



Fair Trading Commission ANNUAL REPORT 2015



2015 ANNUAL REPORT

FAIR TRADING COMMISSION



Letter of Transmittal

Fair Trading Commission
Good Hope
Green Hill
St. Michael

July 6, 2015

Dear Minister:

In accordance with Section 22 of the Fair Trading Commission Act, CAP.326B, Laws of Barbados, I have the honour to submit to you the Commission's Annual Accounts for the year ended March 31, 2015 as certified by the external auditors in accordance with Section 21 of the Act, together with the Operational Report for the same period.

Yours faithfully,



Neville V. Nicholls
Chairman

The Hon. Donville Inniss, MP
Minister of Industry, International Business,
Commerce and Small Business Development
Reef Road
Fontabelle
St. Michael

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Message from the Chairman

The year under review (April 2014 to March 2015) was a demanding one and required much effort in the areas of Utility Regulation, Fair Competition and Consumer Protection.

In May 2014, the Commission issued Standards of Service Decisions 2014-2017 for both the Barbados Light & Power Company Limited (BL&P) and Cable & Wireless (Barbados) Limited (C&W). This resulted in changes being made to existing standards, with automatic compensation being assigned to two C&W Guaranteed Standards and three BL&P Guaranteed Standards. In February 2015, the Commission also increased the capacity of the Renewable Energy Rider programme administered by the BL&P, from 9MW to 20 MW.

In addition, in September 2014, the Commission was given the authority to regulate the services provided by the Barbados Water Authority and commenced this regulation by focusing on the resolution of a number of consumer complaints.

The reporting period marked the completion of two major fair competition investigations. The Commission, having analysed the application by Cable and Wireless Communications Plc and Columbus International Inc., approved the merger with conditions. The Commission also investigated the increase in the price of sand by Island Developments Limited and determined that the price was excessive. The company subsequently made a reduction in the per ton wholesale price.

Standard form contracts drawn from industries including construction, banking and telecommunications were reviewed and found to contain one thousand five hundred and ninety (1,590) terms. Seventy-one (71) terms were found to be in breach of the Consumer Protection Act and the relevant businesses were requested to amend or delete the terms.

The Commission maintained its commitment to public outreach and hosted the 7th Annual Competition Law and Policy workshop and the 11th Annual Lecture entitled "Global Trends: Implications for Regulation and Fair Trade", during this period. Featured speaker for the lecture was Ambassador Dr. Marion Williams, Permanent Representative, Mission of Barbados to the United Nations Office and other International Organisations at Geneva.

The Commission welcomed the Court of Appeal's judgment in favour of the Commission, in its appeal of the High Court's decision in the case against the Barbados National Oil Company Limited (BNOCL), which dated back to 2006. This not only brought closure to the matter, which addressed BNOCL's abuse of its position as the dominant supplier of fuel oil to the BL&P, but also provided interpretation of some provisions of the Fair Competition Legislation.

I wish to express my gratitude to my fellow Commissioners and staff of the Commission for their continuing commitment to the work of the Commission.



Neville V. Nicholls
Chairman

Members of the Commission 2014 - 2015



FROM LEFT: Mr. Andrew Willoughby, Mr. Alfred Knight, Mr. Kendrid Sargeant, Ms. Monique Taitt, Dr. Philmore Alleyne, Chairman Sir Neville Nicholls, Mr. Andrew Brathwaite, Deputy Chairman Professor Andrew Downes, Mr. Errol Humphrey, Mr. Gregory Hazzard and Ms. Herma E. Griffith-Ifill.

The eleven (11) Commissioners of the Fair Trading Commission are appointed by the Minister of Industry, International Business, Commerce and Small Business Development. They are vested with the responsibility, inter alia, for adjudicating on regulatory applications, making determinations, issuing orders and initiating prosecutions. The Chief Executive Officer is an ex-officio member of the Commission.

During the period April, 2014 - March, 2015 the Commission held ten (10) meetings, six (6) of which were administrative and four (4) which dealt with the merger in the telecommunications industry.

Regulatory panels consisting of up to five (5) members hear and determine matters relating to utility regulation. There is also a Fair Competition/Consumer Protection panel which assesses competition and consumer protection issues and makes recommendations to the Commission. During the reporting period, seventeen (17) panel meetings were convened.

Fair Trading Commission at a Glance

Role of the Commission

The Fair Trading Commission was established on January 02, 2001 to

“Safeguard the interests of consumers, to regulate utility services supplied by service providers, to monitor and investigate the conduct of service providers and business enterprises, to promote and maintain effective competition in the economy and for related matters.”

The laws enforced by the Commission are

- Fair Trading Commission Act, CAP.326B
- Utilities Regulation Act, CAP.282
- Consumer Protection Act, CAP.326D
- Fair Competition Act, CAP.326C
- Certain provisions of the Telecommunications Act, CAP.282B

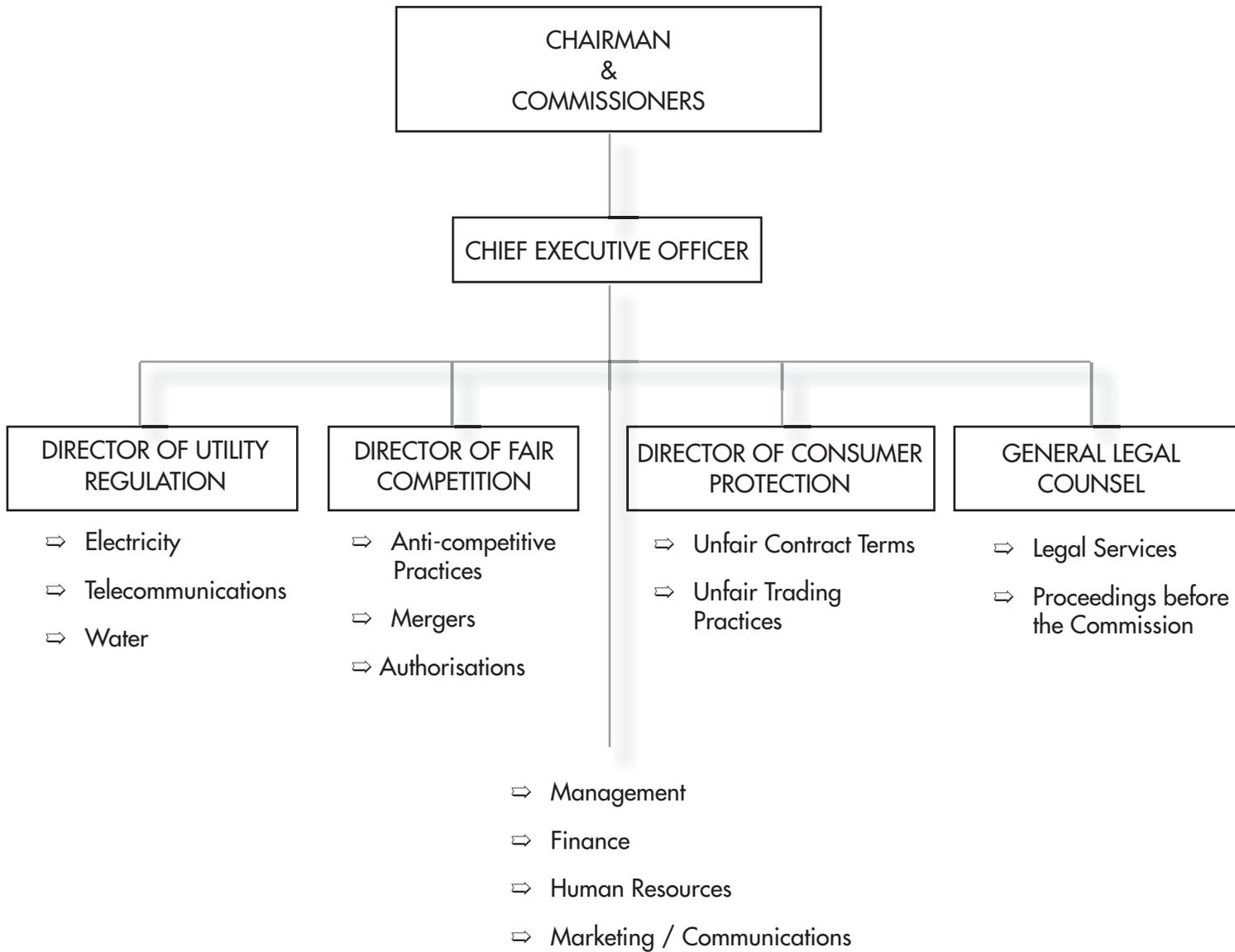
The Commission's goals are

- Ensuring the efficient and safe provision of regulated utility services at reasonable rates;
- Safeguarding the interest of consumers;
- Promoting and encouraging fair competition;
- Identifying human resource and operational initiatives in order to strengthen the organisational and productive capabilities of the Commission.

Organisational Structure

The Chief Executive Officer is responsible to the Commission for the administration of the legislation under the purview of the Commission and for the supervision of staff and the work programme of the Commission. Statutory provision is made for the appointment of Directors to carry out the Commission's mandate, namely utility regulation, fair competition and consumer protection. The Legal Department provides legal advice on all aspects of the Commission's work.

Organisational Structure



The Year in Review

Fair Competition

During the reporting period, the Commission undertook a number of activities under the Fair Competition Act (FCA) to achieve the following objectives:

- a) *to promote, maintain and encourage competition;*
- b) *to prohibit the prevention, restriction or distortion of competition and the abuse of dominant positions in trade in Barbados and within the CARICOM Single Market and Economy;*
- c) *to ensure that all enterprises, irrespective of size, have the opportunity to participate equitably in the market place;*

These activities included investigations into anti-competitive conduct, market studies and educational programmes.

Investigate and Adjudicate Anti-competitive Conduct and Mergers

During the period, the Commission conducted a number of investigations relating to proposed mergers and alleged anti-competitive practices. Several investigations dealt with conduct such as excessive pricing and refusal to deal. They were conducted in a wide range of sectors including telecommunications, distribution and quarrying. Some investigations were resolved during the financial year but others are on-going. Summaries of the main investigative activities undertaken during the reporting period are as follows:

Excessive Pricing: Sand Quarry (Island Developments Limited)

The sole sand quarry operator in Barbados, Island Developments Limited (IDL), increased the bulk price of silica sand by 85%, from \$22.70 to \$42.01 per ton, in March 2014. An investigation was launched to determine if this price increase was excessive.

Under Sections 16 (1), (2) and (3) (d) of the FCA, excessive pricing is deemed an abuse of dominance and is defined as a price that bears no reasonable relation to the economic value of the related goods and services.

The Findings Report was sent to IDL on October 7, 2014, in which the Commission found that, pursuant to Section 16 (3) (d) of the FCA, the company, by increasing its price from \$22.70 to \$42.01, had imposed an unfair selling price that was excessive and unreasonable. The Commission therefore directed that IDL cease this practice on or by November 1, 2014, by reducing the per ton price of sand to a level that bore a more reasonable relationship to its underlying cost.

On October 31, 2014, IDL responded to the Commission and indicated that it would follow the Commission's directive and reduce the price per tonne of sand from \$42 to \$37. This reduction was implemented.

Merger: Joint Venture - CWC Wholesale Solutions and Columbus Networks

Columbus Networks and CWC Wholesale Solutions submitted a merger application to form a joint venture. Phase one involved the creation of an alliance in the Pan-America region and provided expanded international wholesale capacity to both companies, as well as to third party

Fair Competition (continued)

carriers including global, regional and local communications companies in the Caribbean and Americas Region. The joint venture has a network platform of approximately 42,000 kilometres, with connectivity to 42 countries in the Caribbean and the Central American region.

