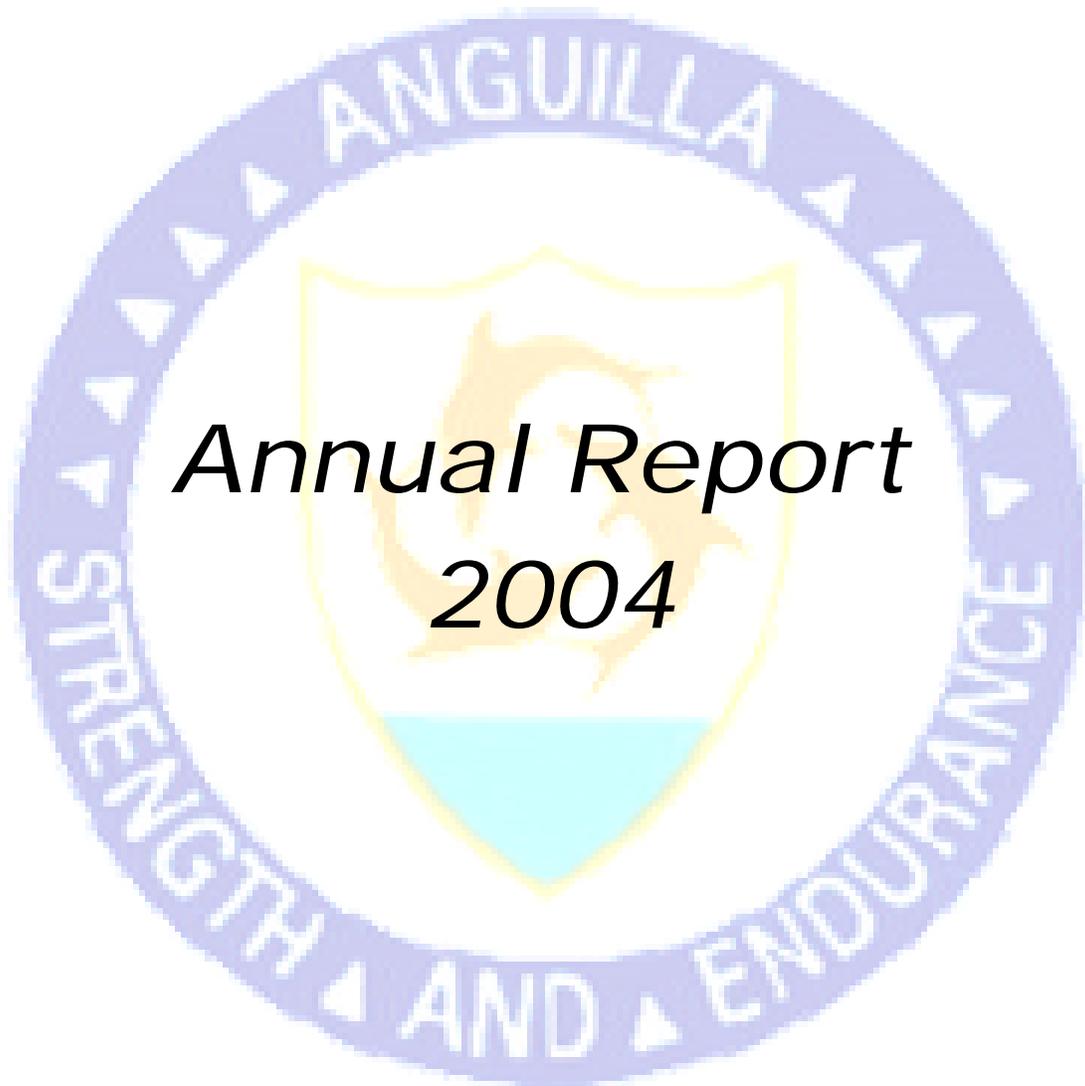


Public Utilities Commission



Annual Report
2004

ANGUILLA

Public Utilities Commission

Fair Play Commercial Complex, P.O. Box 1400, The Valley, Anguilla, B.W.I.
Telephone (264) 497 7374 Fax (264) 497 2782

15 December 2005

Re: Public Utilities Commission 2004 Annual Report

The Annual Report of the Commission for 2004 is hereby approved and submitted pursuant to Section 19 of the Public Utilities Commission Act (2003).


