



ANNUAL REPORT 2018/19

and

THREE-YEAR STRATEGY 2019/20 - 2021/22

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June 28, 2019

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Governor
Governor's Office
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Transmittal Letter

Your Excellency,

In accordance with section 5 of Schedule 2 of the *Telecommunications Ordinance 2018*, we are delighted to submit our Annual Report for 2018/19 and Three-Year Strategy for 2019/20 to 2021/22. As well, the Report also includes a review of our activities and accomplishments for 2014/15 to 2017/18, which covers the four-year period since the Telecommunications Commission's previous Annual Report was issued. Audited financial statements for the fiscal year 2017/18 are also included in this report. Audited financial statements for the fiscal year 2018/19 will follow separately once they are completed.

Respectfully yours,

Pedro Ariza
Chairman,
Turks and Caicos Islands Telecommunications Commission

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Message from the Minister



In 2003, the Government of the Turks and Caicos Islands took a bold step by formulating and adopting a telecommunications policy for the telecommunications industry in the Turks and Caicos Islands. The policy encapsulated a vision for the sector that would essentially enable every citizen to have access to telecommunications services, at affordable prices.

The liberalization of the telecommunications industry fifteen years ago was indeed a bold transformative step. It was equally far reaching in its impact. Attestation of this was the end of a more than 100-year-old monopoly that existed within the Turks and Caicos Islands telecommunications service sector by multinational cooperation Cable & Wireless, now known as FLOW.

Since the formation of the Turks and Caicos Telecommunications Commission “Commission” some years ago, there have been many accomplishments of which we can all be proud.

First and foremost, through the efforts the Commission, we have licensed two additional mobile carriers, namely Digicel Turks and Caicos and Islandcom Communications Ltd., and while Islandcom is no longer with us, the benefits of its presence continue to be felt today. The competition brought by Digicel and Islandcom to the telecommunications sector has benefitted consumers immensely through drastic reductions in calling rates, locally and internationally.

Secondly, we have seen tremendous growth in the quality and variety of services being offered to consumers. In keeping with our vision, every citizen of the Turks and Caicos Islands can now have access to the information superhighway, whether it be through the use of their handsets, their tablets, laptop or desktop computers or at their schools, colleges, etc. The internet is everywhere!

Congratulations to the telecommunications carriers who, years later, continue to anticipate their customers’ needs and are constantly innovating to satisfy those needs, be it through tailor made plans and packages, or the provision of additional services such as IPTV (Internet Protocol Television) and other innovative cutting-edge products.

Finally, I wish to congratulate the TCI Telecommunications Commission Board and staff for serving and regulating the sector well over the years, and it is evident that industry trends and changes require that you keep abreast with new developments to ensure that the mandate of the Commission is upheld. I am confident that the production of this Annual Report and your first Strategic Plan will assist you in this endeavor, given its usefulness as a planning and monitoring instrument. You have my full support in all your efforts as you forge ahead achieve the stated goals and objectives herein.

Message from the Chairman



As Chairman of the Turks and Caicos Telecommunication Commission, I join the Minister, my fellow colleagues and Commission staff in celebrating the achievement of this milestone. Looking back, it is unbelievable that fifteen years has passed since we embarked on the journey of liberalizing the telecommunications marketplace in the Turks and Caicos Islands.

In an effort to lower prices and increase the quality and variety of telecommunication services provided to the citizens and residents of the Turks and Caicos Islands, the “Telecommunications Ordinance 2004” was passed into law by the government of the day. This ordinance effectively established the Telecommunications Commission, an independent and transparent authority that would regulate the forthcoming liberalized telecommunications industry.

In 2006 another milestone was achieved when Digicel Turks and Caicos became the first new entrant into the recently liberalized market ushering in competition to this vital sector of our economy. Islandcom Communications Ltd, followed in 2007 as the third operator licensed by the Commission to provide telecommunications services to the general public.

It would indeed be an understatement to say that the initial impact of these three major carriers on the marketplace was progressive. In fact, it was phenomenal. Almost immediately, consumers across the Turks and Caicos Islands began to benefit from affordable International and local calling rates. A wide range of Telecommunication products, services and technologies became readily available across the Turks & Caicos Islands. Consumers within all sectors; individuals, business entities, Government, etc., also benefited from personalized data and calling packages designed to suit their particular needs.

During the past fifteen years we have faced challenges but by the application of World Class industry standards, professional persistence and first-rate negotiating skills, our team of professionals within the Commission were able to overcome such challenges and have incubated a regulatory environment within which competition could thrive to the common benefit of all stakeholders involved.

The Telecommunications Service Providers and network Carriers are to be congratulated for their investment over the past 15 years into the Telecommunications Infrastructure of the Turks & Caicos Islands. If not for their collective investments, vertical markets that rely on provided services (Tourism, Banking, Aeronautical, etc.) would not have functioned effectively without these core services. Over the years, we have worked with representatives of the telecommunications providers and agree best practices and standards to realize the industry achievements which we see today. Carrier representatives have always worked with the

Commission professionally as we share a common quest to provide and maintain a vibrant viable and reliable Telecommunications market.

I also want to sensitize us all to the fact that the telecommunications sector is fast becoming revenue neutral thus forcing providers to look at ways and means of remaining viable in world markets. The Turks & Caicos Islands is by no means a growth market as far as Telecom Markets are concerned. This fact may leave our country in an unfavorable position with regards to capital investments when compared to other countries in the region with larger populations and possible greater growth potential. The time is now to look at options to begin stabilizing our Telecommunications infrastructure so if investments in maintenance or expansion of networks does not materialize we will still have reliable, resilient communications systems in our Beautiful by Nature Turks and Caicos Islands.

In closing, as Chairman, I want to recognize the hardworking men and women of the Telecommunications Commission, both Commissioners and Staff. You are a hardworking and loyal team. I personally have witnessed your collective team-spirit and commitment to getting the best outcome for all parties concerned. Thank you for your tireless efforts and unwavering support rendered to Commission over the years. **KEEP UP THE GOOD WORK.**

1.0 Introduction

This report provides a summary of the Turks and Caicos Islands (TCI) Telecommunications Commission's (the Commission) activities and accomplishments for the fiscal year 2018/19. Since the Commission's last Annual Report was issued for the two-year period 2012/13 to 2013/14, this report also includes an overview of the Commission's activities and accomplishments for the period 2014/15 to 2017/18. As well, this report sets out the Commission's Three-Year Strategy for the years 2019/20 to 2021/22.

This report also includes the Commission's audited financial statements for the fiscal-year 2017/18. The Commission will separately publish its audited financial statements for fiscal-year 2018/2019 once they are completed.

The report is organized as follows: Section 2 provides an overview of the Commission's role, mission and organizational structure. Section 3 provides an overview of the telecommunications sector in TCI, including sector financial and operational statistics for the last five years. Section 4 provides an overview of Commission's key activities and accomplishments for the four-year period 2014/15 to 2017/18. Section 5 provides summary of the Commission's activities and accomplishments for 2018/19, including associated performance metrics. Section 6 provides a summary of the Commission's Three-Year Strategy Plan, including a schedule of planned activities for the three-year period 2019/20 to 2021/22. Section 7 provides a summary of human resource development activities at the Commission for the last year. Finally, Section 8 provides the Commission's financial statements for 2017/18.

2.0 The Commission's Role and Organizational Structure

2.1 The Commission's Role and Mission

The Commission was established as an independent regulatory body in 2004 when the Turks and Caicos Islands Government enacted the *Telecommunications Ordinance* (the Ordinance).¹ The Ordinance was a direct result of the Government's earlier *Telecommunications Policy* that set in motion a process to open the telecommunications market in TCI to competition.

The Ordinance set out the roles and functions of the Commission including:

- *to advise the Minister on telecommunications;*
- *to regulate telecommunications in accordance with the policy guidelines ... and in accordance with the principle of technological neutrality;*
- *to facilitate, maintain and promote effective and sustainable competition in telecommunications;*
- *to promote the interests of consumers and to encourage licensees to operate efficiently; and*
- *to prescribe standards for the quality of telecommunications services to be delivered to the public.*

The Commission is also governed by a set of Regulations that have been established pursuant to the Ordinance which, among other things, set out rules and procedures relating to network and service licensing, network and spectrum licence fees, network interconnection, frequency management and retail service price regulation applicable to dominant service providers.² As well, in 2017, the Commission issued *Telecommunications Competition Guidelines* to address competition-related matters, if and when they arise, such as dominance and forbearance assessments or reviews as well as complaints or concerns relating to potential abuse of dominance, anti-competitive practices or agreements.

In keeping with the Ordinance and related Regulations, the Commission considers that its mission is to ensure that all consumers and businesses in TCI have access to quality telecommunications services, at reasonable rates, in a fully competitive marketplace. The Commission's goal is to continue to work at improving sector performance so that the TCI economy is positioned to achieve increased growth and employment opportunities.

¹ The Ordinance was enacted in 2004 and subsequently amended in 2009 and 2014.

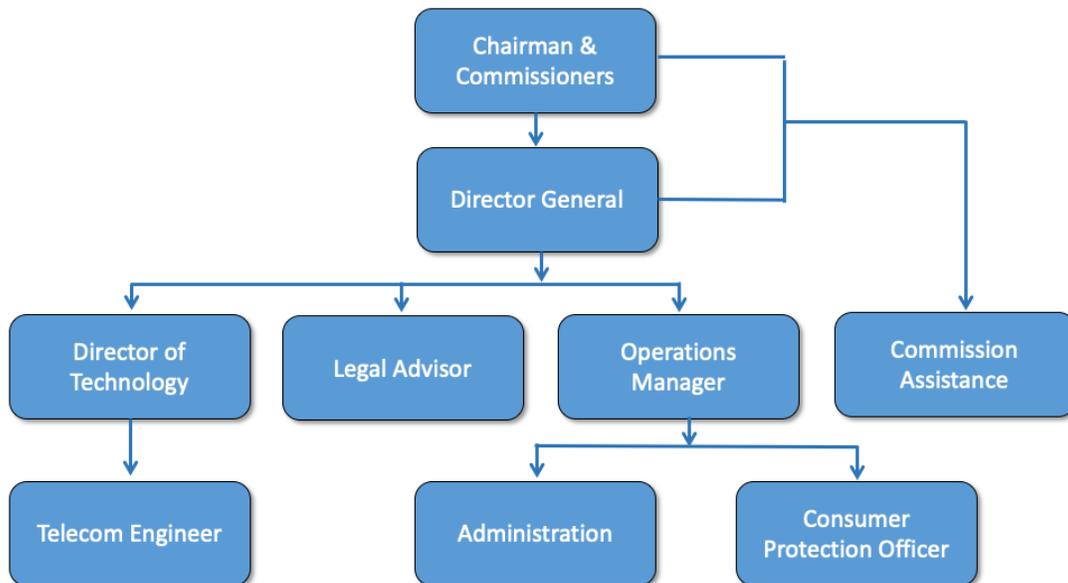
² Copies of the most recent version of the Ordinance, related Regulations (eight in total) and Guidelines are available on the Commission's website: <http://www.telecommission.tc/regulations.html>.

