REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE ECTEL COUNCIL OF MINISTERS

Introduction

This Report covers the period of operation of the Eastern Caribbean Telecommunications Authority (ECTEL) for the financial and programme year October 2009 – September 2010. The administrative and financial operations of ECTEL are guided by the work plan and budget for the period, which were approved by the Board of Directors and Council of Ministers. The regulatory functions of ECTEL are guided by the ECTEL Treaty and the Telecommunications Acts which established the National Telecommunications Regulatory Commissions (NTRCs) in Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines.

In accordance with the Treaty, ECTEL was established to promote open entry, market liberalisation and competition in telecommunications services; implement a harmonised regulatory regime in telecommunications, and create the framework for universal service programmes which would ensure the widest possible access to telecommunications services at affordable rates by the people of the ECTEL Member States. The provision of advice on telecommunications and ICT policy to the countries is also a critical aspect of the work of ECTEL.

In pursuit of these broad goals, ECTEL has facilitated the entry of several new providers of modern telecommunications services during the past decade, leading to the current level of penetration in mobile voice services which has surpassed one hundred per cent. The citizens of the ECTEL Member States have enjoyed the expanded modern telecommunications services and in particular, the access to broadband has grown exponentially during the past five years. Above all, the harmonised polices in relation to pricing of services, the management of the radio frequency spectrum, numbering and interconnection have been implemented in all the ECTEL contracting states.

On an annual basis, ECTEL sets strategic priorities which are designed to guide its work and ensure that obligations under the Treaty are achieved. The operations of the Directorate for the reporting period 2009 – 2010 were guided by the following strategic priorities:

(a)   Increasing revenue from new and established sources

(b)   Capacity building through focused training

(c)   Extending harmonisation mechanisms

(d)   Improving the management of information.

Among the major achievements of the past year were the implementation of the second Price Cap Plan in the ECTEL Member States, the completion of the new draft Electronic Communications Bill, the upgrade of the spectrum monitoring system, and improvements in the collections of spectrum revenue.

During the year, ECTEL also hosted a wide range of activities in observance of the tenth anniversary of the establishment of the regional telecommunications regulator.   The outcome of this extensive programme included conferences and workshops for regional regulators, regional service providers and the youth of the ECTEL Member States, where a range of new and emerging issues in the operations and regulation of the sector were discussed.   ECTEL also held special ceremonies to honour nationals of its Member States for their sterling contributions to telecommunications liberalisation and the establishment of the multi-state telecommunications regulator.

Trends in the Sector

In the year under review, there were several developments in the telecommunications sector, which highlighted the benefits of liberalisation, as well as some of the challenges of this new competitive environment.   The global economic downturn, which started a year earlier, had negative impact on the telecommunications sector, and this was reflected in a reduction in investment and a five per cent drop in revenues.   Investment in the ECTEL Member States fell by 16 per cent to EC$149.6 million.

While there was a small reduction in mobile voice communication revenues, mobile continued to be the engine of the sector.   Consumer prices have not decreased significantly. The following table presents the core indicators of the performance and status of the sector during the reporting period.

Table 1.1: Telecommunications Indicators in the ECTEL Member States

Indicator	Dominica	Grenada	St. Kitts and Nevis	Saint Lucia	St. Vincent and The Grenadines	ECTEL
Fixed Voice and Internet Services						
Value (EC$ in million)	47	77	52	98	62	334
Volume (million minutes)	46.4	318.1	78.8	201.1	89.6	734.2
Fixed Voice Penetration ($)	23.6	25.9	39.9	22.6	22.6	26.9
Internet Penetration (%)	10.1	10.6	24.9	10.9	10.8	13.5
Mobile Voice Services						
Value (EC$)	54	74	68	140	61	397
Volume (million minutes)	104.4	155.6	101.1	236.9	146.8	744.7
Penetration Rate (%)	137	105	148	111	116	124

Source: ECTEL/operators
Includes estimates where ECTEL did not receive data from operators
Traffic volumes include local and international calls

The market for mobile services remains dominated by two main providers, while fixed line voice remained a de facto monopoly in three of the ECTEL Member States. Internet penetration continues to grow with the potential for increased broadband service delivery via both fixed line and mobile devices.

In addition to the negative impact of the global financial and economic crisis, the growth in the telecommunications services sector will be determined by the launch of new technologies and the introduction of converged services with an expanded role for the cable television service providers.

Regulatory

The ECTEL Board approved the new draft Electronic Communications Bill which was prepared by the consultant, following discussions with the NTRCs and other stakeholders, including the staff of the Attorney General's offices in the Member States. The Directorate commenced an extensive awareness and consultation campaign on the draft Bill, which is intended to gather feedback from stakeholders in the Member States.