William Withers
Executive Chairman


Marilyn Bartlett-Richardson
Vice Chairman


Leroy Martinez
Secretary

Tables of Contents

1.	Introduction	2
2.	License Applications in 2004	4
2.1	Weblinks	4
2.2	Wireless Ventures Anguilla Limited.....	5
2.3	Cable and Wireless.....	5
2.4	Caribbean Cable Communications	6
3.0	Other Applications	6
3.1	Foreign Commerce Bank Limited	6
3.1	Connexion by Boeing.....	6
3.3	Application (8 September) for certain price adjustments – Cable & Wireless ...	7
3.4	Complaint (8 July) of unauthorised service filed by Cable & Wireless	8
3.5	Complaint (6 December) of unauthorised service filed by Cable & Wireless....	8
3.6	Weblinks petition (19 November) – Interconnection with Cable & Wireless	9
4.0	Other Activities.....	9
4.1	Frequency Coordination with France (St. Martin) and Dutch Antilles (St. Maarten)	9
4.2	Price Cap Proceeding	10
4.3	Frequency and Numbering Plans	11
5.0	Financial Report – 2004	11
6.0	Future Challenges and Opportunities.....	12
6.1	Human Resource Development.....	12
6.2	Universal and Affordable access to the Internet.....	12
6.4	Future expansion of regulatory role	13
	Attachment I - 2004 Audited Financial Report.....	

1. Introduction

The Public Utilities Commission was established to license and regulate public utilities and telecommunications in Anguilla. The Commission is a corporate body and came into effect with the enactment of the Public Utilities Act (2003) on 7 April 2004.

The Commission consists of three members appointed by the Governor-in-Council pursuant to s3 of the PUC Act (2003). On 4 May 2004, the following persons were appointed to the Commission: Mr. William Withers as Executive Chairman and Executive Director; Ms. Marilyn Bartlett-Richardson as a member and the Deputy Chairman; and Mr. Leroy Martinez as a member. The Commission convened their initial meeting on 21 May 2004

In order to inform the public of the overall schedule for market liberalization in Anguilla, the Commission issued the following press release on 3 June 2004:

‘Liberalisation of the Telecommunications Sector’

The Public Utilities Commission announced today that the new licence for Cable and Wireless is ready for issuance pursuant to the agreement dated 11 April 2003 between the Government of Anguilla and Cable and Wireless (West Indies) Limited (C&W).

The announcement that the new C&W licence is ready to be issued is an important step in the process for liberalizing the telecommunications sector in Anguilla. The next phase of the process is the commencement of Phase 2 on 19 July 2004 at which time two new licencees, Weblinks and AT&T, will be authorized to commence offering services using fixed and mobile facilities-based wireless telecommunication services.

During Phase 2 of the liberalization process the following telecommunications may be provided in accordance with the Telecommunications Act: resold domestic and/or international telecommunications services of Cable & Wireless, domestic facilities-based fixed and mobile telecommunications services and international telecommunications (including public voice) services that use the international public telecommunications network of Cable and Wireless. In addition, the following telecommunications networks may be operated: domestic facilities-based fixed and mobile telecommunications networks.

Phase 3 of the liberalization process will commence on 19 January 2005. With the commencement of Phase 3, any domestic and international public telecommunications networks and public telecommunications services may be operated and provided in Anguilla in accordance with the Telecommunications Act.’

The Commission is responsible for the administration of the Telecommunications Act (2003). The Act was passed by the House of Assembly on 27 May 2003 and came into effect on 10 June 2003. The Commission's obligations are set out in Section 3 of the Telecommunications Act and are as follows:

'Functions of the Commission

3. *Subject to the provisions of this Act, the Commission shall—*

- (a) advise the Minister on positions and policies relating to telecommunications issues at international, regional and national levels;*
- (b) establish or monitor the implementation of national telecommunications standards and ensure compliance therewith;*
- (c) implement and enforce the provisions of this Act, the regulations and the Telecommunications Code;*
- (d) be responsible, where required, for the economic regulation of licensees and authorisation holders and for ensuring fair competition among licensees and all other operators of telecommunications networks or providers of telecommunications services;*
- (e) classify types of services as public telecommunications services, closed user group services, private telecommunications services, value added services, broadcasting services, or any other services;*
- (f) determine applications for licences, special licences and frequency authorisations for any of the purposes specified in this Act and shall monitor, enforce and ensure effective compliance therewith;*
- (g) determine which telecommunications services should be provided, pursuant to section 19, throughout Anguilla and establish and monitor the funding mechanisms therefor;*
- (h) collect all fees and any other charges payable to the Commission under this Act;*
- (i) investigate and resolve any dispute relating to interconnection or to the sharing of facilities or utility installations or any other matters arising under this Act, as provided in Part 5 of the Public Utilities Commission Act, 2003;*
- (j) investigate and resolve all complaints of harmful interference made to the Commission or of which it has knowledge;*
- (k) investigate complaints by users of their failure to obtain redress from providers of public telecommunications services and, where it deems appropriate, operators of telecommunications networks or other providers of telecommunications services, in respect of rates, billings and services provided generally and to facilitate relief where necessary;*