2.2 Organizational Structure

The Commission consists of up to six Board Members, which includes a Chairman and a Permanent Secretary as an Ex-Officio Member. All Board Members are appointed by the Ministry responsible for Telecommunications, with the approval of the Governor in Cabinet.

There are currently eight filled staff positions at the Commission. Overall the Commission operations are managed by the Director General. The Director of Technology, Operations Manager, Legal Advisor and the Commission Assistant report to the Director General. As well, the Commission Staff Engineer reports to the Director of Technology, while the administrative staff and Consumer Protection Officer (Consumer Affairs) report to the Operations Manager.

TCI Telecommunication Commission Organizational Chart



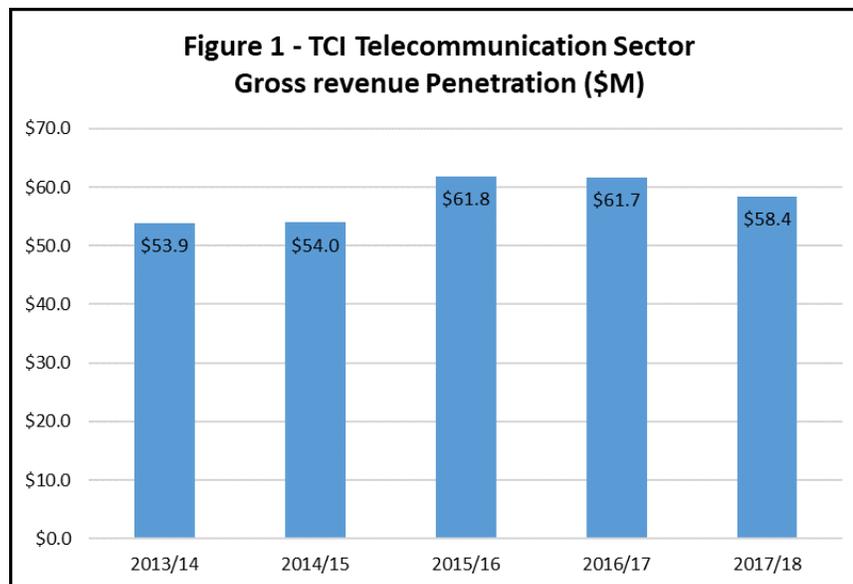
The Commission notes that it also relies on legal advice provided through the Attorney General Chambers office and/or private legal consultants. As well, for technical and regulatory matters, it relies on the services of external expert consultants from time to time to assist with regulatory matters and public consultations. In such cases, a tendering process is used select and engage external resources.

The Commission also notes that it is a member of the regional organizations: Caribbean Association of National Telecommunications Organizations (CANTO), the Organization of Caribbean Utility Regulators (OOCUR) and the Caribbean Telecommunications Union (CTU).

3.0 Telecommunications Sector Overview

Through its *Telecommunications Policy*, the Government opened the telecommunications sector in TCI to competition. Since that time there has been competitive entry into virtually every segment of the sector, especially so in mobile and broadband Internet services. Consumers have benefited from the growing range of competitive options, improvements in quality and significant advances in technology. As well, the TCI economy as a whole has also benefited from growth in investment and employment in the sector.

As shown in Figure 1,³ gross telecommunications sector revenues grew considerably in 2015/16 and 2016/17 when sector revenues rose above \$60 million; however, they subsequently declined somewhat in 2017/18, dropping to \$58.4 million.⁴



Over the last five years, operators have invested over \$12.5 million annually in capital expenditures, representing an annual capital expenditure to gross revenue ratio of roughly 22% on average. These capital expenditures have been used to upgrade mobile and fixed broadband networks, among other things, and improving service capabilities, capacity, speeds and coverage.

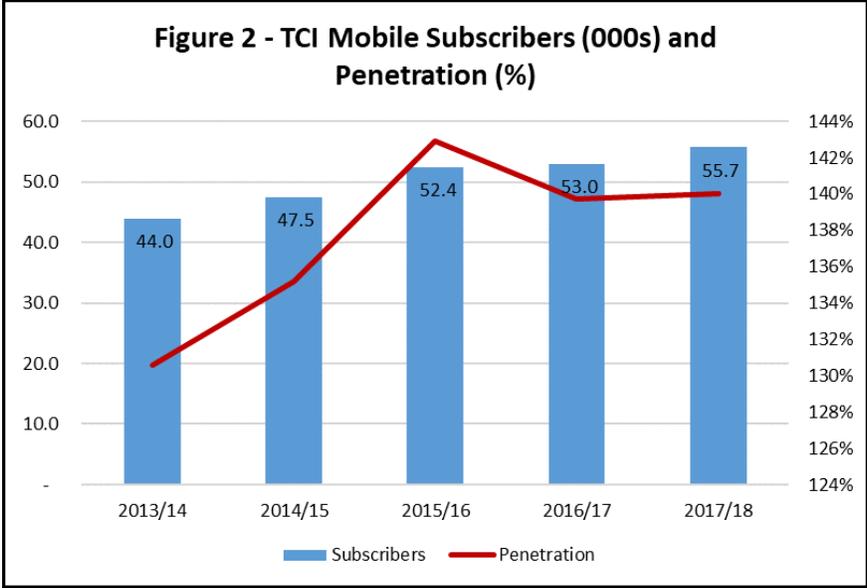
Mobile service accounts for the largest segment of the TCI telecommunications sector. There are two operators in the segment: Cable& Wireless (Flow) and Digicel. A third mobile operator, Islandcom, was also present in the market up until 2015 when it was acquired by Flow. As is in

³ Note that all data reported in this section is based on financial reports and operations data collected by the Commission from the major operators as well as Commission estimates.

⁴ Gross revenues in Figure 1 include residential fixed voice and broadband services, business fixed voice and data services, mobile services and pay TV services as reported in licensees Financial Annual Reports for TCI.

common in the Caribbean region, most subscribers (i.e., about 80%) are on prepaid mobile service plans, while the balance are on postpaid plans.

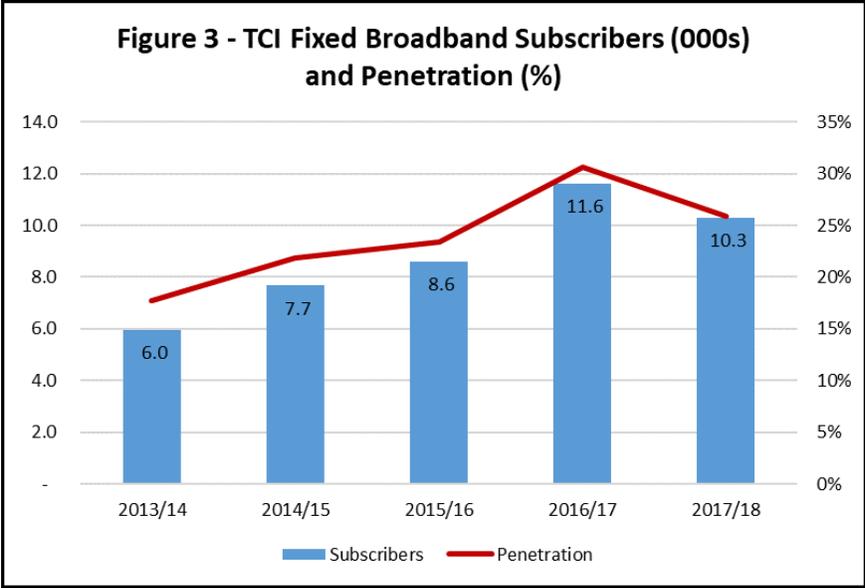
As shown in Figure 2, the total number of mobile subscribers in TCI grew steadily over the last five years (growing at an annual average rate of roughly 6%) and reached 55,700 as of 2017/18. Mobile penetration (i.e., the ratio of mobile subscribers to the population of TCI)⁵ also increased over the same time period, but since 2015/16 has stabilized at roughly 140%.



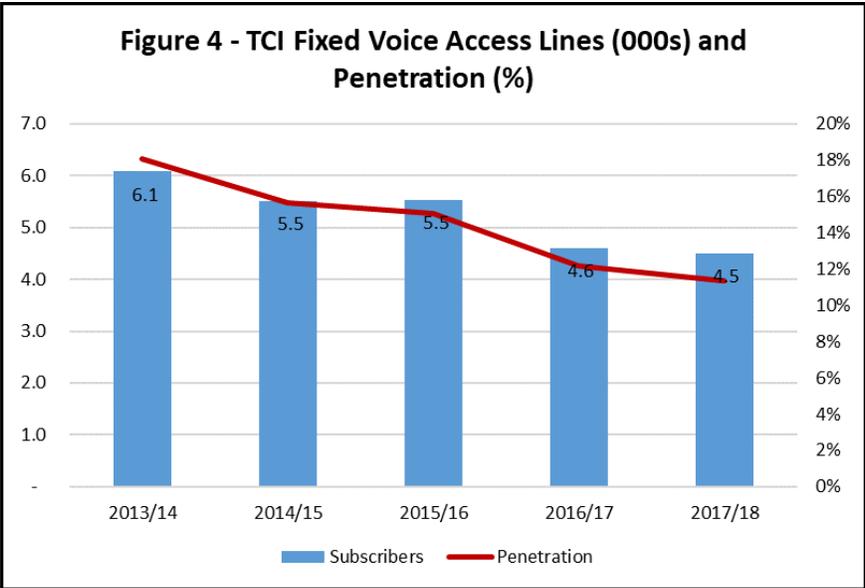
The fixed broadband Internet access services market in TCI is served by Flow and Digicel (or subsidiaries of Digicel such as TCT Ltd.). Over the last five years, fixed broadband service subscribers transitioned from lower to higher speed services. Service provider investments in broadband network upgrades and capabilities facilitated this transition.