The Commission notified Columbus Networks and CWC Wholesale Solutions that it had found no anti-competitive concerns with Phase One of the operation. However with respect to Phase Two, further information should be provided to the Commission.

On September 22, 2014, the Commission received communication from CWC, in which it indicated that Phase Two was not yet implemented but would only be put into effect once all regulatory approvals in the applicable jurisdictions had been obtained. However, Phase Two of this transaction was the acquisition of Columbus International Inc. by Cable & Wireless Communications Plc.

Merger: Cable & Wireless Communications Plc/Columbus International Inc.

On November 6, 2014, Cable & Wireless Communications Plc (CWC) and Columbus International Inc. (Columbus) issued a press release which indicated that CWC proposed to acquire Columbus¹. On November 24, 2014, the Commission received an application from the entities seeking permission to merge in Barbados.

On March 26, 2015, the Commission issued its report and decision to the Applicants. The Commission considered both the overall efficiencies of the merger and the anti-competitive effects which it would create in the Fixed-voice (landline) telephony and Fixed data (broadband internet) services. In order to maintain competitive pressures in a post-merger environment, the Commission determined that the merger should be approved subject to the following conditions.

- The Commission directed that the Applicants divest the following:
 - One set of fibre cables in the zones where there exists total overlap of the LIME and FLOW networks. This includes the 27,000+ homes passed by the Karib Cable Network as well as the 28,000+ homes passed outside of the Karib Cable Network but in the LIME/ FLOW fibre network overlap.
 - The Government Hill and Durants hub sites related to the fibre cables associated with the 27,000+ homes passed by the Karib Cable Network.
 - The equipment on poles related to the fibre cables where such equipment is solely used to support the fibre cables to be divested.
- Customers of the fixed voice residential and commercial business and the fixed broadband residential and commercial business, provided by FLOW/Columbus and CWC/LIME on the divested assets related to the 27,000+ homes passed by the Karib Cable Network, as well as the 28,000+ homes passed outside of the Karib Cable Network but in the LIME/ FLOW fibre network overlap as at the date of this merger decision, must be released from any contracts, if they so desire, so that they are able to exercise the option to choose a service provider. During this transitional period these customers are not to be disadvantaged.

¹ FLOW – Columbus International Inc.; LIME – Cable & Wireless Communications Plc.

Fair Competition (continued)

- The Applicants must submit an independent valuation of the assets to be divested within sixty (60) days after the date of the Commission's decision.
- The responsibility lies with the merged entity to find a suitable buyer that has the economic and technical capacity to maintain a viable network. The company(ies) interested in acquiring the divested assets must be approved by the Commission before divestment occurs.
- Within 45 days of the date of the Commission's decision or 30 days after closing the Transaction, whichever is the later, the merged entity must vest such assets in a holding company. The Commission will appoint a Trustee(s) of the Holding Company who will be independent of the merged entity and responsible for monitoring the ongoing management of the divested assets. This will ensure that the divested assets are maintained intact and made available for sale.
- The merged entity shall enter into agreements that allow the purchaser, for a period of 180 days, to access customers outside of the Karib Cable network but in the LIME/FLOW fibre network overlap during the period in which the purchaser deploys fibre to access these customers.
- In the event of the failure, by the merged entity, to find a suitable buyer for the assets of the Holding Company within 180 days of the announcement of the Commission's merger decision, the Trustee(s) will also assume the responsibility to seek out a buyer for the assets for a maximum of five (5) years. After five (5) years the Trustee(s) will place the Holding Company for sale in the open market.
- In addition to the above mentioned structural condition, the following behavioral conditions must be adhered to:
 - The merged entity must enter into commercial agreements for access to its poles, ducts and facilities, subject to the usual caveats of engineering suitability and access capacity. The Commission must be notified of the outcome of these commercial discussions.
 - The merged entity must comply with any regulations in respect of Equal and Indirect Access and virtual unbundled local access in accordance with the policy directives as issued by any regulatory agency with responsibility for telecommunications in Barbados.
- The merged entity, in accordance with its commitments, must be technically ready for Local Number Portability (LNP) in the fixed network by September 30, 2015 and Mobile Number Portability (MNP) in the mobile network by November 30, 2015.
- Within three (3) months of the date of the merger being effected, in accordance with its commitment, the merged entity must offer the same prices, products and service standards to customers in areas not passed by any competing fixed voice network as those offered to customers in areas passed by a competing fixed voice network.
- Further to the above, the merged entity must adhere to its commitment that all current LIME and FLOW Broadband and Television tariffs will be set at whichever level is the lower of the tariffs offered by the two companies.
- The merged entity must maintain net neutrality thus facilitating the use of over-the-top (OTT) services.

Fair Competition (continued)

Refusal to Supply: Wi-Connect v. Digicel

On March 30, 2012, Wi-Connect, a Value Added Service (VAS) provider, filed a complaint with the Commission which stated that Digicel was refusing to provide it with the necessary connectivity to deliver two-way messaging to mobile subscribers across the Caribbean. VAS operators, which are usually industry partners of telecommunications providers, offer mobile marketing services, including the promotion of products, event tickets, greeting cards, coupons and loyalty programmes.

The Commission completed its Preliminary Findings Report (PFR) which was sent to Digicel on October 7, 2014 and Digicel responded on November 7, 2014. The Commission is seeking to finalise this matter and is currently considering Digicel's response to the PFR.

Price Squeezing: Sunbeach Communications Inc. v. Cable & Wireless Barbados Ltd. (C&W)

On March 22, 2013, Sunbeach Communications Inc. lodged a complaint with the Commission which alleged that Cable & Wireless Barbados (C&W) abused its position of dominance in the supply of wholesale broadband services. Sunbeach alleged that while C&W had been charging it exorbitant rates for wholesale bandwidth, it was allowing its subsidiary (Caribsurf), a Sunbeach competitor in the ISP market, access to lower rates.

On April 7, 2014, Sunbeach provided the Commission with costing information which was not previously provided and was deemed critical to the analysis.

On December 2, 2014, C&W submitted information which sought to clarify queries raised by the Commission in regard to previously submitted information. The slow pace of receipt of information has delayed completion of this investigation. The draft Preliminary Findings Report was completed by 31 March, 2015.

Review Domestic Commercial Activity

Section 5 (C) of the FCA requires the Commission to *"keep under review commercial activities, to ensure that those practices which may adversely affect the interest of consumers are prevented or eliminated"*. To satisfy this requirement, the Commission actively monitors domestic commercial activity and, on its own initiative, undertakes investigations into matters which appear to negatively affect the interest of consumers.

Market Study: Energy Sector

The Commission launched a market study of the energy sector in Barbados. The scope of the study was narrowed in the first instance to focus on the renewable energy sector, where it outlined the status of the sector and the key players; described the direction in which the sector was heading; highlighted challenges/barriers faced by players; and described potential competitive concerns.

The report entitled *"Market Study of the Barbados Energy Sector - Sub-sector: Electricity Generation from Photovoltaic Systems"* was completed in September 2014.

Concerns expressed by stakeholders included, but were not limited to, potential discriminatory conduct, predatory pricing and distortion or frustration of competition. It was determined that these concerns outlined should be explored in further detail and if warranted, be investigated by the Commission.

Fair Competition (continued)

Requests for Information

Staff responded to telephone, e-mail and walk-in inquiries on competition law. Figures 1.1 and 1.2 provide details on closed and on-going investigations, respectively.

Figure 1.1 – Types of Anti-Competitive Conduct Investigations – Closed

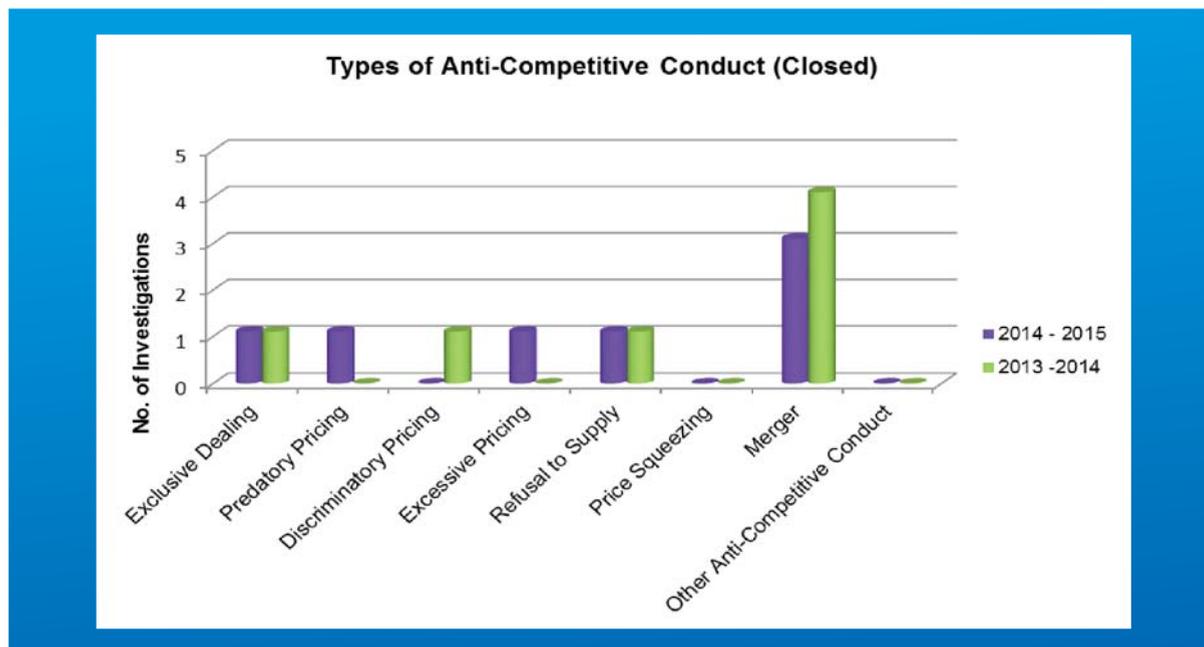
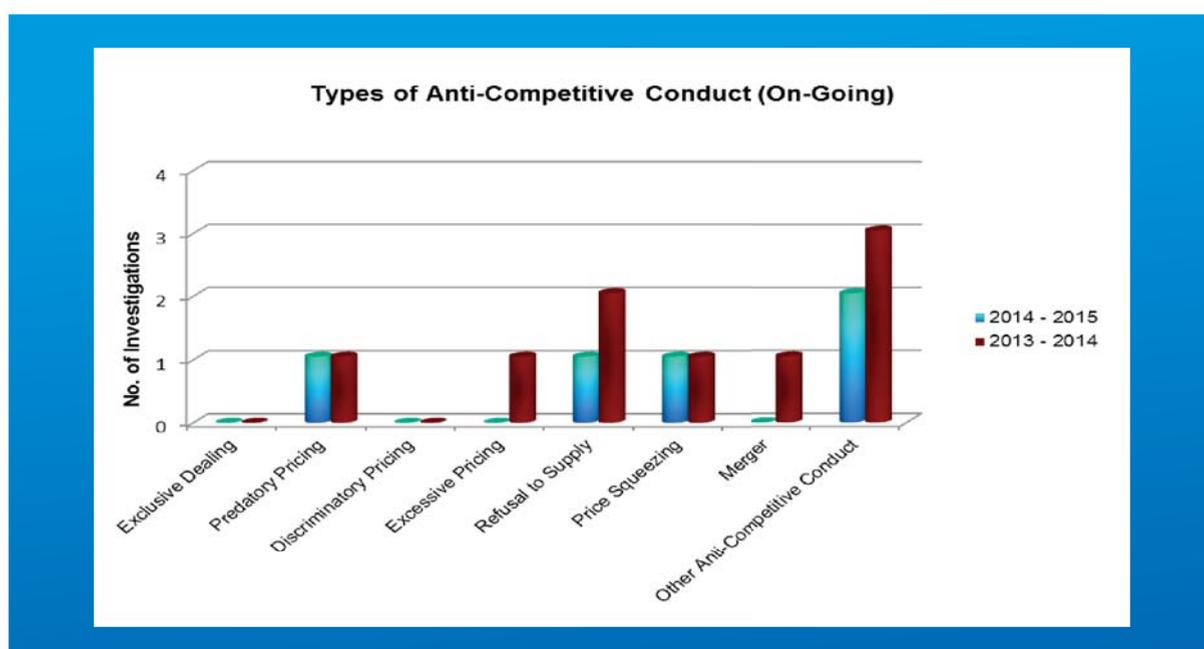


Figure 1.2 – Types of Anti-Competitive Conduct Investigations – On-Going



Fair Competition (continued)

Educating and Informing Businesses and Consumers

An integral part of the Commission's responsibility is to make general information about the importance of competition and the rights and obligations under the Act available to business persons and consumers. The objective is to proactively reduce the level of anticompetitive conduct by making persons aware of the negative consequences of such practices, while appreciating the benefits of competition.

