



ANNUAL REPORT

2008 – 2009

TURKS AND CAICOS
TELECOMMUNICATIONS
COMMISSION

TABLE OF CONTENTS

Message from the Minister	3
Message from the Chairman.....	3
1. Introduction	4
2. Key Achievements during the Period	5
2.1. The Ongoing Development of the Commission.....	5
2.2. Administrative Procedure Regulations	5
2.3. Commission Web Site	5
2.4. Spectrum Management System	6
2.5. Spectrum Planning	6
2.6. Economic Regulation.....	6
2.7. Disputes	7
3. License Applications and other Initiatives.....	8
3.1. Licensing Activity in 2008- 2009	8
Islandcom Telecommunications	8
TCT Express Ltd.....	8
3.2. New Initiatives	8
Consumer Outreach.....	8
Numbering Plan.....	8
Spectrum Plan	8
4. Future Challenges	9
4.1. Mobile Termination Rates	9
4.2. Licensing and Spectrum Fees	9
4.3. Human Resources Development	9
4.4. Quality of Service Standards.....	9
4.5. Technical Equipment Standards.....	10
4.6. Consumer Code.....	10

Message from the Minister



The past year has been an eventful one in Turks and Caicos Islands, particularly of course the devastating hurricanes Ike and Hannah, which wrecked havoc throughout our country, causing major damage in Grand Turk, South Caicos and Salt Cay in particular. As these islands have recovered from the damage, telecommunications have shown itself once more to be an essential element in both saving lives and property, and leading the way to assisting in the recovery efforts. The telecom operators all came through with flying colours, restoring service within a very short time to provide the telecommunications services most needed by those working on the recovery. We have continued to enjoy increased availability of new services, with higher speed internet services, internet based telephone packages and promises of more advanced technologies to serve our people in the coming years.

During 2008, the Commission launched an ambitious program aimed at establishing a new regime for overseeing the prices of fixed line services offered by Cable and Wireless (now "Lime"). This proceeding culminated in the publication of the Price Caps decision in February, 2009, with the introduction of phased price reductions for fixed to mobile calls over the next four years, and a freeze on most other fixed line rates. It is very satisfying to see that the savings to consumers and businesses will be more than \$2.5 million over the period of the new price cap regime.

I am also pleased to see the Commission conducting its business in accordance with best international practice, publishing notices calling for public comment on a number of issues that have helped to solidify the competitive market in Turks and Caicos. I note in particular that the Commission has approved a major initiative of Digicel, who will soon enter the fixed line market throughout the country, providing much needed competitive pressure in this market segment that is so important to consumers and businesses.

I commend the Commission and its staff on the accomplishments of the recent year, and have high expectations for the coming period.

Message from the Chairman



The 2008 – 2009 period has again presented challenges to the Commission, and I believe we have risen to the occasion once more. We have taken major steps toward providing a more open and transparent regulatory framework with the enactment of the Administrative Regulations that define the mode of conducting our public consultations, this approach has demonstrated our commitment to this policy.

We have published an informative brochure describing the role of the Commission aimed at consumers, and providing advice on how they may file complaints with the Commission. We have also launched a new, interactive web site that allows consumers and operators to submit everything from complaints to licence applications on line, with a promise of rapid and fair responses from the Commissioners and staff.

We have handled a number of disputes between operators, with decisions now published on our web site. This has demonstrated our commitment to maintaining a fair market in the telecom sector by ensuring that no operators take advantage of dominant positions, or impede the orderly working of the market. We noted with interest that the sector has grown with revenues for the two major competitors growing by almost 25%. This has led to an increase in much needed revenues to government, and the competitive pressures have produced new innovative services and improved customer service.

Finally, I want to thank my colleagues on the Commission for their commitment to our efforts, and commend our staff for their support during the past years, which have enabled us to accomplish our goals so far.

1. Introduction

The Turks and Caicos Telecommunications Commission was established in 2004, through the enactment of the Telecommunications Ordinance 2004. The Ordinance states that the primary functions of the Commission are as follows:

- *To advise the Minister on telecommunications;*
- *To facilitate, maintain and promote effective and sustainable competition in telecommunications;*
- *To promote the interests of consumers and to encourage licensees to operate efficiently; and*
- *To prescribe standards for the quality of telecommunications services to be delivered to the public.*

The general policy direction embodied in the Ordinance was based upon the Telecommunications Policy for the Turks and Caicos Islands, issued in 2003, which sets out the following vision for the sector:

Every citizen of TCI will have at affordable prices, access to:

- *The information Superhighway; and*
- *A wide variety of telecommunications services.*

Small enterprises will multiply exponentially through participation in Electronic Commerce.

The national economy will achieve substantial unprecedented growth through increasing employment and revenue inflows directly attributable to a vibrant telecommunications industry.

In the same policy document, the government committed to the establishment of an independent regulatory authority that will operate in a transparent, accountable and non-discriminatory manner, to facilitate effective competition. The government also committed to renegotiating the licenses issued to the incumbent telephone company (Cable & Wireless) to enable the introduction of full competition at the earliest possible time.