As shown in Figure 3, growth in fixed broadband subscriptions was rapid over the last five years (growing at an annual average rate of roughly 15%), although there was a sharp drop in the number of reported subscribers in 2017/18 compared to the previous year (i.e., broadband subscribers dropped from 11,600 to 10,300). Fixed broadband penetration in TCI followed a similar pattern, rising to just over 30% in 2016/17, but then dropping back to 26% in 2017/18.

⁵ TCI population source: <https://www.gov.tc/stats/statistics/social-statistics/5-population>

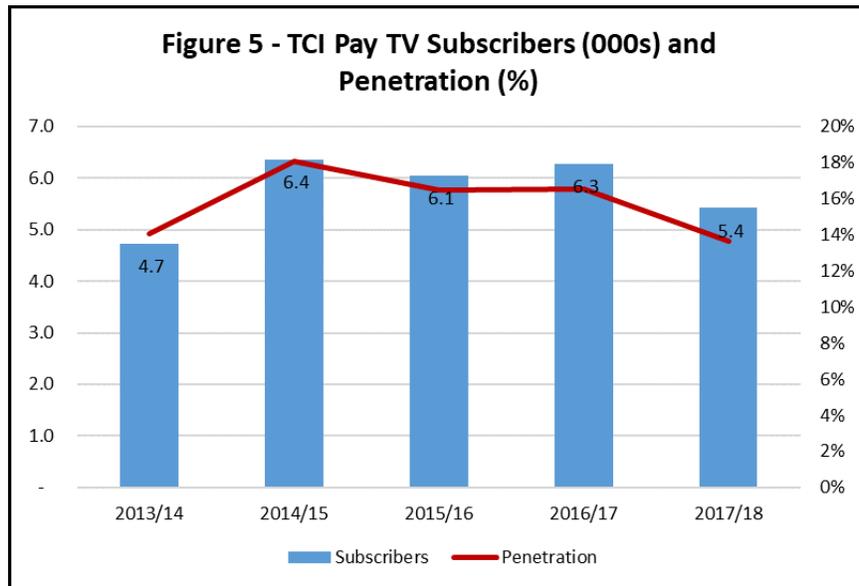


The fixed voice services market in TCI is served primarily by Flow, although Digicel provides fixed voice services in the business customer segment of the market. As shown in Figure 4, the fixed voice services market steadily declined for years (falling at an average annual rate of 7% over the last 5 years). This is a common trend with fixed line voice services in the Caribbean region and elsewhere. The total number of access lines in TCI has dropped from just over 6,000 to 4,500 between 2013/14 and 2017/18. The fixed voice penetration rate has dropped as well, from 18% to 11% over the same period.



While the Commission does not license or regulate broadcast television services, subscription or pay TV services represents significant segment of the electronic communications sector. There are several service providers in this market: Andrews' Communications Ltd., Digicel and Flow. A variety of technologies are currently used to deliver pay TV services including fixed wireless, cable and IPTV over copper, coax and/or fibre.⁶

As shown in Figure 5, the total number of pay TV subscriptions has fluctuated over the last five years, but on balance increased from 4,700 to 5,400 over the five-year period 2013/14 to 2017/18. Pay TV penetration in TCI has also fluctuated, rising to 18% in 2014/15, but then dropping back to 14% as of 2017/18.



⁶ No account is taken for subscriptions in TCI to out-of-market satellite pay TV services.

4.0 Review of 2014/15 - 2017/18 Activities & Accomplishments

The Commission last issued an Annual Report in 2014, which covered the two-year period 2012/13 and 2013/14. Therefore, this section provides an overview of the Commission's major activities and accomplishments over the four-year period 2014/15 to 2017/18.

The Commission's activities and accomplishments over the period 2014/15 to 2017/18 are divided into four categories: (i) major regulatory policy consultations and decisions, (ii) ongoing regulatory policy consultations, (iii) disputes and complaints and (iv) other activities and accomplishments.

4.1 Major Regulatory Policy Consultations and Decisions

i) Interconnection Rate Review Decision

In June 2014 (Decision Notice or DN 2014-4), the Commission issued its decision on fixed and mobile interconnection rates in TCI (i.e., the per minute rates licensees charge each other to terminate calls on their respective fixed and mobile networks). The decision, which concluded a four-month public consultation process initiated in February 2014, resulted in significant reductions to both fixed and mobile interconnection rates in TCI, which were brought into effect over a three-year period starting in July 2014 through to April 2016. The mandated rate reductions set out in the decision were consistent with international trends and, moreover, were intended to help foster stronger competition among the carriers and encourage reductions in retail prices for domestic "off-net" calls (i.e., calls between domestic fixed and mobile telecommunications networks).

ii) Acquisition of Columbus International Inc. (Columbus) By Cable & Wireless Communications Plc (CWC)

In January 2015 (DN 2015-1), the Commission issued a decision approving CWC's application, filed in December 2014, for the transfer of Columbus shares to CWC. CWC filed the corresponding application in. The Commission concluded that the application satisfied the conditions set out under the Ordinance for such acquisitions.

iii) Islandcom Telecommunications Ltd (Islandcom) Application for Assignment of Licenses to Cable and Wireless TCI Limited (C&W)

In March 2015 (DN 2015-4), the Commission issued a decision approving the transfer of Islandcom's spectrum licence and other business assets to C&W. Islandcom's application requesting this transfer was received earlier the same month. In its decision, the Commission recognized that C&W's acquisition of Islandcom would reduce the number of mobile operators in TCI from three to two and that the elimination of a competitor could have a significant impact on the level of competition in the market. As a result, the Commission indicated at the time that it would monitor competitive conditions in the

mobile market and, if necessary, initiate a review market conditions to determine whether any regulatory measures may be required to protect the interests of consumers.

iv) 2.5 GHz Spectrum Policy

In February 2015, the Commission received a licence application from Andrew's Communications Ltd for spectrum in the 2.5 GHz band (at the time, an unopened band in TCI). In May 2015 (Public Notice or PN 2015-7), the Commission launched a public consultation to develop a policy for the allocation and the assignment of spectrum in this band. The objective of the consultation was to seek industry input on how to best promote the timely deployment of fixed and mobile wireless broadband services in the 2.5 GHz band in TCI in a manner consistent with international best practice. In its decision on the matter, issued in August 2015 (DN 2015-7), the Commission decided to, among other things, assign spectrum in the 2.5 GHz band on a "first-come, first-served" basis, with a per-applicant cap of 40 MHz bandwidth. The decision also set 2.5 GHz band spectrum fees along with deployment and reporting requirements for licence holders.

v) Transfer of Ownership and Control of C&W (TCI) to Liberty Global plc (Liberty Global)

In March 2015 (DN 2016-2), the Commission issued a decision approving the transfer of ownership and control of C&W (TCI) and Columbus Networks Ltd (CNL) from CWC to Liberty Global. After reviewing the application requesting this proposed transfer, filed jointly by C&W (TCI) and CNL the preceding month, the Commission found it to be in compliance with the conditions for such transfers as out in the Ordinance.

vi) Telecommunications Competition Guidelines

In November 2017, the Commission issued a decision on the public consultation relating to the establishment of Competition Guidelines in TCI and, at the same time, issued formal Competition Guidelines. The decision and the Competition Guidelines concluded a two-phase consultation process initiated by the Commission in April 2017. The first phase considered establishment of Telecommunications Competition Regulations (to be enacted by the Government); however, based on comments received through the public consultation process, the Commission decided to develop and implement Competition Guidelines instead. The second phase of the consultation process dealt with the Commission's proposed draft Telecommunications Competition Guidelines. The Competition Guidelines, which are now in effect, provide a framework for addressing dominance and forbearance reviews, establishing *ex ante* regulatory measures (such as price constraints) where found necessary as well as dealing with abuse of dominance and anti-competitive conduct complaints.

The Commission notes that over the period 2014/15 to 2017/18 it also reviewed and issued decisions on numerous spectrum licence applications.

4.2 Disputes and Complaints

There were two major disputes/complaints that were addressed by the Commission during the four-year period 2014/15 to 2017/18.

i) Internet Protocol TV (IPTV) Complaint

In June 2016, the People’s Television Network (Andrew’s Communications Ltd), Island TV and Island Cable Network (collectively the “Complainants”) filed a complaint with the Commission claiming that Cable & Wireless (TCI) Limited (Flow) was providing IPTV services to the public without proper authorization. In July 2016, the Commission rejected the complaint. The Commission concluded, at the time, that IPTV subscription services were “telecommunications services” as defined in the Ordinance and, therefore, contrary to the Complainants’ allegations, Flow is permitted to provide IPTV subscriber television services under its 2006 licence. The Commission’s position was also in line with the Government’s conclusion on this same matter at the time.

In January 2017, the Complainants applied to the Supreme Court for a judicial review of the Commission’s decision. In February 2017, while the application for judicial review was pending, the Commission announced that it would be holding a public consultation into the provision of television services, including IPTV services, its licensing and regulation, and the manner in which the provision of such services might be regulated in the future. When this decision was communicated to the Complainants and the Supreme Court in April 2017, the Court issued an order with the consent of the Complainants to discontinue the application for judicial review in light of the planned public consultation.

The Commission launched the corresponding public consultation process in August 2017 (PN 2017-5), which had two primary purposes:

- a) It constituted the public consultation⁷ mentioned in the Consent Order made by the Supreme Court requiring the Commission to reassess whether Flow is authorized to provide IPTV services to the public under the existing regulatory regime in TCI; and
- b) The public consultation would also examine whether the existing regulatory regime in TCI is satisfactory for the regulation of television services, including but not limited to IPTV services, and whether, for the future, the Commission should be recommending to Government that a different regulatory regime be adopted for television services.

The Commission notes that its decision on this public consultation is pending.

ii) Home Network Identifier (HNI) Complaint

A unique Home HNI is assigned to every public mobile service operator that provides international roaming capabilities. An HNI uniquely identifies the home network of a

⁷ Note that it was referred to as a public inquiry in the Supreme Court Order.

public mobile service provider and contains a Mobile Country Code (MCC) and a Mobile Network Code (MNC).

Since its launch, Digicel has been using an HNI that includes the Jamaica MCC despite that fact that it is required to use a TCI MCC for TCI. While the Commission initially allowed Digicel to continue using the Jamaica MCC in 2008 (DN 2008-4), Cable & Wireless Communications (CWC) filed a complaint regarding Digicel's practice in September 2015. In response, in October 2016 (DN 2016-6) the Commission directed Digicel to use a TCI HNI within three months of the date of its decision. Digicel is yet to comply with this directive.