Business Outreach Programme

During the year, staff wrote a number of newspaper articles on competition law and policy for both local newspapers. In addition, staff commenced an enhanced programme of outreach by visiting businesses and presenting to management on the provisions of the FCA.

Annual Training Programme

On March 26 and 27, 2015, the Commission held its annual Competition Law and Policy Workshop at the Accra Beach Hotel & Spa. Mrs. Marian Bruno, Deputy Director of the United States Federal Trade Commission's Bureau of Competition, was the guest facilitator. The Fair Competition Division also presented key components of the training programme.

Twenty-three participants, including business leaders, legal personnel and administrators, attended the course, which covered concepts such as anti-competitive agreements, mergers and abuse of dominance, as well as regional and cross border anti-competitive conduct. The course served as an introduction to the main areas of competition law and also explained the broader policy goals of a competition regime.

The interactive sessions were well received and participants expressed appreciation for the workshop and the insights gained in regard to the FCA and its role in ensuring a level playing field in the business environment.

Cooperating with the CARICOM Competition Commission (CCC)

Section 5 of the FCA requires the Commission to cooperate with the CARICOM Competition Commission (CCC), as well as the authorities of the other member states, for the purpose of promoting and maintaining competition throughout the region.

During the year, the Commission liaised with the CCC in response to general queries and requests for information on behalf of other agencies, such as the United Nations Conference on Trade and Development (UNCTAD).

Staff continued to provide comments and attend meetings on the continuing negotiations on the text of the Canada-CARICOM Free Trade Agreement. In addition, staff provided technical input to the National Coordinating Committee of the CARICOM-CIDA Trade and Competitiveness Project.

On March 19 and 20, 2015, the Commission's Director of Fair Competition attended the Second Meeting of the Reconvened Task Force on the Implementation of Chapter Eight of the Revised

Fair Competition (continued)

Treaty (Competition Task Force). At the meeting, which was held in Barbados, the Director of Fair Competition, Fair Trading Commission, was elected as the new Chair of the Task Force. The primary focus of the meeting was the development of recommendations to be placed before the Council for Trade and Economic Development (COTED) regarding the policy and rules framework for mergers and acquisitions in the CARICOM Single Market and Economy and possible amendments to the Revised Treaty pursuant to the decisions of the Thirty-Second and Thirty-Ninth Meetings of COTED.

Cooperating with International Agencies and Competition Authorities

The Commission places emphasis on being aware of new developments, emerging ideas and best practices relating to competition issues and has sought to remain firmly connected to the work being undertaken by the various international organisations and networks that promote competition law and policy.

ICN Steering Group

The Commission participated as a member of the Steering Group (SG) of the International Competition Network (ICN) to which it was appointed in May 2011. The ICN comprises approximately 120 competition authorities from 110 countries. In addition to the Commission, other members are: United Kingdom, Canada, Russian Federation, Australia, Italy, Netherlands, Brazil, European Commission, Turkey, South Korea, United States of America (U.S. Federal Trade Commission & Department of Justice), France, Germany, Mexico, South Africa, and Japan.

The SG sets the direction of the ICN. It guides the work of the ICN, identifies subjects of potential interest to ICN members, establishes Working Groups to execute projects that are approved at the Annual Conference and reviews and approves the work plan devised by each Working Group.

Staff participated in several ICN Steering Group meetings which are normally conducted by teleconference. The substantive issues addressed by the Steering Group during the year included continued international cooperation on enforcement, advocacy initiatives and improving agency effectiveness.

Informal Partnership with USFTC

Through the Commission's on-going informal partnership arrangement with the Federal Trade Commission (U.S.) and to a lesser extent the US Department of Justice, staff convened a few teleconferences to discuss and share experiences on specific issues in the area of competition law enforcement.

Consumer Protection

The Fair Trading Commission, as one of the agencies responsible for consumer protection, is mandated to safeguard consumers from Unfair Trade Practices and Unfair Contract Terms, through the enforcement of the Consumer Protection Act CAP.326D (CPA).

Over the past year, the Commission maintained a vigorous consumer protection programme which involved researching topical issues relevant to consumer welfare; conducting educational and outreach initiatives for consumers, businesses and other organisations; and investigating complaints from consumers which alleged contravention of their rights under the Act.

Standard Form Contract Terms

Standard Form Contracts commonly used in commercial transactions do not allow the consumer to negotiate terms and may create a significant imbalance in the rights of the consumer.

During the reporting period, twenty-eight (28) standard form contracts drawn from various industries, including the construction, banking and telecommunications sectors, were examined for fairness, based on the requirements of the CPA. The contracts contained one thousand five hundred and ninety (1,590) terms; seventy-one (71) terms were found to be in breach of the Act. Eleven (11) terms have been amended and the Commission is currently in dialogue with the remaining businesses to have the offending terms either deleted or brought into compliance with the CPA.

Figure 2.1 – Contract Terms Reviewed



Consumer Protection (continued)

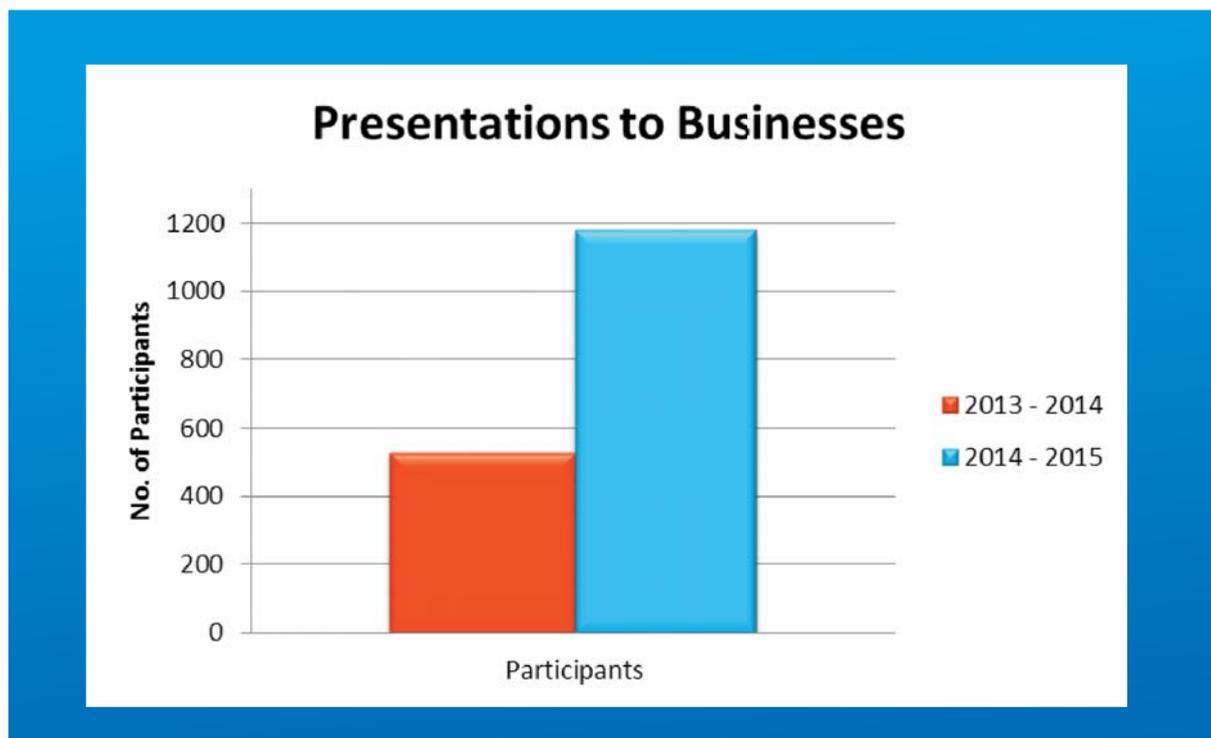
Educational Outreach Programme

The Commission continued to sensitise consumers regarding the requirements of the Act through its Educational Outreach Programme. This programme aims to empower consumers by providing them with the necessary tools to operate effectively in the market place. The Division contributed weekly consumer-focused mini articles which were published in the newspaper, to increase awareness on a range of consumer issues.

Businesses and Organisations

The Commission delivered forty-three (43) presentations to businesses and organisations and one thousand, one hundred and ninety-five (1 195) persons participated in these sessions. Presentations were made to government departments, financial institutions and retail entities including: the Barbados Drug Service, First Citizens Bank, Nu-Way Stores & Hardware, Sugar Cane Club, Clear Vision Optical, National Housing Corporation, PriceSmart, Columbus Business Solutions, Barbados Police Co-op Credit Union, Massy Stores, the Corporate Affairs & Intellectual Property Office and Signia Financial Group Inc.

Figure 2.2 – Presentations to Businesses



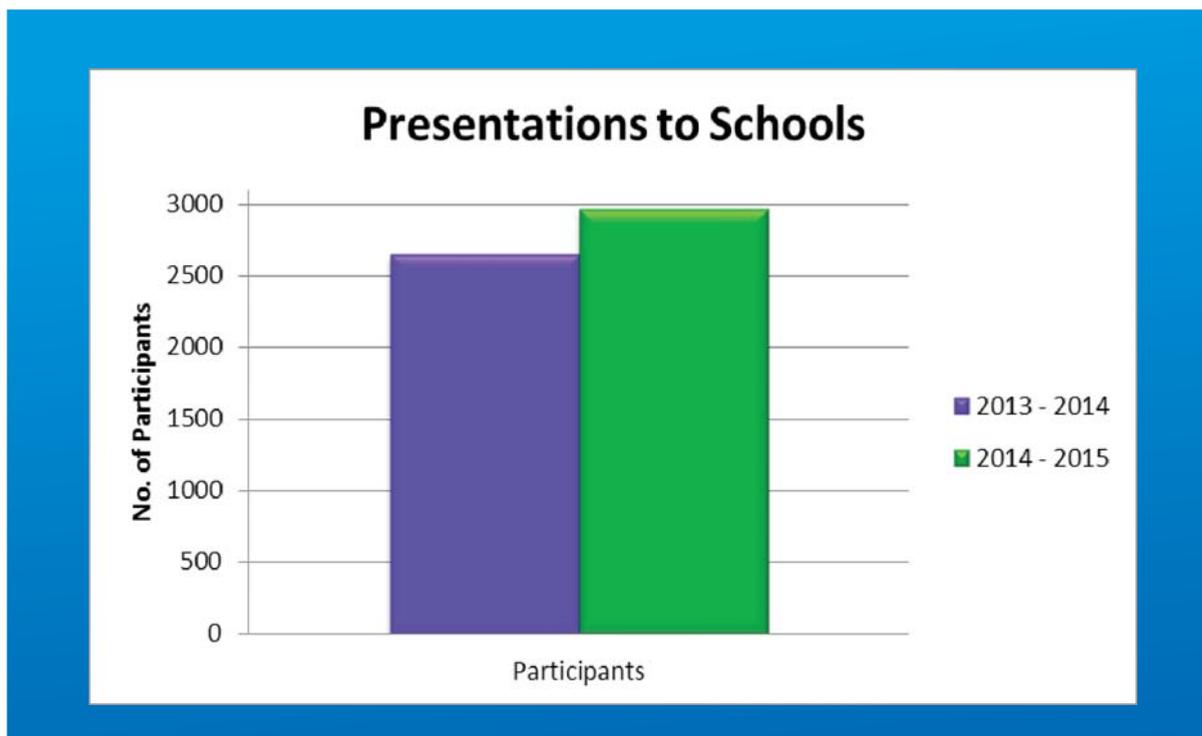
Schools

Businesses are constantly searching for new ways to attract young consumers, as their spending power will impact on the level of sales in the marketplace. The Commission's young consumer programme, which has been in operation for the past twelve (12) years, is designed to encourage

Consumer Protection (continued)

children to familiarise themselves with their rights and responsibilities as consumers. In the reporting period, officers of the Commission made thirty-three (33) presentations to primary and secondary schools. Two thousand, nine hundred and ninety-seven (2,997) pupils and their teachers benefitted from these sessions.