- (l) carry out, on its own initiative or at the request of any person, investigations in relation to the conduct of a person as will enable it to determine whether and to what extent any person is engaging in conduct in contravention of this Act;*
- (m) establish quality of service indicators, reporting requirements for operators and service providers and otherwise monitor and protect the interests of users of telecommunications services;*
- (n) certify and ensuring the testing of telecommunications equipment for compliance with—*
 - (i) international standards; and*
 - (ii) environmental health and safety standards, including electromagnetic radiation and emissions;*
- (o) ensure the systematic development of telecommunications throughout Anguilla;*
- (p) issue such guidelines and standards as it deems necessary, from time to time, in the form of and which shall constitute the Telecommunications Code;*
- (q) obtain such information from persons as is needed to carry out any of its functions; and*
- (r) prepare draft regulations, in accordance with section 51, and the Telecommunications Code to give effect to its functions specified in paragraphs (a) to (q).'*

This annual report from the Commission is prepared pursuant to Section 19 of the PUC Act (2003). The following sections of the report provide an overview of the Commission's activities during 2004, including the financial results in Section 5. Funding of the Commission's activities consists of an industry levy established annually and the process of determining and assessing the levy is described in Section 21 of the PUC Act (2003).

2. License Applications in 2004

2.1 Weblinks

A license was granted to Weblinks Limited on 10 September 2004 as a result of their application of 28 July 2004 and the company being declared the successful applicant in the Government of Anguilla's tender process for mobile frequencies in the 1800 band. The initial tender and award was for 10 Mhz of spectrum in the 1800 band, however, Weblinks application of 28 July 2004 requested that they be granted only 5MHz in the 1800 band and this request was granted as per Executive Council decision of 2 September 2004. In addition, Weblinks applied for and was granted 10Mhz in the 1900 band as well as a number of radio frequencies for point to point and point to multipoint applications.

The company also applied 5 MHz of spectrum in the 900 band, however, these frequency authorizations were not granted due to the need to re-allocate certain assignments in the upper section of the 850 band in order to clear the lower segment of the 900 band for additional assignments.

On receipt of their license, Weblinks sought interconnection from Cable & Wireless and received a reference interconnection offer dated 14 October 2004. On 19 November 2004, Weblinks filed a petition with the Commission pursuant to Section 6 of the Telecommunications Code (Disputes involving interconnection). Further details on this proceeding are contained in Section 3.6 of this report.

2.2 Wireless Ventures Anguilla Limited

A license was granted to Wireless Ventures Anguilla Limited (WVAL) on 5 November 2004 as a result of their application of 23 August 2004 and the company being declared the successful applicant in the Government of Anguilla's tender process for mobile frequencies in the 1900 band. The initial tender and award was for 5 Mhz of spectrum in the 1900 band, however, the company applied for and was granted an additional 5 Mhz in the 1900 band and therefore was authorized to use a total of 10Mhz in the 1900 band.

The company also applied 5 MHz of spectrum in the 900 band, however, these frequency authorizations were not granted due to the need to re-allocate certain assignments in the upper section of the 850 band in order to clear the lower segment of the 900 band for additional assignments.

The initial majority owner of WVAL was AT&T, however, they sold their majority interest in the company to Cingular in August 2004.

2.3 Cable and Wireless

Cable & Wireless (C&W) was the incumbent operator and until market liberalization commenced in 2004 the company had monopoly rights in the telecommunications market. Pursuant to the agreement of 11 April 2003 between the Government of Anguilla and Cable and Wireless (West Indies) Limited (C&W) the Commission announced on 3 June 2004 that C&W's new license was ready to be issued and provided a draft copy of the license to C&W. In reply, C&W applied to the Commission on 30 June for a new license and requested that the Commission issue the new license by 19 July 2004.

In reviewing the license filed by C&W, the Commission found the license incomplete and advised C&W of the shortcomings by way of letter dated 21 July 2004. In particular, the requirements in Annex C (Universal Service) and Annex D (Quality of Service Obligations) were not complete. In addition, certain frequency authorizations in the 5 Ghz band and in the 850 band needed to be amended in the new license to reflect the correct assignments in these bands. Discussions and negotiations on these matters continued through September and October 2004. On 26 November the Commission forwarded a revised draft license to C&W and the license was issued on 14 December 2004.

2.4 Caribbean Cable Communications

The company filed an application with the Commission on 26 November 2004 for a license to operate a fixed public telecommunications network and provide certain public telecommunications services. The Commission granted a license to the company on 14 December 2004. In addition, the company filed and was granted authorization to operate a radio system between Anguilla and St. Martin for the purpose of providing certain international services. This latter authorization was granted following coordination with regulatory authorities in France; namely, the ‘*L’Agence Nationale des Frequences*’ (AFTN).

3.0 Other Applications

3.1 Foreign Commerce Bank Limited

An application dated 2 June 2004 was filed for frequency authorizations to operate a VSAT satellite data link between the bank’s office in Anguilla and their parent company office in Guatemala.

