

**REPORT OF THE CHAIRMAN OF ECTEL TO THE COUNCIL OF
MINISTERS**

FOR THE PERIOD ENDED 31ST JULY, 2002

Introduction

This Report covers the period January 2002 – July 2002. It has been a period of intense activity by ECTEL where energies have been focused on the issuance of Licences, finalization of an Interconnect Regime in Dominica and development of the intellectual capacity for the Sector.

The OECS Telecommunications Reform Project should have come to an end in the period but an extension was sought, and obtained, to allow for the purchase of spectrum management and monitoring equipment.

The following meetings of the Board were held:

A Special Session in early January in St Lucia to address the issuance of Licences to new entrants;

Special Sessions in St Lucia and Grenada to address Administrative and legal Procedures relating specifically to Interconnection and Tariffs and Pricing,

8th Meeting of the Board, St Kitts and Nevis, 15 February, 2002

9th Meeting of the Board, Grenada

10th Meeting of the Board, St Lucia

11th Meeting of the Board, St Vincent, 24-25 June, 2002

12th Meeting of the Board, St Lucia, 2nd August, 2002

Licensing Issues:-

ECTEL reviewed 135 applications for Licences for Fixed Telecommunications Networks and Services and Public Mobile network and Services that were received by the deadline of January 30th 2002.

In respect of the issuance of Licences ECTEL made the following recommendations for the Award of Licences.

that:-

Licencees will be required to produce a performance bond of specific value with time frames;

In considering Licences a total Score of 65 points be used as the minimum level required to satisfy the legal, technical, financial and social criteria

Limited numbers of licences be issued, having regard to technical, economic and other considerations

The Council of Ministers deliberate on the issuance of Licences giving due cognizance to the policy objectives of achieving liberalization across ECTEL Member States as a single economic telecommunications space.

In addition ECTEL advised that six applicants satisfied the established criteria for the award of a Fixed Public Telecommunications Network and Services,

These are:-

| Company Name | Score |
|--|-------|
| 1. Digicel Ltd | 91 |
| 2. Outremer Telecom (OTM) | 89 |
| 3. TransWorld Telecom Caribbean Ltd | 86 |
| 4. Gensat Americas S.A. | 82 |
| St. Kitts-Nevis Cable Communications Ltd (SKN& Nevis) | 69 |

Five applicants met the criteria for Public Mobile Telecommunication Network and Services,

These are:-

| | |
|--------------------------------------|----|
| 1. Digicel Ltd | 91 |
| 2. AWS Caribbean Holders INC | 87 |
| 3. TransWorld Telecoms Caribbean Ltd | 86 |
| 4. CariGlobe Telecoms Ltd | 84 |
| 5. Gensal S.A. | 82 |

Council subsequently recommended on the issuance of Licences as follows:
Mobile Cellular licences would be issued to Digicel and AWS Caribbean Ltd (AT&T).

A Fixed Public Network & Services as well a Public Mobile/Cellular Licence would be awarded to GENSAT Americas.

St. Kitts/Nevis would issue a Fixed Public Network & Services to The Cable, and a Mobile Cellular Network & services to CariGlobe.

ECTEL is currently reviewing and will make recommendations on several applications for Internet Network and Services and for Submarine Cable.

Several issues arise out of the process of the award of Licences. These include:-

The issuance of licences have not been harmonized throughout the ECTEL Member States.

The various annexes to the Cable & Wireless Licences are yet to be included in their licences.

Mechanism for the collection of Fees and Spectrum fees are yet to be established through Cable & Wireless, GNP of Grenada, The Cable, CariGlobe and TWTC have already been issued licences.

Some new entrants claim that some of the service requirements and the licence fees are too onerous.

Most countries are yet to issue licences.

Establishment of an Interconnect Regime for C&W and Marpin and other ECTEL Member States

The process required under the law is that a provider must be declared dominant, a Reference Interconnect Offer then be submitted by the Dominant Provider, and the parties establish a commercial agreement subject to the approval of the Regulator. This process is now in training though Cable and Wireless has raised objection to the Company being declared dominant in the areas of the unregulated services. Cable and Wireless cites the OECS/C&W Agreement on what is to be regulated and unregulated Services. Notwithstanding the process outlined above negotiations had been underway between Cable & Wireless Dominica Ltd. and Marpin Telecoms for an extended period of 15 months regarding the establishment of an Interconnect Regime. ECTEL has finally, after long deliberation, recommended approval for an Interconnection rate of 10.1cents and a Interconnect retail rate of 14¢ to Cable & Wireless for calls between Cable and Wireless customers and Marpin. Marpin's retail rate is 13cents. The ADC was a source of contention for ECTEL even though Marpin publicly expressed readiness to pay the ADC, while recognizing that the C&W claim for an ADC was questionable.

Organisational Strengthening and Capacity Building

ECTEL has invested significant resources in developing the human resources. All members of the current Board of ECTEL have been trained in Regulation of the Sector, the NTRC's have received training for their staff and commissioners and ECTEL has also arranged for its staff to receive further training.

In this period of operationalizing its operation, ECTEL in conjunction with CARANAUSAID has developed a training program which focuses on the administrative procedures and the requirements of NTRCs, ECTEL and Ministers of Telecommunications for meeting the obligations of the legislative

framework. Sessions are scheduled for Ministers and Senior Policy advisers as well as their staff, commissioners of the NTRCs and ECTEL Staff.

OECS Telecoms Reform Project:

While the OECS Telecoms Reform Project should have ended in September 2002, and extension has been sought and obtained to facilitate the purchase of Spectrum Management and Monitoring Equipment and also to allow for the draw down of the necessary funds.