The Commission has conducted ongoing consultations with the affected parties in this respect in an effort to address this ongoing non-compliance matter. For its part, Digicel sought legal advice on the matter and decided to appeal of the Commission's HNI-related decisions (i.e., DN 2008-4 and DN 2016-6) through the Telecommunications Tribunal. While a Telecommunications Tribunal has not yet been established in TCI, steps are being made to establish one and to resolve this matter.

iii) Complaint by Digicel concerning conduct by Flow arising from Hurricane Irma

In October 2017, Digicel filed a complaint with the Commission regarding certain alleged conduct by Flow during the immediate aftermath of Hurricane Irma in September 2017. In the complaint, Digicel claimed that the network outage it suffered at the time was deliberately caused by Flow and it also claimed that Flow's actions in this regard were anti-competitive, in breach of the Interconnection Regulations as well as undertaken without regard for the welfare of the public. As relief, Digicel asked the Commission to impose obligations on Flow to provide access to certain services on terms and conditions subject to Commission approval. Digicel and Flow were provided with the opportunity to provide several rounds of comments and reply comments on matters relating to Digicel's complaint.

After considering parties' submissions, the Commission issued a decision on Digicel's complaint in October 2018 (DN 2018-6). Based on the evidence on the record of the proceeding, the Commission disagreed with Digicel's claims that Flow's actions in aftermath of Hurricane Irma were either anti-competitive or in breach of the Interconnection Regulations. However, the Commission found that the network outage in question highlighted the need for a more formal and comprehensive emergency preparedness plan in TCI. Therefore, in its decision, the Commission directed Digicel and Flow to jointly develop an Emergency Preparedness Agreement (EPA) that encompasses a telecommunications network capacity backup plan, together with implementation measures, that would be in place in times of national emergencies, including those resulting from severe weather events.

Digicel and Flow have not as of yet produced the requested EPA. The Commission has since decided that a more comprehensive Telecommunications Emergency Preparedness

and Response Policy (TEPRP) for TCI should be established, which could include as a subpart the contemplated EPA. This is an ongoing activity for the Commission.

4.3 Ongoing Regulatory Policy Consultations

The Commission initiated a number of consultations on regulatory policy matters over the period 2014/15 to 2017/18 that are still in progress:

i) Telecommunications (Fee Structure) Regulations

In March 2015 (PN 2015-4), the Commission initiated a public consultation to consider proposed amendments to the *Ordinance*, relating to the funding of and collection of fees by the Commission, as well as proposed amendments to certain provisions and fees set out in the *Telecommunications (Fee Structure) Regulations* (the Telecom Fee Regulations). A decision was not issued by the Commission in respect of the proposed amendments subject to this public consultation; instead, the Commission subsequently decided to launch a follow-up consultation on matters relating to the Ordinance and Telecom Fee Regulations (see below).

ii) Number Portability (NP)

The Commission initially consulted stakeholders in 2012 on the proposed introduction of NP in TCI, but decided that market conditions were not conducive to proceeding with the initiative at the time. Four years later in 2016, the Commission found that operational/technology developments had advanced significantly in TCI (and the Caribbean region more generally) and, therefore, that the introduction of NP in TCI should be revisited. Moreover, the Commission considered that NP would enhance competition and benefit consumers in TCI. Consequently, in July 2016 (PN 2016-5), the Commission initiated a public consultation process on the technical feasibility and functional NP features appropriate for the TCI telecommunications market, with a view to proceed with the implementation and introduction of both mobile and fixed NP. The purpose of the consultation was to set out the broad parameters, functional requirements and proposed timeframe to guide the development, implementation and launch of the mobile and fixed NP service in TCI. The Commission did not issue a decision on this consultation process. NP implementation however remains an ongoing priority for the Commission. In this respect, in January 2019, the Commission published a tender requesting proposals to assist and advise the Commission with the implementation of NP in TCI (the details of which are discussed below).

iii) National Fiber Ring Initiative

In August 2016 (PN 2016-7), the Commission initiated a public consultation on behalf of the Government to investigate and consult with the industry on the best options(s) for establishing a national fiber ring connecting each inhabited island in TCI to address the broadband capacity and quality of service issues as well as to maintain national and international connectivity in the event of a hurricane. The intent of the public consultation

was to solicit proposals on alternative connectivity options. Based on the input received, the Commission presented what it considered to be the best national fiber ring option to the TCI Government for its consideration. This remains an ongoing initiative for the Government and the Commission.

iv) Telecommunications (Fee Structure) Regulations amendments

In February 2018 (PN 2018-5), the Commission launched a follow-up public consultation process to review a number of proposed amendments to the Telecom Fee Regulations. The proposed amendments included the elimination of the deduction of intercarrier fees from gross revenues (for fee determination purposes) and revisions to multi-product service provider licence fees. Based on responses from interested parties, along with other considerations, the Commission decided to defer its decision on this consultation and conduct a more comprehensive review of the Telecom Fee Regulations, including reconsideration of initial proposals and consideration of other potential modifications to the current Telecom Fee Regulations.

4.4 Other Activities and Accomplishments

Other Commission activity and accomplish highlights over the period 2014/15 to 2017/18 include the following:

In October 2015, the Commission hosted the 13th Annual Organization of Caribbean Utility Regulators (OOCUR) Conference at Beaches, Turks and Caicos Islands. The theme for the three-day conference was “Facilitating a Dynamic Regulatory Environment”. The Conference was rated a success and included 70 registrants from 17 countries representing 33 organizations.



In November 2015, the Commission celebrated 10 years of existence by hosting several events including a public outreach initiative via local media outlets, workshops on how to create apps led by E. Jay Saunders (Digicel) which were attended by students from each of the public schools in TCI and a presentation for the industry on over-the-top services led by Stuart MacPherson (a

former Director General at the Commission). The Commission also hosted a 10th anniversary awards dinner, for present and pass employees and Commissioners.



In March 2016, the Commission hosted a two-day Internet Governance workshop in conjunction with the Internet Corporation for Assigned Names and Numbers (ICANN) and the Internet Society (ISOC). The workshop provided an overview and update on global Internet governance challenges for regulators and the wider community and also focused on the means through which Internet governance could help the further development TCI's economy. Other topics addressed during the workshop included cybersecurity, net neutrality and Internet Exchange Point (IXP) development.



5.0 2018/19 Activities and Accomplishments

The Commission's activities and accomplishments for the past year, 2018/19, are divided into the following categories: (i) public consultations and decisions on regulatory policy matters, (ii) complaints and disputes, (iii) spectrum and service provider licensing applications and related matters, (iv) other sector and administrative activities, including tenders, and (v) performance metrics.

5.1 Regulatory Policy Consultations and Decisions

i) Consultation on the Provision and Licensing of Television Services, including Internet Protocol Television (IPTV).

This is a continuation of the activity described in Section 4. The Commission is deliberating on the matters raised in this consultation process and expects to issue a decision in 2019.

ii) Consultation on Telecommunications (Fee Structure) Regulations

This is a continuation of the activity described in Section 4. The Commission decided to defer its decision on this consultation and conduct a more comprehensive review of the Fee Structure Regulations. The Commission plans to launch this follow-up proceeding later this year.

iii) Review of Flow's Fixed Regulated Services

In February 2019 (PN 2019-1), the Commission initiated a public consultation process to review the current forbearance conditions applying to Flow's fixed services established over five years ago in Telecommunications Decision 2013-3. The current forbearance conditions include a set of price caps on basic fixed access and calling service rates. For the consultation process, the Commission conducted market assessments of fixed service markets in which Flow is currently designated as dominant following the approach set out in the Commission recently issued *Telecommunications Competition Guidelines*. Based on the preliminary market assessment results, the Commission included two sets of proposed pricing regulations for Flow's fixed services going forward for consideration in the consultation process. The Commission expects to issue a decision in this regard in 2019, after considering interested parties' responses to the consultation.

5.2 Complaints and Disputes

i) Complaint by Digicel concerning conduct by Flow arising from Hurricane Irma

This is a continuation of the activity described in Section 4. As noted, Digicel and Flow have not as of yet produced the requested Emergency Preparedness Agreement (EPA) arising out of this complaint. The Commission has since decided that a more comprehensive Telecommunications Emergency Preparedness & Response Policy

(TEPRP) for TCI should be established. Once finalized, the TEPRP apply to all telecommunications service providers in TCI. The contemplated EPA between Digicel and Flow would likely be subpart of the TEPRP. The contemplated TEPRP will be drafted by the Commission and will be subject to a public consultation process before it is finalized. The Commission expects that the TEPRP consultation process will be conducted in 2019/20.

iv) Home Network Identifier (HNI) Complaint

This is a continuation of the activity described in Section 4. A resolution to this matter is pending.

5.3 Spectrum and Network/Service Licensing

Each year the Commission receives a number of applications for telecommunications spectrum and network/service provider licenses. In each case, the Commission issues a public notice to solicit input from interested parties on the applications. The Commission takes into account any comments received along with other considerations prescribed in the Ordinance and related Regulations in reaching its decision on each application.

Over the last year, the Commission received the following spectrum licence applications:

- In February 2018, Waterloo Hotel Management submitted a spectrum license application to establish and operate a 2-way radiocommunications system in Providenciales using the 460.1000 MHz and 465.1000 MHz frequencies. The Commission issued PN 2018-7 in response and, in June 2018, issued a decision granting the requested spectrum licence (DN 2018-1).
- Also, in February 2018, Pinnacle Broadcasting Enterprises submitted an application to establish and operate a Commercial FM Radio Station on 93.9 MHz. The Commission issued PN 2018-4 in response and, in June 2018, issued a decision granting the requested spectrum licence (DN 2018-2).
- In June 2018, the Turks & Caicos Islands Police Department submitted a spectrum application to facilitate the deployment of a CCTV Network in Providenciales. The Commission granted the request to use unlicensed 5 GHz spectrum for this purpose.
- In August 2018, White Sands Grace Bay Ltd. submitted a spectrum license application to establish and operate a 2-way land mobile radio system in Providenciales using the 451.1000 and 451.1125 MHz frequencies. The Commission issued PN 2018-7 in response and, in September 2018, granted the requested spectrum licence (DN-2018-4).
- In October 2018, House on the Rock Ministries Intl submitted an application to establish and operate a Commercial FM Radio Station on 96.9 MHz. In response, the Commission issued PN 2018-8 and, in December 2018, issued a decision granting the requested spectrum licence (DN 2018-7).