The Commission considered the application and granted the frequency authorization at their meeting of 9 July 2004. The approval granted was for the non-exclusive use of transmit frequencies from 5.85 to 6.425 GHz and receive frequencies from 3.625 to 4.2 GHz employing the SatMex V C Band satellite.

3.1 Connexion by Boeing

An application from Connexion by Boeing was filed with the Commission by letter dated 10 September 2004. The application was for a frequency authorization to operate an aeronautical mobile satellite service in the 14-14.5 GHz band for the purpose of providing a broadband Internet Service on a periodic basis within Anguilla’s airspace. Sections 9(1) and 12 of the Telecommunications Act set out the Commissions’ authority in such matters and read as follows:

“Requirement for a frequency authorisation

9. (1) No person shall use the spectrum without a frequency authorisation granted by the Commission.

Authorisation to operate in territorial waters or airspace

12. Notwithstanding section 9(1), a ship or aircraft being a ship or aircraft not registered in Anguilla while operating in the territorial waters or airspace of

Anguilla, is not required to have authorisation from the Commission for any radiocommunication service as long as, and to the extent that, the service is operated under a valid authority or frequency authorisation issued elsewhere than in Anguilla in accordance with international agreements relating to radiocommunication in respect of ships or aircraft.”

In the process of reviewing the Boeing application, the Commission requested certain clarifications from the applicant with respect to the conditions set out in Section 12 of the Act, in particular, whether the company had received a valid authority or frequency authorisation from another jurisdiction in accordance with international agreements related to radiocommunication in respect of aircraft operating in the airspace of Anguilla. The applicant, in a letter to the Commission dated 1 December 2004, provided the information requested.¹

3.3 Application (8 September) for certain price adjustments – Cable & Wireless

An application for certain price increases was filed with the Commission by way of a letter from Cable & Wireless dated 8 September 2004. The application was filed pursuant to Schedule 2 (Transitional Rate Rebalancing) of the Agreement between the Government of Anguilla and Cable & Wireless dated 10 April 2003.

The proposed price increases were as follows:

Service	Present Price (\$EC)	Proposed Price (\$EC)	Proposed % Increase
1. Business – Monthly Fixed Access	87.00	90.00	3.45 %
2. Residence – Monthly Fixed Access	42.00	44.00	4.76 %

Following a preliminary review of the evidence filed in support of the application, the Commission requested in a letter dated 5 October 2004 that further information be filed by the applicant in support of the requested price increases.

The applicant filed replies to some of the Commission’s interrogatories on 5 November 2004. In response to certain information requests from the Commission, the applicant

¹ The Commission gave further consideration to the Boeing application at their meeting of 17 February, 2005 and advised the company by way of letter dated 28 February, 2005 that pursuant to Section 12 of the Act and their confirmation that a valid authorization had been obtained by the Federal Communications Commission of the United States in accordance with international agreements, that company was permitted to operate the service described in their application within the airspace of Anguilla.

submitted that the information requested was irrelevant to the current proceeding and did not provide a response.

As of the end of 2004, the application remained before the Commission.

3.4 Complaint (8 July) of unauthorised service filed by Cable & Wireless

A complaint was filed with the Commission on 8 July by Cable & Wireless. The complaint related to the matter of the provision of an unauthorized service being provided by the licensed mobile company, Weblinks. The allegation was that Weblinks was providing international switch voice service prior to the commencement of Phase 3 of the liberalization plan. Phase 3 of the liberalization plan was scheduled to commence on 19 January 2004.

Weblinks replied to the allegation by way of a letter to the Commission dated 28 July 2004. In their reply, Weblinks disputed the claim by Cable & Wireless and submitting that any activities undertaken by the company were for the purpose of testing their network in preparation for the official launch of their service and for the provision of 'closed user group' services..

Cable & Wireless filed a response dated 25 August to Weblinks' submission of 28 July 2004. C&W disputes the claims made by Weblinks that the services being offered are only 'closed user group' services but instead are public telecommunications services.

The Commission considered the matter at their meeting of 2 September and concluded, based on the evidence filed by the complainant and collected by the Commission, the complaint was unsubstantiated and it was dismissed. A notice of the Commission's decision was published in the Official Gazette, Volume 31, No. 20, dated 14 September 2004.

3.5 Complaint (6 December) of unauthorised service filed by Cable & Wireless

A complaint filed by Cable & Wireless by letter dated 6 December 2004 alleged that the mobile company, Weblinks, was providing an unauthorised (check C&W letter) service contrary to the Telecommunications Act (2003). The complainant submitted evidence to support the allegation. As with the previous complaint, the Commission is obliged under Part 4 (Section 17) of the Telecommunications Code to investigate such complaints.