This report, the third since the founding of the Commission, outlines the major issues dealt with during the year, and sets out the plan for addressing important regulatory priorities during the coming year.

2. Key Achievements during the Period

2.1. The Ongoing Development of the Commission

During the past year, we have benefited from training in Economic Regulation from a world-class economist, Edgardo Sepulveda from Canada, who was engaged in part to assist with the Price Caps proceeding. In addition, he hosted a seminar on Economics of Telecom Regulation in Providenciales, for the staff and Commissioners of The Turks and Caicos Telecommunications Commission. One of the staff members also attended a major wireless conference in Chicago, where he learned much about the evolving wireless broadband market, as a precursor to coming developments in Turks and Caicos, being pursued by our operators. Two administrative staff members traveled to Cayman Islands to meet with administrators at the ICTA in Cayman, to discuss a variety of governance and administrative practices.

2.2. Administrative Procedure Regulations

In March 2008, the government approved the issuance of new regulations governing the procedures and practices of the Commission. These regulations (entitled “Administrative Procedure Regulations”) have since been published, and can be found on the Commission’s web site.

2.3. Commission Web Site

The Commission’s web site (now at www.telecommission.tc) has been updated, with additional information added, and a more “user friendly” design implemented. Licensing

information, application forms, complaint forms and contact information have been added to the site, and work is ongoing to make the site even more useful to the stakeholders and consumers. In addition, the web site is now the prime communications vehicle for the Commission, where decisions and notices are available quickly, and responses in electronic form now encouraged.

2.4. Spectrum Management System

During 2008, the Commission took delivery of a modern spectrum management system from Aerosystems International of Canada, and a key staff member travelled to Canada to receive training on the system, and also achieved exposure to the use of the system by spectrum manager for Industry Canada. This has allowed the Commission to provide much needed assistance to one of the operators who were experiencing serious interference from unlawful systems being imported into TCI and powered up without the necessary licence. The ongoing use of the management system will reduce the incidence of such interference, and assist the Commission and the telecom community in policing the use of the airwaves. This in turn, will ensure that consumers and businesses will not experience interruptions in their vital services.

2.5. Spectrum Planning

The Commission issued two public notices during the year, covering spectrum usage in the 3.4 MHz and the 2.3 MHz ranges; comments were received from the industry, and a final allocations and pricing of blocks of frequencies were issued to be used by the operators. Applications were invited from interested parties, as access conditions for these important blocks of spectrum are now clearly defined. The Commission also issued a notice regarding the conditions that should be applied to the use of the emerging spectrum at 700 MHz, now freed up in North America by the introduction of digital television. The Commission sought, and received helpful comments on allocation mechanisms, pricing and related questions.

2.6. Economic Regulation

On February 18, 2009, the Turks and Caicos Telecommunications Commission released Telecom Decision 2009 -1 which establishes a new “price caps” plan regulating the prices that Cable and Wireless, now known as Lime, will be allowed to charge for its fixed line telecommunications services over the course of the next four years. The new plan comes into effect on April 1, 2009 and will expire on March 31, 2013.

Under the plan established by the Commission, the maximum permitted price of calls from fixed line to mobile phones will be reduced, in a graduated manner, by 26% under the new price cap plan relative to the current price of 50 cents per minute. Thus, the maximum allowed per-minute fixed to mobile call charge will be reduced to 46 cents as of April 1, 2009 and then further reduced to 43, 40 and 37 cents on the 1st of April of each of the following three years.

In addition, all other domestic fixed line services offered by Lime will be capped or, effectively, frozen at current levels for the full term of the price caps period. However, if the annual rate of inflation exceeds 5% in any year during the period, then the prices for these

services could be increased, but only to the extent inflation exceeded the 5% threshold. The fixed line services subjected to this pricing constraint include Lime's residential and business access and installation services, fixed-to-fixed on-island and inter-island calling, enhanced services such as voice mail, and domestic private line services.

The fixed-to-mobile price reductions combined with the domestic fixed line service price freeze will result in an estimated savings to consumers of approximately \$2.5 million in total, or just over \$600,000 per year, on average, over the four year price cap period.

As set out in the Decision, the Commission has a commitment from Lime that its pricing of international direct dialed calls from fixed lines will always be equal to or lower than the price of such calls from mobile phones, and thus will reflect the impact of competition in the mobile telephone market.

As part of the ongoing management of the price caps plan, the Commission will require the company to file proposed rate changes for approval, and to demonstrate that they continue to be in compliance with the applicable constraints, and each year Lime will be required to file a compliance report to ensure ongoing adherence to the plan.

2.7. Disputes

Competition in telecommunications invariably leads to disagreements between market participants, and Turks and Caicos Islands are no exception.

The Commission dealt with a complaint from Cable and Wireless relating to the ongoing use by Digicel of the network identification code from Jamaica in handling its calls to and from TCI. In Commission Decision 2008 – 4, the Commission determined that the benefits of forcing a change of code use by Digicel would be marginal at best, and therefore allowed the continued use of the HNI code by Digicel, subject to a possible review in future if world bodies such as the ITU were to make changes to the global rules relating to such matters.