Figure 2.3 – Presentations to Schools



Relationship with Consumers

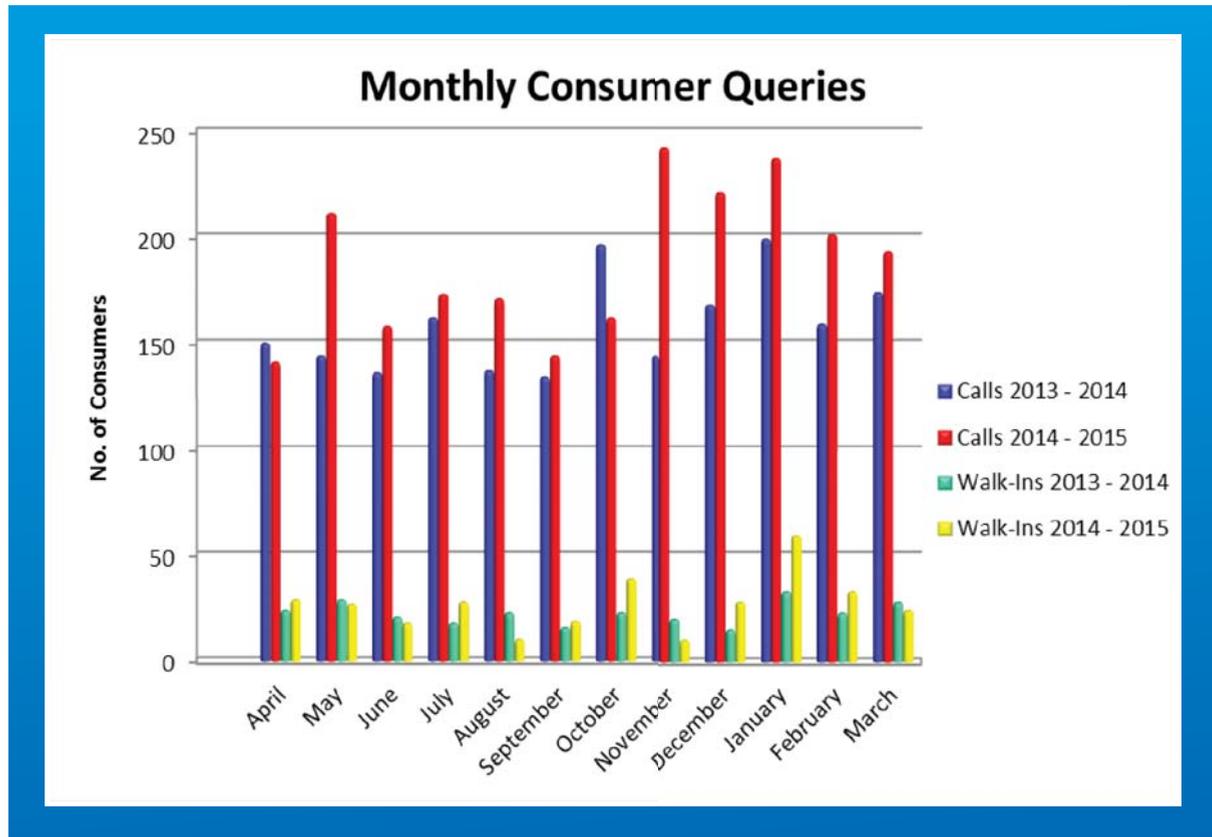
Queries

Two thousand five hundred and seventy-eight (2,578) consumers contacted the Commission seeking advice on matters relating to the CPA. Of this number, two thousand two hundred and fifty-four (2,254) were telephone queries and three hundred and twenty-four (324) queries were from consumers visiting the Commission.

Seven hundred and fifty-one (751) consumers were directed to the Office of Public Counsel and the Commission itself forwarded relevant complaints, since the facts of the cases indicated that they fell under the purview of the Consumer Guarantees Act, CAP.326E, which is administered by the Office of Public Counsel. Sixty-five (65) written queries were also lodged with the Commission.

Consumer Protection (continued)

Figure 2.4 – Consumer Queries



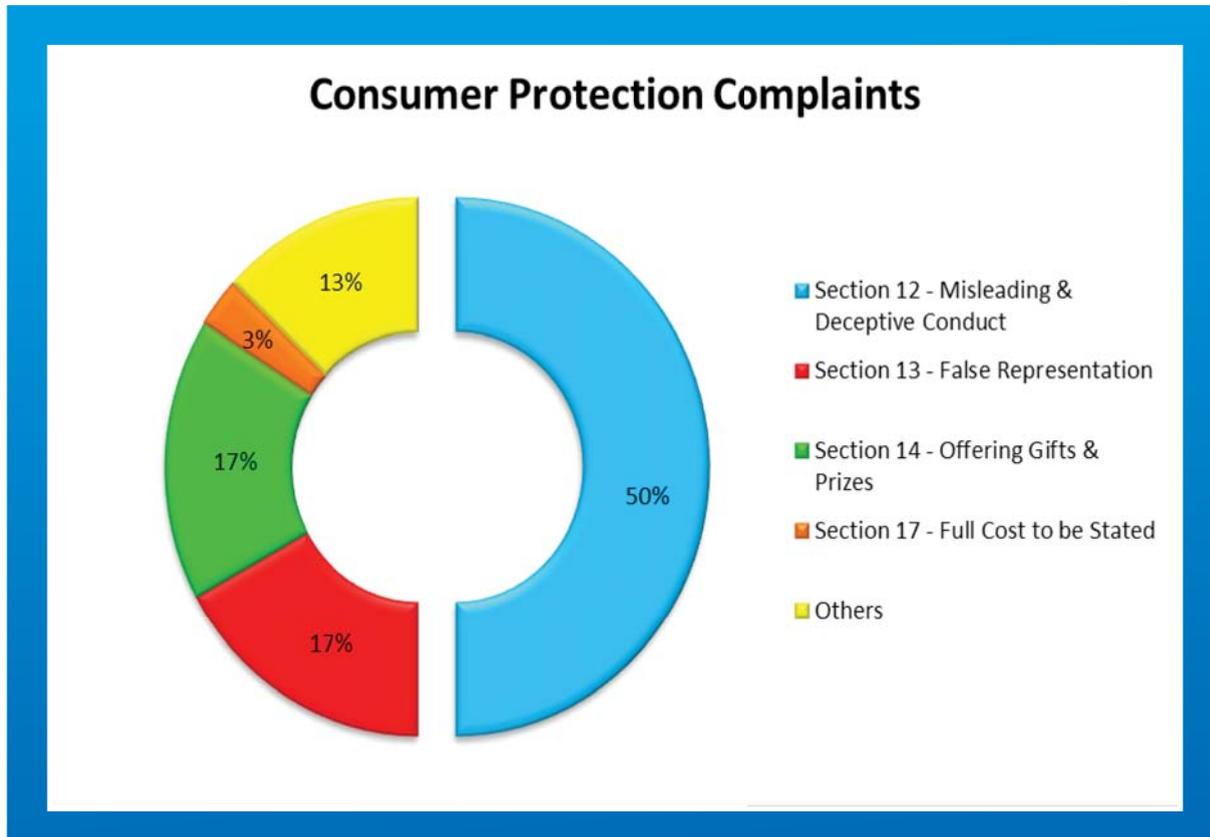
Complaints

The Commission seeks to highlight to consumers the importance of knowing their rights and responsibilities and being proactive when matters arise. This awareness allows consumers to appreciate the value of lodging complaints effectively, which not only aids in resolving their individual issues but also improves the way businesses operate.

Seventeen (17) new complaints were recorded by the Commission during the year and three (3) complaints that were not concluded in the 2013/2014 period were brought forward and resolved. Three (3) new complaints remain outstanding and are being investigated.

Consumer Protection (continued)

Figure 2.5 – Consumer Protection Complaints – Sections of the Act Breached



Relationships with Businesses

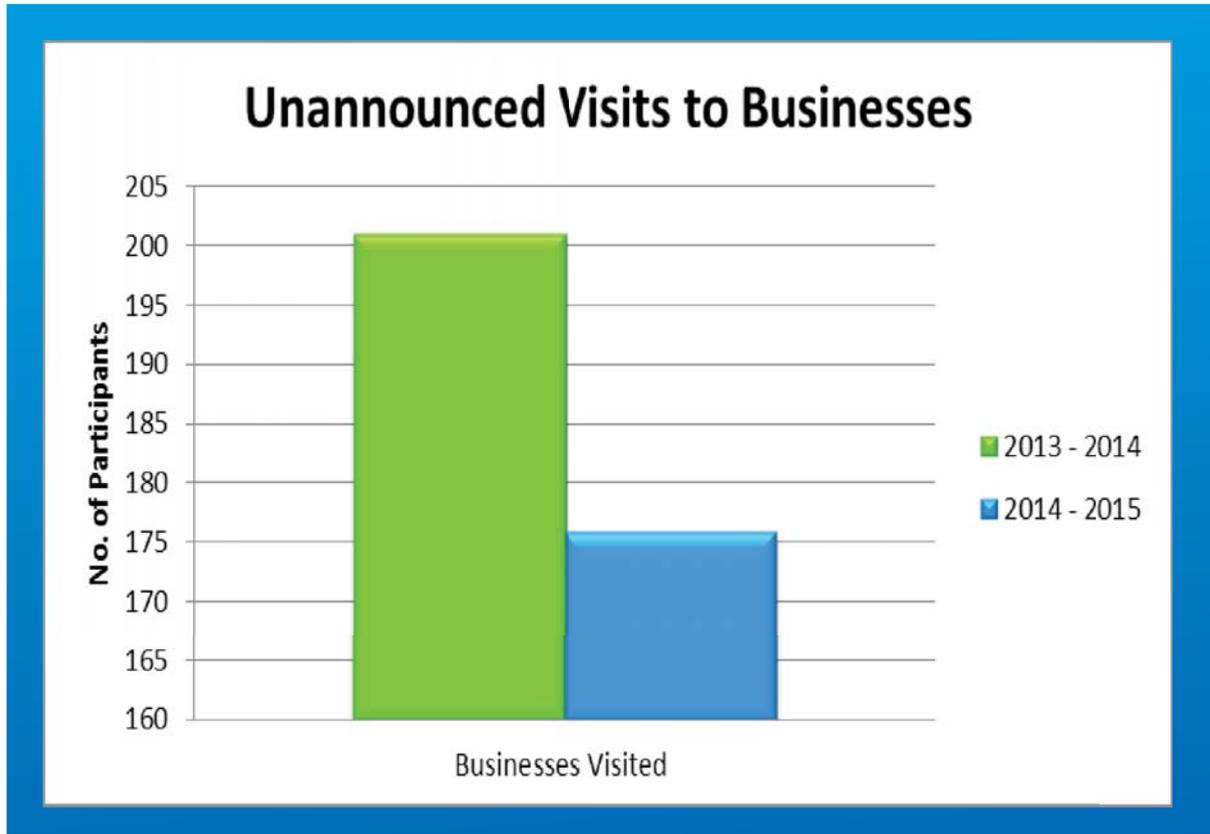
Unfair Trading Practices

The CPA prohibits a business from engaging in conduct that misleads or deceives consumers in relation to goods and services and, during the reporting period, officers of the Commission visited one hundred and seventy-six (176) stores to ensure that they were complying with these requirements.