The Commission requested Weblinks to reply to the complaint on or before 6 January 2005.²

² In a letter dated 6 January 2005, Weblinks requested an extension of the time period for filing a response. The commission granted an extension for the filing of a response to 17 March 2005.

3.6 Weblinks petition (19 November) – Interconnection with Cable & Wireless

A petition filed by Weblinks dated 19 November 2004 pursuant to Section 6 of the Code, requested the Commission to investigate and resolve a dispute arising from the negotiations between Weblinks and Cable & Wireless (C&W) for network interconnection.

The process to be followed by the Commission in addressing disputes related to interconnection is set out in the 'Interconnection and Access to Facilities Regulations, 2004' (Part 4, Section 10) and in the 'Telecommunications Code, 2004' (Section 6, Disputes Regarding Interconnection).

The Commission issued a decision (Telecom Decision PUC 2004-101) on 15 December 2004. On 20 December, Cable & Wireless applied to the Eastern Caribbean Supreme Court, High Court of Justice, Anguilla Circuit (Civil Division) for leave to apply for a Judicial review of Telecom Decision PUC 2004-101. The court subsequently granted a Stay of Decision 2004-101.³

4.0 Other Activities

4.1 Frequency Coordination with France (St. Martin) and Dutch Antilles (St. Maarten)

A frequency coordination meeting was held 7-10 June 2004 in St. Maarten. The meeting was attended by representatives from the following Administrations and Regulatory organizations:

- Autorite Regulation des Telecommunications (ART), France
- L'Agency National des Frequences (ANFR), France
- Ministry of Infrastructure, Communication and Utilities (MICU), Anguilla
- Public Utilities Commission (PUC), Anguilla
- Bureau Telecommunicatie en Post (BTP), Dutch Antilles

The purpose of the meeting was to develop a framework for frequency coordination for the 800/900/1800/1900/2100 MHz frequency bands that are assigned for mobile communication services. For coordination purposes, in addition to the islands of St. Maartin/St. Martin and Anguilla, the area of Dutch St. Maartin includes the islands of Saba and St. Eustatius and the area of French St. Martin includes the island of St. Barth.

A draft report produced by the consultant retained by the Bureau Telecommunicatie en Post (BTP), Dutch Antilles presented some eleven recommendations for the purpose of preparing a framework for frequency coordination. The report also identified a number of interference issues related to several of the mobile bands and recommended that certain antenna re-configurations be undertaken to reduce the signal levels in adjacent territories.

³ The Eastern Caribbean Supreme Court, High Court of Justice, Anguilla Circuit (Civil), on 31 May 2005, ordered that the stay be set aside except for paragraph 47 (granting Weblinks the right to co-locate in C&W's central office).

The BTP provided assistance to Anguilla in conducting a survey of signal strengths in different locations in Anguilla from mobile operators licensed in St. Maarten and St. Martin.

The measurements in Anguilla were performed employing a Grayson Wireless testset including several scanning receivers to measure the 900/1800 and 1900 MHz bands and a tri-band Motorola Timeport GSM mobile to measure the GSM networks. All tests were conducted on 12 June 2004.

Signals from a number of the mobile operators licensed in St. Martin were detected at signal levels in the order of -70dBm. The most coverage is by Orange which covers most of the south coast and in the main tourist hotel sector on the western portion of the main island of Anguilla. In addition to the Orange signals, from St. Martin, useable signal levels were also available from Bouygues and Dauphin mobile companies both of which are licensed in St. Martin. In addition, TelCell of St. Maarten also provides considerable coverage in Anguilla.

A copy of the June 2004 report on the Anguilla measurements was provided to the Dutch and French Administrations⁴. The key matter to be resolved in the 'Coordination Agreement' is the 'agreed' signal levels within a territory from operators in adjacent territories.

4.2 Price Cap Proceeding

As specified in the 'Agreement' dated 10 April 2002 between the Government of Anguilla and Cable & Wireless, in particular Schedule 4 of the Agreement, an 'incentive based price regulation scheme is to be developed and applied for the purpose of regulating those C&W prices subject to price regulation by the Commission. In June 2004, a public notice invited comments from interested parties on a price consultation paper and on a draft price regulation issued by the Governor in Council. Comments were received from Cable & Wireless. The Telecommunications Pricing Regulations (2004) were enacted on 17 August by the Governor in Council under Section 51 of the Telecommunications Act (2003).

The net phase of the price cap proceeding involves determinations in terms of the structure of the price baskets and the quantification of the variables in the price cap formula. In addition, the 'going-in' price levels will be subject to review and consideration. These latter activities are expected to be conducted during 2005.

