



Public Utilities Commission

ANGUILLA

Annual Report
2006



Public Utilities Commission

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25 September 2007

Re: Public Utilities Commission 2005 Annual Report

The Annual Report of the Commission for 2006 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

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

1.0 Introduction

Phase Three of the telecommunications liberalization process in Anguilla became effective on 19 January 2005. As a result, all telecommunication markets in Anguilla have been liberalized since January 2005. The impact of two years of liberalized markets on prices and services is reflected in the data presented in Tables 1 to 9 of this report.

The Commission is responsible for the administration of the Telecommunications Act R.S.A c.T6 (Telecom Act) and the Public Utilities Act R.S.A. c.175 (PUC Act) which was initially enacted on 7 April 2004. During 2006 the Commission consisted of three members appointed by the Governor-in-Council pursuant to s3 of the PUC Act. The following persons were members of the Commission during 2006: Mr. William Withers, Executive Chairman; Ms. Marilyn Bartlett-Richardson, member and the Deputy Chairman; and Mr. Leroy Martinez a member and Secretary. Ms. Bartlett-Richardson was re-appointed to a second two-year term in April 2006.

The annual report of the Commission is prepared pursuant to Section 19 of the PUC Act (2003). 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 following sections of the report provide an overview of the Commission's 2006 activities including the financial performance and position as of the year ending 31 December 2006 (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 2006

2.1 Gabbin Communications

A draft application dated 1 March 2006 was submitted for a class license for resale of telecommunications services on a prepaid basis and telecommunication services offered via Voice over Internet Protocol (VoIP). On receiving the application, the Commission at its March 9 2006 meeting determined that revisions were required to the resale

regulation and regulation fee. The proposed revisions were enacted in March and April 2006. As a result of these amendments to the regulations, the ‘fees’ for both pre-paid and post-paid (VoIP) resale were set at EC\$5,000 per year. The applicant, Gabbin Communications, represented by Mr. Rogers, was informed that in order for his application to be considered further a signed copy of the application and the annual fee of EC\$5,000 should be submitted to the Commission. As of year-end 2006 no further response was received from Mr. Rogers of Gabbin Communications and his draft application was set aside.¹

3.0 Other Applications

3.1 Cable & Wireless VoIP Service (NetSpeak)

The September 2005 application by Cable and Wireless for approval to offer a VoIP (NetSpeak) service was initially reported in the Commission’s 2005 Annual Report. Following the Commission’s receipt of the application, comments in response to the public notice, reply comments, and Cable and Wireless responses to the Commission’s interrogatories, the Commission issued **Telecom Decision PUC 2006-101** dated March 31, 2006.

In **Decision 2006-101**, the Commission approved the NetSpeak service. However, Cable and Wireless was required to undertake certain actions so as to clarify a number of matters and file proposed prices as the service had been categorized as a public telephone service. Paragraph 96 of the decision reads as follows:

*“96. The Commission having considered C&W’s submission of 29 September 2005 and their subsequent filings as well as the submissions of CCC has determined that C&W’s proposed new voice service under the brand name NetSpeak be categorized as a public voice service and that C&W is presently dominant in both the IDD and domestic public voice market segments. As a result, the Commission finds that the prices associated with the new public voice service are subject to price regulation pursuant to Section 12.9 of C&W’s license. (See **Directions on Procedure**, paragraph 162)”*

Under a covering letter dated 11 April 2006 Cable and Wireless filed the proposed prices for the NetSpeak service. Final prices were approved by the Commission by **Decision 2006-102** dated 26 May 2006.

¹ Mr. Rogers advised the Commission in June 2007 that he would inform the Commission within the next two months as to whether he intended to proceed with an application for a resale license.

3.2 Application for Wi-Max – Digicel

During the Commission's meeting of June 2, 2006 an inquiry by Digicel about an application fee for WiMax (fixed wireless) was considered. The current 'Spectrum Fee' regulations did not include a fee for such a frequency assignment nor does the current 'Spectrum Plan' contain a category for WiMax frequencies. Subsequently a draft Spectrum Fee Regulation was prepared for consideration.

The Commission retained a spectrum consultant to assist in the preparation of a fee schedule for WiMax and also a position on the use of Wi-Fi frequencies. The consultant's recommendations and proposals are included in a revised Table of Frequencies for Anguilla that is proposed to the Government. In addition a consultant was also retained to do a survey of Caribbean jurisdictions to determine what fees and allocations are being employed for Wi-Max technologies.

3.3 Frequency Authorisations – Cable & Wireless – 850 Band

During 2005 C&W agreed to the release of the 850 AMPS B band and in return were granted authorisation to employ 5MHz in the 1900 MHz band for their GSM service. During November 2006 the Commission retained an external consultant to conduct a spectrum use survey.²

In the process of preparing the Spectrum Use Report interviews were conducted with each of the major spectrum users in Anguilla. During the interview with Cable & Wireless, the company confirmed that they had turned down their AMPS cellular network as of 1 October 2006 and had also completed the transition from the 850 MHz B band to the 850 MHz A band on that date.

3.4 Application for certain price adjustments – Cable & Wireless

The September 2004 price increase application by the company remained before the Commission during 2006. As noted in the Commission's 2005 Annual Report, a meeting was held with the company on 14 August 2006 to discuss the status of the application.

During the meeting the Commission reviewed the results of their analysis of C&W's annual financial statements for the years 2001 to 2006. Subsequently there was a discussion on the options for future price regulation. The company undertook to consider the matter of the application further and make a submission to the Commission.³

² The report was completed and filed with the Commission on 31 January 2007 and will be reviewed in the Commission's 2007 Annual Report.

³ Cable & Wireless advised the Commission that they are withdrawing their line rental increase application of 8 September 2004 by way of a letter to the Commission dated 1 March 2007.

3.5 Application by C&W for new service prices – ‘Home Plans’

Cable & Wireless filed an application with the Commission dated 6 July 2006 for approval of prices for new service packages. The proposed offerings are to be marketed under the name “Home Plans” and offer residential customers a variety of fixed priced packages. The application remained outstanding as of year-end 2006 as the application for a basic rate increase (see Section 3.4) was still unresolved.

4.0 Other Activities

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

The third tri-country frequency coordination meeting was held 13-17 March 2006 at the Hotel Port de Plaisance in Philipsburg, St. Maarten, the Netherlands Antilles. The main activity was the implementation of a joint frequency monitoring campaign conducted with the participation of all three administrations.

The meeting was attended by representatives from the three delegations listed below:

- **Anguilla Delegation:**
Mr. Larry Franklin – 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, Paris, France;
- **Netherlands Antilles Delegation:** Mr. Joao Duart de Canha, Director of the Bureau Telecommunicatie en Post (BTP), Netherlands Antilles, Mr. Giovanni King, Department Head, Technical Affairs & International Relations, Regulatory Authority of the Netherlands Antilles; and 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 three distinct segments. The initial segment was a meeting of the administrations for the purpose of setting the schedule for the frequency monitoring drive tests that were scheduled for Tuesday, 14 March (St. Maarten), Wednesday, 15 March (St. Martin) and Thursday, 16 March (Anguilla).

The second segment of the meeting was an open meeting with the operators from each of the territories and discussion of the proposed monitoring program. On Friday, 17 March, a meeting was held with the operators to review the monitoring results and the recommendations to reduce the amount of interference in the various mobile bands.

The final segment of the meeting involved meeting with the operators and sharing the results of the frequency monitoring tests conducted in each of the territories during the previous three days. The consultant recommended that with some antenna sector

orientation and also sector beam tilt at a number of locations that the level of foreign signals in neighboring territories could be reduced.

4.2 Price Cap Proceeding

One of the key inputs to a ‘price cap’ regime is the level of the ‘going-in’ prices. As of the end of 2006, the matter of the ‘going-in’ prices for an incentive price cap remained unresolved.

Two developments in early 2007 have raised the issue of the current level of basic access prices and the question of whether they are ‘fair and reasonable’.

The withdrawal by C&W of their September 2004 application for an increase in basic access prices based on the ‘Interim Price Cap’ formula was submitted to the Commission by way of a letter dated 1 March 2007. The second development was the filing by C&W of a ‘Low User Scheme’ under a covering letter to the Commission dated 7 March 2007.

