

COUNCIL PAPER

REPORT OF THE CHAIRMAN OF THE BOARD OF ECTEL TO THE COUNCIL OF MINISTERS FOR THE YEAR ENDED 30TH SEPTEMBER, 2006

1. INTRODUCTION

The Financial Year 2005/06 began with the celebration of ECTEL's 5th Anniversary with a press conference and cocktail reception in the Commonwealth of Dominica on 6th October, 2005. It was a significant event graced by the presence of the Hon. Roosevelt Skerritt, Prime Minister and Minister for Finance in Dominica. The press conference was preceded by a cocktail reception with the electronic, broadcast and print media fully represented.

The Hon Gregory Bowen, outgoing Chairman of the Council, along with his colleague ministers addressed the press conference which was carried live by radio. The Ministers also reminded their audience that telecommunications is an enabler in facilitating growth in other economic sectors. And while the sector makes a direct contribution to the countries' GDP, the real contribution should be seen also within the context of its indirect contribution to tourism, financial services and to trade in services generally.

The celebrations also saw the formal launching of ECTEL's Fifth Anniversary Commemorative Magazine. During the press conference, ministers highlighted the main features of the socio-economic impact study and the critical milestones that had been achieved since the advent of competition in March 2003. A notable finding was the exponential growth in mobile telephone subscribers from 38,000 in 2002 to more than 300,000 by March 2005.

At the start of the year the Incoming Chairman, the Hon Nigel Carty of St. Kitts and Nevis, reaffirmed his commitment to the principles enshrined in the ECTEL Treaty and to the goals of total liberalization of the Telecommunications sector in the sub-region.

In 2005/06, the Board and Directorate maintained its strong bonds with NTRCs, Member Governments, regional and international organizations and responded to invitations to present papers and or to attend several regional and international meetings.

It was a period in which the Directorate continued with its obligations under the Treaty and provided the required interventions in all areas of Telecommunications regulation, namely legal, licensing, spectrum management, tariffs and pricing and number administration.

2. SIGNIFICANT ACHIEVEMENTS

While there were various significant achievements during the period under review, the successful implementation of the Telecommunications and ICT Development Project stands out. Indeed, following the second Project Supervision Mission the World Bank in reviewing the pace of project implementation in its Aide Memoire stated that “the mission reviewed the development and impact of the liberalization policies being implemented by the ECTEL Member States. The results are quite impressive...”, the Bank stated.

Two other notable achievements were the completion and implementation of the Regional Radio Spectrum Plan and the adoption of the Regional Numbering Plan. These two documents are required by the Treaty and were developed to facilitate the management and administration of two important Telecommunication resources.

Another important achievement was the successful execution of the public relations campaign on the proposed Quality of Service Obligations. That campaign was undertaken in all five Member States over the January to March period and generated considerable interest and discussion. The programme was executed using a mix of

electronic and print media, town hall meetings and visits to secondary schools. In the case of Dominica and Saint Lucia live radio sessions were held in English and Creole.

Two significant lessons emerged; namely the critical role and place of enabling legislation particularly the Dispute Resolution Regulations, still not made and published by the Members States, and secondly the need for continuous public education on the role of ECTEL and the NTRCs in the Telecommunications liberalization process.

Annex 1 to this Report provides a summary of the economic highlights of the Telecommunications sector as at 31st March, 2006.

3. LEGAL AND REGULATORY

As indicated in the 2004/05 Report to Council, the Directorate instituted a three phased consultative process. At the first phase, the NTRCs are invited to offer initial comments on all policy documents and draft legislation. At the next level the matter is published for public consultation and finally the NTRCs are given a further opportunity for consultation during the ECTEL/NTRC forum.

In the year under review, the Legal Affairs Department expended considerable time collaborating with the Technical Services Department on issues of Licensing and Convergence. Similarly, the exhaustive procurement process of the World Bank demanded the Department's active participation in the review of contract for various consultancies under the TICT Project and in the execution of the consultancies.

Last year also, the Directorate proposed that, among other matters, a comprehensive review of the Telecommunications Act and Treaty should be undertaken. Although that process was initiated in February, a consultancy contract was only executed in August, due to a range of procedural matters. The consultancy is being undertaken with the first major output due by mid September. It was also proposed that drafting and or redrafting of Regulations would focus on the following five areas. These were:-

- a) Quality of Service
- b) Universal Service Fund

- c) Technical Standards
- d) Interconnection (to include Infrastructure Sharing and Wholesale)
- e) Submarine Cable.