Visits were made to businesses in Swan Street, Tudor Street, Roebuck Street, Sheraton Mall, Sky Mall, Warrens, Dome Mall and The Walk. Ten (10) of the stores visited were found to be in breach of the Act by displaying prohibited signs. The businesses were required to remove these signs and staff also discussed the relevant provisions of the CPA with all businesses.

Consumer Protection (continued)

Figure 2.6 – Unannounced Visits to Businesses



Media Monitoring

Newspapers

The Commission continued to identify advertising that contravened the CPA through daily review of advertisements in the print and electronic media. Thirty-four (34) advertisements were identified as contravening the CPA. These businesses were required to either amend or delete their advertisements.

Research

Negative Option Marketing

The Commission completed a study on Negative Option Marketing, which was started in the 2013/2014 reporting period. The study revealed that negative option marketing is present in Barbados in some telecommunications and cable television industry agreements.

When "Negative Option" (NO) marketing is used, unsolicited goods/services are sent to consumers. If the consumers do not reject or cancel the offer, they are then charged for these goods/services.

This action results in a significant imbalance in the rights of consumers and is contrary to the principle of "Offer" and "Acceptance" in Contract Law.

Consumer Protection (continued)

The Commission informed the three businesses identified to be using the NO marketing system that Sections 24 and 25 of the CPA prohibit businesses from requiring consumers to pay for unsolicited goods/services. Businesses were further advised that it was important to ascertain the consumer's consent and not to construe the consumer's silence as acceptance of the goods/services.

These businesses were required to make the relevant amendments to their agreements. To date, two (2) of the businesses have complied. The Commission continues to address this issue with the third business.

Construction Industry Report

The Commission's study of the construction industry sought to determine the issues that were negatively impacting consumers who were constructing or renovating their homes. The need for the study to be undertaken was based on the receipt of several complaints from consumers who expressed the view that some contractors were overcharging, providing poor quality service, defaulting on timely completion of work, accepting monies and not completing work and refusing to deal effectively with their complaints. The study confirmed that consumers are experiencing several problems, including high costs and delays.

The Commission convened a workshop with construction industry personnel to discuss the findings of the study and to receive feedback. Generally, it was agreed that:

- An association of contractors/builders should be established.
- Contractors/builders should be licensed.
- A list of certified contractors should be compiled for use by consumers.
- Sanctions should be applicable where contractors and tradesmen fall below required standards.

CARICOM Competition Commission (CCC) and the International Consumer Protection Network (ICPEN)

ICPEN

As a member of the International Consumer Protection Network, the Commission continued to contribute to the efforts of the organisation and to participate in teleconferences and webinars, in order to remain abreast of consumer issues.

CCC

During the reporting period, the Commission, as a member of the steering Committee established to manage its Project aimed at strengthening the CSME Regulatory and Market Regimes, participated in reviewing the work programme submitted by the consultants. In this regard, the Consumer Protection Division provided input in relation to the consumer protection areas.

Utility Regulation

The Fair Trading Commission, by way of Statutory Order 45 dated September 8, 2014, was given responsibility for the regulation of the water and sewerage services provided by the Barbados Water Authority (BWA). The Commission continued to regulate the electricity services supplied by the Barbados Light & Power Company Limited (BL&P) and the domestic and international voice telecommunications services, interconnection services and leased services provided by Cable & Wireless (Barbados) Limited (C&W).

The responsibilities of the Utility Regulation Division include carrying out periodic review of rates, establishing the principles for setting rates and the implementation of standards of service. Certain provisions of the Telecommunications Act and the Electric Light and Power Act (ELPA), also fall under the authority of the Commission.

Telecommunications Sector

Long Run Incremental Cost (LRIC)

The Commission issued its decision relating to Long Run Incremental Cost (LRIC) Interconnection Rates on March 27, 2015. The Commission determined that the interconnection rates for Fixed Transit, Fixed Termination, Mobile Transit and Mobile Termination interconnection services in \$BDS/min will be as follows:

- | | |
|----------------------|---------|
| • Fixed Transit | \$0.010 |
| • Fixed Termination | \$0.011 |
| • Mobile Transit | \$0.011 |
| • Mobile Termination | \$0.055 |

The rates will be implemented using a glide path approach, whereby there will be an initial 60% reduction effective May 1, 2015, while the remaining 40% reduction will take effect on April 1, 2016.

The LRIC exercise involved determining the costs of providing interconnection services in a competitive market using an efficient operator's fixed and mobile telecommunications networks. The resulting costs for fixed and mobile, termination and transit services were used to inform the rates. The process used to arrive at this decision provided for active participation by all interested stakeholders.

Electricity Sector

Motion to Review the Renewable Energy Rider (RER)

The BL&P submitted a request for a Stay and a Motion for Review of the August 2013 RER Decision on December 3, 2013, pursuant to section 25 of the Utilities Regulation Act CAP.282 and the Fair Trading Commission Act CAP.326. The Commission granted a stay of the RER Decision on January 24, 2014. The hearing of the Motion for Review of the "sale of excess" billing arrangement for all

Utility Regulation (continued)

RER customers and the disallowance of the Alternative Meter Configuration 2 was completed during the reporting period.

On August 8, 2014, the Commission varied the billing and metering aspects of its August 2013 decision as follows:

a. **Billing**

- (i) All new Domestic/General Service and Employee RER customers with renewable generating systems with a capacity of 2kW and below were afforded the option to choose either the "sale of excess" or "buy all/sell all" billing arrangement.
- (ii) All new Domestic/General Service and Employee RER customers with renewable generating systems above 2kW will be billed under the "buy all/sell all" billing arrangement;
- (iii) All new Secondary Voltage Power (SVP) and Large Power (LP) RER customers will be billed under the "buy all/sell all" billing arrangement;
- (iv) All existing RER customers were allowed to retain their pre-existing billing arrangement or exercise the option, to change from "sale of excess" to the "buy all/sell all" billing arrangement.

b. **Metering**

Meter Configurations 1 and 2 were both permitted. Meter Configuration 2 is however not available if the "sale of excess" billing arrangement is chosen.

Renewable Energy Rider (RER) Capacity Limit

The Commission received requests from the BL&P, representatives of the Barbados Renewable Energy Association and renewable energy (RE) installers to increase the RER capacity. In the absence of findings from the Intermittent Renewable Energy Penetration Study, which was not scheduled to be completed before December 2014, the Commission expanded the RER capacity limit from 7MW to 9MW, as an interim measure.

On February 13, 2015, the Commission received the Barbados Wind and Solar Integration Study (Intermittent Renewable Energy Penetration Study) from the BL&P.

The Commission granted approval to increase the RER capacity limit to 20MW on February 20, 2015. It also determined that 1MW of the last 3 MW of capacity should be reserved for residential customers, once the first 17 MW of capacity had been allocated. Frequency Ride Through was also required for all new solar PV Systems applying for grid interconnection after this date, as the findings made specific mention of the need for new, distributed solar PV systems to have voltage and frequency ride through capabilities. At the end of March 2015, there was 8MW of installed distributed PV systems, with a similar amount pending installation.

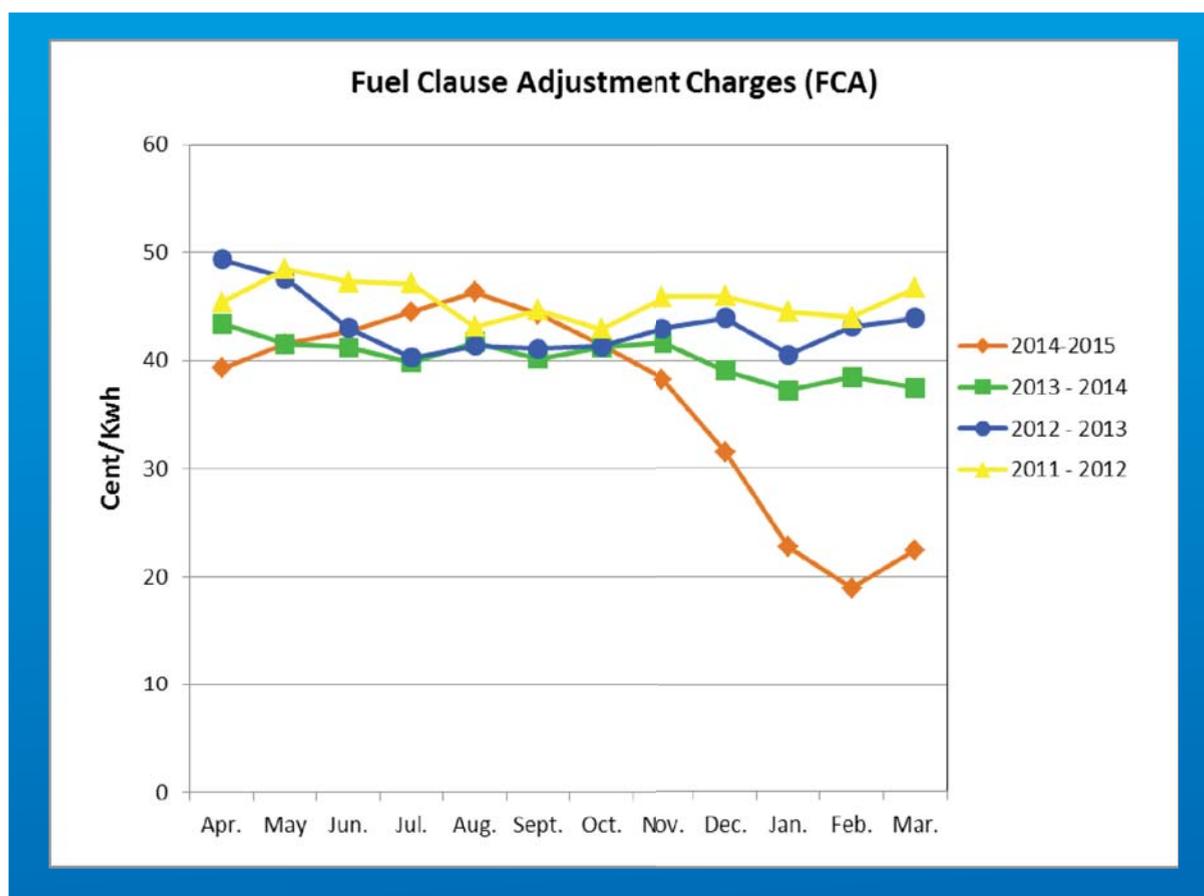
Utility Regulation (continued)

Fuel Clause Adjustment (FCA)

Fuel Clause Adjustment, 2014 -2015

During April 2014 to March 2015, the FCA averaged 36.1814¢/kWh; it peaked at 46.3592¢/kWh in August 2014 and ended the period in March 2015 at a low of 22.4872¢/kWh. This decline reflects the dramatic fall in oil prices in the world market and resulted in customers receiving lower electricity bills.

