinct from those faced by other jurisdictions. The complexity of regulating across the Bahamian archipelago, with its geographic dispersion and hurricane exposure, necessitates a robust infrastructure and disaster resilience that inherently drives up operational costs. These factors, alongside differences in market size, economic variables, stages of development, and specific legislative requirements, underscore the potential for inaccuracies in the CBL Group's benchmarking exercise.

For example, the comparison with the US FCC and Jamaica OUR may not be apt due to the vastly different regulatory landscapes. As a case in point, ECS regulation in Jamaica is distributed among multiple agencies, namely, OUR, Spectrum Management Authority (SMA), Broadcasting Commission (BC) and the Universal Service Fund Limited (USF). Ex-post competition investigation rests with the Jamaica Fair Trading Commission (FTC). The CBL Group's methodology, focusing solely on OUR's operational budget, omits these multifaceted aspects of regulatory cost structures.

For a balanced benchmarking process, it is essential to normalise data for the variables. Comparing growth rates rather than absolute figures can offer a more accurate measure of an organisation's efficiency and adaptability, reflecting true operational dynamics. Licensees should note that the average growth rate of URCA's operating budget recovery from 2017 to 2024 is approximately -4.93%. This contradicts the assertion that URCA's budget has been increasing; it indicates a general annual reduction in the operating budget recovered through URCA fees, as illustrated by the declining trend line in the graph above. Thus, while the CBL Group's findings have merit, the provided data cannot comprehensively assess regulatory costs and trends; they should not lead to the conclusion that the increase in the 2023 and 2024 URCA ECS budget is unjustifiable or indicative of fiscal imprudence.

6. Project Specific Comments

In this section, URCA addresses BTC's and CBL Group's comments concerning universal service obligations and funds, satellite regulations, ex-ante review of retail fixed services, and the impact of over-the-top applications.

6.1 Comments and Recommendations from Respondents

BTC's Comments on Universal Service Obligations and Fund. BTC agrees with URCA that there are multiple components to the USO/USF workstream. According to BTC, all facets of the existing USO/USF framework require comprehensive re-evaluation, considering best practices that may be practical, feasible, and realistic for achieving USO targets in The Bahamas. BTC felt that URCA should focus on USO broadband services with technology neutrality as a guiding principle. Based on international experience,[6] Government funding is required to achieve USO broadband coverage targets, especially in the Family Islands. BTC believed taxing licensees or retail ECS service prices to fund USO broadband services is unrealistic, infeasible, and counterproductive. Moreover, the outcome of URCA's USO/USF review exercise should be shared with the Government to gauge its willingness and ability to support USO initiatives and associated multi-year investments in uneconomic areas of the country. BTC agrees with URCA that a multiphase consultation with the industry will be required to develop and implement a new USO/USF regime.

The CBL Group's Comments on Universal Service Obligations and Fund. The review of the universal service regime has been a key priority objective for URCA for far too long. The new draft ECS Policy 2024-7 mandates the commencement of a USF with a percentage contribution from the Communications Licence Fee to assist operators in ensuring access and connectivity across The Bahamas. The CBL Group referred to its response to the 2023 Annual Plan that the payment of fines by licensees should be placed into the USF.

The CBL Group's Comments on Satellite Regulations. The CBL Group believes satellite regulation must be equitable and comparable to the telecommunication's regulatory regime. The CBL Group added that it is unconvinced that the playing field is level for the CBL Group and queried:

[6] US, Canada and UK

- the amount of the Annual Class license fee paid by Starlink and its percentage contribution to the URCA Annual Budget;
- whether an initial licence award fee was charged and paid for the granting of a licence; and
- the introduction of a new service involving spectrum, which could be comparable to cellular-mobile services on several levels in the future.

BTC's Comments on Review of Retail Fixed Services. BTC claimed it is very concerned with what BTC considers to be the relatively low priority attached to this project, given that the planned issuance of a consultation document is not scheduled until the last trimester of 2024. In BTC's view, it is unlikely that the consultation process and the issuance of a decision will be completed within only a few months. BTC referred to the 2014 market review in which URCA determined that a move from a rate of return regime to price cap regulation was necessary. BTC explained that the move to price cap regulation required an updated market review, which URCA did not complete despite including this exercise in URCA's Annual Plan from 2016 to 2018. Regarding the most recent market review that commenced in T3 2022, BTC had little confidence that the project would not be delayed again, adding that the goalpost for completion had already been moved from 2023 to T3 2024.