⁴ Further tests were conducted by Nortel in February 2005 and a report forwarded to the AFTN as signal levels in Anguilla in the 850 and lower 900 bands from St. Martin Mobile (ECC) were sufficiently high as to prevent the re-location of Cable & Wireless from the B to the A segment of the 850 Band. In addition, a second coordination meeting was hosted by Anguilla from 14 to 18 March 2005 and a working draft agreement was developed (Agreement Between The Administrations Of Anguilla, France And The Netherland Antilles Concerning The Spectrum Coordination Of Land Mobile Radiocommunication Networks In The Frequency Range 820 Mhz To 2170 Mhz).

4.3 Frequency and Numbering Plans

The Minister of Infrastructure Communications and Utilities approved an 'Interim Frequency Plan' for Anguilla in September 2004. The interim frequency plan was developed for the 850, 900, 1800, 1900 and 2000 MHz bands. The plan was developed to be consistent with the draft recommendations in the '*Tripartite coordination proposal*⁵' dated June 11, 2004.

An Interim numbering plan was also approved by the Minister. The interim plan, dated 3 December 2004, provides the current assignments of central office codes for currently licensed operators, including the two new mobile operators, Weblinks and Cingular. The interim plan also identifies the numbering resources to be administered by the Commission.

5.0 Financial Report – 2004

The financial and other reporting provisions for the Commission are set out in the Public Utilities Act (2003), Part 3, Sections 14 to 22 - see below:

“PART 3

FINANCIAL AND REPORTING PROVISION APPLICABLE TO COMMISSION

- 14. Funds and resources of the Commission*
- 15. Borrowing powers*
- 16. Financial year*
- 17. Budget and annual work plan*
- 18. Accounts and audit*
- 19. Annual report*
- 20. Taxation*
- 21. Levy payable to the Commission*
- 22. Appropriation of funds by House of Assembly”*

However, as 2004 was the initial year for the Commission and only a partial financial year, the full budgetary process as outlined in Part 3, Section 17, was not applicable. As a transitional arrangement, the Commission's activities from April to December 2004 were funded by the Government. As a result, the funds advanced to the Commission during this period are considered a loan from the Government. This 'loan' for 2004 operating costs will be reflected in the Commission's 2006 budget and be levied on operators by way of the 2006 levy regulation and recovered in the related license fees. Once the required funds are recovered, the Commission will repay the loan from the Government.

This report relates to the requirement in Section 19 (Annual Report) that the Commission submit an annual report. Section 19 reads as follows:

⁵Proposal Frequency Coordination GSM/UMTS St Maarten/St Martin, [Dutch Antilles] Bureau Telecommunicatie en Post, Draft working version June 11th 2004.

‘Annual report

19. (1) Within three months of the completion of the audit of the Commission's accounts, the Commission shall submit to the Governor-in-Council—

(a) a copy of its audited accounts; and

(b) a written report of its operations and activities for that financial year (the annual report) together with a copy of the audited financial statements.

(2) The annual report shall contain such matters as the Governor-in-Council may prescribe’.

The audited financial results for year 2004 are presented in Attachment A.

6.0 Future Challenges and Opportunities

6.1 Human Resource Development

The recruitment and development of human resources to provide the Commission with sound expert advice on technical, economic and financial matters in order to permit the Commission to fulfill its mandate in an effective and efficient manner is a key priority during the initial years of the Commission’s tenure.

A considerable amount of the financial resources of the Commission will be directed to these tasks during the next several years. During this initial period any required expertise will be retained on a contractual basis in order to provide sound advice and also to provide on-going training to Commission staff. In addition, the Commission will retain Anguilla-based university-level Summer students to augment some of their research and analytical undertakings. The objective of this latter activity is to provide Summer internships to Anguillan university students in their field of study and also to evaluate potential permanent staff for the Commission.

6.2 Universal and Affordable access to the Internet

The main challenge in the telecommunications sector is the provision of universal access to information, in particular, via the Internet. An important element of this challenge is the price of such access as well as the quality in terms of speed and reliability. There is an increasingly direct relationship between overall economic development and an economy’s information infrastructure.

In order to fully participate in the information economy, one of the key challenges for island nations is access to reasonably priced international telecommunications capacity. While in Anguilla the international telecommunications sector has been fully liberalized since 19 January 2005, prices for high speed capacity remain high and the reliance on a single submarine cable raises reliability and economic pricing issues. In turn, retail prices

for high-speed internet remains substantially above those in larger developed economies. With a more diversified supply, reliability and prices will improve.

6.3 Future expansion of regulatory role

The Commission's current focus is on the telecommunications sector. However, Section 7 of the PUC Act provides for a broader mandate, in particular sub-section 7(3)(a) which reads as follows:

“(3) Subject to subsection (1), the Commission has the following general functions—

- (a) to secure, as far as it is economical to meet them, that all reasonable demands in Anguilla for electricity, telecommunications and piped water are met;”

The intention is to expand the Commission's jurisdiction to the electric and water sectors in the future. Any such expansion is subject to Government policy and related legislative initiatives.

