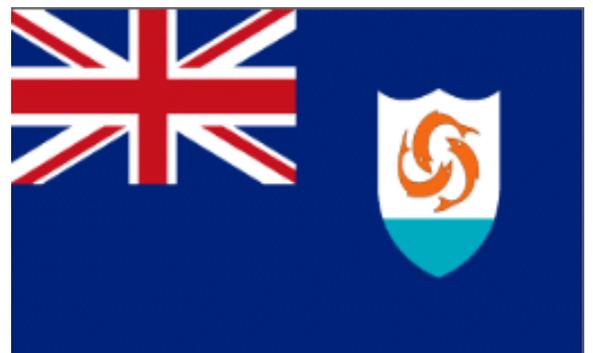


Public Utilities Commission

ANGUILLA

Annual Report 2005



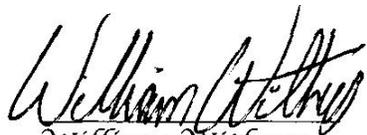
Public Utilities Commission

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

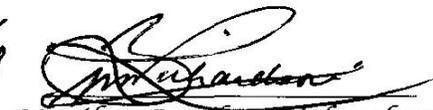
4th October 2006

Re: Public Utilities Commission 2005 Annual Report

The Annual Report of the Commission for 2005 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

1.0 INTRODUCTION.....	2
2.0 LICENCE APPLICATIONS IN 2005.....	4
2.1 GLOBAL LINK ANGUILLA LIMITED	4
2.2 MANAGEMENT RESOURCES LIMITED	4
3.0 OTHER APPLICATIONS.....	4
3.1 FREQUENCY AUTHORISATION - CARIBBEAN CABLE COMMUNICATIONS	4
3.2 FREQUENCY AUTHORISATION – CABLE & WIRELESS.....	5
3.3 APPLICATION FOR CERTAIN PRICE ADJUSTMENTS – CABLE & WIRELESS	5
3.4 APPLICATION FOR APPROVAL OF AN INTERCONNECTION AGREEMENT	6
3.5 CARIBBEAN CABLE INTERCONNECTION PETITION.....	7
3.6 CABLE & WIRELESS (NETSPEAK) VOIP PROCEEDING.....	8
3.7 APPLICATION FROM WEBLINKS FOR MARINE CABLE LANDING LICENSE	9
3.8 APPLICATION FROM WEBLINKS FOR FREQUENCY ASSIGNMENT IN 6GHZ BAND	9
3.9 PURCHASE BY DIGICEL OF CINGULAR’S CARIBBEAN OPERATIONS.....	9
3.10 COMPLAINT FILED BY CABLE & WIRELESS (6 DECEMBER 2004) OF UNAUTHORISED SERVICE	10
4.0 OTHER ACTIVITIES	11
4.1 FREQUENCY COORDINATION WITH FRANCE (ST. MARTIN) AND THE NETHERLANDS ANTILLES (ST. MAARTEN).....	11
4.2 PRICE CAP PROCEEDING	12
4.3 ANNUAL LEVY FOR 2005	15
5.0 POLICY FRAMEWORKS.....	16
5.1 ANGUILLA NATIONAL POLICY	16
5.2 GLOBAL AND REGIONAL POLICY DEVELOPMENTS.....	17
5.3 SUMMARY	19
6.0 SECTOR DEVELOPMENT & RETAIL PRICES	26
6.1 SECTOR DEVELOPMENT	26
6.2 RETAIL PRICES.....	29
7.0 FINANCIAL REPORTING.....	36
7.1 FINANCIAL REPORT – 2005	36
7.2 COMMISSION’S RESPONSE TO AUDITOR’S 2004 REPORT.....	37
8.0 FUTURE CHALLENGES AND OPPORTUNITIES	38
8.1 HUMAN RESOURCE DEVELOPMENT	38
8.2 UNIVERSAL AND AFFORDABLE ACCESS TO THE INTERNET	38
8.3 FUTURE REGULATORY FRAMEWORK	38

APPENDIX I - 2005 Audited Financial Statements

APPENDIX II - Executive Director’s Response to the 2004 Report of the Chief Auditor

Index of Tables

Table 1: Proposed Price Increases.....	5
Table 2: Basic Monthly Access Prices (EC\$).....	13
Table 3: Anguilla Telecommunication Indicators 2001 to 2005	27
Table 4: Domestic Monthly Fixed Line Prices	30
Table 5: Domestic Calling Prices.....	Error! Bookmark not defined.
Table 6: Prices for International Direct Dialed calls from Anguilla	32
Table 7: C&W International Prices – 2003 to 2006.....	33
Table 8: C&W - Roaming Service Prices	34
Table 9: Digicel - Roaming Service Prices.....	34
Table 10: Monthly Charges for Internet Access	35

Index of Figures

Figure 1: Fixed Line Telephone Penetration in the Caribbean (2005)	278
Figure 2: Cellular Mobile Penetration in the Caribbean (2005)	29

Acknowledgements

Contributions in the form of design, research, analysis and drafting were provided by the following persons: Ms. S. Connor, University of Leicester (Law), Summer student–research, analysis and drafting of Section 5; Ms. T. Fleming, University of the Virgin Islands (Accounting), Summer student – research, analysis and drafting of Section 6; and Mrs. V. Proctor – design and layout of the cover.

Commission Website: <http://www.pucanguilla.org/>

1.0 Introduction

Phase three of the telecommunications liberalization process in Anguilla became effective 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 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). The following persons are currently members of the Commission: Mr. William Withers, Executive Chairman and Executive Director; Ms. Marilyn Bartlett-Richardson, member and the Deputy Chairman; and Mr. Leroy Martinez a member and Secretary.

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 2005 activities including the financial performance and position as of the

year ending 31 December 2005 (see Appendix I). Funding of the Commission's activities consists of an industry levy established annually. The process of determining and assessing the levy is described in Section 21 of the PUC Act (2003).

2.0 Licence Applications in 2005

2.1 Global Link Anguilla Limited

An application dated 10 March 2005 for a licence to provide telecommunication resale services was received by the Public Utilities Commission from Global Link Anguilla Limited. The application was approved pursuant to Section 4(10) of the *Telecommunications Act* (2003), and the *Resale of Telecommunications Services Regulations* (2005) subject to payment to the Commission of the fees specified in the *Class Licence Annual Fee (Telecommunication) Regulation, 2005* of EC\$5,000. On 21 July 2005, Global Link Anguilla Limited submitted payment to the Commission and the licence was issued.

2.2 Management Resources Limited

A 'draft' application for a licence for the resale of Voice over the Internet Protocol services (VoIP) from Management Resources Limited was submitted to the Public Utilities Commission dated 20 April 2005. At the Commission meeting on 5 May 2005 discussions on the conditions of the licence for the resale of VoIP were held and the Commission decided that several requirements for the licence were needed, including local incorporation papers, prices/rates, confirmation/evidence as an authorized agency and Corporate Annual Returns. The applicant was subsequently advised of the further information requirements to complete the application. As of the end of 2005, no further filings were received from the applicant.

3.0 Other Applications

3.1 Frequency Authorisation - Caribbean Cable Communications

The company by way of letter dated 28 January 2005 requested an amendment to certain frequency authorisations originally granted in their license issued on 14 December 2004. The new frequencies being requested were 12.877 MHz and 13.143 MHz for the purposes of operating a radio link between Anguilla and French St. Martin. The proposed assignment was coordinated with the ANFR of France and they agreed to the assigned frequencies and granted a similar authorization to a company doing business under the name Dauphin in St. Martin. A frequency authorisation was granted to Caribbean Cable Communications for two frequencies at 12.877 MHz and at 13.143 MHz and Annex E of their license was amended accordingly. The company was advised of the authorization by way of a letter from the Commission dated 20 July 2005.

3.2 Frequency Authorisation – Cable & Wireless

The company applied by way of a letter dated 29 August 2005 for additional spectrum in 1900 mobile band for their GSM service. The spectrum requested was between 1870 and 1875 and between 1950 and 1955 MHz, in the ‘B’ band of the GSM 1900 band. The C&W application arises from a proposal made by the Commission in April 2005 to grant the company 5MHz of spectrum in the 1900 band in exchange for the release of spectrum in the 850 AMPS B band – 887 to 890 and 891.5 to 894.

In letters of 29 August, 8 September and 9 December 2005, the company accepted the proposed exchange of 850B for 1900 spectrum and indicated they would be implementing a multi-stage plan to address spectrum usage and interference issues. In their letter of December 9, 2005, the company indicated it would not be feasible to release the spectrum above 887 in the 850B band within the next 30 days.

The company indicated that the time required to implement their plan would be 13 weeks from the week of 9 December or on or about the end of March 2006. In response the Commission in a letter dated 15 December 2005 thanked the company for their proposal and cooperation in this matter and requested the company provide confirmation when they have vacated the spectrum above 887. In addition, the Commission requested a copy of the company’s report referred to in their letter of 9 December in order to provide the French authorities with the report so as to inform them of any findings related to frequency interference from licensed operators located in French St. Martin.

3.3 Application for certain price adjustments – Cable & Wireless

The September 2004 price increase application by the company was reported on in the Commission’s 2004 Annual Report as follows:

“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:

Table 1: Proposed Price Increases			
<i>Service</i>	<i>Present Price (\$EC)</i>	<i>Proposed Price (\$EC)</i>	<i>Proposed % Increase</i>
<i>1. Business – Monthly Fixed Access</i>	<i>87.00</i>	<i>90.00</i>	<i>3.45 %</i>
<i>2. Residence – Monthly Fixed Access</i>	<i>42.00</i>	<i>44.00</i>	<i>4.76 %</i>

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 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." (2004 Annual Report, Section 3.3, page 7)

The Commission considered the matter of the company's application at their meeting of 17 February 2005 in the context of a consultant's report on the development of price caps and considered whether to request replies to the Commission's unanswered interrogatories of October 2004.

Subsequently, a meeting was held with C&W in April 2005 and the company informed the Commission that they would file two additional replies to the Commission's interrogatories. On April 4, 2005, the company filed further replies related to the price increase application.¹

The Commission in a letter dated 12 July 2005 requested the applicant to file the audited financial statements originally requested in the Commission's interrogatories (PUC05Oct04-03) of 5 October 2004. The Commission received a response from C&W and the audited financial statements for 2001, 2002, 2003 and 2004 as well as the unaudited statements for 2005 under a covering letter dated 26 July 2005. At the end of 2005, the application remained before the Commission.²

3.4 Application for approval of an Interconnection agreement

C&W filed with the Commission, on 19 May 2005, a proposed interconnection agreement. The company was seeking approval of the agreement between C&W and Wireless Ventures Anguilla Limited (WVA Ltd.). The Commission considered the agreement against the criteria set out in the governing legislation and determined that it could not approve of the agreement (see Commission Decision **PUC 2005-101**).