As noted in Section 3.4 (*Application for certain price adjustments – Cable & Wireless*) a meeting attended by representatives from C&W and the Commission was held on 14 August 2006 to discuss the status of C&W’s September 2004 price increase application based on the ‘Interim Price Cap Rules’. During the meeting the Commission presented the results of their analysis of C&W’s performance based on their financial statements filed with the Commission for the years 2000 to 2006.⁴ The financial results reflect an increasing return on invested capital since 2004 for the overall firm.

The prices for any ‘Low User Scheme’ or other type of ‘universal access’ pricing should bear some relationship to the overall pricing structure for basic access. The basic access prices also need to be appropriate as the ‘going-in’ prices for any incentive price cap regime. The Commission commented as follows in the 2005 annual report on the matter of the level of ‘going-in’ prices:

“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.’⁵

⁴ Cable & Wireless advised the Commission that they are withdrawing their line rental increase application of 8 September 2004 by way of a letter to the Commission dated 1 March 2007.

⁵ Public Utilities Commission (Anguilla) Annual Report 2005, Section 4.2, page 12.

Given C&W's recent financial results, the level of basic access prices may not be suitable as the 'going-in' prices for an incentive price cap regime having regard to the condition in the license that prices be 'fair and reasonable'. However, the Commission recognizes that real prices for basic access have declined at the rate of inflation since 2003 when they were last increased. Notwithstanding the decrease in real access prices, there has been a decline in the overall penetration rate for fixed access from a rate of 50.8 in 2001 to 40.8 in 2006.

In part, the decline is due to the combination of the population growth and the decline in the number of fixed access lines in service as of year-end 2002, 2003 and 2005 (see Table 1). Other factors which may be impacting on the demand for fixed lines is the current price level, which was increased substantially in 2003, as well as the substitution of mobile access for fixed access since 2005 when two additional mobile operators were licensed. The number of fixed access lines reportedly increased in 2006 from 5,520 at year-end 2005 to 5,825 by year-end 2006.

4.3 Annual Levy for 2006

The 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) and may include any surplus or deficit from a previous financial year as described in Section 21(2). The basic distribution of the levy among the licensed operators is the ratio of revenues for each licensed operator to the total industry revenues. In the case of a new entrant with limited revenues there is a minimum fee of EC \$10,000 to ensure a portion of the levy is covered by each licensed operator.

The total annual levy for 2006 was EC \$1,100,750.00 as set out in the Assessment of Industry Levy (Telecommunications) Regulations (2004). When the initial levy was assessed in January of 2006, Cable & Wireless, by way of a letter dated 14 February 2006, alleged that the deficit portion of the 2006 annual license fee and levy assessed by the Commission was illegal and unauthorised by the Public Utilities Act (2003). They also submitted that the process through which the license fee and levy was set was not clear and as a result amendments to section 17 and section 21 were required.

Subsequently the PUC auditor and Attorney General's Office as well as other Ministries were consulted on the matter. It was determined from these discussions that Anguilla was employing an internationally accepted process of deriving their fee and levy. However, it was also determined that section 21 of the PUC Act should be amended and a draft amendment was proposed. The proposed amendment was forwarded to Cable and Wireless in a letter dated 31 August 2006. Cable and Wireless accepted the proposed amendment and withdrew their objections to paying the 2004 deficit. The three other licensed network operators submitted their payments pursuant to the levy regulation without objections.

5.0 Policy Frameworks

5.1 Anguilla National Policy

The Anguilla national telecommunication policy ('A New Telecommunications Regulatory Framework for Anguilla')⁶ was established in August 2001. One of the policy objectives is described 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.'*⁷

The policy objective '*to create an open market*' was achieved when telecommunication markets in Anguilla were fully liberalized effective 19 January 2005. Whether these markets are effective and efficient and thereby producing prices that are maintained at an efficient level is a matter that needs to be reviewed by both policy makers and the Commission on an on-going basis.

One of the principle objectives of this annual report from the Commission is to provide an assessment of the telecommunication markets in terms of services offered and present price levels for particular services. Section 6.0 of this report presents an overview of prices and other data on the type and extent of services being provided as of the end of 2006.

The need for '*the development and widespread use of broadband network infrastructure*'⁸ was one of the key goals identified in the Government's 2001 policy statement. One means of measuring progress with respect to this objective, is to monitor the 'in-service' amount of international Internet bandwidth being provided. Based on data provided by ISP's providing service in Anguilla the amount of international Internet bandwidth has steadily increased over the past several years from approximately 50 Mbps in 2004 to 200 Mbps by July 2007. During the same period the number of broadband (DSL or cable modem) customers has also increased (see Table 1) from some 1,456 in 2004 to 2,856 by year-end 2006.

With two fixed access and three mobile network service providers as well as three Internet service providers, customers have a degree of choice in terms of service packages. However, price rivalry in the mobile-calling, international-calling, and Internet access markets appears to have decreased in intensity during the past year (see Tables 4 to 10). Should the decline in price rivalry develop into a long term market condition, further policy and regulatory initiatives may need to be considered.

⁶ National Policy - Government of Anguilla Official Gazette, 31 August 2001, Vol. 31, No.8, p. 36-68,

⁷ Ibid. page 39.

⁸ Ibid. page 1.

5.2 Global and Regional Policy Developments

Regionally a number of initiatives such as the harmonization of telecommunications policy and governance are being addressed by institutions such as the ITU, CTU and CANTO. Issues such as multi-sector regulators versus single sector or competition regulators will need to be addressed in the process of considering harmonization as well as the division of discretion between regional and national governance bodies. The initial stage of such a process may be to harmonize national telecommunications and/or ICT policies within a regional framework.

World Information Society Report 2007⁹

The World Information Society report of 2007 entitled ‘Beyond WSIS’ traces progress in the implementation of the outcomes of the World Summit on the Information Society (WSIS). Two of the primary objectives of the Summit were turning the digital divide into a digital opportunity for all and improving access to Information and Communication Technologies (ICTs).

The report finds that in most technologies, especially mobile telephony, the digital divide is shrinking. Developing countries are gaining on OECD countries in terms of mobile cellular subscriber penetration internet usage and broadband penetration in particular, Lower Income economies are catching up with developing countries with regards to mobile phones, internet usage and broadband usage however they are being left behind in their fixed line access where there is a widening gap present which may in the future impact negatively on their access to broadband.¹⁰

Mobile telephony may hold the greatest potential for bridging the digital divide. The number of subscribers is growing rapidly worldwide. The mobile phone usage of Lower Income Countries has begun to outnumber fixed line usage¹¹. By the end of 2008 more than half of the world’s population is expected to have mobile phone access. Several countries have made significant progress especially in Africa where the fixed line infrastructure is so weak that mobile telephones have become the primary means of communication.

In the Caribbean region, one of the most rapid growth rates in mobile service has been in Jamaica where liberalization of the market laid the foundation for growth.

⁹ Source: Executive Summary; World Information Society 2007 Report: Beyond WSIS

¹⁰Source: Executive Summary; World Information Society 2007 Report: Beyond WSIS: The digital divide is shrinking, pg 8

¹¹ Source: Executive Summary; World Information Society 2007 Report: Beyond WSIS: The digital divide is shrinking, pg 8

Broadband access to the Internet though available in 170 economies by the start of 2007, remains at least ten-times more expensive in low-income countries than in high-income countries and is often unavailable outside urban areas. The US remains the largest market but China is growing fast. High income countries like the US account for more than three quarters of the broadband usage of the world while lower middle income countries account for just about 20 percent and lower income countries account for less than 1 percent of the total global broadband usage¹². Developed countries growth rates in internet subscribers tend to be lower than those of lower income economies but many of their subscribers are switching to a higher- speed broadband connection from their narrowband connection.

While much progress has been made in reducing the digital divide, existing limitations due to affordability, availability and with respect to internet security, remain a cause for concern. The digital divide is, in part, reflective of the differences structurally in the economics of access and wholesale markets. While high income countries may benefit from robust competitive markets with a number of alternative products such as cable modems, DSL, fibre and wireless access in high density affluent urban areas, lower income countries may not enjoy the full benefits of robust rivalry as they are less likely to have financially sound and sustainable infrastructure-based competition in their broadband markets.