- In December 2018, Platinum Sounds Radio submitted an application to establish and operate a Commercial FM Radio Station on 89.5 MHz in response, the Commission issued PN 2018-9 and subsequently offered the applicant use of alternate frequency band. A decision is pending.
- In February 2019, Platinum Sounds Radio submitted an application to establish and operate an additional Commercial FM Radio Station on 88.5 MHz in response, the issued PN 2019-2 in response and is currently considering the application. A decision is pending.

The Commission received one application over the last year for a network/service providers licence:

- In March 2019, AFF Installation Ltd submitted an application for an Internet Service Provider Licence (INS-2) to provide Internet services via wireless hotspots on Providenciales. The Commission issued PN 2019-3 in response and is currently considering the application.

5.4 Other Activities

Over the last year, the Commission continued work on a number of ongoing matters and also undertook several new initiatives, including initiating tender processes to seek expert assistance on matters to be addressed by the Commission.

i) Number Portability (Tender)

The inability for consumers to retain their number when moving to a new telecommunications provider is seen as a disincentive to switch providers and thus a constraint to competition into the TCI telecommunications market. As discussed above, the Commission consulted stakeholders on the introduction of number portability (NP) in TCI in 2012 and 2016; however, the Commission decided not to proceed with mandatory NP implementation at the time.

The Commission believes that the TCI telecommunications market would benefit from the introduction of NP across both mobile and fixed sectors since the freedom provided to TCI consumers to move their service to the service provider which best meets their needs could act as positive catalyst for increased competition in the market and enhance value to consumers. Consequently, the Commission decided to revisit the NP issue.

In January 2019, the Commission issued a tender (TR 2019-1) to solicit expert assistance to develop, implement and manage NP in TCI. The tender sets out a two-phase process in this regard. This first phase is for the selected consultant to assist the Commission design a proposed NP regime and consult with stakeholders on its design of and implementation process. The second phase is for the selected consultant to assist and support the Commission with the launch, monitoring and management of the NP regime in TCI.

The Commission is currently in the process of reviewing proposals to conclude the tender process.

ii) Telecommunications Network Fee Collection and Payments

For some time, the Commission and the Government have been aware that both Flow and Digicel owed outstanding amounts on their annual telecommunications network fees. In Flow's case, the Commission has confirmed the total amount of outstanding fees. The Commission supported a proposal made by Flow to address the outstanding fees, and submitted a Cabinet Paper to Government to seek approval for Flow's proposal. However, Government rejected the proposal and, as a result, new negotiations have been initiated with Flow. The Commission has also confirmed the total amount of outstanding fees in Digicel's case. The Commission has tentatively agreed with Digicel's proposal that it pay half of the outstanding fees immediately and that the balance be spread over a period of two years.

Last year, the Commission met with the Ministry of Finance to review best practices for ensuring timely and full payment of telecommunications network fees going forward. In this respect, it was decided that all such fees should continue to be paid directly to TCI Government Revenue Control.

iii) Survey of Service Provider Network Infrastructure

In September 2018, the Commission began a process to review and assess licensed carriers local, national and international network infrastructure, site security and network recovery procedures, among other things. A set questions was sent to the Flow, Digicel and Columbus to collect data and information on their respective networks. Once received, the Commission intends to prepare a network readiness and compliance grading system report which will be shared with the operators. It is hoped that this initiative will ensure all operators provide reliable high-quality telecommunications services in TCI, and also ensure that they are well prepared for emergency conditions such as hurricanes. The Commission is currently in the data and information collection phase of this initiative and expects that this exercise will be useful for the preparation of an Emergency Preparedness Policy (EPP) for TCI. (as discussed above).

iv) 2018/19 Annual Report and Three-Year Strategy Plan

In August 2018 the Commission issued a tender (TR 2018-2) to solicit expert assistance to assist the Commission prepare its 2018/19 Annual Report and to develop a Three-Year Strategy Plan (i.e., the present document). The expert consultant engaged by the Commission for this project was selected from several parties who responded to the tender. As well, to develop its Three-Year Strategy Plan, the Commission also met with industry stakeholders to discuss and seek input on industry plans and issues going forward. The present document includes the results the Commission's internal and stakeholder discussions in this regard.

v) Spectrum Management

Over the last year, the Commission has taken steps to procure electromagnetic field (EMF) testing and spectrum monitoring equipment and software and to update the Spectrum Plan for TCI, and also conduct a spectrum audit. The Commission received quotations from several companies and based on its assessment of the quotes, the Commission approved the purchase of EMF Test Equipment from one of the tenders. The equipment has now been setup, and online training and pilot testing has been conducted. Once preliminary testing is completed, permanent deployment of the product will commence in the field in the coming year.

vi) TCI Country Code Top-Level Domain

A country code top level domain (or ccTLD) is an Internet top-level domain generally used or reserved for a specific country or jurisdiction. For TCI, the ccTLD is “.tc”. However, the management of TCI’s ccTLD is not regularized or stabilized nationally. As a result, the Commission is working with the Government, the Internet Assigned Numbers Authority (IANA) and Melrex (TC) Ltd., the current sponsoring organization for the “.tc” ccTLD, to address and resolve outstanding issues with the management of TCI’s ccTLD.

5.5 Performance Metrics

The following tables provide summary performance metrics for the public consultations, complaints/disputes, spectrum and network/service licensing applications the Commission has worked on over the last year.

Description	Start Date	Status	Completion Date	Completed
1. Licensing of Television Services, including IPTV	14 Aug 2017	Submissions filed and under review	Pending	0
2. Telecommunications (Fee Structure) Regulations	20 Feb 2018	Submissions filed and reviewed, new expanded consultation to be launched	Deferred	0
3. Flow’s Fixed Services Review	22 Feb 2019	Initial Comments due March 2019	Pending	0
Total	3			0

Table 2 – Complaints/Disputes in Progress or Completed				
Description	Start Date	Status	Completion Date	Completed
1. Digicel Complaint concerning conduct by Flow arising from Hurricane Irma	31 Oct 2017	Comments filed and review and decision issued	30 Oct 2018	1
2. Home Network Identifier Complaint	3 Sep 2015	Longstanding issue now subject to appeal, options under review	Pending	0
Total	2			1

Table 3 – Spectrum and Network Service Licenses Under Review or Decided			
Description	Number	Decisions on Pending	Decision Issued
1. Spectrum Licence Applications	7	2	5
2. Network/Service Provider Licence Applications	1	1	0
3. Other Licence Applications (Type Approvals, Aircraft Certificates, Amateur Radio)	108	0	108
Total	116	3	113

6.0 Three-Year Strategy Plan

The Commission's Three-Year Strategy Plan covers ongoing and planned consultations as well as other policy and regulatory initiatives that the Commission plans to undertake over the coming three-year period 2019/20 to 2021/22.

6.1 Near-term Planned Activities (2019/20)

The Commission's near-term 2019/20 planned activities include for the most part the continuation or conclusion of its ongoing projects and initiatives. These include:

- The conclusion of the Commission's deliberations on the ongoing consultation on the **potential regulation and licensing of television services**, including IPTV, and issuance of a decision on the matter.
- The completion of the consultation on **Flow's fixed services review** and issuance a decision on the matter, which could include continued or revised price caps on one or more of Flow's fixed services (e.g., residential and/or business fixed access and calling services).
- The continuation of the Commission's efforts to conclude the **Digicel HNI non-compliance matter** relating to Digicel's use and implementation of a TCI MCC.
- In the context of the Commission's recent network infrastructure survey data and information collection exercise and also pursuant to its decision on the Digicel's complaint regarding the network outage that occurred following Hurricane Irma, the Commission plans to develop an **Emergency Preparedness and Response Policy** for TCI, including consideration of network resiliency, security and emergency preparedness matters, and initiate a public consultation on the proposed policy and details relating to its implementation.
- The completion of the current tender process and selection of a consultant to assist the Commission with the implementation of **number portability** in TCI.
- The resolution of matters relating to the regularization, stabilization and ongoing administration of the **TCI ccTLD**, “.tc”.
- Installation and testing of Electromagnetic Field (**EMF**) **System** throughout the Islands, the Commission plans to begin use of the equipment to measure wireless emissions from cellular towers to ensure that they are operating within all required standards to limit public exposure to harmful radiation.

The Commission's near-term 2019/20 planned activities also include several new activities, including:

- The launch of a consultation to review to the current interconnection rates for the termination of domestic and international calls to operators' fixed and mobile networks

and, where applicable, transit charges between networks. This planned **interconnection rate review**, as in the past, will be based on a benchmarking analysis of comparable interconnection service rates in the Caribbean region.

- The initiation of a new expanded consultation on the **Fee Structure Regulations** to revisit the proposals considered in the previous consultation as well as review more generally the levels of all telecommunications service/network fees.
- The launch of a consultation process to review design and implementation matters relating to the implementation of **number portability** in TCI. This would be the first phase of the NP implementation process.
- The engagement of a web design and maintenance service provider to redesign, host and maintain the **Commission's website** (www.telecommission.tc).
- The procurement and implementation of licensing software for **administrative licensing system** purposes to streamline Commission's licensing process and implement the new software system.
- The completion of a **spectrum audit** and with a view to assessing whether National Spectrum Plan should be reviewed and potentially updated.

6.2 Medium-term (2020/21) and Longer-term (2021/22) Activities

Over the course of 2020/21 and 2021/22, the Commission has a number of other activities planned. These include:

- **Implementation of Number Portability:** Following on the results of the first phase of the NP process, the Commission plans to undertake a further consultation process, as necessary, to consider matters relating to the launch, monitoring and management of the NP regime in TCI. This would be the second phase of the NP process.
- **Amendment of the Telecommunications Ordinance:** Depending on the outcome of the its current consultation on the licensing of television services, the Commission intends to initiate a consultation process to amend the Ordinance to include provisions for the licensing and regulation of broadcasting as well as subscription TV services in TCI. This would enable the Commission to regulate price and non-price (e.g., content) aspects of the services, if necessary, and more generally improve accountability within the sector.
- **National Fiber Ring:** The Commission plans to investigate the feasibility and practicality of jointly constructing with the TCIG a fiber ring within TCI. The contemplated fiber ring would connect each inhabited island, in particular, the nation's capital (Grand Turk), to address existing broadband capacity and quality of service issues and to maintain connectivity in the event of a hurricane. Transmission capacity on the ring would be made available to licensed operators on a wholesale lease basis. The Commission considers that, once completed, this project would help promote increased investment throughout TCI.