¹ Following a meeting with C&W's legal department representative, Mr. Frans Vandendries on Friday, 1 April 2005, C&W filed two additional replies to the PUC's interrogatories – Tables 1a and 2a by covering email on Monday, 4 April 2005.

² A meeting was held on 14 August 2006 between the Commission and C&W to further discuss the status of their September, 2004 price application. The Commission reviewed the results of their analysis of C&W's annual financial statements. Discussions on the options for future price regulation were discussed and C&W was to consider the matter further and make a submission to the Commission.

In Decision 2005-101, dated 12 October 2005, the Commission set out the following reasons for not approving the proposed interconnection agreement:

1. *The 'side' or 'other' agreement which forms part of the overall agreement contravened the **Telecommunications Act** and **IAF Regulations 2004**;*
2. *The proposed agreement, Section 23 and 42.3 (Legal Framework - Termination of agreement), contravened Section 12(4) of the **IAF Regulations 2004** and did not comply with PUC Decision 2004-101, paragraph 76 dated 15 December 2004;*
3. *The proposed agreement was incomplete as it did not provide a description of the costs and methodology for the recovery of those costs associated with joining the networks pursuant to Section 4(d) of the **Code 2004**;*
4. *The prices proposed for transit services were considered excessive to the extent they included an allowance for access cost recovery. As transit services do not make use of the access network, they were not required to contribute to access costs. Therefore, the Commission does not authorize the inclusion of such a component in the price for transit services pursuant to **the Act** s7 (1) and the **IAF Regulations 2004**, s17.³*

In **Decision 2005-101**, the Commission also put forward recommended price ceilings for each of the termination services specified in the proposed Tariff Schedule of the interconnection agreement. Interested parties, including Weblinks and Caribbean Cable were invited to submit comments on the Commission's recommended prices on or before 27 October 2005. Initial and reply comments on the proposed prices were received from C&W, WVA Ltd., Caribbean Cable and Weblinks. The Commission issued a final decision (**Telecom Decision PUC 2005-102**) dated 22 November 2005 approving the prices recommended in **Decision 2005-101**. The maximum prices per minute approved were as follows: for mobile termination – 40 EC cents; for fixed termination - 5.4 EC cents; and for transit – 2.2 EC cents.

3.5 Caribbean Cable Interconnection Petition

Caribbean Cable Communications (the Company) was granted a license by the Commission on 14 December 2004 to operate a domestic fixed public telecommunications network and to provide fixed public telecommunications services in Anguilla. The company sought interconnection with Cable & Wireless (West Indies) Limited (C&W) on 21 December 2004. The Company filed a petition with the Commission dated 29 September 2005 pursuant to **Section 6 of the Telecommunications Code** seeking the Commission's assistance in resolving a dispute with C&W in the matter of network interconnection.

³ **Telecom Decision PUC 2005-101**, Part II, 'Commission Analysis and Findings', page 13.

The Company's petition cited the following three reasons for the filing of their petition: (1) need to proceed with interconnection despite the lack of agreement; and (2) the allocation of the costs of interconnection; and (3) the timeliness of reaching an agreement and achieving interconnection within a 'commercially' reasonable period of time. Following an exchange of letters with the Commission and between the two parties as well as further discussions, C&W offered the Company, under a covering letter dated 25 November 2005, an interconnection agreement similar to that offered to Wireless Ventures Anguilla (Ltd.) and Weblinks.

However, the Commission noted in their interim decision (**Telecom Decision PUC 2005-103**, 30 November 2005) that the solution proposed by C&W was an interim arrangement as they did not have the required equipment to complete the permanent interconnection arrangements. C&W estimated that the permanent arrangements could be achieved by mid-March 2006 and the interim arrangement by mid-December 2005.

In Decision **PUC 2005-103**, the Commission directed C&W to provide an 'ISDN PRI Service' as the interim arrangement. In addition, the Commission granted C&W an extension to 31 January 2006 for the filing of their response to the company's petition.⁴

3.6 Cable & Wireless (Netspeak) VoIP Proceeding

Cable & Wireless (C&W) filed a 'notice' with the Commission dated 6 September 2005. The notice advised the Commission that C&W intended to introduce a new public voice service. The new service was to be provided, in part, using the Internet Protocol. Such services are generally referred to as Voice over Internet Protocol (VoIP).

The proposed VoIP service raised a number of issues that needed to be addressed by the Commission. The primary issue was whether the 'new' service was really 'new' or whether it was a traditional public telephone service being delivered by a 'new' technology. The Commission issued a public notice and invited comments on the matter of whether C&W should be considered dominate in the provision of the proposed services. A number of secondary issues raised were related to the proposed phase 1 of the service rollout with respect to the use of non-national numbers and the unavailability of 911 emergency calling.

The basic services proposed to be offered were a number of international calling packages with various flat rate monthly prices. On 30 November 2005, comments to the Commission's public notice were received from C&W and Caribbean Cable. The Commission invited reply comments to be filed on or before 10 January 2006.⁵

⁴ The interim interconnection arrangement between Caribbean Cable and Cable and Wireless continues to be in place as of 14 August 2006.

⁵ A Commission decision on the C&W VoIP filing was released on 31 March 2006 – Telecom Decision PUC 2006-101.

3.7 Application from Weblinks for marine cable landing license

An application was received from Weblinks on 14 July 2005 for a licence to land and operate a Telecommunications Submarine Cable within Anguilla pursuant to Section 4(8) of the Telecom Act. Section 4(8) of the Act reads as follows:

*“PART 3
LICENCES AND FREQUENCY AUTHORISATIONS
4. (8) A person who intends to land or operate submarine cables within Anguilla for the purpose of connecting to a telecommunications network shall first obtain a licence, in addition to any other licence, approvals, or permits required under the laws of Anguilla.”*

The application remains before the Commission as further details of the proposed project are required before the final disposition of the application.

3.8 Application from Weblinks for frequency assignment in 6GHz band

A letter of application dated 14 September 2005 was received from Weblinks for a frequency assignment in the 6GHz band in order to implement a high-capacity microwave radio link to either St. Martin or St. Maarten. A list of frequencies currently in use between Anguilla and St. Martin (French) and St. Maarten (Netherlands Antilles) was provided to Weblinks. The Commission is awaiting further information from Weblinks to identify whether the radio site on St. Martin/St. Maarten is to be located on either the French or the Netherlands Antilles side of the island as international assignments must be coordinated with either the French (AFTN) or Netherlands Antilles regulator and as a result no further action has been taken on this application.

3.9 Purchase by Digicel of Cingular’s Caribbean operations

The Commission approved the transfer of controlling interest in Wireless Ventures (Anguilla) Limited from AWS Caribbean Holdings (Cingular USA) to Digicel International Finance Limited (Bermuda) following receipt and review of an application from AWS Caribbean Holdings.

Pursuant to the consent granted by the Commission, the shares of Wireless Ventures (Anguilla) Limited held by AWS Caribbean Holdings Inc. were transferred to Digicel International Finance Limited. The transfer occurred on 2 September 2005.

3.10 Complaint filed by Cable & Wireless (6 December 2004) of unauthorised service

A complaint filed by Cable & Wireless by way of a letter dated 6 December 2004 alleged that a mobile company, Weblinks, was providing an unauthorised service contrary to the Telecommunications Act (2003). The complainant submitted certain evidence to support the allegation. The Commission requested Weblinks to reply to the complaint on or before 6 January 2005. 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. As no further response was received from Weblinks, the Commission followed up with a letter to them dated 12 July 2005 requesting the company to file a response on or before 20 July 2005. Weblinks filed a submission in response to the C&W complaint on 20 July 2005. The Commission forwarded Weblinks' response to C&W by way of a letter dated 26 July 2006 and requested that any reply comments to be filed by C&W be submitted on or before 23 August 2005. As of year-end 2005, no reply comments had been received from C&W.

4.0 Other Activities

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

The second tri-country frequency coordination meeting was held 14-18 March 2005 in Anguilla. The frequency coordination areas of concern in this meeting were Anguilla; French St. Martin and St. Barthelemy; and the Netherlands Antilles (St. Maarten, Saba and St. Eustatius). The meeting was attended by representatives from the three delegations listed below:

- **Anguilla Delegation:**

Mr. Kenn Banks – Permanent Secretary, Ministry of Infrastructure Communications and Utilities (MICU), Head of Delegation; Mr. William Withers, Executive Chairman, Public Utilities Commission; Mr. Ken Hancock, President, Lapp-Hancock Associates, Consultants to MICU, and Mr. Gary Rolston, Senior Policy Consultant, Lapp-Hancock.

- **French Delegation:**

Mr. Antoine Rigole – Chief Coordination Department, Agence Nationale des Frequences, Head of Delegation;

- **Netherlands Antilles Delegation:**

Mr. Giovanni King, Department Head, Technical Affairs & International Relations, Regulatory Authority of the Netherlands Antilles; Mr. Victor Archangel, Frequency Management, Regulatory Authority of the Netherlands Antilles.

The frequency coordination discussions covered the AMPS/TDMA/GSM 850MHz, the GSM 900 MHz band and GSM 1800 MHz band, the PCS 1900/GSM/TMTS 1900 MHz band and the UMTS 1900/2100 MHz band.

The coordination meeting consisted of two phases, phase one, in which only the administrations held discussions and a second phase that included administrations and service providers. The first phase was held on Monday, 14 March and Friday, 18 March. The objectives of this meeting were to (a) resolve the interference problems; (b) spectrum planning issues i.e. 900 band, and (c) concurrence on the final contents of the proposed Agreement drafted following the first coordination meeting in June of 2004.

The second phase of the meeting was held from Tuesday, 15 March to Thursday, 17 March 2005. This meeting included the Administrations and representatives of the mobile operators from each jurisdiction. The purpose of this meeting was to provide a form for consultation with the operators on the matters listed in the ‘Agenda for Meeting with the Operators’.

Following the frequency coordination meeting held from 14 to 18 March 2005 it was agreed that the Administrations would grant a one month period for the respective

operators – SMM, C&W, Cingular and Weblinks to coordinate their respective frequencies and site assignments to permit each to operate in their ‘assigned’ bands – C&W in 850A band, Weblinks and Cingular in the lower 900 band and SMM in the 850A band. This attempt at coordination proved unsuccessful and as a result the Commission retained the consulting firm of Lapp-Hancock to work with each of the Anguilla operators to resolve the matter. A proposal was forwarded to Cable & Wireless on Friday, 22 April 2005. The proposal was to provide C&W with 5 MHz of 1900 spectrum in return for the release of 5 MHz of 850A. C&W commenced utilizing the 5 MHz of 1900 spectrum in April 2005 (see Section 3.2 for further details).