BTC continued that URCA provided various reasons for the delays, including other projects that took precedence, including mobile liberalisation and the reviews of broadband resale and wholesale broadband access. BTC claimed that, in most cases, no explanation was provided for the delays. BTC asserted that this project should be the highest priority for 2024 planning purposes along with the ECS licence renewal consultation before creating new QoS and USO/USF regulations or further reviewing 5G issues. BTC also considers that any remaining price regulations should be fit for purpose as URCA did for the 2022 mobile market review.

Regarding URCA's statements that the delays for the market review were caused by issues collecting data from BTC and CBL, BTC noted that URCA has been collecting both retail and wholesale fixed market data since 2017. Since then, URCA has requested multiple rounds of additional market data for the fixed market review; however, no consultation document has been issued. BTC claimed it made its best efforts to provide a complete response to URCA's requests for information, which required extensions to the response deadline due to the complexity and level of granularity. Overall, the multi-round market data collection process (for the market review) took the better part of 2023 to complete. While BTC questioned the relevance of some of the data requests, BTC remains concerned that by delaying the review's completion to T3 2024, the data collected over the year will be considered out-of-date by URCA.

In BTC's view, URCA has more than enough data to issue a consultation document before the end of T1 2024. BTC believes that it will be impossible for URCA to become a 'globally respected regulator' as long as it retains a rate of return regulatory regime – a form of price regulation which, according to BTC, was abandoned decades ago by virtually all other regulators. Consequently, BTC requested that URCA raise the priority level for this project so that it can be completed no later than T2 2024.

The CBL Group's Comments on Review of Retail Fixed Services. The CBL Group referred to its response to the previous year's Annual Plan and the 2022 statistics published in what the CBL Group labelled as URCA's 2023 Annual Report. According to the CBL Group, although the 2022 statistics showed a levelling from earlier dramatic decreases in subscribers, the CBL Group asserted that it does not in any way absolve the urgent need for this review and any associated follow-up measures. The CBL Group quoted URCA as stating the review commenced in T3 2023 and experienced significant delays due to the data requirements from BTC and CBL, resulting in numerous extension requests and data accuracy and reliability challenges.

The CBL Group's Comments on Over-the-Top Applications. The CBL Group observed the omission of the original intended review of OTT services. CBL Group stated that a review of pay TV must include a review of the existing OTT grey market competition, which creates an unequal playing field and is not even referenced (in URCA's Annual Plan). CBL Group noted URCA's comments in URCA's Statement of Results for the 2023 Annual Plan that the OTT review was not abandoned. Still, URCA was exploring alternative approaches to the review, which may be more beneficial. CBL Group then referenced the CANTO C9 Advocates for the Fair Share to Drive Caribbean Telecommunications.

6.2 Response from URCA

Response from URCA on the USO and USF. URCA acknowledges and appreciates the thoughtful comments and proposals from the CBL Group and BTC concerning the USO/USF workstream. We are committed to aligning the new USO/USF framework with best practices and ensuring coherence with the draft Electronic Communications Sector Policy 2024-2027 and relevant Bahamian legislation. In line with BTC's suggestion, we see value in sharing the USO/USF review outcomes with the Government of The Bahamas. Additionally, we are open to considering directing fines by licensees into the USF. URCA will further address this suggestion within the context of the USO/USF project.

Response from URCA to Satellite Regulation. Regarding satellite regulation and the specific inquiries raised, URCA clarifies that Starlink currently provides broadband internet services at fixed locations in The Bahamas but is not licensed for voice telephony or traditional mobile services. The license conditions imposed on Starlink align with the government's policy to refrain from introducing additional competition in the cellular-mobile market. To address concerns regarding transparency, URCA has made the Starlink license conditions available on our website for public access.

URCA refers the CBL Group to URCA's 2024 Fee Schedule[7] and the Register of Licensees,[8] both of which are available on URCA's website. Starlink is subject to the applicable fees as set out in its licences. On a related note, URCA does not discuss a company's individual revenue numbers and licence fee payments.

URCA reminds the industry that the SMP conditions/obligations currently imposed on the CBL Group, and BTC are disproportionate for a new entrant that is not found to hold SMP in The Bahamas. Starlink began offering LEO-based broadband internet service in The Bahamas in 2023. Currently, Starlink does not hold a dominant position in a relevant market. As set out in Section 5.2 of the consultation document for the retail fixed market review, Starlink is not a SMP operator

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[7] https://www.urcabahamas.bs/wp-content/uploads/2023/02/Fee-Schedule-2023.pdf

[8] https://www.urcabahamas.bs/wp-content/uploads/2023/08/Public-Register-of-Individual-and-Registered-Class-Licensees-21-Aug-2023.pdf

of retail fixed broadband services. As such, the new SMP conditions proposed for dominant operators are not applicable to Starlink. However, Starlink must adhere to its licence conditions and other obligations, including:

- the 2024 Consumer Protection Regulation;
- reporting requirements for network/service outages; and
- network quality of service regulation.