- **TCI Internet Exchange Point (IXP):** An IXP is a physical location where different IP networks meet (e.g., Digicel and Flow) to exchange local traffic with each other. The Commission considers that a TCI-based IXP should be established so that all local internet traffic (e.g., emails) would remain in TCI, without being routed internationally. The Commission plans to launch a process to determine the most efficient means to implement an IXP in TCI.
- **National Information Communications and Technology (ICT) Policy:** The Commission plans to work jointly with the Government to implement a National ICT Policy to:
 - build knowledge-based human capital;
 - promote innovation in economic and social systems;
 - expand ICT infrastructure and its integration throughout the country;
 - deepen utilization of ICT services by government, private sector, non-government organizations and citizenry;
 - enhance research and innovation in ICT products, applications, and services; and
 - improve ICT governance and environment in TCI.
- **Telecommunications Network Audit:** The Commission plans to conduct a telecommunications network audit of all carriers' networks to check for and protect against any unauthorized or unlicensed activities.
- **Commission Office Building:** The Commission plans to undertake process to design and construct of a new office building for the Commission to provide it with a more suitable facility, better industry presence and to allow for future growth and expansion as a potential multi-sector regulator. The building would be designed to include conference facilities that could be used to host national workshops with various sector stakeholders.

6.3 Strategic Plan Schedule

The following table provides the planned schedule for the Commission's Three-Year Strategic Plan.

Table 4 - Three-Year Strategic Plan Schedule			
Project/Initiative	Year 1: 2019/20	Year 2: 2020/21	Year 3: 2021/22
1. Consultation on Flow's Fixed Services: conclude and issue decision	1 st Half	Annual Monitoring	Annual Monitoring
2. Consultation on Interconnection Rates: (a) issue consultation document & (b) conclude and issue decision	(a) & (b) 1 st Half	Annual Monitoring	Annual Monitoring
3. Consultation on Television Services Licensing: conclude and issue decision	1 st Half		
4. Amendment of the Telecommunications Ordinance (to address pay TV & broadcasting services): (a) consultation process & (b) decision/implementation		(a) 1 st Half	(b) 1 st Half

Table 4 - Three-Year Strategic Plan Schedule

Project/Initiative	Year 1: 2019/20	Year 2: 2020/21	Year 3: 2021/22
5. Number Portability: (a) conclude tender, (b) Phase I consultation process & (c) Phase I decision and Phase 2 implementation process	(a) & (b) 1 st / 2 nd Half	(c) 1 st Half	Annual Monitoring
6. Telecommunications Emergency Preparedness and Response Policy (TEPRP): (a) completion of data collection and (b) development of proposed TEPP and (c) consultation and decision on the EPP	(a) (b) & (c) 1 st / 2 nd Half	Annual Monitoring	Annual Monitoring
7. National ICT Policy: (a) development of proposed ICT policy (b) consultation process and (c) decision/implementation			(b) & (c) 1 st / 2 nd Half
8. TCI ccTLD “tc.” Matter: Planned resolution	1 st Half		
9. Digicel HNI Non-Compliance Matter: Planned resolution		1 st Half	
10. TCI Internet Exchange Point (IXP): (a) consultation process and (b) decision/implementation		(a) & (b) 1 st / 2 nd Half	
11. National Fiber Ring: (a) consultation/tender process and (b) decision/construction		(a) 1 st Half	(b) 1 st Half
12. EMF System: (a) install and testing and (b) ongoing monitoring	1 st Half	Annual Monitoring	Annual Monitoring
13. Spectrum Audit (a) Conduct a spectrum audit and (b) review and update the national spectrum plan.	(a) 2 nd Half	(b) 1 st Half	Annual Monitoring
14. Telecommunications Network Audit Conduct a network audit of all carriers’ network check for and protect against unauthorized activity.		1 st Half	Annual Monitoring
15. Administrative Licensing System (a) procure licensing software to aid in administrating the licensing process and (b) implement the new software system.		(a) & (b) 1 st / 2 nd Half	
16. Commission Website: (a) consultation/tender process and (b) decision/implementation	(a) 2 nd Half	(b) 1 st Half	
17. Commission Office Building: (a) consultation/tender process and (b) decision/construction		(a) 1 st Half	(b) 1 st Half

Note: 1st Half = April to September and 2nd Half = October to March.

7.0 Human Resources Development

The telecommunications sector is subject to continuous change. To keep pace with industry policy and technology developments, the Commission is committed to ensuring that its staff have the opportunity to improve their industry knowledge and skills by attending relevant training and programs and courses, conferences, workshops, forums, seminars and by also upgrading of professional certifications.

Conferences

Over the course of 2018/19, Commission Board Members and staff have attended and represented the Commission a number of important industry conferences.

- **Commonwealth ICT Ministers Forum 18**

The Acting Director General attended the Commonwealth ICT Ministers Forum 18, which was hosted by Commonwealth Telecommunications Organisation (CTO) in London, June 18 – 20, 2018. The forum’s main focus was on ICT regulation, broadband, cybersecurity and ICT applications.

- **Caribbean Association of National Telecommunications Organization (CANTO)**

The Minister of Communications and a team from the Commission attended the 34th Annual CANTO Conference and Trade Exhibition at the Hard Rock Megapolis in Panama City, Panama, July 22 – 24, 2018. The theme of the conference was “Guiding Digital Adoption to Lead the Global Market”.

- **Organization of Caribbean Utility Regulators (OOCUR) Conference**

Commission Board members and staff attended the 2018 OOCUR Conference hosted by the Belize Public Utilities Commission in Belize, October 8 – 13, 2018. The theme of the conference was “Regulating for Sustainability in a Disruptive Environment”.



- **International Telecommunications Union (ITU) Telecommunications Development Bureau (BDT) Forum**

The Commission’s Chairman and Acting Director General attended the ITU-BDT Forum held in Roseau, Dominica, December 4-6, 2018. The topic for the forum was “Multi-stakeholder Forum on the Role of Telecommunication/ICTs for Disaster Management and Risk Reduction for the Caribbean Islands”.



- **ICT Roadshow**

Here in TCI, the Commission also hosted its first “ICT Roadshow” conference in collaboration with the American Registry for Internet Numbers (ARIN), ICANN and telecommunications consultancy, Cenerva. The conference was held in TCI, on February 7-9, 2019. Its theme of the conference was “Strengthening the Local Internet: Security, Resilience, Convergence”. The objective was to bring together community, private sector, academia and government representatives to discuss critical topics deemed necessary to develop a robust, resilient and vibrant local Internet economy, with focus on issues such as cybersecurity, critical internet infrastructure, Internet Exchange Points (IXPs), number portability and over-the-top (OTT) services.



Participants of the first TCI ICT Roadshow at Beaches Resort, Providenciales.

- **GSMA Mobile World Conference**

The Commission's Acting Director General and Telecommunications Engineer, along with several representatives of the TCIG, attended GSMA Mobile World Conference held in Barcelona, Spain, February 25- 28, 2019. The theme of the conference was "Intelligent Connectivity," which covered topics such as the advancement of 5G technology, artificial intelligence, network modernization, data privacy, and the digital transformation, with a focus on how to monetize and leverage these technologies to develop the digital economy.



Skills Development & Training

Other skills development and training activities included:

- The Commission sponsored one staff member to attend a Tableau training course in Kingstown, Jamaica on November 15 – 16, 2018. This course focused on Tableau desktop software fundamentals which will enhance the Commission's capabilities for analyzing and reporting sector data and information.
- The Commission sponsored higher educational initiative for three of its staff members to pursue online degree programs.

Vacancies Filled or to be Filled

Over the last year, vacancies for the posts of Director General and Legal Counsel existed at the Commission.

In the first case, the Director General is responsible for the overall management of the Commission. The vacancy for this position was advertised and interviews were conducted with a number of qualified individuals. The position of the Director General has been tentatively filled internally, though the posting has not yet finalized. Once the position of the Director General is finalized, the resulting Director of Technology position vacancy will be advertised and filled.

In the second case, the individual serving as Legal Counsel is responsible for advising the Commission on all telecommunications and competition law issues, including drafting legal

documents, including primary and secondary legislation; inter-operator dispute resolution; consumer complaints; enforcement procedures; training staff on telecommunications and/or competition law; support in internal administrative processes; and other functions as required to achieve objectives of the Commission. This position is yet to be filled. An advertising and interview process will be conducted to find a qualified individual to fill this position in the near future.

The Commission is also planning to add a new staff position of Financial Manager, who would be responsible for a financial and economic data analysis and reporting requirements at the Commission. The Commission plans to initiate an advertising and interview process to recruit a qualified individual for this position in the near future.

Other Activities

In 2017, the Commission created a Telecommunication Policies and Procedures Manual. This Manual was updated in 2018 to address salary advance matters. In 2018, the Commission also established a Statement of Internal Control document, which is included in the following section of this report.

8.0 Statement of Internal Control

The following is the Commission's Statement of Internal Control prepared by and which falls under the direct responsibility of the current Acting Director General:

Scope of responsibility

The Turks and Caicos Islands Telecommunications Commission (the Commission) is accountable for internal control. As the Acting Director General for the Commission, I have the responsibility for maintaining a sound system of internal control that supports achievement of the organization's policies, aims and objectives, whilst safeguarding the public funds and the organization's assets, for which I am personally responsible, in accordance with the responsibilities assigned by the Commission's Board and the guidelines established by the National Audit Officer (NAO).

In the context of the Commission's overall accountability and responsibility for control assurance and risk management, which lies with the Board and Director General, these duties are being discharged in accordance with the Telecommunications Ordinance 2014 and the Telecommunications Policies & Procedures Manual 2017.

The purpose of the system of internal control

The system of internal control is designed to manage risks to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritize the risks to the achievement of organizational policies, aims and objectives, and to evaluate the likelihood of those risks being realized, and the impact – should they be realized – and to manage them efficiently, effectively and economically.

Capacity to handle risk

From its inception, the Commission has always recognized the importance of effective risk management strategies, which are integral in conforming to the principles of good governance, and essential to the delivery of its regulatory objectives. During this time of organizational restructuring, the Commission introduced systems of Internal Control to ensure continuity of Corporate Governance.