APPENDIX I

PUBLIC UTILITIES COMMISSION

ANGUILLA

FINANCIAL STATEMENTS

FOR THE YEAR ENDING

31 DECEMBER 2004



PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2004

CONTENTS

ITEM	PAGES
Audit Report and Opinion	(i) - (ii)
Operating Account	1
Balance Sheet	2
Notes to the Account	3 - 6

OFFICE OF THE CHIEF AUDITOR
GOVERNMENT OF ANGUILLA
The Valley, Anguilla, British West Indies

Executive Chairman and Members
The Public Utilities Commission of Anguilla
The Valley
Anguilla
British West Indies

**Certificate of the Chief Auditor on the Accounts of
The Public Utilities Commission of Anguilla: 2004**

I have audited the financial statements on pages 1 to 6, which have been prepared in accordance with Section 18 of the Public Utilities Commission Act, 2003 (the Act).

As described in the accounting policies on pages 3 and 4, the financial statements have been prepared in accordance with applicable accounting standards.

Respective responsibilities of the Public Utilities Commission and the Auditor

The Commission is responsible for causing its accounts to be kept in a form and manner to be prescribed by it under Sections 18(1) and 18(2) of the Act and for preparing annual accounts within three months after the end of the financial year under Section 18(3) of the Act. Under Section 19 of the Act the Commission is responsible for forwarding the accounts to the Governor-in-Council within three months of the completion of the audit.

It is my responsibility, under Section 18 (4) of the Act, to form an independent audit opinion on the financial statements prepared by the Commission and to submit the audited accounts to you.

Basis of Opinion

An audit includes the examination on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the

financial statements. It also includes an assessment of judgements made by the Commission in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that the financial transactions included in the financial statements are regular.

Opinion

In my opinion:

- the financial statements on pages 1 to 6 give a true and fair view of the state of affairs of the Anguilla Public Utilities Commission at 31 December 2004 and have been properly prepared in accordance with the accounting policies disclosed in Note 1 to those statements; and
- in all material respects the expenditure and income for the year ending 31 December 2004 have been applied for the purposes intended by the Act and conform with the authorities which govern them.



M L Daynes
Chief Auditor
17 November 2005

PUBLIC UTILITES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2004

OPERATING ACCOUNT

<u>INCOME</u>		<u>2004</u> <u>EC\$</u>	<u>2,003.00</u> <u>EC\$</u>
	Notes		
Levy	2	-	-
Miscellaneous Income	2	-	-
Total		<u>-</u>	<u>-</u>
 <u>EXPENSES</u>			
Staff costs	3	195,729.38	-
Commission expenses	4	4,000.00	-
Office expenses	5	8,460.43	-
Equipment expenses	6	37,892.06	-
Travel	7	10,556.44	-
Consultants	8	<u>25,000.00</u>	<u>-</u>
Total Expenses		281,638.31	-
Surplus/(Deficit)		<u><u>(281,638.31)</u></u>	<u><u>-</u></u>

PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2004
BALANCE SHEET

<u>ASSETS</u>	Notes	<u>2004</u> <u>EC\$</u>	<u>2003</u> <u>EC\$</u>
Fixed Assets		-	-
Current Assets:			
Cash at Hand & in Bank	9	-	-
Debtors and prepayments	10	2,561.69	-
Total Current Assets		2,561.69	-
Total Assets		<u>2,561.69</u>	<u>-</u>
<u>LIABILITIES</u>			
Liabilities: due within one year			
Creditors, accruals and provisions	11	(34,200.00)	-
		-	-
		(34,200.00)	-
Liabilities: due more than one year			
GOA loan	12	(250,000.00)	-
Total Liabilities		<u>(284,200.00)</u>	<u>-</u>
NET ASSETS (LAIBILITIES)		<u>(281,638.31)</u>	<u>-</u>
Equity:			
General Fund		-	-
Surplus/(Deficit)		(281,638.31)	-
Total Equity		<u>(281,638.31)</u>	<u>-</u>

Signed



William Withers
 Executive Director

PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2004

NOTES TO THE ACCOUNTS:

1. ACCOUNTING POLICIES.

1.1 Functions of the PUC

The Public Utilities Commission is a statutory body corporate established by the Public Utilities Commission Act, 2003. Its functions are:

- to secure that all reasonable demands in Anguilla for electricity, telecommunications and piped water are met;
- to secure that public utilities operate in a safe, efficient and economical manner;
- to consider and determine applications for licences associated with public utilities;
- to regulate and monitor public utilities and telecommunications suppliers;
- advise Ministers and the Governor-in – Council on the regulation and legislation of public utilities;and
- to publish information in pursuit of the above functions.

1.2 Accounting Conventions

These accounts have been prepared on the accrual basis in accordance with applicable accounting standards, consistent with the previous year.