Figure 3.1 - Fuel Clause Adjustment, 2014-2015



Water

During the period since being given the authority to regulate water, the Commission held discussions with the BWA. Efforts to date have centered on the resolution of customer complaints.

Utility Regulation (continued)

Standards of Service Decisions

The Standards of Service Decisions for the BL&P and C&W for 2014-2017 were issued on May 7, 2014, to be effective July 1, 2014. In arriving at its determination, the Commission considered the responses to its consultation papers issued on the Review of the Standards of Service. Standards of Service, relevant to each company, are binding. Selected amendments to the Guaranteed Standards of Service are provided below:

BL&P

- The group of guaranteed standards to which automatic compensation is applied was expanded to include Restore Supply Customer's Service (GES1); Investigation of Voltage Complaints (GES3); and Reconnection (GES7).
- Customers will no longer be required to make a manual claim for compensation under these standards if the service offered by the Company does not meet the prescribed target.
- When a breach under any of the guaranteed standards which qualify for automatic compensation occurs, customers should see a credit on a subsequent bill, once the issue has been resolved.

C&W

- For Fault Repair Standard (GTS2), customers will now automatically receive credits for periods without service due to faults which are not repaired within two (2) days of being reported.
- Separate wet and dry season targets have been discontinued.
- Automatic compensation, which was applicable to the Installation of Service Standard (GTS1B) and Reconnection after Disconnection Standard (GTS6), was also extended to the guaranteed standards for Repeated Loss of Service (GTS3) and Reconnection after Disconnection (GTS7).

BL&P's Standards of Service Performance, July 2014 - March 2015

During the period under review, the Guaranteed Standards 'Restore Supply after a Fault on Customer's Service' (GES1), 'Restore Supply after Fault on Distribution System' (GES2), 'Investigation of Voltage Complaints - visit within 3 working days and correct within three months' (GES3 a and b), and 'Provide Cost Estimate for Complex Connection Requiring a Service Visit' (GES5) all recorded perfect compliance. The new component of GES3, which refers to the provision of an assessment within 15 days, recorded 77.7% compliance. GES4 – 'Provide Simple Service Connection – connection point within 30 meters' and GES6 – 'Connect or Transfer of Service to an Existing Installation' recorded performance levels above 95%. GES8 – 'Response to Billing Complaints' recorded a compliance level of 77.8%.

Utility Regulation (continued)

Table 1.1 – BL&P Guaranteed Standards of Service (selected)

GUARANTEED STANDARD	TARGET	NO. OF TIMES TARGET NOT MET	AVERAGE % COMPLIANCE July 2014 – March 2015
GES1 Restore Supply after Fault on Customer's Service (single customer affected)	Within 12 hours	0	100.0%
GES3 Investigation of voltage complaints	Assessment in 15 days	7	77.7%
GES4 Provide a Simple Service connection (connection point within 30m)	Within 12 working hours	8	98.2%
GES8 Response to billing complaints	Assessment in 15 days	267	77.8%

With regard to the Overall Standards, the company exceeded the target for 'Response to Complaints High/Low Voltage' (OES2) and 'Prior Notice of Outage' (OES3). It failed to achieve the targets for 'Frequency of Meter Reading' for both the Domestic/General service customers and the Secondary Voltage Power/Large Power Customers (OES1); 'Answering of billing and trouble calls' (OES5); and 'Billing Period' (OES6).

Table 1.2 – BL&P Overall Standards of Service (selected)

OVERALL STANDARD	TARGET	AVERAGE % COMPLIANCE July 2014 – March 2015
OES1 Frequency of Meter Reading	100% of domestic/general service customers' meters to be read every 2 months	97.7%
OES3 Prior Notice of Outage	Where a planned outage is expected to exceed 3 hours, all affected customers to be notified 48hours in advance	98.9%
OES6 Billing Period	At least 95% of customers in each billing period shall be invoiced for no more than 33 days	93.4%

Utility Regulation (continued)

C&W's Standards of Service Performance, July 2014 – March 2015

C&W's performance under the Guaranteed Standards at March 31, 2015 was sound. The exceptions to this were for the Installation of Service Standard (GTS1B) and Customer Complaints (GTS4). Fault Repair (GTS2) showed significant improvement in the business segment but some challenges remain in the residential segment.

Table 1.3 – C&W Guaranteed Standards of Service (Selected)

GUARANTEED STANDARD	TARGET	NO. OF TIMES TARGET NOT MET	AVERAGE % COMPLIANCE July 2014 – March 2015
GTS1A Approval of Service	Residential Customers – no more than 7 working days	0	100
GTS1B Installation of Service	Residential Customers - no more than 7 working days	626	55.93
GTS2 Fault Repair <i>July 01, 2014 to March 31, 2015</i>	Residential - No more than 2 working days	10,163	63.58
GTS3 Repeated Loss of Service	Residential - Faults should not reoccur within 30 days of repair of first fault	800	96.64

The new Standards of Service Decision for 2014-2017 was implemented July 1, 2014. This means that, throughout the year, all customers whose lines were not repaired within two working (2) days received an Automatic Prorated Credit of the monthly telephone charges for the period they were without service.

Utility Regulation (continued)

Table 1.4 – C&W Overall Standards of Service (Selected)

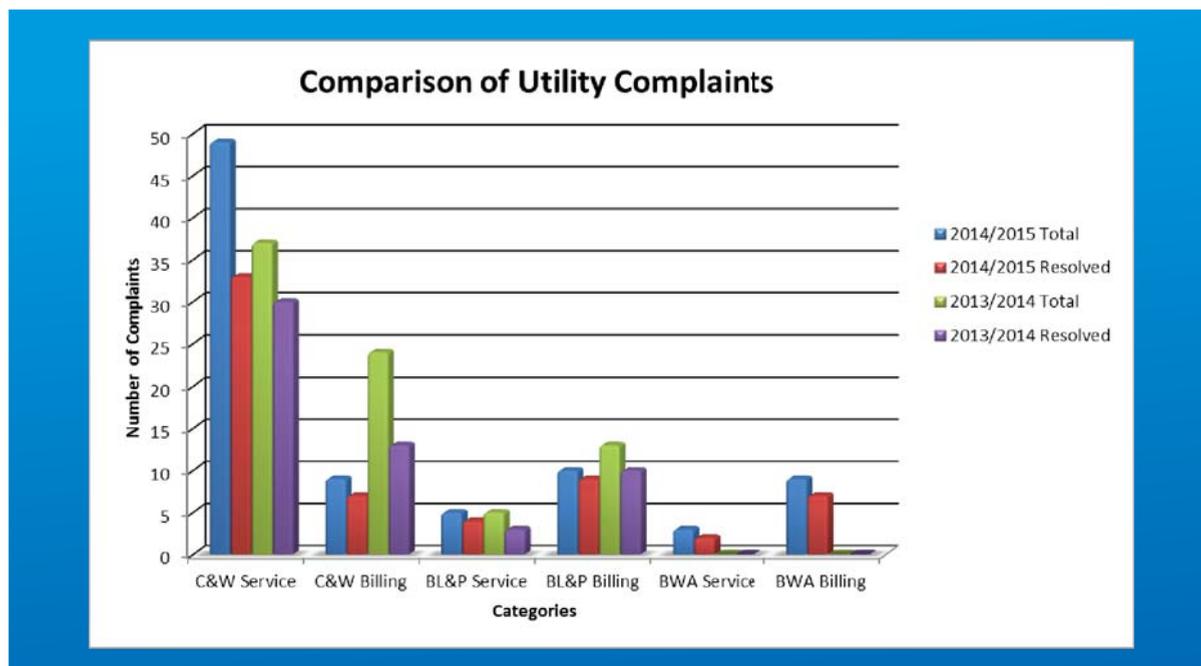
OVERALL STANDARD	TARGET	AVERAGE % COMPLIANCE July 2014 – March 2015
OTS1 Fault Repair	80% of faults should be repaired within a 24- hour period	74.75
OTS2 Repeated Loss of Service	95% of faults should not reoccur within 30 days of repair of first failure	96.63
OTS4 Trunk Blocking	At least 95% of the calls should be completed during peak traffic	99.94

The performance of the Overall Standards at March 31, 2015 was at the same level as that for the previous year. Most of the standards exceeded the 80% minimum requirement. The Overall Standard for Fault Repair averaged 74.75% for the 9 month period ending March 31, 2015.

Utility Complaints

There were 85 consumer complaints for the period April 1, 2014 to March 31, 2015. This was made up of fifty-eight (58) complaints from C&W, fifteen (15) BL&P and twelve (12) BWA, compared to sixty-one (61) C&W and eighteen (18) BL&P complaints in the previous year. Seventy-two percent of these complaints were resolved.

Figure 3.2 – Utility Service Complaints 2014 – 2015



Public Education and Awareness

11th Annual Lecture

The Commission hosted its 11th Annual Lecture entitled, “*Globalisation: Implications for Regulation and Fair Trade*” on Friday, March 13, 2015. More than two hundred (200) persons attended the lecture which was delivered by Ambassador Dr. Marion Williams. Dr. Williams’ presentation highlighted how trends in areas such as foreign direct investment and global value chains impact on business development. She also focused on the issues which confront developing countries and the importance of being proactive in countering the challenges presented.

Published Articles

The Commission continued to publish columns as follows:

- **Let’s Get It Right Consumers**, which provided information on consumer rights and responsibilities in the **Heat** newspaper every week.
- **Dear FTC**, which appeared fortnightly in the **Weekend Nation**, responded to specific questions from the public on consumer protection, utility regulation and fair competition issues.
- **FTC column**, which was published on a fortnightly basis in **Business Monday**, dealt with issues relevant to the business community.
- **Conversations with the FTC**, which appeared in the **Business Authority**, featured interviews with senior officers of the Commission on current issues relevant to the work of the Commission.

Public Education and Awareness (continued)



Featured speaker Dr. Marion Williams, Ambassador and Permanent Representative, Mission of Barbados to the United Nations Office and other International Organizations at Geneva, greets FTC Chairman, Sir Neville Nicholls, as Commissioner Errol Humphrey looks on.



Ambassador Dr. Marion Williams makes a point to the Honourable Donville Inniss, Minister of Industry, International Business, Commerce and Small Business Development (left). Also pictured are Ambassador Williams' husband, C.Q. Williams; Governor of the Central Bank of Barbados and 2014 Annual Lecture presenter, Dr. Delisle Worrell; Commissioner Errol Humphrey and CEO, Peggy Griffith.

Public Education and Awareness (continued)



CEO of the Fair Trading Commission, Peggy Griffith and featured speaker, Ambassador Dr. Marion Williams, address the audience during the question and answer session of the Annual Lecture 2015.



Members of the audience at the 11th Annual Lecture.

Public Education and Awareness (continued)



Attendees at the Commission's workshop entitled 'Construction Industry: An Examination of its Impact on Consumers'.



Attendees engage in discussion during the Competition Law and Policy Workshop 2015.

Organisational Development

Training and Development

During the reporting period, the Commission continued to take advantage of training and development opportunities with the aim of maintaining operational efficiency, while contributing to the professional and personal development of members of staff.

Among the range of opportunities utilised were programmes co-ordinated and hosted by the Organisation of Caribbean Utility Regulators (OOCUR), the Caribbean Electric Utility Services Corporation (CARILEC), Strafford Publications, the Institute of Chartered Accountants of Barbados (ICAB), the Human Resource Management Association of Barbados (HRMAB) and the Barbados Association of Office Professionals (BAOP).

At the international level, every effort was made to continue to build and cement alliances with regulatory specialists, utility officials and service providers via the use of available technology, including on-line webinars and teleconferences.