In view of the continuing interference issues and the need to finalise a formal agreement on spectrum coordination with the adjacent administrations, the Commission contacted the Government of Anguilla, the Permanent Secretary of the Ministry of Infrastructure Communications and Utilities, in November 2005 and requested that a third spectrum coordination meeting be arranged with the French and Netherlands Antilles administrations and that such a meeting be held early in 2006.

4.2 Price Cap Proceeding

During 2005 the Commission continued to pursue activities related to the finalization of a price cap procedure for regulated services. As noted in Section 3.3 of this report, ‘*Application for certain price adjustments – Cable & Wireless*’, the Commission reviewed the matter of the development of a long term price cap at their meeting of 17 February 2005. A consultant’s report was reviewed at the Commission meeting of 11 July 2005. The main issue identified in the report was the need to determine the ‘going-in’ prices for the proposed price cap regime.

The matter of the ‘going-in’ prices for an incentive price cap needed to be resolved in order to provide C&W with an appropriate target for productivity gains as well to ensure that customers were being charged a fair and reasonable price as required pursuant to Section 20(s) of the Telecommunications Act and Section 12.10.2 of C&W’s license. This section reads as follows:

‘12.10.2 Notwithstanding Clause 12.10.1, the Commission may suspend the effectiveness of any prices if it finds that they are not fair or unreasonable, or discriminate unduly among similarly situated persons, or are otherwise in violation of this Licence, the Telecommunications Code, the Regulations or the Act.’

During 2005 the Commission commented on the level of basic access prices in **Telecom Decision PUC 2005-101** of 12 October 2005 as follows:

153. In paragraph 53 of their letter of 19 May, C&W makes reference to the ADC (access deficit charge) and retail rates in the OECS (Organisation of Eastern Caribbean States) and states, in part, as follows:

“ADC of a similar order of magnitude have been applied in the OECS, and it has not proven to have had a detrimental impact to (on) the retail rates and consumer impact or the emergence of competition in services.”

154. *A recent study by the World Bank entitled ‘Telecommunications Reform in the OECS – Impacts on Prices and Services’⁶ (a joint report of the Eastern Caribbean Telecommunications Authority and the World Bank Group) provides some further insight on retail prices in the OECS. The following Table presents a summary of the prices for local access from the study with the addition of Anguilla prices:*

Table 2: Basic Monthly Access Prices (EC\$)		
OECS State	Business	Residence
1. Anguilla	87.00	42.00
2. Dominica	48.00	24.00
3. Grenada	48.00	24.00
4. St. Kitts & Nevis	48.00	26.40
5. St. Lucia	48.00	26.40
6. St. Vincent & the Grenadines	48.00	20.40

155. *C&W also submits the following on the subject of ADC in paragraph 53 of their 19 May letter which states, in part, as follows:*

“ADC of a similar order of magnitude (EC 3.8 cents) have been applied in the OECS...”

156. *Given the relative level of prices for basic access in Anguilla compared to the other OECS states, the proposal by C&W to charge a ‘similar’ level of ADC charge in Anguilla as it does in the other OECS states, leaves one to conclude that C&W’s access costs are in the order of 100% higher in Anguilla than they are in other OECS states. However, in the Cost Submission, page 10, paragraph 2, C&W submits that that the ‘cost-oriented’ charges in the OECS for interconnection (interconnect specific costs) ‘would not likely materially differ from the OECS charges.’ If the network costs between Anguilla and the OECS are similar, as submitted by C&W, one may conclude that the basic monthly prices in Anguilla are currently above cost and perhaps have been ‘over-balanced’.*

157. *In addition, the price cap plan describe in the ECTA/WB report mentioned above, provides for residence rates to remain the same and business rates to increase at the rate of inflation.*

⁶ Website address -

<http://lnweb18.worldbank.org/ict/resources.nsf/InfoResources/97B1AB475D36D3288525702E0058301B>

158. *In addition, fixed to fixed per minute rates are scheduled to decrease in the other OECS states according to the 'rebalancing' program described as follows in the above mentioned report:*

"Under the terms of this agreement, Cable & Wireless fixed line customers in the ECTEL Member States should pay as much as 22 percent less for their fixed-to-fixed local calls from 1 January 2005, with a further 20 percent reduction for fixed-to-fixed calls coming in December 2005. Local calls on the fixed network will decrease from EC9 cents (peak period), EC8 cents (off-peak) and EC6 cents (weekends) to EC7 cents, EC5 cents, and EC5 cents respectively on 1 January 2005. Off-peak and Weekend rates will further decrease to EC4 cents and EC4 cents respectively on 1 December 2005."(Page 2)

159. *Fixed-to-fixed prices in Anguilla are currently EC9 cents (peak period), EC7 cents (off-peak) and EC6 cents (weekend) per minute and C&W is permitted to increase these prices under the interim 'rebalancing' plan agreed to by the Government of Anguilla and C&W by no more than the greater of five (5) percent or CPI plus two and one-half (2 ½) percent.*

160. *Given the level of current retail monthly access prices in Anguilla compared to the other OECS states as reflected in Table 1, customers to the fixed network in Anguilla are already making a substantial contribution to 'access' costs compared to those in other OECS states in both fixed monthly access prices as well as in fixed to fixed per minute prices for domestic calls.*

A review of the level of current monthly access prices for fixed line services continues as the 'going-in' level for such prices for the longer term price cap have yet to be determined. As noted in Section 3.3 of this report, on 14 August 2006 a further meeting was held between the Commission and C&W on this matter.⁷

⁷ A meeting was held on 14 August 2006 between the Commission and C&W to further discuss the status of a number of items including C&W's September 2004 price application. At this meeting, the Commission reviewed the results of their analysis of C&W's annual financial statements. Discussions on the options for future price regulation were discussed and C&W was to consider the matter further and make a submission to the Commission.

4.3 Annual Levy for 2005

An annual levy is assessed to cover the cost of regulation pursuant to Section 48 of the Telecommunications Act (2003) and Section 21 of the Public Utilities Act (2003). This 'regulatory levy' or 'license fee' to fund the Commission's annual activities was first assessed for the year 2005. The general formula for distributing the levy among the licensees for 2005 is set out in the Assessment of Industry Levy (Telecommunications) Regulations (2004). The basic distribution of the levy is the ratio of revenues for each licensed operator to the total industry revenues. Given the limited revenues of new entrants in their initial years a minimum fee of EC \$10,000 is set to ensure a portion of the levy is covered by each licensed operator.

The total annual levy for 2005 was EC \$1,204,120.00 as set out in the Assessment of Industry Levy (Telecommunications) Regulations (2004). When the initial levy was assessed in January of 2005, Cable & Wireless requested that they be permitted to pay the total fee in installments. Following a number of exchanges between C&W and the Commission, the Commission agreed to permit C&W to submit their 2005 levy payments in two installments. The first installment was due in February and the remaining payment due in April 2005. The two C&W payments for 2005 were submitted on the due dates. The three other licensed operators submitted their payments pursuant to the levy regulation.

5.0 Policy Frameworks

5.1 Anguilla National Policy

In 2001 ‘A New Telecommunications Regulatory Framework for Anguilla’⁸ described one of the objectives of the Anguilla National Policy as follows:

‘to create an open market for the provision of facilities and services and conditions in Anguilla’s telecommunications sector in support of the continued development of tourism, financial services and information-based services on the island.’⁹

The Policy identified the need for reliable, high quality and affordable telecommunications of sufficient capacity to transmit increasing quantities of information needed for the production of quickly evolving services which could be achieved by the Government encouraging additional investment in telecommunications and *the development and widespread use of broadband network infrastructure.*¹⁰

The Policy also identified a need for the implementation of high-speed networks easily accessible to all citizens and residents to facilitate the most up-to date training to achieve the highly specialized and trained workforce needed in the information-based and financial services industries in Anguilla.

At the time the Government’s policy was introduced in 2001, it was estimated that approximately 5,875 telephone customers were connected to the Cable & Wireless fixed telephone network with a penetration rate of about 50 main telephone lines per 100 population.¹¹ In addition, Cable & Wireless operated the only cellular mobile system in Anguilla, with 2,296 customers (equivalent to a penetration of about 20 wireless customers per 100 population)¹².

Both Cable and Wireless and Weblinks offered Internet service to customers and in 2001 1,229 customers had Internet access, about 10 internet users per 100 inhabitants). During 2001 All Island Cable TV provided cable television to 3,000 subscribers or almost 100% of all of households in Anguilla.

The 2001 National Policy proposed a new institutional and legal structure, with conditions to ensure fair competition for the telecommunications sector in Anguilla. It also produced a timetable for the implementation of market liberalization. With the enactment of the Public Utilities Act on 7 April 2004, the Commission commenced operations and two new mobile operators and one new fixed line operator were licensed

⁸ National Policy - Government of Anguilla Official Gazette, 31August 2001, Vol. 31, No.8, p. 36-68,

⁹ Ibid., page 39.

¹⁰ Ibid., page 1.

¹¹ See Section 6.1, Table 3 - Telecommunication Indictors from 2001-2005, page 27.

¹² Ibid., page 29.

by the end of 2004 in conjunction with the Government's 2001 liberalization policy objective.

5.2 Global and Regional Policy Developments

Policy development for the information infrastructure, a significant component of the total Information and Communication Technology (ICT) economy, is occurring globally as well as a regionally and nationally. Historically, one of the regulatory challenges is to bridge the gap between telecommunications and information infrastructure policy and advances in technology. Global initiatives such as the World Summit on the Information Society and regional studies such as the 2006 Caribbean ICT study provide a useful and relevant framework for the development of contemporary national policy and regulation.

World Summit on the Information Society (WSIS)

The World Summit on the Information Society (WSIS) comprised of a series of conferences sponsored by the United Nations about information and communication technologies that took place in 2003 and 2005. One of its chief objectives 'was to bridge the so-called "digital divide" separating rich countries from poor countries by increasing access to the Internet in the developing world'. One of the declarations of these conferences was to establish May 17th as World Information Society Day¹³.

In January 2002, a proposal for a global summit on Information and Communication Technology (ICT) issues was endorsed by the UN General Assembly. The International Telecommunications Union (ITU) took the lead in organizing the event in which more than 50 heads of state participated.¹⁴

The UN General Assembly Resolution 56/183 (21 December 2001) endorsed the holding of the World Summit on the Information Society (WSIS) in two phases. The first phase took place in Geneva from 10 to 12 December 2003 and the second phase took place in Tunis, from 16 to 18 November 2005.