The risk and control framework

The Commission recognizes that risk management is an integral part of good management practice and, as such, is integrated into the philosophy, practice and business plans of the organization and not viewed as a separate process. The risk management strategy recognizes that risk is inherent in all the organization's activities and that it is imperative that responsibilities and accountabilities are clearly defined. It outlines responsibility for managing risk from the Board through the organizational structure.

In determining the risk appetite of the organization, the Commission has given consideration to its principle objectives, both strategic and operational, and identified the principal risks that may threaten the achievement of those objectives. In doing so, the Commission is aware that the process involves managing potential principal risks and not merely being reactive in the event of any risk exposure. It acknowledges that the Public Procurement Ordinance (PPO) 2014 procedure cannot be consistently achieved without some risks being observed, due to the Commission's responsibility to regulate a dynamic telecommunications industry and execute its decisions within a reasonable timeframe; failure to act quickly in certain situations could potentially expose the organisation to financial loss or judicial review. For this reason, the Commission is not always able to acquire three quotes as per the PPO, but ensures that a minimum of two quotes are received.

Review of effectiveness

As Acting Director General, I have responsibility for reviewing the effectiveness of the systems of internal control. My review of the effectiveness of the system of internal control is confirmed by the work of the external auditors and the managers within the organization who have responsibility for the development and maintenance of the internal control framework, and comments made by the auditors in their management letter and other reports. I will continue to address weaknesses to ensure continuous improvement to the system in place.

Significant internal control problems (if applicable)

The Commission is committed to regularly reviewing the key components of its internal controls and risk management arrangements.

9.0 Financial Report

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

**FINANCIAL STATEMENTS
and Independent Auditor's Report for the Years Ended
March 31, 2018 and 2017**

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Financial Statements
For the Years Ended March 31, 2018 and 2017**

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To The Board of Directors Turks and Caicos Islands Telecommunications Commission

We have audited the accompanying financial statements of The Turks and Caicos Islands Telecommunications Commission, which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive loss, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Company as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

This report, including the opinion, has been prepared for and only for the board of directors of the Commission as a body and the Government of the Turks & Caicos Islands in accordance with the term of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

November 14, 2018

Local in Touch, Global in Reach

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**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Statement of Financial Position
As at March 31, 2018 and 2017**

	2018	2017
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 887,194	\$ 2,411,117
Accounts receivable (Note 6)	381,622	115,028
Deposits and prepayments (Note 7)	21,183	16,435
Other receivables (Note 8)	-	30,848
	<u>1,289,999</u>	<u>2,573,428</u>
<i>Non Current Assets</i>		
Property, plant and equipment (Note 9)	275,597	322,970
TOTAL ASSETS	<u><u>1,565,595</u></u>	<u><u>2,896,398</u></u>
LIABILITIES AND EQUITY		
<i>Current Liabilities</i>		
Due to TCIG		-
Deferred income (Note 10)	377,330	335,373
Accounts payable	49,833	85,693
Accrued expenses (Note 11)	232,347	18,740
	<u>659,510</u>	<u>439,806</u>
<i>Equity</i>		
Reserve fund	58,436	58,436
Retained surplus	847,648	2,398,156
	<u>906,084</u>	<u>2,456,592</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,565,595</u></u>	<u><u>\$ 2,896,398</u></u>

Approved for issuance on behalf of the Board of Directors of the Turks and Caicos Islands
Telecommunications Commission on 11-20-18



Chairman



Director General

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Statement of Comprehensive Income
For the Years Ended March 31, 2018 and 2017**

	2018	2017
INCOME		
Regulatory, spectrum and other fees (Note 12)	\$ 2,093,069	\$ 2,068,316
EXPENSES		
Salaries and benefits	716,712	637,792
Professional fees	392,592	210,795
Commissioners' fees and expenses	122,176	151,346
Rent (Note 13)	78,000	78,000
Depreciation	54,976	59,977
Travel	35,057	48,707
Office expense	46,174	38,635
Telephone	29,389	32,244
Staff training	37,448	30,546
Utilities	22,341	25,610
Motor expenses	29,324	24,636
Repairs	16,200	16,200
Bad Debts Expense	-	10,700
Meals and entertainment	4,181	9,322
Bank and interest charges	2,038	1,934
Insurance	1,891	1,890
	<u>1,588,499</u>	<u>1,378,334</u>
NET INCOME FROM OPERATIONS	<u>\$ 504,570</u>	<u>\$ 689,982</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	<u>3,621</u>	<u>6,950</u>
	3,621	6,950
NET COMPREHENSIVE INCOME	<u>\$ 508,190</u>	<u>\$ 696,932</u>

TURKS AND CAICOS ISLANDS
TELECOMMUNICATION COMMISSION
Statement of Changes in Equity
For the Years Ended March 31, 2018 and 2017

	Retained Surplus	Reserved Fund	Total
Balance as at March, 2016	\$ 1,701,224	58,436	1,759,660
Adjustment for payment of surplus funds (Note 4)		-	-
<i>Comprehensive Income</i>			
Net surplus and total comprehensive income for the year	696,932	-	696,932
Balance as at March, 2017	2,398,156	58,436	2,456,592
Adjustment for payment of surplus funds (Note 4)	(2,058,698)	-	(2,058,698)
<i>Comprehensive Income</i>			
Net surplus and total comprehensive income for the year	508,190	-	508,190
Balance as at March, 2018	\$ 847,648	\$ 58,436	\$ 906,085

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATION COMMISSION**
Statement of Cash Flow
For the Years Ended March 31, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Net surplus and total comprehensive income for the year	\$ 508,190	\$ 696,932
<i>Adjustment for:</i>		
Depreciation	54,976	59,977
	<u>563,166</u>	<u>756,909</u>
<i>Changes in operating assets:</i>		
Change in accounts receivables	(266,594)	133,893
Change in deposits and prepayment	(4,748)	1,488
<i>Changes in operating liabilities:</i>		
Change in trade and other payables	177,748	68,144
Change in deferred income	41,957	43,924
<i>Net cash provided by operating activities</i>	<u>511,529</u>	<u>1,004,358</u>
INVESTING ACTIVITIES		
Change in other receivables	30,848	(15,530)
Additions to property, plant and equipment	(7,603)	(29,741)
<i>Net cash used in investing activities</i>	<u>23,245</u>	<u>(45,271)</u>
FINANCING ACTIVITIES		
Payment of funds to TCIG	(2,058,699)	(500,000)
<i>Net cash used in financing activities</i>	<u>(2,058,699)</u>	<u>(500,000)</u>
Increase (decrease) in cash and cash equivalents	(1,523,924)	459,087
Cash and cash equivalents, beginning of year	2,411,118	1,952,030
Cash and cash equivalents, end of year	<u>\$ 887,194</u>	<u>\$ 2,411,118</u>

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017

1. General information

Turks and Caicos Islands Telecommunications Commission (the Commission) is an independent regulatory body, which was created under the Turks and Caicos Islands (TCI) Telecommunications Ordinance 2004 (the Ordinance), and is responsible for the regulation and licensing of all telecommunications service providers and users of the radio spectrum in TCI. This responsibility includes fixed line operators, broadcasting station transmitters, internet service providers and mobile telephone operators.

The primary functions of the Commission are: to facilitate, maintain and promote effective and sustainable competition in telecommunications; to promote the interests of consumers; to encourage licensees to operate efficiently; and to prescribe standards for the quality of telecommunications services to be delivered to the public.

The Commission is committed to ensuring that all consumers and businesses in TCI have access to quality telecommunications services at reasonable prices, in a fully competitive marketplace.

The registered office of the Commission is at P.O. Box 203, Business Solutions Office Complex, Leeward Highway, Providenciales, TCI.

2. Basis of preparation

(a) Statement of compliance.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

These financial statements have been prepared on historical cost basis. The methods used to measure fair values are discussed further in Note 5.

(c) Functional and presentation currency

These financial statements are presented in United States (US) dollars, which is the Commission's functional currency. All financial information presented in US dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017**

2. Basis of preparation, continued

(d) Use of estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following Notes:

- Note 3(d) – Basis for regulatory fee estimation and allocation to licensees

(e) Changes in accounting policy and disclosures

- IFRS 9 will become effective on after January 1, 2018.
- IFRS 15 will become effective on or after January 1, 2018.
- IFRS 16 will become effective on or after January 1, 2019.

TCI Telecoms Commission is currently assessing the potential future impact resulting from the application of the above standards of its financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Commission.

(a) Non-derivative financial assets

The Commission initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Commission becomes a party to the contractual provisions of the instrument.

The Commission derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership off the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Commission is recognized as a separate asset or liability.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017**

3. Significant accounting policies, continued

(a) Non-derivative financial assets, continued

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Commission has a legal right to offset the amount and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Commission's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less impairment losses.

Loans and receivables of the Commission comprise cash, accounts receivable, due from related parties and deposits.

(i) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with original maturities of three months or less from the date of purchase. Any bank drafts that are payable on demand and form an integral part of the Commission's cash management are included as a component of cash for the purpose of cash flows.

(ii) Accounts receivable-net, other receivables, deposits and prepayments

Accounts receivables-net, other receivables and deposits are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provisions for impairment. A provision for impairment is established when there is objective evidence that the Commission will not be able to recover all amounts due according to the original terms of the contracts.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.

(b) Non-derivative financial liabilities

The Commission recognizes debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognized initially on the trade date at which the Commission becomes a party to the contractual provisions of the instrument.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017**

3. Significant accounting policies, continued

The Commission derecognizes a financial liability when its contractual obligations are discharged, cancelled or expires. The Commission has accounts payable as non-derivative financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 3(e)(iii)). Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment. Gains or losses arising from the disposal of property, plant and equipment are reflected in the statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied will flow to the Commission and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Land and construction work in progress are not depreciated.

Useful lives for assets are as follows:

Leasehold improvements	Shorter of 7 years or lease term
Office furniture and fixtures	3 years
Motor vehicles	4 years
Computer equipment	3 years
Spectrum equipment	7 years

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017**

3. Significant accounting policies, continued

(d) Regulatory and spectrum fees

Regulatory fees are assessed for each registered licensee of the Commission based on a pro-rata share of the budgeted operating expenses of the Commission. Spectrum fees are assessed for each registered licensee of the Commission based on the nature of the spectrum applied for by the licensee regulated by schedule 3 (regulation 5) of the Telecommunications Ordinance. Regulatory and spectrum fees are recognized on an accruals basis of accounting on a yearly basis from the date the registered licensee was approved by the Commission.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Commission on terms that the Commission would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. In assessing collective impairment, the Commission uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement.