Looking to the Future

The Commission will continue to monitor emerging trends in the national market, liaise with regional and international counterparts and participate in relevant fora in order to fulfill its mandate as it relates to consumer protection, utility regulation and fair competition.

We look forward to the passage of amendments to the Commission's legislation, as these revisions will enhance the legislative framework and allow it to respond efficiently to developments in the regulated sectors.

With its mandate expanded to include the BWA and the changes expected in the regulation of electricity and telecommunications, the Commission will implement the actions for which it has responsibility, as outlined in existing and amended legislation, specifically the Electric Light and Power Act and the BWA.

The Commission will continue its robust programme aimed at educating both stakeholders and members of the public about legislation and their respective rights and responsibilities. These efforts will be supported by the Commission's established outreach programmes, which include the publishing of articles in the media and interfacing with schools and companies.

Enforcement will continue to be the Commission's focus in the year ahead, as it seeks to preserve an environment which benefits both consumers and enterprises.

The changes occurring in the business environment and the increased awareness of consumers will provide greater challenges and the Commission looks forward to meeting the challenges and issues that will arise.

Financial Statements
Fair Trading Commission
For the year ended March 2015
(Expressed in Barbados dollars)

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AUDITORS' REPORT

To the Board of the Fair Trading Commission

We have audited the accompanying financial statements of the Fair Trading Commission, which comprise the statement of financial position as of 31 March 2015 and the statement of comprehensive income, statement of changes of equity and statement of cash flows 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.

Auditors' 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 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 auditors' 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 the Commission as of 31 March 2015 and its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Barbados
6 July 2015

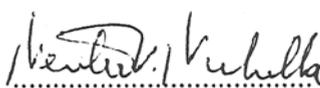
FAIR TRADING COMMISSION

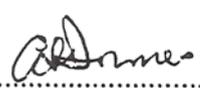
Statement of Financial Position
As of 31 March 2015

	Notes	2015 \$	2014 \$
Assets			
Current assets			
Cash	4	338,147	932,371
Time deposits	4	114,259	112,584
Accounts receivable	5	1,278,184	1,213,526
Prepayments		92,428	94,262
		<u>1,823,018</u>	<u>2,352,743</u>
Accounts receivable	5	12,500	30,000
Property, equipment and software	6	290,540	385,635
		<u>2,126,058</u>	<u>2,768,378</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		51,437	177,482
Advance deposit	7	-	5,000
		<u>51,437</u>	<u>182,482</u>
Deferred income	8	44,666	57,804
		<u>96,103</u>	<u>240,286</u>
Net assets		<u>2,029,955</u>	<u>2,528,092</u>
Represented by:			
Government advances and levies		976,978	1,203,526
Government grants		677,223	953,248
Accumulated surplus		375,754	371,318
		<u>2,029,955</u>	<u>2,528,092</u>

The accompanying notes form part of the financial statements.

Approved by the Commission on 6 July 2015 and signed on its behalf by:

 Chairperson

 Commissioner

FAIR TRADING COMMISSIONStatement of Comprehensive Income
Year ended 31 March 2015

	Notes	2015 \$	2014 \$
Income			
Government grants		2,711,420	2,733,204
Levies		976,978	1,208,526
Merger fees		51,000	10,500
Other income		4,436	13,166
		<u>3,743,834</u>	<u>3,965,396</u>
Expenses			
Personal emoluments	9(a)	2,103,077	2,124,585
Rental of property		478,225	464,125
Other operating expenses	9(b)	201,730	288,626
Professional services	9(c)	149,486	273,237
Utilities		122,046	130,118
National Insurance contributions	9(a)	130,048	129,073
Pensions and gratuities	9(a)	144,380	123,009
Depreciation	6	124,428	125,928
Maintenance of property		52,606	49,493
Other personal emoluments	9(a)	46,791	48,962
Supplies and materials		35,125	51,414
Travel		44,772	45,345
Group medical		42,528	38,418
Rental of equipment		27,100	27,713
Library books and publications		18,321	14,434
Subscriptions and contributions		16,767	15,476
Bank charges		1,968	2,274
		<u>3,739,398</u>	<u>3,952,230</u>
Surplus		<u>4,436</u>	<u>13,166</u>

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Statement of Changes in Equity
Year ended 31 March 2015

	Government advances \$	Government grants \$	Accumulated surplus \$	Total \$
Balance at 31 March 2013	1,037,418	980,544	358,152	2,376,114
Government contributions	1,203,526	3,020,188	-	4,223,714
Government grants and levies utilized	(893,668)	(3,047,484)	-	(3,941,152)
Repayments to Government	(143,750)	-	-	(143,750)
Surplus for the year	-	-	13,166	13,166
Balance at 31 March 2014	1,203,526	953,248	371,318	2,528,092
Government contributions	976,978	2,366,564	-	3,343,542
Government grants and levies utilized	(1,042,276)	(2,642,589)	-	(3,684,865)
Repayments to Government	(161,250)	-	-	(161,250)
Surplus for the year	-	-	4,436	4,436
Balance at 31 March 2015	976,978	677,223	375,754	2,029,955

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Statement of Cash Flows
Year ended 31 March 2015

	2015 \$	2014 \$
Cash flows from operating activities		
Personal emoluments	(2,103,077)	(2,129,444)
Rental of property	(479,400)	(465,300)
Other operating expenses	(209,068)	(301,867)
Professional services	(275,727)	(145,321)
Utilities	(122,457)	(131,655)
Pensions and gratuities	(144,509)	(123,009)
National Insurance contributions	(130,336)	(129,071)
Maintenance of property	(47,359)	(46,665)
Supplies and materials	(34,456)	(53,896)
Other personal emoluments	(46,408)	(48,962)
Group medical	(42,528)	(38,418)
Travel	(44,405)	(45,345)
Subscriptions and contributions	(15,757)	(15,466)
Rental of equipment	(27,253)	(27,713)
Library books and publications	(16,879)	(16,884)
Bank charges	(1,968)	(2,274)
Net cash used in operating activities	(3,741,586)	(3,721,291)
Cash flows from investing activities		
Car loans repaid by staff	25,294	20,000
Increase in time deposits	(1,675)	(2,739)
Interest received	4,436	13,166
Purchases of equipment	(24,720)	(19,675)
Net cash from investing activities	3,335	10,752
Cash flows from financing activities		
Advances from Government	2,117,564	3,020,188
Levies paid in by utility service providers	1,193,526	1,037,418
Repayment of Government advances	(161,250)	(143,750)
Decrease in litigation reserve	(11,813)	(35,000)
Merger fees	11,000	10,500
Advance deposits	(5,000)	-
Net cash from financing activities	3,144,027	3,889,356
(Decrease)/increase in cash for the year	(594,224)	178,817
Cash – beginning of year	932,371	753,554
Cash – end of year	338,147	932,371

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

1. Establishment, principal activity and registered office

The Fair Trading Commission (the "Commission") was established in Barbados under the provisions of *The Fair Trading Commission Act CAP 326B* and replaced the Public Utilities Board which operated since 1955.

The principal activities of the Commission are to enforce *The Utilities Regulation Act CAP282*, *some of the provisions of The Telecommunications Act CAP282B*, *The Fair Competition Act 326C* and the *Consumer Protection Act CAP326D*. The Commission shall promote efficiency and competitiveness and improve standards of service and quality of goods and services supplied by service providers and business enterprises over which it has jurisdiction.

The Commission's principal place of business is situated at Good Hope, Green Hill, St. Michael, Barbados.

2. Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in Barbados dollars on a historical cost basis and are in accordance with International Financial Reporting Standards.

b) Changes in accounting policy and disclosures

New and amended standards

The accounting policies adopted are consistent with those used in the previous financial year except for the standards and interpretations noted below which were implemented during the year. These did not have any impact on the accounting policies, financial position or performance of the Commission:

Adoption of new and revised standards and interpretations

- IFRS 10, IFRS 12 and IAS 27 Investment Entities
- IFRIC 21, 'Levies'
- IAS 32, 'Offsetting Financial Assets and Financial Liabilities'-Amendments to IAS 32
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'
- Annual Improvements 2010-2012 Cycle – Amendments to IFRS 13
- Annual Improvements 2011-2013 Cycle – Amendments to IFRS 1

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

2. Significant accounting policies (cont'd)**b) Changes in accounting policy and disclosures (cont'd)**

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Company's operations. The Company has not early adopted the new standards, amendments and interpretations:-

- IFRS 9, 'Financial instruments'
- IAS 16, 'Property, Plant and Equipment'
- IAS 38, 'Intangible Assets'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 13 'Fair Value Measurement'

c) Receivables

Receivables are recognized initially at the original invoice amount. A provision for impairment of receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount. The amount of the provision is recognized in the statement of comprehensive income.

d) Property, equipment and software

Property and equipment is stated at cost less accumulated depreciation and provision for impairment in value. The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

2. Significant accounting policies (cont'd)**d] Property, equipment and software (cont'd)**

The useful lives of the assets are estimated as follows:

Computer hardware, software and office equipment	1 - 5 years
Fixtures	5 years
Vehicles	5 years
Leasehold improvements	10 years

e] Income recognition

Income is recognized on the following bases:

- i] Funds voted for its use by the Government of Barbados:
Government grants are matched against the related expenditure in the relevant accounting period.
- ii] Sums levied on the utility service providers:
Sums levied on utility service providers are matched against utility regulation costs and accrued when incurred.
- iii] Funds received for the purchase of office equipment, fixtures and vehicles are capitalized as deferred income in the year of acquisition and recognized over the useful lives of the relevant assets.
- iv] Merger Fees
Funds charged to enterprises for merger application and investigation.

f] Deferred income

The net movement of asset acquisitions, disposals and amortization purchased from Government funding is recognized in the statement of comprehensive income as deferred income.

g] Taxation

The Commission is exempt from taxation.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

3. Significant accounting judgments, estimates and assumptions

In the process of applying the Commission's accounting policies, management has made certain judgments, assumptions and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The most significant of these is discussed below:

Property and equipment

Management exercises judgment in determining whether costs incurred can accrue sufficient future economic benefits to the Commission, such that the related expenditures should be treated as a capital expense. Further judgment is applied in the annual review of the useful lives of all categories of property and equipment and the resulting depreciation charge determined thereon.

4. Cash and time deposits

Cash comprises an operating account which bears interest at 0.25% (2014 - 0.75%) per annum.

Time deposits bear interest at the rate of 1.70% per annum (2014 - 1.70%). The deposits are due to mature on 15 November 2015 and 14 February 2016 respectively.

5. Accounts receivable

Current:

	2015	2014
	\$	\$
Utility service providers	976,978	1,193,526
Car loans receivable	12,206	20,000
Government of Barbados	289,000	-
	1,278,184	1,213,526

Non-current:

	2015	2014
	\$	\$
Car loans receivable	12,500	30,000

Utility service provider levies are based upon the costs incurred to regulate utility services. The levy comprises the annual year-end assessment and special assessments to meet public hearing costs. There are no impaired amounts as at 31 March 2015.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

6. Property, equipment and software

	Leasehold improvements \$	Computer and office equipment \$	Fixtures \$	Vehicles \$	Total \$
Cost					
Balance – 1 April 2013	819,570	278,552	191,955	72,250	1,362,327
Additions	-	15,540	-	-	15,540
Disposals	-	(10,670)	-	-	(10,670)
Balance – 31 March 2014	819,570	283,422	191,955	72,250	1,367,197
Additions	-	27,987	1,346	-	29,333
Disposals	-	(73,445)	-	-	(73,445)
Balance – 31 March 2015	819,570	237,964	193,301	72,250	1,323,085
Accumulated depreciation					
Balance – 1 April 2013	409,785	236,304	190,108	30,107	866,304
Charge for the year	81,957	27,942	1,579	14,450	125,928
Disposals	-	(10,670)	-	-	(10,670)
Balance – 31 March 2014	491,742	253,576	191,687	44,557	981,562
Charge for the year	81,957	26,916	1,105	14,450	124,428
Disposals	-	(73,445)	-	-	(73,445)
Balance – 31 March 2015	573,699	207,047	192,792	59,007	1,032,545
Net book value					
31 March 2015	245,871	30,917	509	13,243	290,540
31 March 2014	327,828	29,846	268	27,693	385,635
31 March 2013	409,785	42,248	1,847	42,143	496,023

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

7. Advance deposit

This represents deposits made to cover expenses relating to an interconnection dispute.