The objective of the first phase (The Geneva Phase: 10-12 December 2003) was to 'develop and foster a clear statement of political will and take concrete steps to establish the foundations for an Information Society for all, reflecting all the different interests at stake'. The Tunis Phase, 16-18 November 2005, aimed to put the Geneva Plan of Action into motion. It also focused on finding solutions and reaching agreements in the fields of Internet governance, financing mechanisms, and follow-up and implementation of the Geneva and Tunis documents.¹⁵ The matter of Internet governance raised in the WSIS process is an important policy issue for each jurisdiction in the Caribbean as well as for the region.

¹³ http://en.wikipedia.org/wiki/World_Summit_on_the_Information_Society, (accessed 23 August 2006)

¹⁴ <http://www.itu.int/wsis/basic/background.html>, (accessed 23 August 2006)

¹⁵ *ibid.*

Promoting Investment in ICT in the Caribbean¹⁶

The Caribbean ICT study (2006) ‘Promoting Investment in ICT in the Caribbean’ found that countries and territories in the Caribbean which were in the past very dependent on agriculture, tourism, oil, gas and chemical exports were now ‘*seeking to diversify these mainly resource based (with the exception of tourism) economies*’.

‘Many have been looking to develop information-based industries including data entry, data manipulation, data conversion, information processing, and information management. Many countries and territories have been seeking to use ICT to connect their citizens for education, commerce, health and cultural development.’¹⁷

The ICT study refers to the ‘communique’ issued following the third meeting of the Caribbean Community (CARICOM) Ministers responsible for Information and Communication¹⁸ which affirmed their...

‘...commitment to an aggressive and focused strategy to accelerate the adoption of information and communication technologies for development (ICTD) within the Community.’¹⁹

The ICT strategy adopted by regional Ministers ‘urges *CARICOM* members to adopt new approaches to ICT policymaking and regulation, capacity building, and research and innovation’. The strategy also encourages CARICOM member states to develop *publicly-funded ICT programmes that address the need for “disenfranchised and under-served” communities to reap the benefits associated with investments in ICTs*²⁰. Special emphasis is placed on the need for member states to offer low-cost high-bandwidth connectivity to the region’s citizens.

Given the current retail prices for Internet access in many regional jurisdictions, the policy objective of ‘low-cost’ Internet access is not being achieved in most jurisdictions and therefore requires further attention by both policy makers and regulators.

The ICT study finds that overall there is good infrastructure in the Caribbean however; it is unevenly distributed and expensive to use.

‘Fixed telephone penetration, an index often used to measure the state of development of telecommunications infrastructure, in the CARICOM Member States and the Dominican Republic varies between about 50% in Barbados, Antigua & Barbuda and St. Kitts & Nevis and 1.7 % in Haiti. Similarly, there is a

¹⁶ *Promoting Investment in Information and Communication Technologies in the Caribbean*, Inter-American Development Bank, Peter Stern, May 2006

¹⁷ *Ibid.*, page 1.

¹⁸ CARICOM Ministers adopt aggressive ICT Strategy: Communiqué issued at the conclusion of the third meeting of Ministers responsible for Information and Communication Technology, 15 October 2004, Barbados.

¹⁹ *Ibid.*

²⁰ Stern, *op. cit.*, page 1.

wide disparity in the penetration rates of cellular mobile, Internet access and Internet use.’²¹

The ICT Study emphasizes the need for the development of an adequate level of infrastructure on which to build various ‘e’ platforms.

‘This report focuses on the infrastructure necessary to deliver ICT services such as e-government, e-learning, and e-health to the citizens of the Caribbean and to facilitate e-commerce among its people and businesses.’²²

The infrastructure required to provide effective and affordable access to the ‘e-platforms’ of the post industrial age is primarily high-speed Internet access. Such infrastructure requires suitable regional Internet backbone and peering arrangements to ensure efficient exchanges between customers and the respective e-platforms being accessed.

The ICT study recommended two regional projects be undertaken to support and improve sector governance. The first initiative was a project to ‘*Establish a permanent framework for regional collaboration in ICT*’ and the second was a project to ‘*Initiate and support the establishment of a regional non-commercial high speed research and education network in the Caribbean.*’²³

The benchmarking exercise in the ICT study indicated a need to address the level of prices for (i) international calling, (ii) circuit leases, (iii) Internet access and (iv) interconnection in the Caribbean. The study identified the high prices that users have to pay for international calling, Internet access and leased lines as being one of the most important barriers to the development of the Information Society in the Caribbean²⁴.

5.3 Summary

The Commission’s mandate in matters of policy is described in the Telecommunications Act 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;

The Commission recognises and supports the role of the Minister and the Government as policy makers and respectfully makes the following submission on certain policy matters in the context of the Commission’s mandate to provide advice to the Minister on matters of telecommunications policy.

²¹ Ibid., page 2.

²² Ibid., page 2.

²³ Ibid., page 190.

²⁴ Ibid., p.108.

The achievement of the Government's national policy objective to stimulate '*the development and widespread use of broadband network infrastructure*'²⁵ has not been fully realized as issues of quality and affordability may need further policy and regulatory attention.

Similarly, from a regional perspective, there is a need for regional collaboration on matters of Internet governance such as retail Internet access prices and quality of service issues due to the lack of adequate regional peering arrangements.

An objective set out in the Government's Policy of 2001 is described as follows:

'The objective of this Policy is to create an open market for the provision of facilities and services and conditions in Anguilla's telecommunications sector in support of the continued development of tourism, financial services and information-based services on the Island, including the processing and secure storage of all types of data, encryption, software development, web hosting and back office services in the information technology sector, and international finance, trust and company management, insurance, and company registration in the financial services and insurance sectors.(Emphasis added)²⁶

The objective of opening or liberalizing the Anguilla telecommunication markets was fully realized as of January 2005 with the liberalizing of the final market segment, the international calling market. During 2004 the domestic fixed and mobile markets were open to competition. Currently there are two licensed fixed access service providers and three licensed mobile service providers. Each of these five licensees may provide both domestic and international calling services.

While all telecommunication markets have been opened since January 2005, it remains to be determined whether as a result there has been 'continuing development' or an increase in the development of the tourism, financial and information-based service sectors of the economy.

A further objective of the Government's 2002 policy was the establishment of a new institutional structure for the governance of the telecommunications sector in order to ensure fair competition. This objective is described as follows:

*'This Policy proposes a new institutional structure with conditions to ensure fair competition for the telecommunications sector in Anguilla and a timetable for its implementation.'*²⁷

The new institutional structure was established with the enactment of the Telecommunications Act (2003) in June of 2003 and the Public Utilities Act (2003) that was enacted in April 2004 and established the Public Utilities Commission.

²⁵ Op. cit., National Policy (2001), page 1.

²⁶ Ibid., page 1.

²⁷ Ibid., page 2.

It may be too early to conclude whether there is ‘fair competition’ in the telecommunications sector as most national and regional markets, including the market sector in Anguilla for fixed, mobile and Internet access and calling, are either duopolies or oligopolies as opposed to fully competitive markets.

In order for ‘competitive’ markets to function effectively major consumers need to actively participate. The Government, as one of the largest national consumers of telecommunication services, should be an active market participant exercising any influence it may possess on market prices and exercising its’ right of ‘choice’ that is embodied in the Government’s 2001 policy for market liberalisation, to do otherwise would undermine the Government’s 2001 policy objectives for the development of the national information infrastructure.

New technologies such as Wi-Max will soon provide further opportunities to lower the barriers to market entry and therefore encourage both new entities to the market as well as new services to be offered by current service providers. At present, it is too early to determine to what extent emerging Wi-Max technologies will impact current market structures and pricing. However, the fact that existing operators in the US market such as ‘Sprint Nextel’ is intending to invest US\$3 billion in building a Wi-Max network over the next few years provides a significant endorsement for the technology. In terms of the impact of the technology on the cost of high-speed Internet access, the following comments provide some perspective of the potential impact:

‘Wi-Max delivers four times the amount of data at one-tenth of the cost of the technology now in use, says Sprint Nextel.’²⁸

In addition to the broad objective of open markets and a new regulatory model to ensure fair competition, a further objective of the Government’s 2001 policy related to the level of prices for telecommunication services.

‘One of the main objectives of this Policy is to create the means and the incentives for all users to be able to benefit from the technical advances and structural changes in the sector, which have caused a significant impact not only on the quality and quantity of services that are available but also on their prices.’ (Emphasis added)²⁹

Some examples of current and historic prices for fixed and mobile access as well as domestic and international calling services in Anguilla are presented in Section 6.2 (see Tables 4 to 9).

The availability, quality, cost and price of international bandwidth are critical factors in the provision of affordable high-speed international services such as the Internet.

²⁸ The Economist, ‘Wireless Broadband – Up in the air’, 12 August 2006, page 52.

²⁹ Op. cit., National Policy (2001), page 7.

Need for more quantity and diversity of International Bandwidth

One means of measuring the relative quantity of International Internet bandwidth is to determine the capacity which backbone operators provision to carry international Internet traffic. This capacity is commonly measured in mega-bits per second (Mbps)³⁰. International Internet bandwidth per inhabitant is obtained by dividing the amount of international bandwidth employed to serve a country by the country's population³¹.

The World Summit on the Information Society, the Second Phase in Tunis, 16-18 November 2005 found the following:

'The high cost of international bandwidth is cited as a major constraint, with developing countries often having to pay the full cost of a link to a developed country hub. More than 40 countries have less than 10Mbps of international Internet bandwidth'³².

The Geneva Phase of the WSIS (12 December 2003) derived a Plan of Action and described one of the objectives of the plan as follows:

Develop and strengthen national, regional and international broadband network infrastructure, including delivery by satellite and other systems, to help in providing the capacity to match the needs of countries and their citizens and for the delivery of new ICT-based services... (emphasis added)³³.

The Caribbean ICT study published by the Inter-American Development Bank comments as follows on the issue of international bandwidth prices in the Caribbean and proposed two options for addressing the issue of high prices:

'The high leased circuit prices in the Caribbean represent significant costs to Internet Service Providers (ISPs) who access the Internet through IP Transit providers in the USA.
....There are basically two ways of addressing the high cost of leased circuit capacity in the Caribbean (i) by promoting competition in the provision of domestic and international backbone capacity; and (ii) where there is little or no competition to impact prices, by regulating the monopoly's or the dominant operators' prices for such capacity.' (Emphasis added)³⁴

Given that all telecommunication market sectors including the international sector are liberalized in Anguilla, as they are in many Caribbean economies, the promotion of competition approach has been, to a large extent, undertaken. There are at least three radio and one undersea cable facility providing international connectivity to and from

³⁰ 'World Telecommunication Indicators (2004/2005)', International Telecommunication Union, Geneva, Switzerland, November 2005, Technical Notes - #15, Internet, page 78.