Response from URCA to Review of Retail Fixed Services. The consultation document for the retail fixed market review (ECS 04/2024) was published on 28 February 2024 and is available on URCA's website. URCA notes The CBL Group's comments on the 2022 statistics and reminds The CBL Group that the statistics were reported in URCA's 2022 Annual Report, not the 2023 Annual Report, as The CBL Group stated. Regarding BTC's claims, URCA emphasises that many of the project's delays were caused by requests made by both BTC and CBL for additional time to respond to URCA's information requests, in addition to issues with the accuracy and reliability of BTC's data. Regarding BTC's statement that URCA has been collecting market data information from 2017, there were also inconsistencies and inaccuracies with the historical data that BTC provided since 2017. In reference to BTC's comments on the 2014 market review, an updated market review was not needed or announced to implement price cap regulation. It is unclear to URCA why BTC referred to implementing price caps as an 'updated market review'. The implementation of price caps was treated as a separate project and constituted a regulatory remedy from the 2014 market review. URCA previously explained to both BTC and CBL that the price cap would no longer be implemented. URCA looks forward to the feedback from the licensees and the general public on the proposed remedies set out in the 2024 consultation for the current market review.

Response from URCA to Over-the-top (OTT) Applications. As part of our retail fixed market review, URCA has thoroughly examined the impact of OTTs on traditional pay TV and fixed voice telephony services, including the effects of existing OTT grey market competition in The Bahamas. We encourage all stakeholders, including the CBL Group, to review our preliminary findings outlined in ECS 04/2024 on URCA's website and provide constructive feedback. In addressing fair sharing with OTT providers, we emphasise that such decisions require collaboration among government entities, regional organisations, and international bodies. URCA remains committed to engaging with regulatory counterparts and advising the government on OTT-related matters.

Response from URCA Regarding the Disproportionate Regulation of the Electricity Sector. URCA appreciate BTC's and the CBL Group's feedback regarding our regulatory approach to the Electricity Sector (ES) compared to the Electronic Communications Sector (ECS). URCA acknowledges your concerns and wishes to clarify that direct comparisons between the two sectors may not fully capture the unique market dynamics, developmental stages, and legislative frameworks that guide our regulatory actions. The ECS has benefited from a longer period of regulatory oversight since 2009, allowing for developing a mature regulatory environment. Conversely, URCA's regulatory oversight of the ES commenced more recently, in 2017, and is governed by Section 7 of the Electricity Act, 2015, establishing the ES's regulation guidelines. This context is crucial in understanding the progression and impact of our regulatory measures.

In our 2023 Work Plan for the ES, URCA established a framework for implementing new reporting requirements for outages and set forth power quality and reliability standards. These initiatives represent URCA's proactive approach to enhancing sector standards. However, it is important to recognise that the effects of regulatory measures will not be immediate but will emerge progressively over time. URCA encourages all stakeholders, including the CBL Group, to report instances where electricity supply conditions deviate from the established standards. Reports enable URCA to understand the scope of the problem and the proportionate regulatory measures to remediate the issue. Note that URCA operates with an objective, data-driven regulatory ethos. Assertions of a lack of focus or vigour in our regulation of the ES do not reflect URCA's systematic and methodical approach to regulation. Effective regulatory oversight, especially in a sector with the complexities of the ES, requires careful analysis and a steady hand to ensure appropriate and beneficial actions for all stakeholders. That said, URCA is cognizant of the challenges consumers, including licensees, face due to electricity supply issues and is committed to enhancing the regulatory framework to address and alleviate these concerns. Our focus remains steadfast on ensuring that our regulatory measures are fair and effective and contribute to the long-term sustainability and reliability of electricity supply in The Bahamas.

7. Next Steps

The publication of this Statement of Results document formally concludes the public consultation on URCA's Draft Annual Plan for 2024. Again, URCA thanks those who provided feedback on the Draft Annual Plan. Before finalising the Plan, URCA intends to hold a stakeholder forum on 25 March 2024 to present the AP2024 and allow key stakeholders to provide further input. URCA's Final Annual Plan for 2024 will be published on URCA's website on or before 30 April 2024. A public oral hearing will be scheduled to present and discuss the 2024 Annual Plan and the 2023 Annual Report. URCA will publish further details for the public oral hearing on its website and in the local media once it is finalised.