1.3 Tangible Fixed Assets

Tangible fixed assets with a cost exceeding EC\$10,000, which have a life of more than one financial year and to which the Commission has title, have been stated at historic cost less depreciation.

1.4 Depreciation

Depreciation is deduced at the rates calculated to write off the historic cost of tangible fixed assets by equal monthly amounts over each asset's estimated useful life. Useful lives for the various types of assets listed are within the following ranges:

Building Costs	50 years
Equipment and Computers	4-5 years
Vehicles	5 years
Furniture	5-10 years

1.5 Operating Income

Operating income is so described as income which relates directly to the appropriate operating activities of the Commission. This income is derived from the industry levy set in accordance with Section 21 of the PUC Act 2003 raised on public utilities, telecommunication suppliers and holders of frequency authorisations. The PUC can also receive income for specific services based on tariffs set by Part 4 of the PUC Act. For 2004, being the inaugural year of the PUC, the costs determined under Section 21 will be included in the levy calculations for 2005 and 2006 and no tariff based services were provided. Therefore no income for 2004 had been sought from the industry at the time of these accounts and the operation of the Commission has been finance through a loan from the Government of Anguilla. This loan will be repaid when the levies for 2005 and 2006 are received.

1.6 Operating Expenditure

Operating expenditure is all the costs and charges associated with the annual running of the functions of the PUC and will include depreciation of assets and financing when appropriate.

1.7 Debtors and Prepayments

These represent the amounts due to the PUC or prepayments for goods and services required by the PUC at the balance sheet date.

1.8 Creditors and Accruals

These represent the amounts of expenditure incurred but unpaid at year end either as invoiced amounts outstanding or as amounts awaiting invoices from suppliers.

1.9. Exchange Rates

All amounts are stated in EC Dollars. Where payments have been made in or amounts received in other currency the appropriate exchange rates at the time of the transaction have been applied to convert to EC currency. Any balances in foreign currency held at year end will be translated at balance sheet date exchange rates and any gains or losses accounted for appropriately.

PUBLIC UTILITES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2004

NOTES TO THE ACCOUNTS CONT:

2 INCOME

There was no levy or charges raised on the industry during 2004. Operating costs incurred in 2004 will be recovered in the levy set for 2006.

3 STAFFING COSTS

The Executive Director was appointed in April 2004 and an administrative officer appointed from November 2004. The staff costs are analysed as follows

	2004 EC\$	2004 EC\$	2003 EC\$
Salaries			
Executive Director	185,306.46		-
Administrative Officer	9,432.00		-
Total	<u>194,738.46</u>	194,738.46	-
Other staff costs			
Employer's Social Security	446.60		-
Employer's Pension costs	267.96		-
Employer's Health insurance	276.36		-
		<u>990.92</u>	-
Total staff costs		195,729.38	-
4 COMMISSION EXPENSES		2004 EC\$	2003 EC\$
Commission Allowances		4,000.00	-
Total Commissioner's expenses		4,000.00	-
5 OFFICE EXPENSES		2004 EC\$	2003 EC\$
Advertising		550.00	-
PO box		60.00	-
rent		4,700.00	-
telephone		3,150.43	-
Total office expenses		8,460.43	-
6 EQUIPMENT EXPENSES		2004 EC\$	2003 EC\$
Purchase of office equipment		28,391.61	-
Purchase of IT equipment		9,500.45	-
Total equipment expenses		37,892.06	-

PUBLIC UTILITES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2004

NOTES TO THE ACCOUNTS CONT:

7 TRAVEL	2004	2003
	EC\$	EC\$
Car Hire	5,701.97	-
staff travel within Caribbean	4,854.47	-
	<hr/>	<hr/>
Total travel costs	10,556.44	-

8 CONSTULTANTS	2004	2003
	EC\$	EC\$
audit fee	25,000.00	-
	<hr/>	<hr/>
Total consultants cost	25,000.00	-

9 CASH AND BANK

Due to the financing of the 2004 costs being via the GOA accounts there are no cash or bank balances at year end.

10 DEBTORS AND PREPAYMENTS	2004	2003
	EC\$	EC\$
Balance of GOA loan to be drawn	556.69	-
Prepayment for office counter	2,005.00	-
	<hr/>	<hr/>
	2,561.69	-

11 CREDITORS ACCRUALS AND PROVISIONS	2004	2003
	EC\$	EC\$
Accruals for rent, board fees and interest on loan	9,200.00	-
Provision for audit fee	25,000.00	-
	<hr/>	<hr/>
	34,200.00	-

12 LOAN FINANCE	2004	2003
	EC\$	EC\$
Loan with GOA	250,000.00	-

The costs for 2004 were paid by the GOA and have been converted into loan finance of EC\$250,000 at an interest rate of 4% commencing 1 January 2005 to be repaid by 2006.