Lack of supply due to barriers in cost, inability to negotiate economies of scale in bulk purchases of bandwidth due to their size and limited access to competitively supplied submarine fibre-optic cables are all drawbacks faced by small-island developing economies. As a result, they bear the burden of higher costs for international connectivity and in turn the resulting higher prices for broadband internet access.

The online dangers and threats to cyber security act as huge drawbacks to the progress of the information society. With Internet expansion, new opportunities are provided for criminals to exploit online vulnerabilities, to commit cyber crime acts or attacks on a country's critical infrastructures.¹³

What 'speed' is Broadband?

The Internet 'speed' issue is generally related to the ability to 'download' as well as 'upload' information via the Internet. Internet users are generally most interested in the download speed as that is the rate at which they may receive information. It is common to refer to 'broadband' as one or more classifications of 'Internet' download speeds. However, the definition of the types of connection that may be classified as 'broadband' is not universal.

¹² Source: Executive Summary; World Information Society 2007 Report: Beyond WSIS: Broadband Internet: p. 10

¹³ Source: Executive Summary; World Information Society 2007 Report: Beyond WSIS: Cybersecurity, p. 18

The Federal Communications Commission, the federal regulator in the USA, defines broadband as a connection with a speed greater than 200 kbps in at least one direction. Whereas the OECD and the ITU define broadband as having a download speed greater than 256 kbps. However, these 'lower' speed limits are increasingly irrelevant as the rate of development of information hungry applications such as 'YouTube' on the Internet, and the increasing demand from Internet users for higher speeds and reliability, the minimum 'broadband' speed for 'moderate' users is already in the order of 1.2 mbps.¹⁴

The demand for higher Internet speeds is evident in the rate of decline in the use of 'dial-up' access. With DSL speeds of 2 to 5 mbps and cable modem speeds of 4 to 8 mbps and fiber with speeds of 10 or more mbps, the demand for higher speeds is likely to continue to be a function of the supply of, and demand for, information transfers via the Internet.

In the context of national and/or regional information industry policy, there is a need to establish some standards for measuring what is being sold, what is being delivered and to determine where it is either available or should be available. Should a national policy objective be for universal access to 'broadband' Internet or 'high speed' Internet connections? The industry, regulators and policymakers need to come to an understanding on a set of standards to enable consumers a meaningful basis for making purchase decisions and determining whether they are receiving the level of service that they expect, require and for which they are paying.

¹⁴ Roy Lathrop, NCTA, Presentation at NARUC Summer Meeting 2007 – 'Broadband Policy and Deployment', New York, N.Y. USA, 15 to 18 July 2007.

6.0 Sector Development & Retail Prices

6.1 Sector Development

The primary telecommunication indicators are presented in Table 1. The table contains actual population data from the Anguilla Statistics Department for the years 2001 to 2003 as well as 2006 while the estimates for 2004 and 2005 were derived using a 2.8 % average annual growth rate established by the Anguilla Statistics Departments study entitled “Anguilla’s Demographic trends over the Last Decade”.

A steady decline occurred in the number of main line telephones over the period 2001-2003 with an increase in 2004, another decline in 2005 and a further increase in 2006. In 2001 there were 5,873 main telephone lines in operation in Anguilla, whilst by year-end 2005 there were 5,520. There was a significant increase however, in 2006 taking the number of main telephone lines up to 5,825, an increase of 305 and just 48 below the 2001 amount.¹⁵

In contrast, the number of mobile customers grew rapidly over the five year period evidenced by an average annual growth rate of 51% and fuelled by the two new mobile licenses issued in 2004. While the estimated population of Anguilla only increased by 2,693 (11,561 to 14,254) between 2001 and 2006, the number of cellular mobile telephone customers increased from 2,296 to 17,150 (120.32 cellular subscribers per 100 inhabitants), over 6 times the number of customers in 2001.

The number of broadband (DSL or cable modem) Internet customers increased from 1,456 in 2004 to 2,839 by year-end 2006. This number has increased steadily over the period 2001 to 2006 from a rate of 10.63 per hundred of the population in 2001 to 19.92 in 2006 as shown in Table 1.

Based on an average household size of 3.1 persons as reported by the Anguilla Statistics Department, there were some 4,598 households in Anguilla as of year-end 2006. Given the number of broadband connections of 2,839, there were approximately 62% of the households with broadband Internet service as of year-end 2006.

¹⁵ Table 2, Page 20.

Table 1: Anguilla Telecommunication Indicators 2001 to 2006 ¹⁶						
	Year Ending 31-12					
	2001	2002	2003	2004	2005	2006
Population ¹⁷	11,561	11,919	12,200	12,542	12,893	14,254
Fixed telephone lines in operation ¹⁸	5,873	5,796	5,442	5,676	5,520	5,825
Fixed telephone lines per 100 inhabitants.....	50.80	48.63	44.61	45.26	42.81	40.87
Cellular mobile telephone customers... ¹⁹	2,296	3,402	4,427	7,229	13,061	17,150
Cellular customers per 100 inhabitants.....	19.86	28.54	36.29	57.64	101.30	120.32
Internet customers ²⁰	1,229	1,391	1,648	1,456	2,218	2,839
Internet customers per 100 inhabitants.....	10.63	11.67	13.51	11.61	17.20	19.92

¹⁶ Sources of data are identified below.

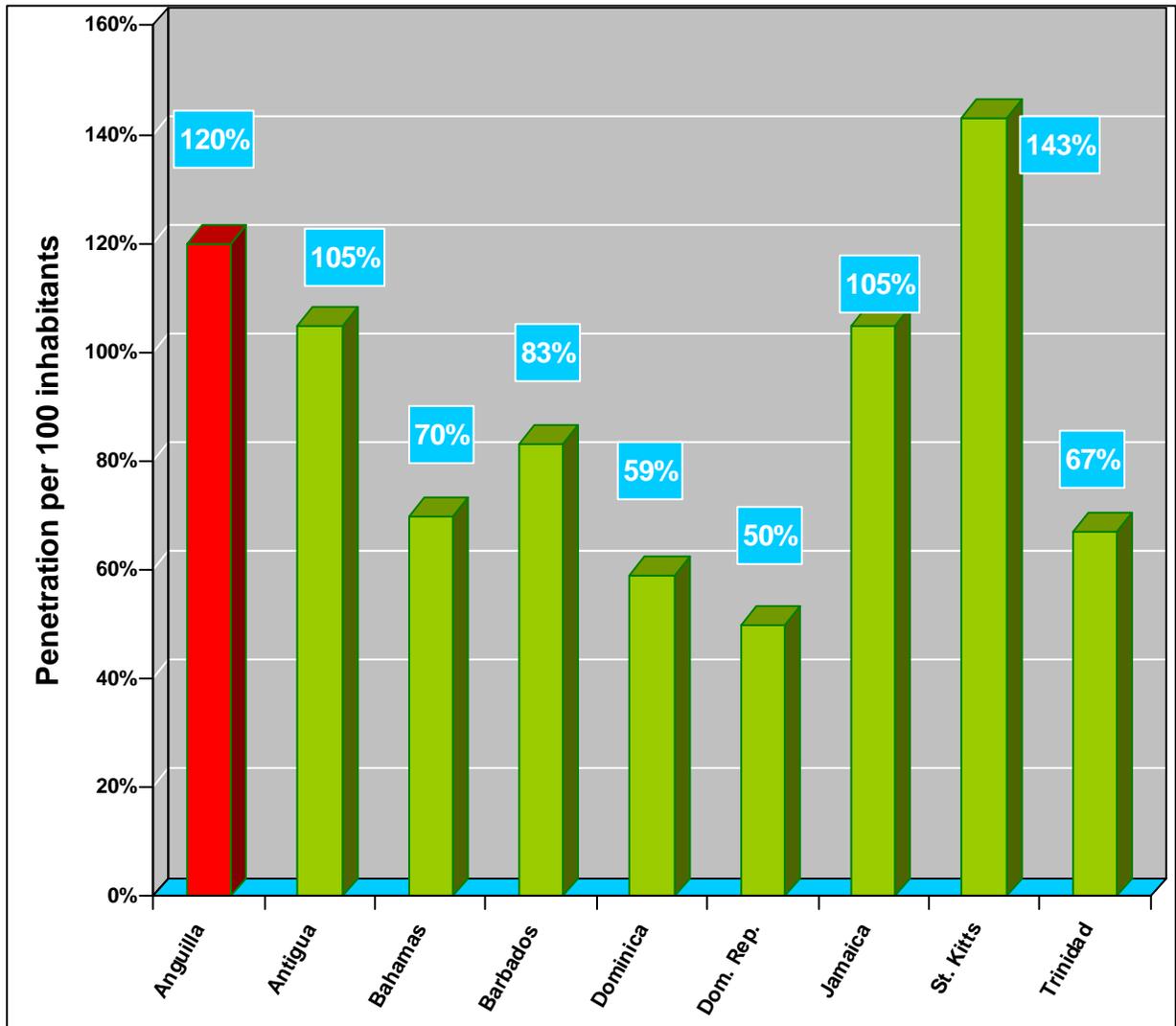
¹⁷ **2001 - 2003** (Actual Data); **2004 & 2005** (Estimates using 2.8 average annual growth rate as determined by the Anguilla Statistics Department) 'Anguilla's Demographic Trends over the last Decade.' Anguilla Statistics Department, <http://www.gov.ai/statistics/images/Demographic_Trends.pdf> Accessed 28 July 2006. **2006** (Actual Data) <http://www.gov.ai/statistics/POP_DEMO_HEALTH.htm> Accessed June 13 2007.