The Commission also dealt with a dispute between the internet provider Express High Speed Internet and Cable and Wireless, leading to a conclusion (in Decision 2008 – 5) by the Commission that the delays incurred by Cable and Wireless in providing undersea capacity in the Columbus Networks fiber were unacceptable, and therefore ordered the company to assist Express in making a direct connection to the Columbus network.

3. License Applications and other Initiatives

3.1. Licensing Activity in 2008- 2009

Islandcom Telecommunications

The Commission has approved the sale of a block of Islandcom shares to Bermuda Digital Communications Ltd., noting that the sale was in compliance with the company's licence, and that the resources being brought into the operation of the company would be beneficial both financially and technically.

TCT Express Ltd.

The Commission has received an application from this company, for approval of a licence to ensure its ongoing ability to provide high speed internet and related services. The application was published for comment, and the Commission expects to be making a recommendation on the application to the Minister sometime in March, 2009.

3.2. New Initiatives

Consumer Outreach

The Commission has begun developing a consumer protection program, the first step of which is the establishment of a consumer complaints and enquiries line. This will provide a means for consumers to seek redress from problems they have encountered with their service provider. The Commission will undertake research into consumer complaints that have not been dealt with satisfactorily by all service providers, to ensure fair treatment of all customers. The Commission will provide guidance to consumers regarding service options and choices, aimed at ensuring that they make informed decisions for various consumer services.

Numbering Plan

As required by the Telecommunications Ordinance, the Commission has developed a numbering plan for Turks and Caicos Islands, which has now been published on its web site, following a period of consultation with the industry.

Spectrum Plan

The Commission has now finalized its plan for the use of the radio spectrum in Turks and Caicos, and it has been published on the Commission's web site.

4. Future Challenges

4.1. Mobile Termination Rates

In 2006, as part of the process of finalizing the interconnection agreements amongst the mobile operators in Turks and Caicos, the Commission approved a rate for traffic terminating on the networks of all mobile operators at a level of \$0.19 per minute, which applied until December 31, 2007, after which, in the absence of a different ruling by the Commission, the rate would drop to \$0.15 per minute, the maximum set out in the Interconnection Regulations 2005.

The “default” rate has gone into effect, but the Commission intends to pursue this matter during 2009, and intends to ensure that the rates charged are in keeping with regional levels, and that retail customer’s benefit from the reductions achieved.

4.2. Licensing and Spectrum Fees

The Commission has received a number of comments on the schedule of licence fees currently in place as part of the Telecommunications Fee Structure Regulations 2006. Moreover, from a review conducted during 2007, it is clear that in many cases, the licence fees charged for certain service categories are significantly higher than those charged by other regulatory bodies in the region. For this reason, the Commission is in the process of reviewing the fees with the aim of establishing a more equitable and coherent set of fees based upon benchmarking with regional comparisons.

4.3. Human Resources Development

As noted, several Commission staff members have now experienced two training sessions – a two day seminar and a much more intensive two week period at the University of Florida. This is the beginning of an ongoing development program that will ensure the staff improves their knowledge of the regulatory process and continue to keep up to date with international trends and techniques.

4.4. Quality of Service Standards

The Telecommunications Ordinance requires the Commission to “set standards for the quality of telecommunications services to be delivered to the public”. In a competitive marketplace, quality issues are often resolved through market pressures; however in TCI, as in many countries today; competition is not present in all market segments, and in some cases, in all parts of the country. Thus, it is the Commission’s intention to establish a consistent and well defined reporting system for some quality measures, and report on them to the public, to keep them informed, and in some cases, impose sanctions on dominant operators who do not meet certain quality thresholds.

The development of such quality standards will be a consultative process, involving the operators and any consumer or user representatives in a process that aims to ensure that the standards developed are practical, measurable, and capable of motivating operators to

improve performance on those areas of most importance to users – consumers and businesses alike.

4.5. Technical Equipment Standards

The Telecommunications Ordinance requires the Commission to maintain a register of approved equipment standards for telecommunications hardware and systems, in order to ensure that equipment imported and put into service does not cause interference, or network problems.

Most jurisdictions established such standards by recognizing approvals in other jurisdictions, since in the global market for telecommunications, manufacturers now test their equipment against European or North American standards as a normal part of their operations, and in TCI, it would be prudent to recognize approvals from the standards bodies that test and approve such equipment.

However, there is a draft process for vendors and/or importers to follow in securing type approval for equipment proposed for sale or use in TCI. This process will be finalized and applied during 2009.

4.6. Consumer Code

The ordinance requires the Commission to protect the interests of Consumers by keeping with best international practices. The Commission should begin the process of developing a consumer code that would be adopted by operators in the interests of serving consumers in such areas as billing, credit practices, information on services etc. During 2009, the Commission will develop a template for the code, in consultation with the industry and other stakeholders, and once approved, each operator will be required to file their version of the code, incorporating their unique service offerings and consumer interfaces, but conforming to the requirements of the Commission's template.

**TELECOMMUNICATIONS COMMISSION
OF THE
TURKS AND CAICOS ISLANDS**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDING
MARCH 31, 2009**