Among the new regulations which were issued for consultation were the Retail Tariff Regulations and the Amateur Radio Regulations. The Retail Tariff Regulations will expand the options available for the regulation of retail prices of telecommunications services, and also strengthen the powers of the Commission. Two other significant regulatory procedures adopted during the

past year were related to exemptions for the provision of services on aircraft and the licensing of VoIP services.

Licensing

One Individual Licence was granted, to Patwa for the delivery of mobile and Internet services in Saint Lucia. A large number of applications for Individual Licences were reviewed by the Directorate. Efforts have been made to improve the application evaluation process through the development of a more detailed evaluation checklist.

During the year under review, the Directorate addressed several requests for the relinquishing of frequencies which were authorised over the past few years to both Individual and Class Licence holders. This trend is being monitored, as it has implications for spectrum management and ECTEL's revenue base. Other significant activities during the period included the transfer of licences, regularisation of licences and modifications to Frequency Authorisations for broadcasters. The Directorate also provided legal and technical advice to one of the NTRCs which has been attempting to resolve the licence status and a request for rate changes from a cable service provider. The treatment of cable television operators under the existing legislation continues to present challenges to ECTEL and the NTRCs.

Spectrum Management

After extensive research and consultations with the NTRCs, ECTEL obtained a new set of portable spectrum monitoring equipment to replace the system which had become deficient in many respects. As a result, the NTRCs now have the capacity to effectively monitor the use of spectrum in the respective jurisdictions.

One significant achievement of the period has been the development of functional co-operation with the spectrum management authorities responsible for the French departments of Martinique and Guadeloupe. ECTEL participated in discussions with Spectrum Management authorities in Anguilla, French and Dutch St. Martin and the French departments of Martinique and Guadeloupe, on frequency coordination, in an attempt to address issues of interference particularly in broadcasting. A regional workshop sponsored by the French National Frequencies Agency (ANFR), and involving ECTEL and the NTRCs was also held in Martinique in collaboration with the Caribbean Telecommunications Union (CTU).

The Regional Spectrum Plan, which was revised to incorporate the new uses of the lower 700 MHz band, was published for public consultations and is due to come into effect in the New Year.

During the past year, the Directorate resolved a wide range of issues related to the use of the spectrum, which resulted in better management of the spectrum and increased collection of spectrum fees from licence holders. Work has also commenced on the improvement of the mechanisms for the billing of spectrum.

Number Portability

Research work was undertaken by the Legal Affairs and Technical Services Departments on the complex issue of Number Portability during the past year. The issue was a key point of discussion at the ECTEL/NTRC Forum, and a policy document will be published for public consultation during the first quarter of the New Year.

Interconnection and Price Regulations

One of the major achievements during the year was the implementation of the new Price Cap Plan by the NTRCs in the Members States. This was the result of several months of technical work and negotiations involving the staff of the Directorate and international consultants. As a result of the new Plan, the Access Deficit Charge was abolished and fixed-to-mobile rates were reduced on a scale from 20 per cent to 44 per cent. The Plan also paved the way for the introduction of new stringent mechanisms for the collection of price data from the providers.

The Directorate was also engaged considerably during the past year in providing opinions and advice to the NTRCs on the high-volume voice packages offered by the service providers.

TICT Project

The pilot projects that were designed to test components of the draft Regional ICT Policy were implemented in all the ECTEL Member States. At the end of the year all were nearing completion, and the lessons learnt have been shared with national agencies responsible for the development of ICT. The projects addressed, among other issues, the use of portals for the delivery of multi-

media content in teaching in secondary schools, community involvement in ICT-based activities, development of expertise in the use of ICTs in the education sector, and the fostering of technological innovation through the use of programmable robotics kits for students.

The implementation of the Universal Service pilot projects suffered delays due in part to the complexity of the initiative, and the lack of capacity in the ECTEL Member States. At the end of the year, bidding documents were completed for three countries. Bids were subsequently requested for the community access points. Also, at the end of the year, all the NTRCs had appointed administrators for the Universal Service Funds.

Finance

The Directorate extended and intensified its efforts to improve on the collection of revenues from Spectrum fees. This led to an increase in revenue during the past year, mainly as a result of outstanding fees being paid by some service providers. As the demands on the regulatory system to respond to emerging issues increase, operations and administrative costs have also increased, putting a strain on the organisation's financial resources.

Some assessments were undertaken by the Directorate during the past year. Recommendations were submitted to the Board, which included an examination of the pressure on the revenues associated with the general unfavourable global economic climate. The Directorate also made recommendations to the Board on new sources of revenue to meet the increasing cost of regulation.

In keeping with general policy, and guided by the Board, the Directorate continued upgrading of the spectrum monitoring systems which are critical for sustaining the revenue base of ECTEL.