¹⁸ **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. **2006** Data submitted by Companies June 2007 (CCC: submitted 13 Jun 2006) (C&W: submitted 27 June 2007).

¹⁹ **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)] **2006** Data submitted by companies June 2007 (Digicel: submitted 20 June 2007) (C&W: submitted 27 June 2007).

²⁰ **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, 2005 and 2006 is for high-speed Internet customers. **2006** Data submitted by companies June 2007 (CCC: submitted 13 Jun 2006) (C&W: submitted 27 June 2007).

Figure 1: Cellular Mobile Penetration in the Caribbean (2006)²¹

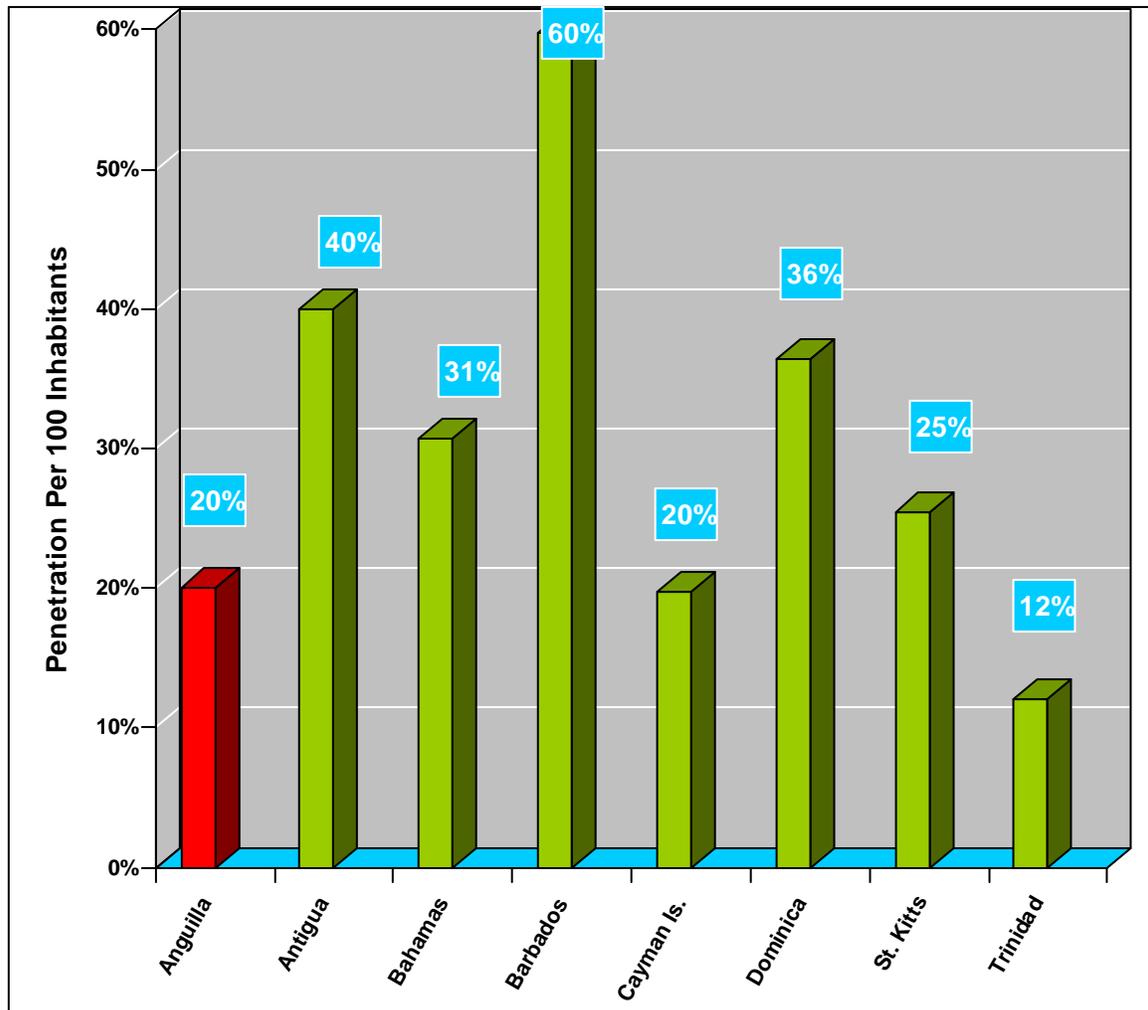


The number of mobile customers in Anguilla listed in Table 1 for the years 2003 to 2006 is based on data provided by the mobile operators. It should be noted that the method of ‘measuring’ the number of ‘connected’ mobile customers to a network varies, some operators determine the number of customers 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 2006 in Anguilla reflects the number of ‘connected’ and/or ‘active’ customers reported by the respective companies.

²¹ <<http://www.systemec.org/AMCCMT.html>> accessed July 17th 2007.

The mobile data for the other countries in Figure 1 is not verified as to whether the customers are all ‘active’ and/or connected but based on data provided by Systec a company which monitors telecommunication markets globally.