³¹ Ibid., pages 62 and 78.

³² <http://www.itu.int/wsis/tunis/newsroom/background/internet.ht> (accessed August 24, 2006)

³³ <http://www.itu.int/wsis/docs/geneva/official/poa.html> (accessed August 24, 2006)

³⁴ Stern, op. cit., page 20.

Anguilla. However, international calling prices and Internet access prices remain high relative to other countries. Additional capacity as well as a more diversified supply of capacity may cause additional downward pressure on prices, however, the need for some degree of regulatory oversight may also be required in order to achieve an 'efficient' level of prices.

One method of measuring and comparing international internet capacity has been employed by the ITU. As of year-end 2004, the ITU reported that bits per inhabitant for international internet bandwidth for upper middle income countries averaged 248.7³⁵. At 1,855³⁶ bits per inhabitant Anguilla surpasses the international bandwidth average for upper middle income countries.³⁷ The International bandwidth for some other Caribbean countries within the upper middle income category include Grenada at 436.9, Dominica at 422.5 and Antigua and Barbuda at 359.0³⁸. The aforementioned countries (in addition to Anguilla) are among the highest in bits per inhabitant in the Caribbean within the upper middle income category.

While the measurement and the results may raise some debate as to the validity of the comparisons, the importance of empirical evidence in the process of making or evaluating telecommunication policy cannot be understated. A factual evaluation of the national and regional information infrastructure in terms of prices, quantity and quality is a critical input in setting reasonable policy objectives.

In light of the recommendations by WSIS 'to boost Internet penetration and put developing countries more firmly on the information society path'³⁹, WSIS highlights that competition is particularly important for Internet access and critically, for international connectivity. Therefore, one of the key policy issues to be examined is the extent to which the price for domestic Internet access is set in a competitive market and thereby set at an efficient level. Similarly, for international Internet connectivity, is the price of international Internet capacity being set by an efficient market or is the market structure one of monopoly or an emerging duopoly and therefore the prices may not be set at an efficient level?

A background report in June 2005 by The Working Group on Internet Governance, part of the UN's WSIS process, suggests a number of measures that can be initiated to reduce the cost of Internet in developing countries in an effort to combat the issues of the cost of transit and international connectivity. One recommendation was stated as follows:

³⁵ World Telecommunication Indicators, 2004/2005, International Telecommunication Union, Geneva, Switzerland, Section 15. Internet, page 62.

³⁶ 25 Mbps divided by Population of 13,477 (CIA World Factbook- July 2006 estimate).

³⁷ Anguilla with a Gross National Income of 9,660 (<http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/JUD-22215131-RQ9>) is within in upper middle bracket according to World Bank methodology for income level classification, (see World Telecommunication Indicators, International Telecommunication Union, 2004/2005, Introduction p.1 for income level classification). The 1,855 bits/person is the Anguilla figure for 2005, whilst figures for other Caribbean countries refer to 2004.

³⁸ World Telecommunication Indicators, International Telecommunication Union, 2004/2005, Section 15. Internet, p.62

³⁹ <http://www.itu.int/wsis/tunis/newsroom/background/internet.html> (accessed August 24, 2006.)

'a shift towards a 'peering' regime between and among regional ISPs will help reduce the high cost linked with international component cost. This, in turn, will encourage better optimization in the use of international bandwidth, lowering the overall cost of Internet access in developing countries.' (Emphasis added)⁴⁰

Many Caribbean economies are served by only one or two 'regional ISPs' and in some cases a second domestic ISP. Given the duopoly or oligopoly nature of most domestic Internet access markets, it is most unlikely that these ISPs will readily and jointly agree on a 'peering' arrangement without some policy or regulatory 'incentives'.

Not only is the cost and price of Internet access affected by the regional peering arrangements, or the lack thereof, but also the quality of Internet-based services such as VoIP may also be degraded when the underlying network lacks suitable capacity and/or regional peering arrangements. Consequently, the price may be high and the quality low and the public purpose not well served.

High prices for High Speed Internet access

WSIS's Plan of Action deriving from the Geneva Stage in 2003 identified a need to:

*'Develop strategies for increasing affordable global connectivity, thereby facilitating improved access. Commercially negotiated Internet transit and interconnection costs should be oriented towards objective, transparent and non-discriminatory parameters, taking into account ongoing work on this subject.'*⁴¹

The problems associated with high prices for telecommunication services, including high speed internet access, are highlighted in the Caribbean ICT study which states:

*'.....one of the most important barriers to the development of the Information Society in the Caribbean has been and continues to be the high prices that users have to pay for international calling, Internet access and leased lines. This also impacts traditional industries such as tourism and agriculture on which the Caribbean continues to be very dependent. New entrants and other competitors pass on to their customers the high prices they have to pay for leasing of circuit capacity and other wholesale telecommunications services such as telephone ports and 1-800 numbers.'*⁴²

With the monthly charge for residential high-speed Internet access in Anguilla at a level in the order of US\$ 90.00⁴³, and the emergence of a duopoly market structure, sufficient downward price pressure may not occur in the foreseeable future. Consequently, universal access to 'e-platforms' and other Internet services may not be universally affordable. As a result, the Government's 2001 policy objective for the 'implementation

⁴⁰ <http://www.itu.int/wsis/wgig/docs/wgig-background-report.doc> (accessed August 24, 2006).

⁴¹ <http://www.itu.int/wsis/docs/geneva/official/poa.html>, Plan of Action, Section C2. (9) (k). (Accessed August 25, 2006.)

⁴² Stern, op. cit., page 108.

⁴³ See Table 10, page 35 for monthly high-speed internet access prices.

of high-speed networks easily accessible to all citizens and residents to facilitate the most up-to date training to achieve the highly specialized and trained workforce needed in the information-based and financial services industries in Anguilla, may not be achievable given the present pricing and market structures for such services.

The Anguilla Government's 2001 policy objective of high-speed networks is similar to that described in the Caribbean ICT Study that emphasizes the need for the development of an adequate level of infrastructure on which to build various 'e' platforms.

*'This report focuses on the infrastructure necessary to deliver ICT services such as e-government, e-learning, and e-health to the citizens of the Caribbean and to facilitate e-commerce among its people and businesses'*⁴⁴.

The achievement of the Government's national policy objective to stimulate *'the development and widespread use of broadband network infrastructure'*⁴⁵ has not been fully realized. Issues of quality and affordability remain to be resolved (see further comments in Section 6).

The Commission recommends that given the current state of high-speed Internet access, both with respect to the retail price levels and the quality of service that the Government includes in their next telecommunications or ICT policy review an examination of the national Internet service and include in the final policy paper recommendations for improving the quality and affordability of high-speed Internet access to both business and residence customers.

The review and revision of telecommunication and/or information and communication technologies policy (ICT Policy) generally needs to be undertaken within a period of every 5 years in order to ensure that it remains relevant and that adequate monitoring, measuring and revisions are done in a timely manner having regard to the increasing rate of technological and market changes. Such a review of national policy for telecommunications and the broader ICT sector in Anguilla is due.

A suitable framework for the Government's overall ICT policy review is contained in the UN's Economic Commission for Latin America and the Caribbean (ECLAC) paper entitled *'Plan of Action for the Information Society in Latin America and the Caribbean'* – eLAC 2007. This regional Plan of Action (eLAC 2007) and the policy framework provided is recommended as a suitable starting point for the development of a national ICT policy for Anguilla.

⁴⁴Op. Cit., Stern, ICT in the Caribbean, page 2.

⁴⁵ Op. cit., National Policy (2001), page 1.

6.0 Sector Development & Retail Prices

6.1 Sector Development

The major telecommunication indicators for the five year period 2001-2005 are presented in Table 3. According to the estimates of the Anguilla Statistics Department, the population increased at a fairly constant rate with only a few gentle fluctuations over the past five years. Table 3 contains actual population data and estimates of the Anguilla Statistics Department for 2001 to 2003, whereas the estimates for 2004 and 2005 were calculated using a 2.8 average annual growth rate as determined by the Anguilla Statistics Department in their study entitled “Anguilla’s Demographic Trends over the Last Decade.”

The number of main line telephones declined steadily over the period 2001-2003 with an increase in 2004 and a further decline in 2005. In contrast, the number of mobile customers grew rapidly over the five year period with an average annual growth rate of 56%. During the latter part of 2004, two new mobile licenses were issued.

While the estimated population of Anguilla only increased by 1332 (11,561 to 12,893) between 2001 and 2005, the number of cellular mobile telephone customers soared from 2,296 to 13,061 (101.30 cellular subscribers per 100 inhabitants), that is over 5 times the number of subscribers in 2001. The number of Internet customers increased from 1,229 to 2,218 by year-end 2005. In contrast however, there has been a decline in the number of main telephone lines in operation. In 2001 there were 5,873 main telephone lines in operation in Anguilla, whilst by year-end 2005 there were 5,520.⁴⁶

Access to the public switched telephone network, as a result of the rapid take-up of mobile access, has increased substantially over the period 2001 to 2005, notwithstanding the reduction in the number of fixed line access connections. In addition, the number of customers with access to *‘the broadband network infrastructure’* has also increased by virtue of the increase in the number of broadband Internet customers.

The number of Internet customers has also increased steadily over the period 2001 to 2005 from a rate of 10.63 per hundred population in 2001 to 17.20 in 2005 as shown in Table 3.

Based on the data collected by the Anguilla Statistics Department, there were 3,787 households in Anguilla at year-end 2001. This represented a 45% increase from 1992. Household size has declined slightly over the period from 1974 to 2001. The average number of persons per household declined from 4.1 in 1974 to 3.6 in 1984 to 3.4 in 1992 and finally to 3.1 in 2001.

⁴⁶ Table 3, Page 27.