Consideration would also be given to the drafting of a Pro-competition Code. A first draft of the code will be available by late September, 2006.

However, early in the new Financial Year it was determined that a reordering of the priorities was required given the detailed submissions received from the consultation on the Licensing and Authorisation Regulations. As a result, the Directorate completed the revisions of three sets of Regulations.

These are:

- a) Licensing and Authorisation
- b) Spectrum Management
- c) Numbering

The Interconnection Regulations and Wholesale Regulations were also prepared under the TICT Project while the Directorate developed the Quality of Service Regulations, while substantial revision of the draft USF Regulations has been completed.

Other significant tasks included advice to the NTRCs, the Directorate, Board and Council on a broad range of regulatory issues, and the preparation of MOUs on Spectrum equipment and Number Administration. Considerable time was also spent on the revision of licence templates.

In the New Year the focus will be on completion of Regulations for Quality of Service, Public Inspection of NTRC records, Technical Guidelines and Standards, Domain Names and Review of Customer Service agreements.

4. LICENSING AND TECHNICAL SERVICES

The evaluation of applications for Individual Licences continued as a key activity of the Directorate. Six submarine cable system licences were processed, together with six applications for fixed wireless/or fixed using cable networks. Also, seven applications were processed for Internet Networks and Services Licences. Generally all applications satisfied the Evaluation Criteria. In many instances however, this was only achieved after requests for additional information.

The Directorate also completed various annexes which were to be attached to Individual Licences earlier issued. These were:-

- 1) Licensed Services
- 2) Licensed Networks
- 3) Geographical Coverage
- 4) Universal Service Obligations
- 5) Network Build Out
- 6) Quality of Service
- 7) Price Cap Rules

At a review session it was determined that the initial intention to obtain the agreement of the service provider to amend the licence through the inclusion of the annex would be contentious. Therefore, as an alternative, it was proposed that the Geographical Coverage, USO, and Quality of Service Obligations would best be achieved through Regulations. Accordingly, these obligations have been so included in draft regulations following the usual consultative process.

Also, in 2005/06, templates for submarine cable licences were prepared and forwarded to various NTRCs. Other templates on Class licences were also prepared. Notable among these was the ISVR template where consultations continued over a protracted period due to the “call termination” issue raised during the extensive consultative process.

Another major issue receiving considerable attention is **Convergence**. A comprehensive document has been prepared and the Directorate is currently consulting on the matter. It is of particular interest since the current licensing regime requires an operator to apply and obtain separate individual licences for different services, even though a number of these services can be provided by the same network. To facilitate that process a list of questions have been developed to assist the public in focusing on the key issues of

Convergence

The other major area deals with Numbering. The National Numbering Plans which are subsets of the Regional Plan have also been completed. These plans will ensure that the national commissions play a joint role with ECTEL in managing the number resource. The Plans set out the role of the parties and seeks to provide for effective use of the resources. However, there are a few remaining issues which will receive attention in 2006-07. These are: Number Portability, Non-Geographic codes and Electronic Numbering.

5. ADMINISTRATION

Last year, the Board reported on visits to various OECS Member States and Associated States to determine their level of interest in acceding to the ECTEL Treaty. Following the visits, Council was informed that no clear demonstration of interest could be determined, although the Hon Baldwin Spencer, Prime Minister of Antigua and Barbuda, had expressed interest in acceding to the Treaty. At the time, the Directorate reported that that country would pose the greatest challenge given ownership of the fixed line infrastructure by the Government owned APUA.

The Board also noted that the issue of the cost of accession vis-à-vis the Treaty provision for *notification* and *depositing* of an Instrument of Accession with the Director General/OECS had to be determined. The issue has again surfaced with renewed interest being shown by Antigua and Barbuda.

In 2005/06 revenue collections remained robust with collections estimated at \$7.25M against projections of \$7.0M Expenditure was contained with budgetary allocations of

\$6.9M. This was made up of \$3.8M for the ECTEL Directorate and \$3.1M for the NTRCs. However, two service providers have not complied with the conditions of their licence. The Directorate has requested that legal action be instituted in one case while word is awaited from the other on the company's plans for satisfying its licence obligations.

Professional Staff took advantage of the Continuing Professional Development (CPD) Program introduced last year. Again the budgetary allocation proved inadequate to cover the total costs; however, 75% of the professional staff were given the opportunity to present and or attend sessions in Legal-regulatory issues, ICT and Convergence, Spectrum Management, Accounting and Fraud Prevention, Public Relations, Information Technology and ADR and Dispute Resolution. Meanwhile the support staff also received training in Accounting, IS/IT, Advance Software Applications, Documentation Management, Customer Service and Time Management.