All impairment losses are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Commission's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017**

3. Significant accounting policies, continued

(e) Impairment, continued

(ii) Non-financial assets, continued

The carrying amounts of the Commission's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

(f) Lease payments

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expenses, over the term of the lease.

(g) Provisions

A provision is recognized if, as a result of a past event, the commission has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017

(h) Employee benefits

For the defined contribution plan in the Turks and Caicos Islands, the Commission is required to pay contributions to a publicly administered insurance/pension plan on a mandatory basis. The contributions are recognized as employee benefit expense when they are due.

4. Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The Commission has recognized revenue amounting to \$959,098 for Spectrum licensing fees and \$Nil for Annual License fees during 2018. The Annual License fees were paid directly to Government.

The Board has determined that Spectrum licensing falls under the sole mandate of the Commission, and to that end all fees for Spectrum use will be remitted and managed by the Commission. Annual License fees remain within the remit and approval of the Minister (i.e. Government) and no such fees have been remitted or managed by the Commission.

The Ordinance is not clear whether the Spectrum fees and/or License fees should be held to the benefit of the Commission. The Ordinance states:

“Part III: Telecommunication network and services section 12 (1) The prescribed fees (Annual License fee) payable under section 11(4) shall be in respect of the year commencing on the date on which the license comes into force, and (2) The prescribed fees under section 11(4) shall be payable for each year for which the licence is in force and such fee shall be due on each anniversary of the date on which the license was issued.”

“Part IV: Spectrum Management, section 34 (1) The prescribed fees (Spectrum fee) payable under section 33(2) shall be in respect of the year commencing on the date on which the licence comes into force, and (2) The prescribed fees under section 32 may

TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017

enable the Commission to recover an amount in excess of the amounts under subsection (1) to reflect the market value of the license granted”

The recognition of one or either of these fees as revenue is dependent on the judgement of management. In the event that the Commission was operating as an agency of Government in the collection of Spectrum fees, revenue would be reduced by \$959,098.

4. Key sources of estimation uncertainty, continued

Critical judgements in applying the entity's accounting policies, continued

(b) Reserve accounting

Pursuant to Section 2(3) of the second schedule of the Ordinance, "any money standing to the credit of the Commission and not required for current purposes ('surplus funds') may, with the consent of the Minister, be carried to a reserve fund. The Commission shall pay 80% of the surplus funds into the consolidated fund and to the licensees in the appropriate manner. The Commission may manage any reserve fund".

In the event that the entire retained surplus should in fact be recognized as "surplus funds", equity would decrease with an equivalent increase in accounts payable as at year end. The Reserve Fund would increase by the same. An amount of \$2,058,698 was paid to TCIG as for the fiscal year ended March 31, 2018.

5. Financial instruments

(a) Financial risk management

The Commission's activities expose it to a variety of financial risks namely Credit and Liquid risks.

The Board of Directors of the Commission (the Board) has overall responsibility for the establishment and oversight of the Commission's risk management framework. The Board is responsible for developing and monitoring the Commission's risk management policies. The Commission's risk management policies are established to identify and analyze the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities.

The Commission, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017

5. Financial instruments, continued

(a) Financial risk management, continued

The Board oversees how management monitors compliance with the Commission's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Commission.

(i) Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Commission's cash, accounts receivable, due from related parties and deposits.

The Commission banks primarily with recognized banks and financial institutions with minimal risk of default apparent. Provision is made where there is apparent default from a financial institution.

The Commission establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts and other receivables. Management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk for cash, accounts receivable, due from related party and deposits equates to the carrying value of those financial instruments. There is no exposure to credit risk from other financial instruments.

Under the terms of the Ordinance, the Commission has the right to suspend licensees in arrears and to seek recovery. Provision for impairment losses is made when required. All receivables are based within the Turks & Caicos Islands.

The carrying amount of financial assets represents the maximum amount of exposure. The maximum amount of exposure to credit risk at the reporting date was:

		<u>2018</u>	<u>2017</u>
Cash		\$ 887,194	\$ 2,411,117
Accounts receivable - net	<i>(Note 6)</i>	381,622	115,028
Other receivables	<i>(Note 8)</i>	-	30,848
Deposits	<i>(Note 7)</i>	21,183	20,451
		<u>\$ 1,289,999</u>	<u>\$ 2,577,444</u>

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATION COMMISSION**
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017

5. Financial instruments, continued

(a) Financial risk management, continued

(i) Credit risk, continued

Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<u>2018</u>	<u>2017</u>
Trade receivables		
Counter parties without external credit rating:		
Group 1	\$ -	\$ 5,525
Group 2	381,622	109,503
Total unimpaired trade receivables	<u>\$ 381,622</u>	<u>\$ 115,028</u>
Cash at bank and short-term bank deposits		
AA	1,289,599	2,577,044
Other receivables	-	20,451

(ii) Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulties meeting its financial obligations as they fall due. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Commission's reputation.

All the Commission's liabilities fall due within one year.

(b) Fair Value Determination

A number of the Commission's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes as described below. Where applicable, further information about the assumptions made in determining fair value has been disclosed in the Notes specific to that asset or liability.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

Due to their short-term nature, the carrying amounts of the financial assets and liabilities of the Commission approximate to their fair value.

6. Accounts receivables-net

As at March 31, 2018 accounts receivable of \$381,622 (2017: \$115,028) were fully performing, of which (2015: \$NIL) were past due but not impaired.

The account consists of the following:

	<u>2018</u>	<u>2017</u>
Digicel	\$ 292,652	\$ 98,566
Others	<u>88,970</u>	<u>16,462</u>
	<u>\$ 381,622</u>	<u>\$ 115,028</u>

7. Deposits and prepayments

The account consists of the following:

	<u>2018</u>	<u>2017</u>
Deposits	\$ 11,000	\$ 9,950
Prepayments	<u>10,183</u>	<u>6,485</u>
	<u>\$ 21,183</u>	<u>\$ 16,435</u>

8. Other receivables

The account consists of the following:

	<u>2018</u>	<u>2017</u>
Advances to staff members	\$ -	\$ 30,848
	<u>\$ -</u>	<u>\$ 30,848</u>

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATION COMMISSION
Notes to the Financial Statements
For the Years Ended March 31st, 2018 and 2017**

9. Property, plant & equipment

	Leasehold property and improvements	Office furniture and fixtures	- Motor vehicles	Computer equipment	Spectrum equipment	Land and Building	Total
Cost							
At April 1, 2016	\$ -	314,601	142,000	66,812	148,575	204,037	876,025
Additions	-	1,500	25,100	1,510	1,629	-	29,739
Disposals	-	(304,893)	(20,500)	(43,675)	-	-	(369,068)
At March 31, 2017	-	11,208	146,600	24,647	150,204	204,037	536,696
Additions	-	4,034	-	3,569	-	-	7,603
Disposals	-	-	-	-	-	-	-
At March 31, 2018	-	15,242	146,600	28,216	150,204	204,037	544,299
Accumulated Depreciation							
At April 1, 2016	-	311,244	81,267	54,912	75,395	-	522,818
Depreciation for year	-	2,288	30,899	5,525	21,265	-	59,977
Disposals	-	(304,894)	(20,500)	(43,675)	-	-	(369,069)
At March 31, 2017	-	8,638	91,666	16,762	96,660	-	213,726
Depreciation for year	-	2,952	25,400	5,166	21,458	-	54,976
Disposals	-	-	-	-	-	-	-
At March 31, 2018	-	11,590	117,066	21,928	118,118	-	268,702
Carrying amounts:							
At March 31, 2017	\$ -	2,570	54,934	7,885	53,544	204,037	\$ 322,970
At March 31, 2018	\$ -	3,652	29,534	6,288	32,086	204,037	\$ 275,597

10. Deferred income

Current year deferred income of \$377,330 (2017: \$335,373) relates to regulatory and spectrum fees received from licensees which have not yet been earned.

11. Accrued expenses

The account consists of the following:

	<u>2018</u>	<u>2017</u>
Due for professional fees	\$ 21,750	\$ 18,740
Due to F Chambers	210,597	-
	<u>\$ 232,347</u>	<u>\$ 18,740</u>

12. Regulatory, Spectrum and Other Fees

Regulatory fees

	<u>2018</u>	<u>2017</u>
Lime	\$ 501,316	\$ 485,186
Digicel TCI Limited	396,339	498,397
Columbus Networks Ltd.	75,207	74,863
TCT	64,190	48,709
Others	25,000	26,854
	<u>\$ 1,062,052</u>	<u>\$ 1,134,009</u>

Spectrum fees

	<u>2018</u>	<u>2017</u>
Lime	\$ 444,827	\$ 440,870
Digicel TCI Limited	455,466	402,582
Other	58,794	57,058
	<u>\$ 959,087</u>	<u>\$ 900,510</u>

Other fees

71,930 33,797

Total

	<u>\$ 2,093,069</u>	<u>\$ 2,068,316</u>
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13. Lease commitments

The non-cancellable operating lease rentals of the Commission are payable as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 78,000	\$ 78,000
	<u>\$ 78,000</u>	<u>\$ 78,000</u>

The Commission leases an office space under a non-cancellable operating lease, which was renegotiated on August 1, 2017. The lease runs for a period of 3 years from August 1, 2017 to July 31, 2020 with a monthly fixed rental of \$6,000.

For the year ended March 31, 2018; \$78,000 (2016: \$78,000) was recognized as rental expense in the statement of comprehensive income in respect of the non-cancellable operating lease.

14. Related Party Transactions

a. Key management compensation

Included in salaries is \$231,845 (2017: \$182,931) relating to salary and allowances for key management employees.

b. Board allowances and expenses

Allowances paid to board of directors of \$77,000 (2017: \$78,000) are included within expenses as reported in the statement of comprehensive income.

c. Transfers to Turks and Caicos Islands Government

The Commission transferred \$2,058,698 of payment of surplus funds to the Turks and Caicos Islands Government during the year ended March 31st 2018. There were no transfers for the year ended March 31st 2017.

15. Subsequent Events

The company has evaluated subsequent events from April 1st 2018 to the date of this statement. There were no subsequent events that need disclosure.

16. Going Concern

The Board of directors have made an assessment of the ability of the TCI Telecommunications Commission to continue as a going concern and have no reason to believe that the business will not continue as a going concern for the next twelve months from the date of this statement.