Table 3: Anguilla Telecommunication Indicators 2001 to 2005⁴⁷					
	Year Ending 31-12				
	2001	2002	2003	2004	2005
Population (1)	11,561	11,919	12,200	12,542	12,893
Fixed telephone lines in operation (2)	5,873	5,796	5,442	5,676	5,520
Fixed telephone lines per 100 inhabitants.....	50.80	48.63	44.61	45.26	42.81
Cellular mobile telephone customers (3).....	2,296	3,402	4,427	7,229	13,061
Cellular customers per 100 inhabitants.....	19.86	28.54	36.29	57.64	101.30
Internet customers (4).....	1,229	1,391	1,648	1,456	2,218
Internet customers per 100 inhabitants.....	10.63	11.67	13.51	11.61	17.20

The following sources were employed to develop the data presented in Table 3:

(1) 2001 - 2003 (Actual Data); **2004 & 2005** (Estimates using 2.8 average annual growth rate as determined by the Anguilla Statistics Department) ‘Anguilla’s Demographic Trends over the last Decade.’ Anguilla Statistics Department, <[http://www.gov.ai/statistics/images/Demographic Trends.pdf](http://www.gov.ai/statistics/images/DemographicTrends.pdf)> Accessed 28 July 2006.

(2) 2001 & 2002 Anguilla Statistics Department “Table 3.5.1 - Number of Telephone Lines by Type and Internet Connections 1994-2002” <http://www.gov.ai/statistics/CONST_TRANS_TABLES_260106_files/sheet033.htm> 28 July 2006; **2003 - 2005** Data submitted by Companies, July 2006.

(3) 2001 & 2002 Anguilla Statistics Department “Table 3.5.1-Number of Telephone Lines by Type and Internet Connections 1994-2002” <See website in 2 above> Accessed 28 July 2006; **2003-2005** Data submitted by Companies, July 2006. [*Data concerning the total number of mobile subscribers provided in the following report for 2003 & 2004 was 4,700 and 6,700 respectively. (Dr. Richard Downes, “Mobile Opportunities in the Caribbean (2nd Edition),” T&F Informa UK Limited, May 2005, Table 2.1 - Anguilla’s Mobile Market, p. 21)*]

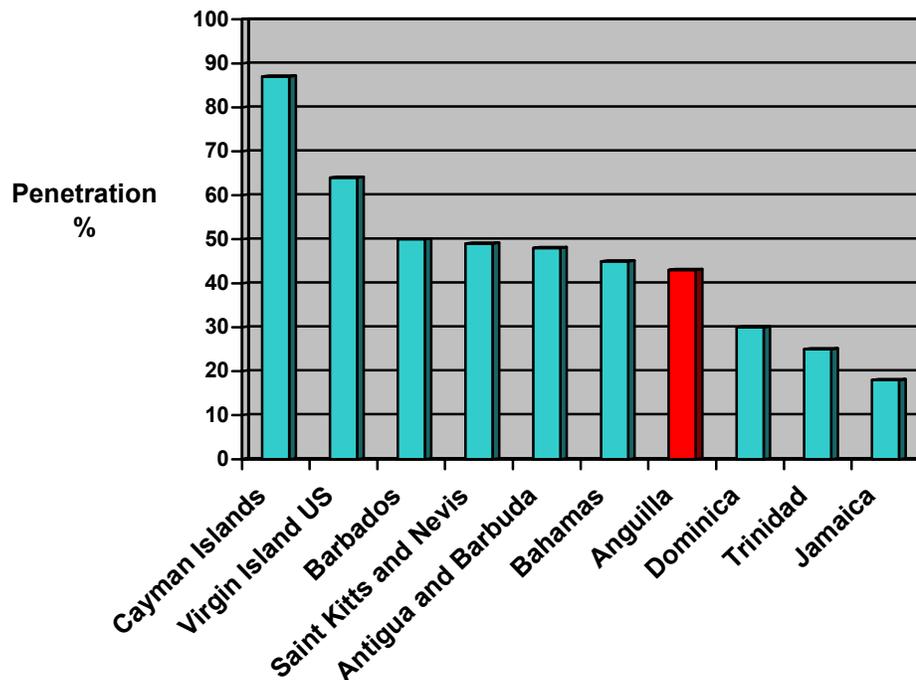
(4) 2001 & 2002 Anguilla Statistics Department “Table 3.5.1-Number of Telephone Lines by Type and Internet Connections 1994-2002” <See website in 2 above> Accessed 28 July 2006; **2003-2005** Data submitted by Companies, July 2006. Data for 2001 to 2003 includes all Internet customers whereas data for 2004 and 2005 is for high-speed Internet customers.

⁴⁷ Sources of data are identified above.

An increasing number of economies have reported reaching a level of over 100% or more for cellular mobile penetration, particular those economies in the ‘high income’ category’.⁴⁸

The number of mobile customers listed in Table 3 for the years 2003 to 2005 is based on data provided by the mobile operators. It should be noted that the method of ‘measuring’ the number of ‘connected’ mobile customers to a network varies, some operators determine the number of customers connected at a particular time (usually during peak periods) on a daily basis whereas other operators categorize customers as being active or inactive depending on the length of time from the last measured usage of the connection. The mobile customer data for 2003 to 2005 reflects the number of ‘connected’ and/or ‘active’ customers reported by the respective companies.

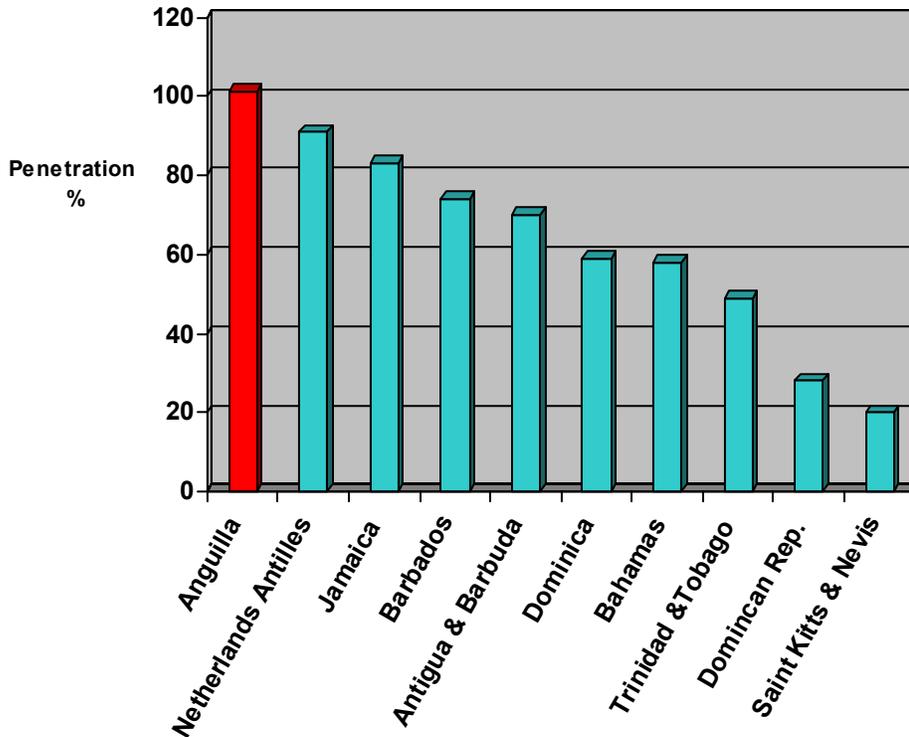
Figure 1: Fixed Line Telephone Penetration in the Caribbean (2004)⁴⁹



⁴⁸ See Footnote 40, page 22 (World Telecommunication Indicators, International Telecommunication Union, 2004/2005, Introduction p.1 for income level classification).

⁴⁹ Op. Cit., *Stern*, page ii. Anguilla data for 2005 added to original Figure.

Figure 2: Cellular Mobile Penetration in the Caribbean (2004)⁵⁰



6.2 Retail Prices

Cable and Wireless Ltd (C&W), Caribbean Cable Communications (CCC), and Digicel are presently the three major providers of telecommunications services in Anguilla. Weblinks, a company granted a cellular mobile license in 2004, had not commenced major commercial operations in Anguilla as of year-end 2005.

Caribbean Cable Communications provides the Fixed Line Telephone service, Cable and Wireless provides both Fixed and Mobile Telephone services and Digicel provides Mobile Telephone services.

Tables 4 to 10 present the prices for monthly fixed line rental, domestic calling prices, international calling prices, roaming rates and the prices for high speed internet.

⁵⁰ Op. cit., Stern, page ii, Anguilla data for 2005 added to original Figure.

Table 4: Domestic Monthly Fixed Line Prices			
Company	Service	Package	Price (EC\$/month)
CCC	Residential	Regular	25.00
	Business	Regular	30.00
C&W	Residential	Regular	42.00
	Business	Regular	87.00

Source: Company Submissions, July 2006.

Cable & Wireless monthly fixed line access prices are currently under review as a result of an application filed with the Commission in September 2004 (see Section 3.3 for further details).

Prices for international calling services have declined since June of 2003 when the prices were initially re-structured. For example, prices for calls from Anguilla to St. Kitts and Nevis have declined from EC \$ 1.70 to 0.60 per minute during the day- time period and calls to the USA have declined from EC\$ 3.25 to 0.90 (about US\$ 0.33) per minute during the peak period. However, calls originating in Canada destined for Anguilla are priced at US\$ 0.23 per minute,⁵¹ while calls between the USA and Canada are priced at 4 to 5 US cents per minute and those between the USA and the UK at 7 cents per minute. Therefore, notwithstanding the decline in international calling prices for calls originating in Anguilla, there continues to be a considerable difference between the standard prices for international calls originating in Anguilla and those originating in the USA and Canada and terminating in the Caribbean or the USA.

⁵¹ Op. cit., *Stern*, page 110.

Table 5: Domestic Calling Prices					
Company	Service	Calls From	Calls To	Various Plans	Average Price EC\$/min.
CCC⁵²	Fixed Lines	From CCC Land Lines	To Other Land Lines	-	0.08
			To Mobile Phones	-	0.50
C&W⁵³	Fixed Lines	From C&W Fixed	To C&W Mobile	-	0.60
			To C&W Fixed	-	0.07
			To Other Fixed	-	0.07
			To Other Mobile	-	0.60
	Post Paid	From C&W Mobile (b100,200,425,675,950, bBiz1250,2500,5000,10000)	To C&W Mobile	b100,bBiz1250	0.45
			To C&W Fixed	b100,bBiz1250	0.45
			To Other Fixed	b100,bBiz1250	0.45
			To Other Mobile	b100,bBiz1250	0.55
	Prepaid	From C&W Mobile	To C&W Mobile	Pay as you go	0.50
				bFree	0.50
				bFree Anytime	0.39
			To C&W Fixed	Pay as you go	0.50
				bFree	0.50
bFree Anytime				0.39	
To Other Fixed	Pay as you go	0.50			
	bFree	0.50			
	bFree Anytime	0.39			
To Other Mobile	Pay as you go	0.75			
	bFree	0.75			
	bFree Anytime	0.75			
Digicel⁵⁴	Post Paid	From Digicel Select (160, 330, 700, 1300)	To Digicel Mobiles (Within Bundle)	Digicel Select 160	0.28
				Digicel Select 330	0.27
				Digicel Select 700	0.23
				Digicel Select 1300	0.19
			To Digicel Mobiles (Outside Bundle)	Digicel Select 160	0.50
				Digicel Select 330	0.48
	To Fixed & Other Mobiles	Digicel Select 700	0.47		
		Digicel Select 1300	0.45		
		Digicel Select 160	0.60		
		Digicel Select 330	0.58		
Prepaid	From Digicel Flex	Other Mobiles	Digicel Flex	0.50	
			Digicel Flex	0.57	
			Digicel Flex	0.57	
			Digicel Flex	0.85	

⁵² ‘CCC Launches Long Distance Calling in Anguilla’, The Anguillian Newspaper, Anguilla, 9 December 2005.