8. Deferred income

	2015	2014
	\$	\$
Deferred income – beginning of year	57,804	86,235
Add: Grants for assets purchased during the year	29,333	15,540
Less: Amortization of deferred income for the year	(42,471)	(43,971)
	<hr/>	<hr/>
Deferred income – end of year	44,666	57,804
	<hr/> <hr/>	<hr/> <hr/>

9. Operating expenses**a] Employment costs**

	2015	2014
	\$	\$
Personal emoluments	2,103,077	2,124,585
National Insurance contributions	130,048	129,073
Other personal emoluments	46,791	48,962
	<hr/>	<hr/>
	2,279,916	2,302,620
	<hr/> <hr/>	<hr/> <hr/>

Pensions for retired employees and gratuities to contracted and retired employees amounted to \$144,380 (2014 - \$123,009).

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

9. Operating expenses (cont'd)

b] Other operating expenses

	2015	2014
	\$	\$
Overseas training and conferences	(812)	44,756
Local training	3,877	22,985
Hosted seminars	49,412	50,999
Refreshments and hospitality	19,605	16,977
Commissioners' fees	78,800	104,900
Public relations	31,855	21,479
FTC publications	15,300	22,331
Postage and courier services	3,693	4,199
	<u>201,730</u>	<u>288,626</u>

c] Professional services

	2015	2014
	\$	\$
Regulatory consultancies	113,209	246,949
Other consultancy services	9,546	1,416
Audit fees	25,850	23,941
Legal fees	881	931
	<u>149,486</u>	<u>273,237</u>

10. Lease commitments

The Commission occupies premises under an operating lease which expires in 2020 with an option to renew. Future lease payments under this lease are as follows:

	2015	2014
	\$	\$
Property rental:		
Due within 1 year	492,325	478,225
Between 2 and 5 years	548,725	998,750
	<u>1,041,050</u>	<u>1,476,975</u>

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

11. Financial risk management objectives and policies

The Commission's financial assets comprise cash, time deposits and accounts receivable. Financial liabilities comprise accounts payable and advance deposits.

Credit risk

The Commission is subject to credit risk in the event of non-payment of receivable balances by utility service providers. The Commission believes that this risk is mitigated by the close monitoring of these balances and by the protection under *The Fair Trading Commission Act, CAP 326B* which provides legal recourse for the recovery of these balances levied on utility service providers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Commission does not hold any collateral security for receivables from utility service providers. Car loans are secured by bills of sale over the respective vehicles.

Interest rate risk

The Commission's interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate exposure is disclosed in Note 4.

The Commission has no exposure to foreign currency risks. Liquidity risk is minimal since accounts payable are due within one year.

12. Fair values

The carrying values of financial assets and liabilities are a reasonable estimate of their fair values due to their short-term nature.

13. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business. The capital structure of the Commission consists of Government grants and advances as well as levies from certain service providers which are regulated by the Commission as disclosed in the statement of charges in equity. The Company relies on the Government of Barbados for any additional capital funding as required.

14. Contingent asset

On February 25, 2015 final judgment in the case the Fair Trading Commission v BNOCL – Civil Appeal No. 20 of 2009 was given by the Court of Appeal in favour of the Commission. There has been no further appeal and the timeline for any such appeal has lapsed. Costs to be paid to the Commission are to be determined.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2015

15. Comparatives

Certain of prior year comparatives in the cash flow have been restated to conform with current year presentation.

Appendices

Statistical Tables

APPENDIX I

Appendix 1.1 – Fuel Clause Adjustment

MONTH	APRIL 2014 TO MARCH 2015	APRIL 2013 TO MARCH 2014	APRIL 2012 TO MARCH 2013	APRIL 2011 TO MARCH 2012
April	39.2921	43.4315	49.3526	45.387
May	41.5426	41.5305	47.6181	48.4401
June	42.7069	41.2246	43.0266	47.3105
July	44.5352	39.8415	40.2808	47.1443
August	46.3592	41.7291	41.3764	43.1732
September	44.3201	40.1498	41.0961	41.0961
October	41.4619	41.1980	41.351	42.9438
November	38.2599	41.6705	42.9585	45.8392
December	31.5076	39.0698	43.9224	45.8823
January	22.7523	37.2305	40.5668	33.7912
February	18.9513	38.4601	43.1478	43.9711
March	22.4872	37.4655	43.9379	46.7002

Appendix 1.2 – Utility Service Complaints

Complaints	2014/2015		2013/2014	
	Total	Resolved	Total	Resolved
C&W Service	49	33	37	30
C&W Billing	9	7	24	13
BL&P Service	5	4	5	3
BL&P Billing	10	9	13	10
BWA Billing	3	2	0	0
BWA Service	9	7	0	0
	85	62	79	56

Statistical Tables

APPENDIX I

Appendix 1.3 – Fair Competition Investigations and Queries for the Financial Year April 2014 – March 2015

Type of Anti-Competitive Conduct	On-going	Closed	Total
Exclusive Dealing	0	1	1
Predatory Pricing	1	1	2
Excessive Pricing	0	1	1
Refusal to Supply	1	1	2
Price Squeezing	1	0	1
Other Anti-competitive Conduct	2	0	2
Merger	0	3	3
Total Domestic Investigations	5	7	12
General queries/requests for information handled			19

Appendix 1.4 – Consumer Complaints - Sections of the Act Breached April 2014 – March 2015

Section of the Consumer Protection Act	No. of Breaches
Section 12 - Misleading & Deceptive Conduct	15
Section 13 - False Representation	5
Section 14 - Offering Gifts and Prizes	5
Section 17- Full Cost to be Stated	1
Others	4

Statistical Tables

APPENDIX I

Appendix 1.5 – Consumer Queries, April 2014 – March 2015

MONTH	CALLS		WALK-INS		CONTACTS	
	2014 - 2015	2013 - 2014	2014 - 2015	2013 - 2014	2014 - 2015	2013 - 2014
April	141	150	29	24	170	174
May	211	144	27	29	238	173
June	158	136	18	21	176	157
July	173	162	28	18	201	180
August	171	137	10	23	181	160
September	144	134	19	16	163	150
October	162	196	39	23	201	219
November	242	144	10	20	252	164
December	221	168	28	15	249	183
January	237	199	59	33	296	232
February	201	159	33	23	234	182
March	193	174	24	28	217	202
TOTAL	2,254	1,903	324	273	2,578	2,176

Consultation Papers, Reports, Decisions and Orders

APPENDIX II

Decisions

- Standards of Service Decisions for the BL&P and C&W 2014-2017 were issued on May 7th, 2014.
- Billing and metering amendments made to the RER Decision of 2013 were issued on August 8th, 2014.
- Decision on the Investigation into the Price of Sand was issued on October 7th, 2014.
- Decision on the Merger Application between Cable and Wireless Communications Plc and Columbus International was issued on March 26th, 2015.
- Decision on Long Run Incremental Cost (LRIC) Interconnection Rates was issued on March 27th, 2015.

Reports

- Negative Option Marketing and Its Impact on Consumer Welfare
- Market Study of the Barbados Energy Sector - Sub-sector: Electricity Generation from Photovoltaic Systems
- The Construction Industry: An Examination of Its Impact on Consumers.

Presentations at Lectures, Workshops and Seminars

APPENDIX III

LECTURE

March 13, 2015

Eleventh Annual Lecture

"Global Trends: Implications for Regulation and Fair Trade"

- Accra Beach Hotel & Spa

Presenter:

Ambassador Dr. Marion Williams

Permanent Representative, Mission of Barbados to the United Nations Office and other International Organisations at Geneva.

Commission Panels

APPENDIX IV

UTILITY REGULATION

Telecommunications

Sir Neville Nicholls
Professor Andrew Downes
Ms. Herma Griffith-Ifill
Mr. Errol Humphrey
Ms. Monique Taitt

Electricity

Sir Neville Nicholls
Mr. Andrew Brathwaite
(resigned March 19, 2015 to pursue other interests)
Mr. Gregory Hazzard
Mr. Andrew Willoughby
Dr. Philmore Alleyne

Fair Competition/ Consumer Protection

Professor Andrew Downes
Mr. Errol Humphrey
Mr. Alfred Knight
Mr. Kendrid Sargeant
Mr. Gregory Hazzard

Commission Information

APPENDIX V

Commission Staff as at March 31, 2015

Chief Executive Officer	- Ms. Peggy Griffith, BA, MPA
Director of Fair Competition	- Mr. Antonio Thompson BSc, MSc
Director of Utility Regulation	- Mrs. Sandra Sealy, BSc, MBA, MSc
Director of Consumer Protection	- Ms. Judy Maynard, LLB, LLM
General Legal Counsel	- Mrs. Nichola George-Benjamin LLB, LLM, Attorney-at-Law
Accountant	- Mrs. Shernell Small-Husbands, BSc, FCCA
Electricity Analyst	- Dr. Marsha Atherley-Ikechi, BSc, MSc, PhD
Human Resources Officer	- Mrs. Arlene Bushell, BSc, MSc
Telecommunications Analyst	- Mr. Edward Hunte, BSc, MBA, LLB
Financial Analyst	- Mrs. Susanna Cooper-Corbin, BSc, MBA, FCCA
Chief Economist	- Dr. Troy Waterman, BSc, MSc, PhD
Legal Officer	- Mr. Kevin Webster, LLB, Attorney-at-Law
Consumer Protection Officer	- Ms. Fiona Scantlebury, BSc, MBA
Consumer Protection Officer	- Mrs. Julia Regis, BSc
Information Specialist	- Mrs. Nekaelia Hutchinson-Holder, BA, MSc
Systems Administrator	- Mr. Richard Farley
Documentalist	- Ms. Heather Waithe
Economist	- Mr. Dario Alleyne, BSc
Research Officer	- Ms. Nikita Mayers, BSc, MSc
Executive Secretary	- Mrs. Denese Alleyne
Office Manager	- Ms. Teresa Douglas, CPS, ACS
Assistant Accountant	- Mrs. Sharon Grimes-Payne
Research/Administrative Assistant	- Ms. Cheryl Jones, ACS, BSc
Administrative Assistant	- Ms. Cheldine Holford
Administrative Assistant	- Ms. Saunta St. Hill
Administrative Assistant	- Ms. Samantha Hinds
Senior Clerk	- Mrs. Wanda Crichlow-Trotman, BSc
Help Bureau Officer	- Mrs. Antoinette Bridgeman
Help Bureau Officer	- Ms. Sonia Spencer
Receptionist/Typist	- Ms. Alia Mascoll
Office Attendant	- Mr. Corrie Thompson
Office Helper	- Mrs. Cecilia Alfay

AUDITORS

Ernst & Young

Contact Information

APPENDIX VI

For further information about the Commission's activities, please contact the Fair Trading Commission at:

Mailing Address:

Good Hope
Green Hill
St. Michael
BB12003
Barbados

Telephone:

(246) 424-0260
(246) 421-2FTC (*Consumer Complaints Line*)

Facsimile:

(246) 424-0300

E-mail:

info@ftc.gov.bb

Website:

www.ftc.gov.bb

Facebook:

www.facebook.com/BarbadosFairTradingCommission

Notes

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