Two directors and two senior staff members were facilitated to attend training in Regulatory Policy and Strategy at PURC and in the UWI Masters degree in Regulatory Policy. Also, during the period under review, the Directorate undertook an Organizational Review of the NTRC/Grenada following changes effected at the helm of the Commission's Secretariat. The review covered technical and administrative issues and mapped a way forward. Several follow up activities were also carried out at the request of the Commission. These included the review and comments on a time-based activity plan prepared by the Commission.

6. SPECTRUM MANAGEMENT

The Regional Radio Spectrum Plan completed in 2005 was approved by Council in March 2006 following an exhaustive consultative process. Copies of the Plan were sent to the IUT Radiocommunications Bureau and the ITU Area Office in Barbados.

During the year, the Board approved the training of the Engineer/spectrum Officer for maintenance of the RSMS System. The training was undertaken at TADIRAN after several attempts to identify and recruit a suitably qualified engineer from the Member

States to undertake such maintenance failed. The training took place in two modules, between February 9th and March 15 in Israel, while module 2 was completed in St. Lucia from May 24- 28, 2006.

During the period the Directorate prepared three templates containing broadcast standards for radio and television. The templates addressed the following:

- Broadcast Transmission Systems for Amplitude Modulation (AM) and Frequency Modulation (FM) Radio
- Community Radio Systems for Frequency Modulation (FM) Radio
- Over-the-Air Television Transmission system

The RSMS pilot project started out satisfactorily as the works commenced on the completion of the database. However, a number of software glitches were discovered during this phase leading to a decision to defer the completion of the project pending corrective measures being put in place by Tadiran. The discussions with Tadiran have suggested that some software remedial action will be required after which completion the project can recommence in November of this year.

The ICS training was convened at the Bay Gardens hotel from September 5-8, 2006. The training was designed to provide technical officers from ECTEL and the NTRCs with the knowledge and skills to solve engineering problems encountered while carrying out their routine spectrum management functions at their respective offices.

In so doing participants would become fully conversant with the workings of the IRIS software leading to the performance of the following

1. Be able to predict radio frequency propagation for Microwave and Broadcast systems
2. Conduct interference analysis including intermodulation, Harmonic and Co-channel and Adjacent channel interference
3. Conduct path analysis

4. Determine distance and elevation of terrain for use in radio horizon calculation

The Spectrum Management Department was instrumental in the development of the technical aspects of the Exemption Regulations. The identification of exemptible apparatus, the frequencies associated with their operations and the applicable tolerances to ensure that these apparatus did not contribute to harmful interference were essential components of the regulations which fell under the responsibility of the Department.

7. ECONOMICS AND FINANCE

The main focus of the Directorate in Economics and Finance was work on the *Development of Pro-Competition Policies and Procedures* with Strategic Policy Research, the consultants selected for this component of the TICT project. This entailed a comprehensive review of the Interconnection and Tariff regimes in the ECTEL Member States. The output of this consultancy includes:

- Revised Interconnection Regulation;
- New Wholesale Regulations;
- Cost models to determine the cost of interconnection and other fixed line services and
- A review of the retail tariff regime including the Price Cap Plan.

In 2005/06 the Directorate continued its market intelligence exercise, gathering data on the telecommunication sector, largely from the telecommunication providers and regional regulators. The data will be used to update the socio-economic impact study for formal publication. The data will also be used in the preparation of the 2005/06 Annual Telecommunication Sector Review and a study of the determination of dominance in the retail markets. The Economic and Finance Department also reviewed of Price Cap Compliance Filings submitted by Cable & Wireless as per the Price Cap Plan.

Also, the Directorate reviewed the *Criteria for Evaluation of Individual Licences* and recommended revised *Criteria for Evaluation of Individual Licences*. The most important

recommendation was to include a constraint that an applicant must obtain fifty per cent of the points allotted to the financial evaluation to be successful. It is expected that the revised *Criteria for Evaluation of Individual Licences* will lead to more objective and uniform evaluation of the applications for Individual Licences.

A study was conducted on the feasibility of charging a fee for the use of numbers in the ECTEL Member States. At the conclusion of a public consultation process, a proposed schedule of fees for the use of Central Office Codes and Short Codes in the ECTEL Member States was produced.