⁵³ C&W Submission to the Commission dated 16 December 2005.

⁵⁴ www.digicelanguilla.com/tariffs/index.php?pa=digicel_select. 26 May 2006.

Table 6: Prices for International Direct Dialed calls from Anguilla			
Company	Destination	Time Band ⁵⁵	Price per Min (EC\$)
CCC⁵⁶	St. Martin/St. Maarten	Anytime	0.50
	USA, Canada, UK and the Caribbean (excluding Cuba, French Guiana and Haiti)	Anytime	0.60
	All Western & Eastern Europe, Australia, New Zealand, Japan, Hong Kong, China, Malaysia, Singapore, South Africa, Taiwan, and many more.	Anytime	0.67
C&W⁵⁷	Saba, St. Eustace, St. Martin, St. Maarten, St. Kitts & Nevis, Antigua & Barbuda, BVI, Montserrat & Guadeloupe	Day Evening Weekend	0.60 0.50 0.40
	USA, Canada, UK, Ireland and the rest of the Caribbean	Day Evening Weekend	0.90 0.80 0.70
	Rest of the World	Day Evening Weekend	1.50 1.25 1.00
Digicel⁵⁸	Dominica, St. Lucia, Antigua & Barbuda, Grenada, St. Kitts & Nevis, St. Vincent & the Grenadines, Montserrat, St. Martin, St. Maarten	Day Evening Weekend	0.70 0.60 0.50
	Rest of the Caribbean	Day Evening Weekend	0.85 0.85 0.75
	UK, USA & Canada	Day Evening Weekend	1.20 0.70 0.70
	Rest of the World	Day Evening Weekend	1.30 1.30 1.30
	Cuba	Day Evening Weekend	3.00 3.00 3.00

⁵⁵ **Time Bands:** **Day** Mon to Fri, 8am to 6pm; **Evening** Mon to Fri, 6pm to 8am; **Weekend** All Day Saturday and Sunday.

⁵⁶ "CCC Launches Long Distance Calling in Anguilla," The Anguillian Newspaper, Anguilla, 9 December 2005.

⁵⁷ C&W Services Directory 2006-2007.

⁵⁸ Digicel Brochure, 2006.

Table 7: C&W International Prices – 2003 to 2006 (EC \$)									
Destination	Prior to Jun. 03⁵⁹			Jun. 03 - Dec. 05⁶⁰			Jan. 06 - Present⁶¹		
	<i>Day</i>	<i>Evening</i>	<i>Week-end</i>	<i>Day</i>	<i>Evening</i>	<i>Week-end</i>	<i>Day</i>	<i>Evening</i>	<i>Week-end</i>
Saba, St. Eustatius, St. Martin, St. Maarten	1.65	1.20	0.90	1.00	1.00	1.00	0.60	0.50	0.40
St. Kitts & Nevis	1.70	1.25	0.95						
Antigua, Montserrat, BVI, Guadeloupe	1.75	1.30	1.00						
Rest of C&W Caribbean	3.15	2.45	2.20	1.80	1.80	1.80	0.90	0.80	0.70
Rest of Caribbean (excludes Cuba & Guyana)	3.20	2.60	2.25						
USA	3.25	2.70	2.00						
Canada	3.35	3.00	2.30						
UK & Ireland	4.00	3.35	2.67						
Italy	4.30	3.65	2.67	2.40	2.40	2.40	1.50	1.25	1.00
France	4.55	3.90							
Central America	4.75	4.15							
South America	4.85	4.30							
Rest of Europe	5.10	4.45							
Rest of the World	5.40	4.70							
Guyana	4.70	4.00							

The relative prices for domestic mobile calls when compared with those for either fixed network or certain international calls are high. In addition, the prices for calls between mobile networks are particularly high as are calls from fixed networks to mobile networks. In **Telecom Decision PUC 2005-102** (22 November 2005), the Commission undertook to review interconnection prices within two years of the date of the decision.⁶² In addition, the prices for calls employing mobile roaming services, as reflected to Tables 8 and 9, are considerably higher than those for either fixed or mobile non-roaming calls.

⁵⁹ C&W Anguilla Services Directory 2003.

⁶⁰ C&W Anguilla Services Directory 2005-2006.

⁶¹ C&W Anguilla Services Directory 2006-2007.

⁶² **Telecom Decision PUC 2005-102**, paragraph 37, page 8.

Table 8 : C&W - Roaming Service Prices⁶³			
<u>1.Prepaid Plans</u> (EC\$ per minute) First minute/additional minutes			
Country	Receive Calls	Calls within the country	Calls Home
C&W(Bmobile and TSTT) Countries	\$1.35/.68	\$1.35/.68	\$1.35/.68
USA	\$2.70/2.03	\$2.70/2.03	\$4.32/3.65
<u>2.Postpaid Plans</u> (EC\$ per minute) First minute/additional minutes			
Country	Receive Calls	Calls within the country	Calls Home
C&W(Bmobile and TSTT) countries	FREE	\$.95/.68	\$.95/.68
USA	\$2.30/2.03	\$2.30/2.03	\$3.92/3.65

Table 9: Digicel - Roaming Service Prices⁶⁴			
<u>1. Prepaid Plans</u> (EC \$ per minute)			
Country	Receive Calls	Calls within the country	Calls Home
Digicel Countries	1.32	1.32	1.32
USA	2.67	2.67	5.37
Other Countries	2.67	3.38	6.72
<u>2. Postpaid Plans</u> (EC \$ per minute)			
Country	Receive Calls	Calls within the country	Calls Home
Digicel countries	0.29	0.29	0.29
USA	0.79	0.79	1.29
Other Countries	0.99	0.99	1.99

⁶³ Information provided by C&W – 26 September 2006.

⁶⁴ Information obtained from website

<http://www.digicelanguilla.com/coverage_and_roaming/roaming_charges.php> 28 July 2006.

As presented in Table 10, prices for such services as high speed Internet access remain high with Caribbean Cable's 'Platinum' highest speed residential service priced at EC \$239.00 (about US \$88.00 per month) and C&W's highest speed residential service, 'Delux', priced at EC \$ 249.00 (about US\$ 92.00) per month. Presently, Internet service providers are subject to neither price regulation nor licensed in Anguilla.

Table 10: Monthly Charges for Internet Access				
Company	Service Name	Speed (Kbps)		Price (EC\$)
		<i>Down</i>	<i>Up</i>	
CCC	Residential			
	Basic	256	128	\$107.00
	Gold	512	256	\$144.00
	Platinum	1,024	256	\$239.00
	Commercial			
	Small Business Network	512	128	\$212.00
	Corporate Solution	512	256	\$500.00
	Sterling	1,024	512	\$900.00
C&W	Residential			
	Ultra	256	128	\$109.00
	Select	512	256	\$149.00
	Delux	1,544	512	\$249.00
	Commercial			
	Premium	1,544	512	\$549.00
	Delux	2,560	1,024	\$799.00

Source: Company Submissions, July 2006

7.0 Financial Reporting

7.1 Financial Report – 2005

The financial and other reporting provisions for the Commission are set out in the Public Utilities Act (2003), Part 3, Sections 14 to 22. Sections 16 and 18 read as follows:

Financial year

16. *The financial year of the Commission ends on the 31st December in each year.'*

Accounts and audit

18. (1) *The Commission shall-*

(a) *keep proper books of account of its income and other receipts and expenditure; and*

(b) *ensure that-*

(i) *all moneys received are properly brought to account,*

(ii) *all payments out of its moneys are correctly made and properly authorised, and*

(iii) *adequate control is maintained over its property and over the incurring of liabilities by the Commission*

(2) *The books of account kept under subsection (1) shall –*

(a) *be sufficient to record and explain its transactions*

(b) *enable its financial position to be determined with reasonable accuracy at any time; and*

(c) *be sufficient to enable financial statements to be prepared and audited in accordance with this section.*

(3) *Within three months after the end of each financial year, the Commission shall prepare accounts containing-*

(a) *a statement of the assets and liabilities of the Commission at the end of the financial year;*

(b) *a statement of the revenue and expenditure of the Commission during the financial year;*

(c) *such other financial statements for the financial year as may be specified by the Governor-in-Council; and*

(d) *proper and adequate explanatory notes to the financial statements.*

(4) *The accounts shall be audited by such person as may be appointed in respect of each financial year by the Governor-in-Council.'*

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

‘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 the year 2005 are presented in Appendix I of this report.

7.2 Commission’s Response to Auditor’s 2004 Report

The Chief Auditor identified a number of issues in his 2004 report that needed to be addressed by the Commission. During 2005 a number of activities were undertaken to address the key issues raised in the Chief Auditor’s report.

A copy of the response from the Executive Director of the Commission to the Chief Auditor’s report is included as Appendix II (Executive Director’s Response to the 2004 Report of the Chief Auditor) of this report.

8.0 Future Challenges and Opportunities

8.1 Human Resource Development

During 2005 the Commission attempted to recruit suitable technical expertise to address matters such as the national numbering plan and the frequency plan. As of the end of 2005, the Commission had not recruited any permanent technical staff and continued to periodically retain external consultants for advice on certain technical matters.

During 2005 the Commission retained Anguilla-based university-level summer students to conduct research and perform certain analytical undertakings. Besides providing summer internships to Anguilla university students in their field of study, another objective of this program is to evaluate potential candidates for permanent positions with the Commission.

8.2 Universal and Affordable access to the Internet

Notwithstanding the full liberalization of the telecommunications sector as of 19 January 2005, the prices for international bandwidth remain high. The use of high capacity radio systems between Anguilla and St. Martin with onward connection to fiber optic marine cables to the United States provides one option to the single marine cable serving Anguilla.

The direct relationship between overall economic development and an economy's information infrastructure is becoming increasingly evident. As a result, it is essential that the price in Anguilla of high capacity international facilities be competitive with other regional economies. In addition, the retail price for high speed Internet access remains high and a barrier to universal access to the Internet.