Figure 2: Total Internet User Penetration in the Caribbean (2006)²²

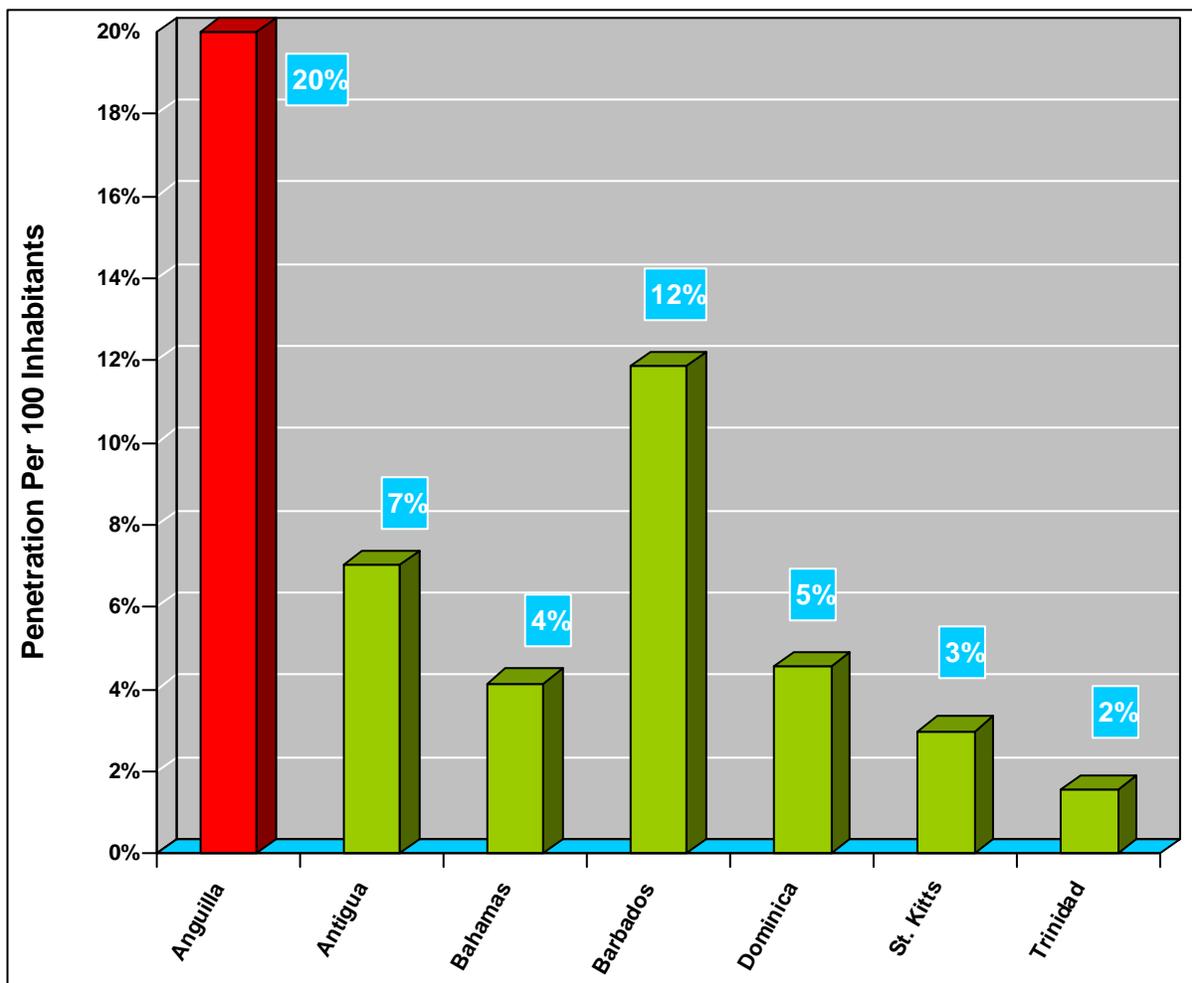


The ‘measurement’ of the number of Internet customers and the ‘speed’ of the service being provided are important features of the information industry. In terms of the speed and quality of service, both the ‘advertised’ and the ‘delivered’ aspects of the service

²² <<http://www.internetworldstats.com/carib.htm>> accessed July 17th 2007. (The ‘User’ data for Anguilla in Figure 2 is for high-speed broadband customers whereas the data for other countries may include estimates of Internet users in Internet Cafes and other public access points. Figure 3 provides a comparison ‘Broadband’ internet Users.)

should be measured, monitored and managed. In some instances the actual ‘download’ delivery speed is at times found to be considerably less than the ‘advertised’ speed. Such a result may be due to a number of factors including overall network or website loading, quality of local and regional Internet peering arrangements and/or the performance of the local server and the quality of the local access facility.

Figure 3: Broadband Internet User Penetration in the Caribbean (2006)²³



Measuring the extent of Internet access and determining whether access is universal, remains an elusive undertaking. Questions such as whether to include ‘all’ Internet users, including Internet Café access when making such a determination or to limit the

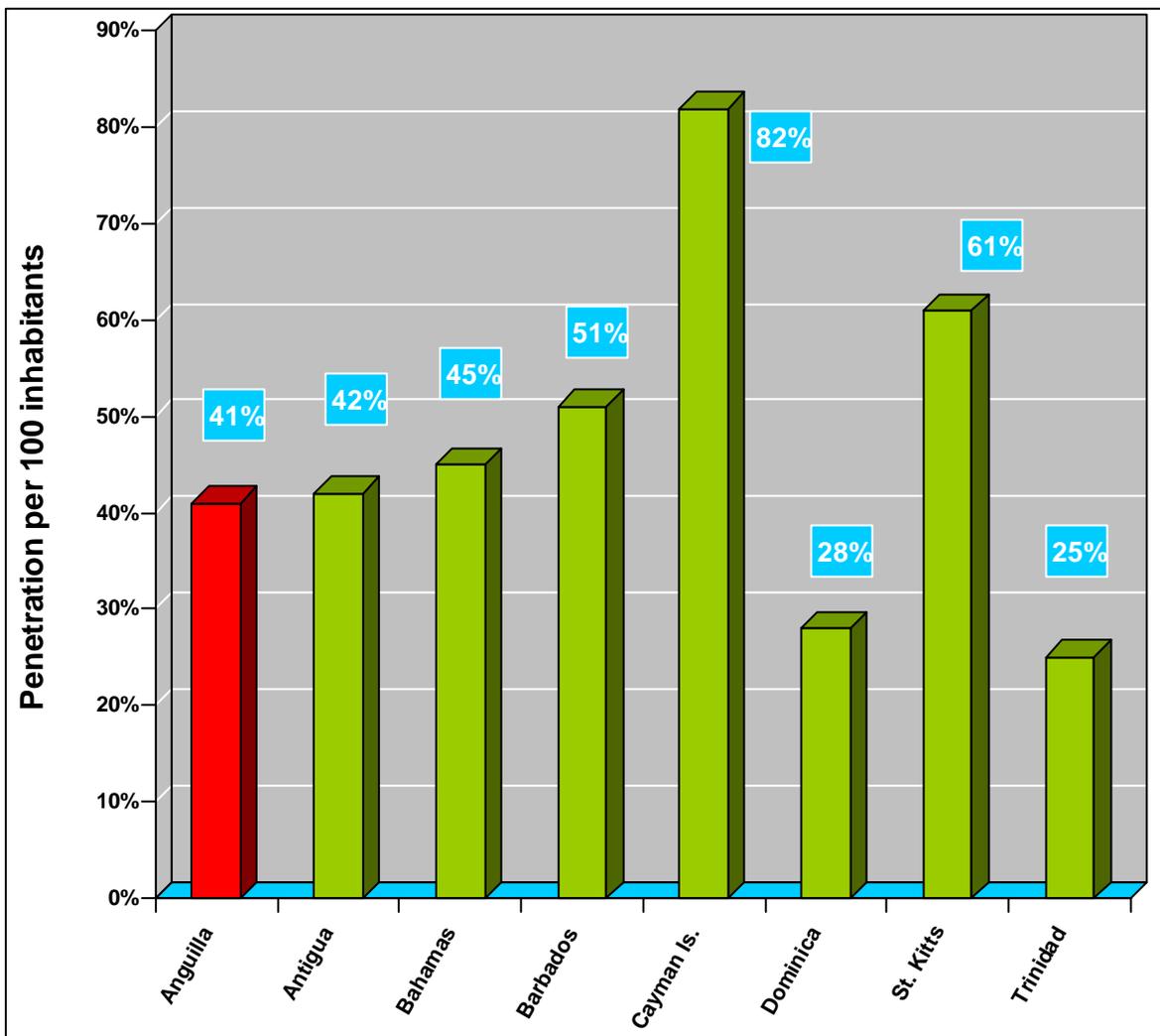
²³ <<http://www.itu.int/ITU-D/icteye/Reporting/ShowReport.aspx?ReportName=%2FWTI%2FI>> accessed August 03rd 2007

measurement to only ‘broadband’ access as percentage of total households instead of as a percentage of the total population may result in mistaken conclusions.

The on-going debate as to what countries or region have the highest ‘broadband’ penetration rate highlights the need for policy makers to set out some basic measurement standards in the context of the quality of service for Internet access.

A presentation by Verizon at the NARUC Summer Meeting (2007) indicated that while ‘broadband’ Internet access was used by an average of 42% of households in the USA, only some 23% of households in the European Union had a broadband connection.²⁴

Figure 4: Fixed Line Telephone Penetration in the Caribbean (2006)²⁵



²⁴ Presentation at NARUC Summer Meeting 2007 by Mr. Link Hoewing, VP, Internet and Technology Policy, Verizon, 15 July 2007.