Governments are being asked to approve a further amendment to the Loans and Credit Agreements to allow for an extension of the Project and a reallocation of resources to the Goods category.

Counterpart funds continue to be a critical issue and while both St. Kitts/Nevis and St. Lucia continue to meet their commitments, the other countries particularly Dominica, have build considerable arrears to the Project.

Operations of ECTEL

In March this year the Organization suffered a serious cash flow problem when St. Kitts/Nevis and St. Lucia experienced some delays in their payments. Consequently, the Board had to request approval for a \$100,000 overdraft facility to enable the Organisation to continue its operations.

Member States have provided special assistance through provision of services of experts from their countries; Grenada provided the services of Dr. Spencer Thomas Economist/Finance Specialist on an as required basis; St. Kitts/Nevis provided the services of Mr. Cosbert Manchester, Technical Specialist and his services were paid for by equal contributions from all Member States, St. Lucia assigned Spectrum specialist Mr. Perry Mason.

The Secretariat/Directorate now operates with the following staff members:

- Managing Director
- Legal Counsel
- Senior Economist
- Technical Specialist
- Spectrum Consultant
- Human Resource/Administrative Manager
- Accountant
- Accounts Clerk
- Executive Secretary

Para-legal Secretary
Secretary/Typist
Documentation Assistant
Driver
Office Attendant

A Few other positions remain vacant while the tenure of the Spectrum Consultant and Technical Specialist has ended. The Government of St Lucia has however agreed to a further extension for Mr. Perry Mason while other arrangements are being pursued for the extension of Mr Manchester's assignment.

In keeping with the directive of Council the post of Managing Director has been advertised and the Board will advise Council on the status of the recruitment process.

NTRC/ECTEL Relations

Concerns continue to exist regarding the functioning of the NTRC's and to this end an Audit of the functioning of the NTRC's was conducted by the Secretariat.

The major areas of concern continue to be

The level of financing and sources of funds for the NTRC Operations

The physical facilities available to the NTRC.

The support staff for a functioning Secretariat of the NTRC's.

Training for the Secretariat staff and commissions.

The Audit concluded that:

The NTRC's have varying levels of preparedness and the operations some are of particular concern.

On the other hand the NTRCs continue to express disappointment with the delays experienced in receiving responses to requests made to the ECTEL Secretariat/Directorate.

Legislative and Regulatory Framework

Several pieces of Regulations have been passed in all Member States with the exception of Grenada. Work is now being done on the Regulations for Grenada to ensure early presentation to Cabinet.

Universal Service Regulations and the completion of the other regulations have been identified as priority.

Critical to the completion of the Regulatory framework is the drafting of required amendments to the Legislation and Regulations. In the process of working with the Legislation the need for amendments have been identified, key of which is the lack of adequate penalties for offences. Other issues which have been identified are illegal possession of equipment, contradictions in roles and functions of various entities, power of the NTRCs to enforce Interconnection Regime. Consultancies have been contracted to prepare legislation on Anti-Competitive behaviour.

Broadcasting and E-Commerce

Preparatory work has been initiated for legislation in these areas.

Price Caps

This has been identified as a priority area and a separate report on this issue has been prepared. Suffice to say that it is being treated with the highest priority by the Secretariat and the Board. In that regard, the Government of Dominica has been asked to finance a four month extension of the Technical Consultant, Mr Cosbert Manchester. During that period, Mr Manchester will advance the work on the Price Cap Regime, the Numbering Plan and avail himself of vacation leave due.

USAID/CARANA

USAID is providing assistance in the amount of US\$2.million over a two year period. This assistance is being provided through a broad range of consultancy services to be delivered by the CARANA Corporation. This involves assistance in providing technical support for regulatory issues, drafting of regulations and training of regulators. Some level of support has been provided through the delivery of lap-top computers and LCD Projectors to all NTRCs and ECTEL. A separate report on the USAID/CARANA support is provided.

Spectrum Management Monitoring Equipment

A contract has been awarded to an Israeli firm - Tadiran Electronic System for the provision of spectrum management and monitoring equipment. The Company concluded discussions with the Secretariat regarding delivery schedules for the equipment. Delivery of equipment is now expected by the end of the year.

The losing bidder TCI, an American firm has since been provided with a detailed explanation in response to their query for the disqualification of their bid.

Administrative and Staffing Issues

The period January to July has been one of intense activity. Completion of an Interconnection Agreement between Marpin and C & W was achieved but we have also seen delays in the achievement of key project targets. It is now necessary to place critical attention on the financial sustainability of the organization and to have ECTEL Secretariat more adequately staffed to provide the advice and recommendations desired by Member States. During that period, the Staff Rules were prepared and adopted by the Board. Job Descriptions, advertisement and a few critical staff positions were filled.

Accession of New Members

The Secretariat, in conjunction with the World Bank, has commissioned a study to review the possibility of other countries joining ECTEL.

The initial report indicates strong interest from Antigua/Barbuda and the dependant territories of Anguilla, BVI and Montserrat. The other CARICOM Countries have expressed a preference to establish working relations prior to their joining.

An initiative has been started to have all of the Caribbean Countries Regulators coordinate activities through a Caribbean wide Utility Regulators body established as "The Organization of Caribbean Utility Regulators (OCCUR). Trinidad has offered to host the Secretariat and ECTEL has indicated its intention of function as part of such a regional body.

Council is asked to consider and note the Report of the Board for the period ended July 2002.

ELIUD T. WILLIAMS

CHAIRMAN

2nd August 2002