8.3 Future regulatory framework

Notwithstanding the Commission's focus during 2005 on the telecommunications sector, 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;”

No new legislation was enacted during 2005 to expand the Commission's mandate to these other sectors.

Appendix I

(2005 Audited Financial Statements)

PUBLIC UTILITIES COMMISSION

ANGUILLA

FINANCIAL STATEMENTS

FOR THE YEAR ENDING

31 DECEMBER 2005

**PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2005**

CONTENTS

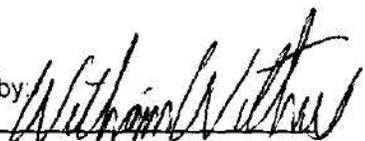
ITEM	PAGES
Income Statement	1
Balance Sheet	2
Cash Flow Statement	3
Notes to the Accounts	4-8

PUBLIC UTILITIES COMMISSION
INCOME STATEMENT
FOR THE PERIOD ENDING DECEMBER 31ST, 2005

<u>INCOME</u>	NOTES	2005	2004
Levy	2	1,209,120.00	
Miscellaneous Income	2	17,689.75	
		<hr/>	
		1,226,809.75	
		<hr/> <hr/>	
 <u>EXPENSES</u>			
Staff Cost	3	352,734.72	195,729.38
Commission Expenses	4	19,297.74	4,000.00
Office Expenses	5	98,175.63	8,460.43
Equipment Expenses	6	65,729.44	37,892.06
Travel	7	41,096.17	10,556.44
Consultants	8	168,080.24	25,000.00
Other Expense	13	15,549.86	
Finance Cost	14	9,977.73	
		<hr/>	
		770,641.53	281,638.31
		<hr/> <hr/>	
 Surplus/(Deficit)		 456,168.22	 (281,638.31)

PUBLIC UTILITIES COMMISSION
BALANCE SHEET AS AT
DECEMBER 31ST, 2005

ASSETS	NOTES	2005	2004
Fixed Assets	15	26,666.78	
Current Assets:			
Cash at Hand & in Bank	9	454,581.30	
Debtors and prepayments	10	5,068.03	2,561.69
Total Assets		<u>486,316.11</u>	<u>2,561.69</u>
LIABILITIES			
Liabilities: due within one year	11		
Creditors, accruals and provisions		<u>62,342.89</u>	<u>34,200.00</u>
Liabilities: due more than one year			
GOA Loan	12	249,443.31	250,000.00
Total Liabilities		<u>311,786.20</u>	<u>284,200.00</u>
NET ASSETS (LIABILITIES)		<u>174,529.91</u>	<u>(281,638.31)</u>
Equity:			
General Fund		(281,638.31)	
Surplus/(Deficit)		456,168.22	(281,638.31)
Total Equity		<u>174,529.91</u>	<u>(281,638.31)</u>

Signed by: 

Date: 6th May
2006

**PUBLIC UTILITIES COMMISSION
CASHFLOW STATEMENT
AS AT
DECEMBER 31ST, 2005**

OPERATING ACTIVITIES	NOTES	2005
Net Income		456,168.22
Adjustment to reconcile Net Income to net cash provided by operations:		
Debtors & Prepayment	10	(2,506.34)
Creditors, accruals and provisions	11	<u>28,142.89</u>
		481,804.77
INVESTING ACTIVITIES		
Accumulative Depreciation –Equipment	15	2,972.00
Computer Equipment	15	<u>(29,638.78)</u>
Net cash provided by Investing Activities		(26,666.78)
FINANCING ACTIVITIES		
GOV Loan	12	<u>(556.69)</u>
Net cash provided by Financing Activities		<u>(556.69)</u>
Net cash increase for the period		<u>454,581.30</u>
 Cash at end of the period		 <u><u>454,581.30</u></u>

PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENT
YEAR ENDING 31 DECEMBER 2005

NOTES TO THE ACCOUNTS:

1. ACCOUNTING POLICIES.

1.1 Function 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 licenses associated with public utilities;
- To regulate and monitor public utilities and telecommunications suppliers;
- Advise Ministers and 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. For 2004, being the inaugural year of the PUC, the cost determined under Section 21 was included in the levy calculations for 2006 and no tariff based services were provided. No income for 2004 was sought from the industry and the operation of the Commission was financed through a loan from the Government of Anguilla.

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.

1.10 Loans

The Commission may raise loans as described in Section 15 of the PUC Act 2003.

**PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31ST, 2005**

NOTES TO THE ACCOUNTS CONTINUED

2. INCOME

	2005
Levy	1,204,120.00
License for Resellers	5,000.00
Interest	<u>17,689.75</u>
Total Income	<u>1,226,809.75</u>

3. STAFFING COSTS

The Commission has employed an Executive Director, an Administrative Officer and Office Assistant. The staff cost are analysed as follows:

	2005	2004
Salaries		
Executive Director	266,799.48	185,306.46
Administrative Officer	62,389.25	9,432.00
Office Assistant/Other Staff	<u>11,938.79</u>	
Total	<u>341,127.52</u>	<u>194,738.46</u>

Other Staff Cost

Employer's Social Security	5,322.20	446.60
Employer's Pension Costs	1,672.00	267.96
Employer's Health Insurance	<u>4,613.00</u>	<u>276.36</u>
Total	<u>11,607.20</u>	<u>990.92</u>

Total Staff Cost	<u>352,734.72</u>	<u>195,729.38</u>
-------------------------	--------------------------	--------------------------

4. COMMISSION EXPENSE

	2005	2004
Commission Allowances	<u>19,297.74</u>	4,000.00
Total Commissioner's Expenses	<u>19,297.74</u>	<u>4,000.00</u>

Allowances in 2005 include payments of outstanding expenses for 2004

5. OFFICE EXPENSES

	2005	2004
Advertising	815.55	550.00
P.O.Box Rental	120.00	60.00
Rent	66,052.00	4,700.00
Telephone	7,695.12	3,150.43
Electricity	13,427.39	
Office Supplies	5,641.14	
Depreciation Expense	2,972.00	
Other Office Expenses	1,452.43	
Total Office Expense	<u>98,175.63</u>	<u>8,460.43</u>

6. EQUIPMENT EXPENSES

	2005	2004
Purchase of Office Equipment	23,227.69	28,391.61
Purchase of IT Equipment	42,501.75	9,500.45
Total Equipment Expenses	<u>65,729.44</u>	<u>37,892.06</u>

7. TRAVEL

	2005	2004
Car Rental		5,701.97
Staff Travel	41,096.17	4,854.47
Total Travel Costs	<u>41,096.17</u>	<u>10,556.44</u>

8. CONSULTANTS

	2005	2004
Audit Fee	25,000.00	25,000.00
Accounting Fees	20,170.62	
Consulting Fees	122,909.62	
Total Consulting Fees	<u>168,080.24</u>	<u>25,000.00</u>

9. CASH AND BANK

	2005	2004
Chequing Account	37,254.01	
Savings Account	417,327.29	
Total Cash at Bank	<u>454,581.30</u>	

10. DEBTORS AND PREPAYMENTS

	2005	2004
Balance of GOA loan to be drawn		556.69
Prepayment for Office Counter/Rent	5,068.03	2,005.00
Total Debtors and Prepayments	<u>5,068.03</u>	<u>2,561.69</u>

11. CREDITORS ACCRUALS AND PROVISIONS

	2005	2004
Accruals (rent, board fees & int. on loan)		9,200.00
Accounts Payable (Electricity & Telephone)	1,086.89	
Provision for Audit Fees/Accounting Fees	<u>61,256.00</u>	<u>25,000.00</u>
Total Creditors, Accruals & Provisions	<u>62,342.89</u>	<u>34,200.00</u>

12. LOAN FINANCE

	2005	2004
Loan with GOA	249,443.31	250,000.00

Interest on loan is charged at the rate of 4% annually.

13. OTHER EXPENSE

	2005
Conferences	10,955.47
Other Expenses	<u>4,597.92</u>
Total	<u>15,553.39</u>

14. FINANCE COST

	2005
Interest on Loan	9,977.73

15. FIXED ASSETS

Description	Rate	Gross	Depreciation Expense	Net Book Value
Canon Copier	20%	29,638.78	2,972.00	26,666.78

16. CONTINGENT LIABILITY

A challenge to the levy set by the Commission for 2006 has been formally raised by Cable and Wireless disputing the inclusion of the Commission's 2004 deficit, EC\$281,638, in the setting of the 2006 levy.

The Commission considers that under the general requirements of the Act that all cost incurred in operating the Commission are to be recovered from the industry and the recovery of this deficit is appropriate. Negotiations between the company and the Commission continue, but should this challenge result in legal action by Cable and wireless there is a risk that this deficit will not be recovered and that the Commission will incur additional costs in defending such legal action.

Appendix II

(Response to 2004 Report of the Chief Auditor)

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

3 May 2006

Martin Daynes
Chief Auditor of Anguilla
C/O National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON
SW1W 9SP

Reply to the Report of the Chief Auditor Audit associated with the Annual Audited Financial Report for Public Utilities Commission Accounts for Year Ending 31 December 2004

The following comments are in reply to the key 'audit issues' identified in part 7 of the Chief Auditor's report.

- 1. Need to develop systems and procedures, both operational and financial, for the Commission such as the creation of its own payment function and associated bank accounts.*

The required systems and procedures were developed and implemented during 2005 while further refinements may be necessary the basic systems and procedures are in place.

- 2. Interpretation of the financial and audit requirements from the Act also proved problematical. The legislation requires the audited surplus or deficit figure for the year ending 31 December to be available for setting the next financial year's levy. As this levy is required to be set by the start of the next financial year, 1 January, it is not possible to have the audited figures for the previous year available for the levy calculation. I recommend that the legislation be amended to resolve this problem.*

Following a review of similar legislation in other jurisdictions such as the United Kingdom, the current legislation is under review and an amendment will be drafted and proposed.

3. *The Act makes no provision for the accounts to be laid before the House of Assembly via a sponsoring Minister, as happens with similar Government Agencies. There is a need to ensure that the accounts enter the public domain by being laid before the House, and I recommend that consideration be given to amending the legislation to enable such accountability and disclosure.*

The Commission will recommend to the Government that an amendment to the Public Utilities Act be adopted that will require the annual financial report, as part of the Commission's annual report, be laid before the House. This matter was addressed on an interim basis in 2005 by distributing the Commission's 2004 Annual Report to all Ministers, Permanent Secretaries and to each license operating entity.



(Signed) William Withers
Chairman -Chief Executive
3 May 2006