²⁵ <<http://www.systec.org/AMCCFL.html>> accessed July 17th 2007

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, has commenced commercial operations in Anguilla but has not launched any major public marketing campaigns nor acquired an influential market share as of year-end 2006.

Caribbean Cable Communications provides the Fixed Line Telephone service, Internet access and Cable TV services; Cable and Wireless provides both Fixed and Mobile telephone services and Internet access; Digicel provides Mobile telephone services and Weblinks provides Mobile telephone services and Internet access.

Tables 2 to 9 present the prices for monthly fixed line rental, domestic calling prices, international calling prices, roaming rates and the prices for high speed internet access.

Cable & Wireless monthly fixed line access prices are no longer under review as a result of the withdrawal of their application filed with the Commission in September 2004 (see Section 3.4 for further details).

Table 2: Domestic Monthly Fixed Line Prices			
Company	Service	Package	Price (EC\$/month)
CCC²⁶	Residential	Regular	25.00
C&W²⁷	Residential	Regular	42.00
	Business	Regular	87.00

²⁶ Data submitted by CCC 11 June 2007. No business package available from CCC in 2006.

²⁷ Data submitted by C&W 27 June 2007. Additional charges per minute apply. \$0.06- weekends, \$0.07-evenings, \$0.09-daytime

Table 3: Domestic Calling Prices

Company	Service	Calls From	Calls To	Various Plans	Average Price EC\$/min. 2005	Average Price EC\$/min. 2006
CCC²⁸	Fixed Lines	From CCC Fixed Lines	To CCC Fixed	-	Free	Free
			To Other Fixed		0.08	0.08
			To Mobile Phones		0.50	0.50
C&W²⁹	Fixed Lines	From C&W Fixed	To C&W Mobile	-	0.60	0.60
			To C&W Fixed	Day Evening Weekend	0.07 0.07 0.07	0.09 0.07 0.06
			To Other Fixed	-	0.07	0.09
			To Other Mobile	-	0.60	0.90
	Post Paid	From C&W Mobile (b100,200,425,675,950, bBiz1250,2500,5000,10000)	To C&W Mobile	b100,bBiz1250	0.45	0.45
			To C&W Fixed	b100,bBiz1250	0.45	0.45
			To Other Fixed	b100,bBiz1250	0.45	0.45
			To Other Mobile	b100,bBiz1250	0.55	0.55
	Prepaid	From C&W Mobile	To C&W Mobile	bFree One bFree bFree Anytime	0.50 0.50 0.39	0.50 0.60 0.55
			To C&W Fixed	bFree One bFree bFree Anytime	0.50 0.50 0.39	0.50 0.60 0.55
			To Other Fixed	Pay as you go bFree bFree Anytime	0.50 0.50 0.39	0.75 0.75 0.75
			To Other Mobile	Pay as you go bFree bFree Anytime	0.75 0.75 0.75	0.75 0.75 0.75
	Digicel³⁰	Post Paid	From Digicel Select (160, 330, 700, 1300)	To Digicel Mobiles (Within Bundle)	Digicel Select 160 Digicel Select 330 Digicel Select 700 Digicel Select 1300	0.28 0.27 0.23 0.19
To Digicel Mobiles (Outside Bundle)				Digicel Select 160 Digicel Select 330 Digicel Select 700 Digicel Select 1300	0.50 0.48 0.47 0.45	0.45 0.45 0.45 0.45
To Fixed & Other Mobiles				Digicel Select 160 Digicel Select 330 Digicel Select 700 Digicel Select 1300	0.60 0.58 0.57 0.55	0.55 0.55 0.55 0.55
Digicel Mobiles				Digicel Flex	0.50	0.50
Fixed Lines				Digicel Flex	0.57	0.50
Other Mobiles				Digicel Flex	0.85	0.80
Prepaid		From Digicel Flex	Digicel Mobiles	Digicel Flex	0.50	0.50
			Fixed Lines	Digicel Flex	0.57	0.50
			Other Mobiles	Digicel Flex	0.85	0.80

²⁸ **2005** Data: "CCC Launches Long Distance Calling in Anguilla," The Anguillian Newspaper, Anguilla, 9 December 2005. **2006** Data submitted by Company 11 June 2007.

²⁹ **2005** data C&W Submission to the Commission dated 16 December 2005. **2006** data: C&W submission to the Commission dated 27 June 2007

³⁰ **2005** data: < http://www.digicelanguilla.com/triffs/index.php?pa=digicel_select .> **2006** data Digicel submission to the Commission dated 07 June 2007.

Table 4: Prices for International Direct Dialed calls from Anguilla				
Company	Destination	Time Band ³¹	Price per Min (EC\$) 2005	Price per Min (EC\$) 2006
CCC³²	St. Martin/St. Maarten	Anytime	0.50	0.50
	USA, Canada, UK and the Caribbean (excluding Cuba, French Guiana and Haiti)	Anytime	0.60	0.60
	All Western & Eastern Europe, Australia, New Zealand, Japan, Hong Kong, China, Malaysia, Singapore, South Africa, Taiwan, and many more.	Anytime	0.67	0.67
C&W³³	Saba, St. Eustace, St. Martin, St. Maarten, St. Kitts & Nevis, Antigua & Barbuda, BVI, Montserrat & Guadeloupe	Day Evening Weekend	0.60 0.50 0.40	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	0.90 0.80 0.70
	Rest of the World	Day Evening Weekend	1.50 1.25 1.00	1.50 1.25 1.00
Digicel³⁴	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	0.70 0.60 0.50
	Rest of the Caribbean	Day Evening Weekend	0.85 0.85 0.75	0.85 0.85 0.75
	UK, USA & Canada	Day Evening Weekend	1.20 0.70 0.70	0.70 0.70 0.70
	Rest of the World	Day Evening Weekend	1.30 1.30 1.30	1.30 1.30 1.30
	Cuba	Day Evening Weekend	3.00 3.00 3.00	3.00 3.00 3.00

³¹ **Time Bands:** **Day** Mon to Fri, 8am to 6pm; **Evening** Mon to Fri, 6pm to 8am; **Weekend** All Day Saturday and Sunday.

³² **2005:** "CCC Launches Long Distance Calling in Anguilla," The Anguillian Newspaper, Anguilla, 9 December 2005. **2006:** Submitted by CCC 11 June 2007

³³ **2005:** C&W Services Directory 2006-2007. **2006:** submitted by C&W June 27, 2007

³⁴ **2005:** Digicel Brochure, 2006. **2006:** Submitted by Digicel 12 June 2007

Table 5: C&W International Prices – 2003 to 2006 (EC \$)									
Destination	Prior to Jun. 03 ³⁵			Jun. 03 - Dec. 05 ³⁶			Jan. 06 - Present ³⁷		
	Day	Evening	Week-end	Day	Evening	Week-end	Day	Evening	Week-end
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							

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 somewhat lower at US\$ 0.23 per minute,³⁸ 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.

³⁵ C&W Anguilla Services Directory 2003.

³⁶ C&W Anguilla Services Directory 2005-2006.

³⁷ Data submitted by C&W 27 June 2007.

³⁸ Op. cit., *Stern*, page 110.

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.³⁹ In addition, the prices for calls employing mobile roaming services, as reflected to Tables 7 and 8, are considerably higher than those for either fixed or mobile non-roaming calls.

Table 6: Flat Rate Calling Plans		
Company	Service Name	Price (EC\$)
CCC ⁴⁰	Worldwide	\$242.00
	North American & UK	\$134.00
C&W ⁴¹	Basic	\$99.95
	Plan A	\$139.90
	Plan B	\$139.90
	Plan C	\$179.85
	Overseas #	\$15.95
	Toll-Free # ⁴²	\$39.95

Flat rate calling plans were introduced by both Cable and Wireless and Caribbean Cable Communications. Cable and Wireless' NetSpeak service was launched in 2006 and its packages include flat rate international calling from a NetSpeak number to fixed and mobile numbers in the US, Canada and to fixed numbers in the UK and Europe. Caribbean Cable Communications flat rate calling package which also includes free domestic calling was launched in 2007.

³⁹ **Telecom Decision PUC 2005-102**, paragraph 37, page 8.