Governance and Administration

The ECTEL Board of Directors convened four regular and two special meetings during the year to provide management oversight for the Directorate. The Council, which provides general policy direction through its decisions, met twice for the year, and also welcomed two new members - Hon. Ambrose George of the Commonwealth of Dominica and Hon. Glen Philip of St. Kitts and Nevis. The Council of Ministers also paid tribute to their former

colleagues, Hon. Reginald Austrie (Dominica), and Hon. Sam Condor (St. Kitts and Nevis).

ECTEL continued the implementation of mechanisms aimed at strengthening harmonisation of practices and decisions at the NTRCs. This included the introduction of new measures in financial management and reporting, and increased dialogue with the NTRCs on licensing and price regulation matters.

A considerable volume of work was completed on the re-organisation of the administrative records and technical documents at the Directorate. While the physical conditions for storage and retrieval have been upgraded, the application of ICTs in the development of databases and in the management of the records have only just commenced and forms an integral part of the work plan for the coming year. The targets set by the Directorate in this area of administrative work were not accomplished.

In collaboration with the host government, Saint Lucia, extensive maintenance and upgrading works were undertaken at the Directorate. These included the installation of new flooring and ceiling materials, which have contributed to the enhancement of the environmental conditions. The security of the premises was upgraded following the fencing of the compound. Another phase of building upgrades designed to further improve environmental conditions at the offices is scheduled to be undertaken in the New Year.

Training and Capacity Building

Five members of the regulatory team, including staff of the NTRCs and a Director of ECTEL, participated in the regular training in Utility Regulation at the Public Utility Research Centre of the University of Florida. This programme improves the understanding of the fundamental principles of utility regulation and is a valuable network for sharing experiences with other regulators from several other jurisdictions. Other training programmes undertaken by the staff of ECTEL and the NTRCs were the Peachtree Accounting applications, Performance Review Management, and Auditing and Financial Review of Regulated Utilities.

ECTEL 10th Anniversary Activities

A year long programme to mark the 10th anniversary of the establishment of ECTEL was implemented during the year. The main objectives of the

programme of activities were to honour nationals of the Member States for their contributions to liberalisation and the establishment of ECTEL, and to provide platforms for the discussion of current and emerging issues in telecommunications and ICT regulation.

The ECTEL Board of Directors approved the nominations for awards to 35 individuals. The list included current and former Prime Ministers, current and former Members of the ECTEL Board of Directors and Council of Ministers, and Commissioners and staff of ECTEL and the NTRCs. The awards were presented at formal ceremonies in the Member States.

The fora which were held to discuss telecommunications and ICT regulatory issues were:

Regional Forum for Service Providers	Grenada, May 2010
Regional Forum for Telecommunications and ICT Regulators	Saint Lucia, June 2010
ICT Youth Symposium	St. Vincent and the Grenadines, August 2010
ICT Youth Symposium	St. Kitts September 7th 2010
ICT Youth Symposium	Nevis September 7th 2010
ECTEL/NTRC Forum	St. Kitts and Nevis September 8th and 9th 2010

The fora highlighted the benefits of the regional approach to telecommunications regulation in the region, and participants also recommended the need for the implementation of performance standards by regional regulators including ECTEL and the NTRCs. The youth symposia focussed on the development potential of ICTs in education and business, and some of the challenges of regulating the new ICT service providers.

The awards ceremony and symposium for Dominica is scheduled for the first quarter of the new financial and programme year.

During the tenth anniversary year, the volume of news releases and media coverage on the work of ECTEL increased fourfold. Special interviews produced with Members of Council, Board and the Commissions were broadcast throughout the Member States. A tenth anniversary magazine was also published. The documentary to highlight the birth and growth of ECTEL will be released during the first quarter of the New Year.

Regional Collaboration

The participation of ECTEL in regional initiatives is designed to increase the capacity of the Directorate to regulate, as well as provide expertise in areas that will lead to benefits for the Member States in particular, and the region in general. The main regional collaboration initiatives were:

HIPCAR – ECTEL served on the Steering Committee for the HIPCAR Project. ECTEL staff and NTRC Commissioners also participated in working groups charged with the development of draft policies and regulations on telecommunications and ICT legislation.

OOCUR – ECTEL and NTRC staff members presented papers at the Seventh Annual OOCUR Conference which was held in Tobago in November 2009. The themes of the presentations by the ECTEL and NTRC staff ranged from Managing Frequency Interference and Services Provision in a Converged Environment, to proposals for the regulation of high volume voice packages. ECTEL is also represented on the Executive Committee of OOCUR.

CTU – The CTU Road Show, which was held in Saint Lucia, received administrative and technical support from ECTEL. The Road Show coincided with the Regulators Forum which formed part of the 10th anniversary activities of ECTEL. The ECTEL Board Chairman participated in the Caribbean Ministerial Strategic Seminar in Washington, which was organised by the CTU.

CKLN – ECTEL is represented on the Board of Directors and the Technical Advisory Committee of the Caribbean Knowledge Network Learning Agency.