Finally, in response to a request from the Council of Ministers the Directorate also prepared a concept paper on *Opportunities in the Telecommunications Sector* in the ECTEL Member States. That Paper has been sent to the OECS and national Investment Promotion agencies.

8. TELECOMMUNICATIONS AND ICT DEVELOPMENT PROJECT

The official launch of the project took place on October 06, 2005 in the Commonwealth of Dominica, at which time a Project Launch/Supervision Mission by the World Bank also took place.

Since the official launch of the TICT Project six consultancies have begun. These consultants have had initial discussions with the ECTEL Directorate and among other things reviewed the current ECTEL legislation, submitted Inception and Progress Reports. Workshops on Consensus Building and Alternative Dispute Resolution (ADR), Universal Service and Broadband applications were held in August 2006. Several workshops have been held which provided the consultants with the opportunity to interact with ECTEL and NTRC officials and to obtain information on experiences to date and future requirements for their respective consultancies. These will guide the outputs of the consultancy.

In February and mid-August 2006, the SPR consultants also delivered seminars on the Pro-competitive model for Interconnection, Call Termination, Regulatory Reporting Requirements and Compliance Filing Requirements Relating to Price-Cap Design.

Some of these seminars were incorporated into the 4th ECTEL-NTRC Forum, and as such, the consultants were able to obtain reactions to their proposals from NTRC Directors/Coordinators, Staff Members and Commissioners as well as staff of the ECTEL Directorate. All consultancies, namely ADR, Universal Service, Pro-competitive policies, Review of Legislation, Broadband applications and the Alternative Communications System are progressing well.

9. INFORMATION SYSTEMS AND INFORMATION TECHNOLOGY

During the 2005-06 period, the IS/IT Unit undertook the following tasks:-

- IS/IT three year Strategic Plan
- Enterprise Network Virus Program Implementation (Installation at the Directorate has been completed).
- Accounting Application Software Upgrade
- Website Redesign
- Inventory of Computer Hardware and Software
- Backup and Recovery procedures for the Directorate including off-site storage of critical data.

All servers except for spectrum are running open-source Operating Systems and applications. Almost all software was compiled and built from the ground up with a few downloads from shareware communities. Presently, there are still a few critical servers to be built and put into production.

The following server is currently being tested:-

- Directory Server (This server when put into production will allow the system administrator to better manage network systems, users and applications).

As part of the Directorate's Alternative Communication System Project, the implementation of a VPN is being explored that will constitute the ECTEL WAN. This project is ongoing.

A significant area for the Unit in the next Work Plan will be in support for the Spectrum Management Information System with on-line billing for frequency use.

10. ECTEL/NTRC/GOVERNMENT AND AGENCY RELATIONS

In keeping with the provisions of the Telecommunications Act of Member States, the NTRCs continue to liaise and consult with ECTEL on all areas of regulatory intervention. The collaboration is most visible in the area of public consultation since the ECTEL Directorate relies on the NTRCs to ensure that the views of service providers, sector interests and the wider public are sought and obtained on all policy matters.

The collaboration and cooperation was made all the more urgent with the implementation of the TICT Project. All consultancies undertaken make provision for on-going discussions with the ECTEL Directorate, NTRCs, Coordinators and Staff in the planning and development of policies and legislation. This translates into various workshops and training sessions and requests for comments as the process unfolds.

Ministries of Telecommunications and Legal Affairs are very important stakeholders and were invited to attend workshops and training sessions while staff in the Office of the Prime Minister and Ministries of Technology also attended sessions conducted by the consultants on ICT and Broadband Application. The NTRC is the designated fees collection agency for ECTEL and this year, all commissions attended and participated in the second Budget Advisory Committee meeting held in August. The Directorate also completed a review of the staffing structure of the NTRCs and prepared a preliminary paper on the Rent, Lease or Buy Option for NTRC premises.

ECTEL/NTRC Cooperation remained strong although on a few occasions meetings had to be convened to further clarify issues arising from advice tendered. This was seen as a

necessary process since NTRCs sometimes wish to consider matters peculiar to a jurisdiction. The Board also continued the practice of inviting NTRCs to present on any major issue during in-country Board meetings. In all cases, the opportunity is taken, except NTRC Saint Lucia which uses other media since the Directorate is based in Saint Lucia.

During June, 2006, the OECS Central Secretariat observed its 25th Anniversary with a series of events in Saint Kitts. The Directorate was invited to participate in these ceremonies. The unfurling of the new flag and the signing of the Declaration of Intent by the OECS Heads of Government on their countries participation in the OECS Economic Union were historic events.