⁴⁰ Data submitted by CCC, 12 June 2007. Service launched June 2007

⁴¹ Data submitted C&W June 27 2007 Plan A, B, C- Calls to fixed and mobile numbers in the USA and Canada and to fixed numbers in the UK and Europe. Calls to mobile numbers are charged at the out of plan rate.

⁴² Additional usage charged at a per-minute rate for the country.

Table 7 : C&W - Roaming Service Prices 2006 ⁴³				
<u>1.Prepaid Plans (EC\$ per minute) First minute/additional minutes</u>				
Country	Receive Calls	Calls within the country	Calls Home	Calls to CWWI Country
C&W(Bmobile and TSTT) Countries	\$0.68	\$0.68	\$0.68	\$0.68
USA	\$2.03	\$2.03	\$0.68	\$0.68
<u>2.Postpaid Plans (EC\$ per minute) First minute/additional minutes</u>				
Country	Receive Calls	Calls within the country	Calls Home	Calls to CWWI Country
C&W(Bmobile and TSTT) countries	FREE	\$0.68	\$0.27	\$0.68
USA	\$2.03	\$2.03	\$0.27	\$3.65
UK	\$2.03	\$2.03	\$0.27	\$6.89

⁴³ Information provided by C&W – 27 June 2007.

Table 8: Digicel - Roaming Service Prices 2006 ⁴⁴			
1. Prepaid Plans (EC \$ per minute)			
Country	Receive Calls	Calls within the country	Calls Home
Digicel Countries	.77	.77	.77
USA	2.11	2.11	3.45
Other Countries	2.65	2.65	5.33
2. Postpaid Plans (EC \$ per minute)			
Country	Receive Calls	Calls within the country	Calls Home
Digicel countries	.77	.77	.77
USA	2.11	2.11	3.45
Other Countries	2.65	2.65	5.33

Table 9: Monthly Charges for Internet Access 2006 ⁴⁵				
Company	Service Name	Speed (Kbps)		Price (EC\$)
		Down	Up	
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

⁴⁴ Information provided by Digicel, June 15th 2007.

⁴⁵ Data: Submitted by companies (CCC-June 11 2007, C&W-June 27 2007).

As presented in Table 9, prices for such services as high-speed Internet access remain high compared to prices in the developed economies in North America. Caribbean Cable's 'Platinum' highest speed residential service is 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.

7.0 Financial Reporting

7.1 Financial Report – 2006

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 2006 are presented in Appendix II of this report.

7.2 Removal of 2005 'Contingent Liability'

The contingent liability setout in the 2005 Financial Statements has been removed as a result of an amendment to section 21 of the Public Utilities Act (2003) and agreement with Cable & Wireless that historic deficits incurred by the Commission may be recovered in future periods (see also Footnote 17 in the 2006 Financial Statements).

8.0 Future Challenges and Opportunities

8.1 Human Resource Development

During 2006 the Commission did not actively recruit any permanent technical staff and continued to periodically retain external consultants for advice on certain technical matters.

In 2006 the Commission retained an Anguilla-based university-level summer student to conduct research and perform certain analytical undertakings. The objective was to hire two students however, only one student was made available through the Government's scholarship plan. The program of hiring Anguilla university students has been on-going for the past three years. In addition to providing summer internships to Anguilla university students in their field of study, the program also evaluates potential candidates for permanent positions with the Commission following completion of their studies.

8.2 Universal Access to the Internet

The prices for broadband Internet access did not change during 2006 and therefore remain at the same levels as noted in the Commission's 2005 annual report. As reflected in Table 9 (Monthly Charges for Internet Access), the price for residential service remains at approximately US\$ 40.00 for the lowest speed service (256 download and 128 upload). During 2006 the price for the highest speed service, 1 Mbit or higher for downloading, remained at approximately US\$ 90.00 or higher.

Given the level of per capita income and the current price of a high-speed Internet access service, universal access to the Internet is not likely to occur. Although the total amount of international capacity has increased over the years, the price level for high-speed access remains high relative to many developed economies.⁴⁶

Given the increasingly direct relationship between overall economic development and the quality and accessibility of an economy's information infrastructure, the overall economy may not develop to full potential unless and until access to the Internet is priced at a level where universal high-speed access is achievable.

8.3 Future regulatory framework

The Government's policy as reflected in Section 7 of the PUC Act is for the Commission to develop into a multi-sector regulator. Section 7 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—

⁴⁶ C&W and CCC both announced increases in Internet Access speeds and lower prices in September 2007. For example, C&W's consumer service with a 1Mbit download speed is priced at EC\$ 109. per month and CCC's 'Silver' service for consumers is quoted as EC\$ 107. per month. Additional details on these new offerings will be included in the Commission's 2007 Annual Report.

- (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 2006 to expand the Commission’s mandate to the electricity or water sectors.

8.4 Water Department and Electricity

The supply of electricity will remain essentially a monopoly structure for the foreseeable future. However options for some diversification of the supply of electricity in the future include the provision of micro-generators in new commercial and residential developments, and/or sharing a grid with St. Martin/St. Maarten, where sufficient capacity exists to supply most of Anguilla’s requirements.

Appendix I

Report of the Chief Auditor

on the

Accounts of

The Public Utilities Commission

of

Anguilla

2006

(Attached letter dated 19 July 2007 from the Chief Auditor, Mr. M. L. Daynes, to the Executive Chairman and Members of the Public Utilities Commission of Anguilla)

OFFICE OF THE CHIEF AUDITOR GOVERNMENT OF ANGUILLA

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

Report of the Chief Auditor on the Accounts of The Public Utilities Commission of Anguilla: 2006

I certify that I have audited the financial statements on pages 1 to 9, which have been prepared in accordance with Section 18 of the Public Utilities Commission Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash flow statement and the related notes.

These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Public Utilities Commission and the Auditor

The Commission is responsible for causing its accounts to be kept in a form and manner prescribed under Section 18(1) to 18(3) of the Act. Under Section 19 of the Act the Commission is responsible for forwarding the audited accounts to the Governor-in-Council.

It is my responsibility, under Section 18 (4) of the Anguilla Public Utilities Commission Act 2003 to form an independent opinion on the financial statements prepared by the Commission and to report my opinion to you.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been prepared in accordance with the Act. I also report to you whether in all material respects the income and expenditure have been applied to the purposes intended by the Act and conform to the authorities which govern them.

In addition I also report to you if the Public Utilities Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Act has not been disclosed.

Basis of Opinion

I have conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes the examination on a test basis, of evidence relevant to the amounts, disclosures and



regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commission in the preparation of the financial statements, and whether the accounting policies are the most appropriate to the Public Utilities Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects the income and expenditure have been applied to the purposes intended by the Act and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Audit Opinions

In my opinion:

- . the financial statements give a true and fair view of the state of affairs of the Anguilla Public Utilities Commission at 31 December 2006 and of its surplus for the year then ended; and
- . the financial statements have been properly prepared in accordance with the accounting policies disclosed in note 1 to those statements.

Regularity Opinion

In my opinion, in all material respects the expenditure and income for the year ending 31 December 2006 have been applied for the purposes intended by the Act and conform to the authorities which govern them.