ITU – Pursuant to a decision of the Board and Council to provide support to Haiti following the earthquake of 12th January 2010, ECTEL has been working with the ITU Regional Office of the Caribbean on the development of new regulatory frameworks for the management of the telecommunications and ICT sector in Haiti.

OECS Secretariat – ECTEL provided technical support on the implementation of the EGRIP project in the areas of policy advice, procurement and review of documentation. ECTEL provided guidance to consultants who were engaged to prepare the frameworks for the establishment of a regional regulatory system for the electricity sector. Additionally, the staff of the Directorate provided technical advice to the Secretariat and related institutions in the areas of services negotiations, economic impact of the telecommunications sector and civil aviation.

Priorities for the Year 2010 – 2011

The ECTEL Directorate and the NTRCs continue to face a wide range of issues related to licensing, some of which can only be addressed thoroughly with new legislation and the expansion of the mandate of the regulator. In addition, a wide range of competition-related matters which have negative impacts on consumer prices have emerged during the past few years, and there is need for detailed research to fully understand the implications for the jurisdiction.

The rapid and radical developments in the telecommunications and ICT sector in the past decade is manifest in converged services, and in particular, the new role for traditional cable television providers in the delivery of voice telephony and internet services. Telecommunications service providers on the other hand have been employing new strategies in relation to pricing of services to ensure they maintain a competitive edge in market.

It is imperative that new legislation is the most sustainable option to address these issues. In this regard, the new draft Electronic Communications Bill will expand the regulatory ambit of ECTEL and the NTRCs as well as create the need for additional technical and administrative expertise.

A renewed mandate and new regulatory priorities require new and increased capacities at the Directorate and the NTRCs. It is therefore necessary for the administrative and operational structures to be reviewed in order to meet these challenges.

Against the background of some of the major challenges and progress made on both administrative and regulatory matters, the Directorate set the following as key organizational and regulatory priorities for the coming year: -

1. *Legislative and Regulatory Reform.* The goal of the Directorate is to facilitate extensive promotion of and consultation on the new draft Electronic Communications Bill. These regional and national level discussions will present the platform for critical inputs into a draft Bill which will, upon the necessary approvals, be submitted to the ECTEL Member States for promulgation. The new draft includes provisions to address issues related to the management of competition, streamlining of licensing and interconnection procedures, and funding and corporate status of the NTRCs and their overall administrative and legal relationship with ECTEL.

2. *Universal Service.* The establishment of structures and mechanisms at ECTEL to provide guidance to the NTRCs in the management of the Universal Service Funds. In addition, the Directorate will focus on the implementation of the Universal Service Pilot Projects as a tool for capacity building within the NTRCs.

3. *Number Portability.* The Directorate will engage in public consultation on the issue, and set a clear path of the way forward for the regulatory treatment of number portability.

The strategic organisational priorities for the New Year are:-

1. *Review and re-organisation of the corporate and administrative structures of the ECTEL Directorate.* The legislative review process and the changes in the telecommunications and ICT sector in the past decade call for a Directorate with the capacity for effective response. The major strategic review of ECTEL is designed to develop a relevant framework for ECTEL for the next decade.

2. *Information Management.* The continuation of implementation of a system for the retrieval and exchange of information on all aspects of the work of ECTEL. Special focus will be on the continued development and automation of databases and meta databases.

3. *Revenue Generation.* The increase in the revenue base of ECTEL from established and new sources of revenue. The Financial, Legal and Technical teams of the Directorate will collaborate to implement the necessary recommendations to achieve this goal.

4. *Expanding Harmonisation Mechanisms.* Greater levels of implementa-tion of ECTEL advice and recommendations. This would include the rigorous implementation of pre-consultation with the NTRCs in the development of regulations, policies and procedures.

The time lines related to specific outputs in pursuance of both the regulatory and organisational strategic priorities are outlined in the Work Plan.

Conclusions

The operations of the ECTEL Directorate during the past year was characterised by increased engagement with the NTRCs in an attempt to resolve a wide range of matters relating to licensing and pricing of telecommunications services. The completion of the second Price Cap Plan highlighted the dynamic nature of the regulation of the sector, while also illustrating that the people of the ECTEL Member States continue to reap the gains of liberalisation. ECTEL achieved a large volume of the major targets in relation to spectrum management, pricing and financial management, while continuing to actively participate in a number of regional initiatives which result in capacity building.

The implementation of the tenth anniversary programme of activities presented the platforms for valuable exchange of information on ICT, regulatory and developmental issues, and the resulting recommendations will have implications for ICT and Telecommunications policy and the operations of the regulatory system.

In spite of all the challenges and the shortcomings noted in the Report, the ECTEL model of regulation for the sector remains a sustainable and desirable approach for small Caribbean countries.