The ECTEL Directorate has also been invited to take the lead role in hosting a Schools Art Competition to commemorate the 25th Anniversary of the signing of the Treaty of Basseterre. The competition is open to all secondary and primary schools and a closing date of 29th October has been set.

Cooperation with the OECS Central Secretariat remains cordial with the staff of the Secretariat attending all Board and Council meetings. The Secretariat also provided advice in facilitating the execution of the TICT Project and has collaborated on the Broadband consultancy. The Directorate also provided support to the OECS with the review of the Broadcast Authority Bill by providing detailed comments on all three drafts.

The Board notes, with appreciation, the very many courtesies extended to the Directorate by the Ministry of Foreign Affairs, Civil Aviation and International Trade in facilitating the recruitment of non-nationals to St. Lucia and the issuance of subsequent work permit waivers. The Board records its very special thanks and appreciation to the Minister of Communications and Works, Public Utilities and Transport (the host Minister) the Permanent Secretary, Chief Public Utilities Officer and Engineering Staff of that Ministry and to the Hon Prime Minister, Permanent Secretary/Finance for the speedy response in

acceding to the request for renovation of the Headquarters building. These renovations are underway.

In 2005/06 also, the Board strengthened its collaboration with the ITU, CTU, World Bank and OOCUR. There was also collaboration with the World Bank/IFC on a Study conducted by French Consulting firm AXIOM for an Alternative Submarine Cable System. The Study concluded that another such system in the Caribbean would be economically viable.

CONCLUSION

The year 2005/06 has been another challenging year particularly with the implementation of the World Bank/Governments funded TICT Project. Many of the projects were “*front loaded*” to consolidate on the gains so far achieved in the liberalization process.

Last year the Directorate increased its media interventions by issuing quarterly releases as well as the publication of **ECTEL NEWS** in January, May and September.

Once again the Board is pleased to report that the ECTEL Regulatory System has been gaining the recognition and respect of regional and international bodies as evidenced by the many invitations to attend regulatory forums and requests for interviews. In the year under review, ECTEL was invited to share its experiences as a multi-island regulatory agency with South Pacific Forum of Economic Ministers in the Solomon Islands.

As in the past, the Board will endeavour to maintain its focus on its Mission “*to create a fully liberalized Telecommunications Environment..... by implementing applicable laws, treaties and agreements through fair, transparent and independent processes*”.

This Report is being submitted in accordance with the provisions of Article 7 (3) of the ECTEL Treaty.

CHAIRMAN OF THE BOARD

Highlights in the Telecom Sector for 2006

- Digicel acquired the operations of Cingular Wireless in the Caribbean, Digicel now has a presence in all five Ectel Member States
- Wireless ventures and UTS-CariGlobe launched their mobile operations in St Kitts and Nevis
- Antilles Crossing landed its submarine cable on St Lucia
- Cable & Wireless launched a flat rate based international voice service using VOIP technology
- Recommendations were made to the Minister of Telecommunications in St Kitts and Nevis for a Fixed Public Telecom licence to be issued to Caribbean Cable Communications and a Submarine Cable licence to Southern Caribbean Fibre subject to their submission of an Environmental Impact Assessment.
- Investment in the telecom sector remained robust with an estimated \$110 million invested across all Member States
- Employment in the telecom sector increased an average 14% over 2005, across all Member States
- The number of fixed line subscribers saw a 1% increase over 2005 following three years of decline. Growth in the number of mobile subscribers slowed somewhat from the highs of 2003/04; number of subscribers increased 12.7% to in excess of 354,000 representing a 76% penetration.
- The number of Internet subscribers grew a modest 7% to just over 33,900, on average 73% of Internet subscribers have broad band access.
- The off peak rates for local fixed to fixed calls decreased 20%, peak rates for fixed to mobile fell 7% and off-peak rates for fixed to mobile less 8% in keeping with the Price Cap Plan
- The rates for call to the US from a fixed line fell by as much as 45% in Grenada and St Lucia to \$0.90. Rates fell 16% to \$1.39 in St Kitts and Nevis, 40% in St

Vincent and the Grenadines to \$0.99 (off peak) and remained unchanged at \$1.65 in Dominica.

- Rates for dial-up Internet access and 256Kbps ADSL Broadband access remained unchanged except in the case of St Kitts and Nevis where subscribers are now offered 512Kbps at \$99 while the rate for 256Kbps ranges from \$129 to \$149 in other Member States.