Report

I have no observations on these financial statements



M L Daynes
Chief Auditor
19 July 2007

Appendix II

(2006 Audited Financial Statements)

PUBLIC UTILITIES COMMISSION

ANGUILLA

FINANCIAL STATEMENTS

FOR THE YEAR ENDING

31 DECEMBER 2006

PUBLIC UTILITIES COMMISSION
INCOME AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31ST, 2006

<u>INCOME</u>	NOTES	YEAR 2006 EC\$	YEAR 2005 EC\$
Levy	2	1,130,795.00	1,209,120.00
Miscellaneous Income	2	38,034.67	17,689.75
		<hr/> 1,168,829.67	<hr/> 1,226,809.75
 <u>EXPENSES</u>			
Staff Cost	3	374,765.66	352,734.72
Commission Expenses	4	8,640.00	19,297.74
Office Expenses	5	92,907.76	98,175.63
Equipment Expenses	6	6,322.98	65,729.44
Travel	7	21,433.78	41,096.17
Consultants	8	281,326.21	168,080.24
Conferences	13	61,893.72	15,549.86
Finance Cost	14	10,277.32	9,977.73
Other Expense	15	10,323.17	-
		<hr/> 867,890.60	<hr/> 770,641.53
Surplus/(Deficit)		300,939.07	456,168.22

PUBLIC UTILITIES COMMISSION

BALANCE SHEET AS AT

DECEMBER 31ST, 2006

ASSETS	NOTES	2006	2005
Current Assets:			
Fixed Assets	16	20,739.02	26,666.78
Cash at Hand & in Bank	9	554,721.20	454,581.30
Debtors and prepayments	10	<u>22,661.06</u>	<u>5,068.03</u>
Total Current Assets		<u>598,121.28</u>	<u>486,316.11</u>
LIABILITIES			
Liabilities: due within one year	11		
Creditors, accruals and provisions		<u>122,652.30</u>	<u>62,342.89</u>
Liabilities: due more than one year			
GOA Loan	12	<u>-</u>	<u>249,443.31</u>
Total Liabilities		<u>122,652.30</u>	<u>311,786.20</u>
NET ASSETS (LIABILITIES)		<u>475,468.98</u>	<u>174,529.91</u>
Equity:			
General Fund		174,529.91	(281,638.31)
Surplus/(Deficit)		<u>300,939.07</u>	<u>456,168.22</u>
Total Equity		<u>475,468.98</u>	<u>174,529.91</u>

Name:


William Withers (Executive Chairman)

Date: 9 July 2007

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**PUBLIC UTILITIES COMMISSION
CASH FLOW STATEMENT
AS AT
DECEMBER 31, 2006**

OPERATING ACTIVITIES

	NOTES	2006	2005
Net Income		300,939.07	456,168.22
Adjustment to reconcile Net Income			
To net cash provided by operations:			
Debtors & Prepayment	10	(17,593.03)	(2,506.34)
Creditors, accruals and provisions	11	<u>60,309.41</u>	<u>28,142.89</u>
		<u>343,655.45</u>	<u>481,804.77</u>

INVESTING ACTIVITIES

Accumulative Depreciation – Equipment	16	5,927.76	2,972.00
Computer Equipment		<u>-0-</u>	<u>(29,638.78)</u>
Net cash provided by investing activities		<u>5,927.76</u>	<u>(26,666.78)</u>

FINANCING ACTIVITIES

Government Loan	12	<u>(249,443.31)</u>	<u>(556.69)</u>
Net cash provided by financing activities		<u>(249,443.31)</u>	<u>(556.69)</u>
Net cash increase for the period		100,139.90	454,581.30
Cash at the beginning of the period		<u>454,581.30</u>	<u>-0-</u>
Cash at end of the period		<u>554,721.20</u>	<u>454,581.30</u>

**PUBLIC UTILITIES COMMISSION
FINANCIAL STATEMENT
YEAR ENDING 31 DECEMBER 06**

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 licences 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 authorization. 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, 2006**

NOTES TO THE ACCOUNTS CONTINUED

2. INCOME	2006	2005
Levy	1,130,795.00	1,204,120.00
Interest	38,034.67	17,689.75
License for Resellers	-0-	5,000.00
Total Income	<u>1,168,829.67</u>	<u>1,226,809.75</u>

The Levy may be broken down as follows:

<u>Annual Industry Levy</u>		
Net estimated expenditure	849,156.70	1,204,120.00
(Surplus)/Deficit from last available audited accounts	<u>281,638.31</u>	<u>-0-</u>
Total Levy	<u>1,130,795.00</u>	<u>1,204,120.00</u>

3. STAFFING COSTS

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

Salaries	2006	2005
Executive Director	266,799.48	266,799.48
Administrative Officer	69,402.00	62,389.25
Bonus	6,564.04	-0-
Office Assistant/Other Staff	<u>18,077.62</u>	<u>11,938.79</u>
Total	<u>360,843.14</u>	<u>341,127.52</u>
Other Staff Cost	2006	2005
Employer's Social Security	6,321.30	5,322.20
Employer's Pension Costs	2,062.02	1,672.00
Employer's Health Insurance	<u>5,539.20</u>	<u>4,613.00</u>
Total	<u>13,922.52</u>	<u>11,607.20</u>
Total Staff Cost	<u>374,765.66</u>	<u>352,734.72</u>

4. COMMISSIONER'S EXPENSE

	2006	2005
Commission Allowances	8,640.00	19,297.74
Total Commissioner's expense	<u>8,640.00</u>	<u>19,297.74</u>

5. OFFICE EXPENSES

	2006	2005
Advertising	-0-	815.55
P.O.Box Rental	140.00	120.00
Rent	56,601.60	66,052.00
Telephone	6,330.15	7,695.12
Electricity	14,148.08	13,427.39
Office Supplies	9,176.96	5,641.14
Depreciation Expense	5,927.76	2,972.00
Other Office Expenses	<u>583.21</u>	<u>1,452.43</u>
Total Office Expense	<u>92,907.76</u>	<u>98,175.63</u>

6. EQUIPMENT EXPENSES

	2006	2005
Purchase of Office Equipment	6,332.98	23,227.69
Purchase of IT Equipment	<u>-0-</u>	<u>42,501.75</u>
Total Equipment Expenses	<u>6,332.98</u>	<u>65,729.44</u>

7. TRAVEL

Entertainment	2,302.69	-0-
Staff travel within the Caribbean	<u>19,131.09</u>	<u>41,096.17</u>
Total Travel Costs	<u>21,433.78</u>	<u>41,096.17</u>

8. CONSULTANTS

	2006	2005
Audit Fee	24,332.05	25,000.00
Accounting Fees	16,053.85	20,170.62
Consulting Fees	<u>240,940.31</u>	<u>122,909.62</u>
Total Consulting Fees	<u>281,326.21</u>	<u>168,080.24</u>

9. CASH AND BANK

	2006	2005
Chequing Account	28,940.97	37,254.01
Savings Account	<u>525,780.23</u>	<u>417,327.29</u>
Total Cash at Bank	<u>554,721.20</u>	<u>454,581.30</u>

10. DEBTORS AND PREPAYMENTS

	2006	2005
Prepayment/Debtors	<u>22,661.06</u>	<u>5,068.03</u>
Total Debtors and Prepayments	<u>22,661.06</u>	<u>5,068.03</u>

11. CREDITORS, ACCRUALS AND PROVISIONS

	2006	2005
Accruals: Consultant Fees	68,090.42	-0-
Accruals: Gov't. Pension	139.92	-0-
Accounts Payable	1,161.68	1,086.89
Provision for Audit Fees/Acct. Fees	<u>53,260.28</u>	<u>61,256.00</u>
Total creditors,accruals & provisions	<u>122,652.30</u>	<u>62,342.89</u>

12. LOAN FINANCE

	2006	2005
Loan with the Government	-0-	249,443.31

Interest on loan is charged at the rate of 4% annually, payable at the end of each year. This loan has been fully paid off as at December 2006.

13. CONFERENCES & TRAINING

	2006	2005
Training	23,656.04	4,594.39
Conferences	<u>38,237.68</u>	<u>10,955.47</u>
	<u>61,893.72</u>	<u>15,549.86</u>

14. FINANCE COST

	2006	2005
Interest on Loan	9,977.73	9,977.73
Bank Charges	94.50	-0-
Foreign Exchange Loss	<u>205.09</u>	<u>-0-</u>
	<u>10,277.32</u>	<u>9,977.73</u>

15. OTHER EXPENSE

	2006	2005
Membership & Association Fees	8,350.70	-0-
Building Repairs	<u>1,972.47</u>	<u>-0-</u>
Totals	<u>10,323.17</u>	<u>- 0-</u>

16. FIXED ASSETS

Equipment Computers	Cost	Rate	Depreciation	Accumulated Depreciation	Net Book Value
2005	29,638.78	20%	2,972.00	2,972.00	26,666.78
2006	29,638.78	20%	5,927.76	8,899.76	20,739.02

17. CONTINGENT LIABILITY

2006

The challenge raised by Cable & Wireless in 2005 was withdrawn based on a proposed amendment to section 21 of the Public Utilities Act (2003), which permits the historic deficit (2004) to be recovered in setting the levy for a future period (2006).

2005

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

The Commission considers that under the general requirement 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.