



Fair Trading Commission
Annual Report 2014



2014 ANNUAL REPORT

FAIR TRADING COMMISSION





Letter of Transmittal

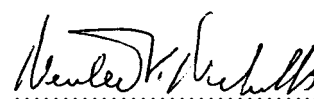
Fair Trading Commission
Good Hope
Green Hill
St. Michael

July 17, 2014

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, 2014 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

During the year under review (April 2013 to March 2014) the Commission dealt with a number of important regulatory, fair competition and consumer protection issues. The Commission conducted several investigations into alleged anti-competitive practices. These investigations dealt with conduct such as margin squeeze, excessive pricing and refusal to deal in sectors such as telecommunications, distribution and oil and gas.

In August, 2013, the Commission received notification from SOL and ESSO of the companies' intention to merge. The merger involved SOL's acquisition of the Exxon Mobil operations in the Caribbean. Having assessed this matter the Commission approved the merger in October, 2013.

The Barbados Light and Power Company Limited (BL&P) submitted its final revised Integrated Resource Plan (IRP) on February 28, 2014 after two rounds of revisions as requested by the Commission. The plans for meeting future energy demand were arrived at by the BL&P after consultation with stakeholders. The Commission is satisfied with the approach and the assumptions which have been made by the BL&P in preparing the IRP.

The Commission commenced review of the Standards of Service for Cable and Wireless Barbados Limited (C&W) and the BL&P. The purpose of standards of service is to ensure that a minimum quality of service is maintained, provide incentives for improvement, monitor service quality and generally protect the interest of consumers.

During the reporting period, twenty-seven (27) standard form contracts were assessed for fairness in accordance with the Consumer Protection Act (CPA). These contracts which were drawn from the construction, retail, telecommunications and insurance sectors contained one thousand one hundred and ninety-three (1,193) terms. Ten terms were found to be in breach of the CPA and the Commission required the businesses to either delete or amend the offending terms.

The Commission implemented an intensive educational programme based on the needs of businesses and their associations and which included its Annual Competition Law and Policy Workshop. The Commission also hosted its 10th Annual Lecture entitled, "What is a Fair Trade?" in March, 2014. The speaker was Dr. DeLisle Worrell, Governor of the Central Bank of Barbados. Dr. Worrell presented to approximately two hundred (200) participants on "the ways in which economists, accountants, lawyers and business people try to arrive at a fair price of things, a price that is somehow the "correct price".

In addition, the Commission continued its educational outreach to primary and secondary schools to explain the benefits of the Consumer Protection Act and scheduled several articles in the print and online news media to sensitise the public about the provisions contained in the legislation which it administers. The Commission is confident that its sustained efforts to promote the rights and responsibilities of consumers and businesses will assist in eliminating unfair business practices and redound to everyone's benefit.

I wish to express my appreciation and gratitude to my fellow Commissioners for their support and to the management and staff for their tireless efforts during the year.


Neville V. Nicholls
Chairman



Members of the Commission 2013 - 2014



FROM LEFT: Mr. Andrew Willoughby, Mr. Alfred Knight, Mr. Kendrid Sargeant, Ms. Monique Taitt, Dr. Philmore Alleyne, Chairman Sir Neville Nicholls, Mr. Andrew Brathwaite, Professor Andrew Downes, Deputy Chairman, 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, 2013 - March, 2014 the Commission held six (6) administrative meetings.

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, twenty-four (24) 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

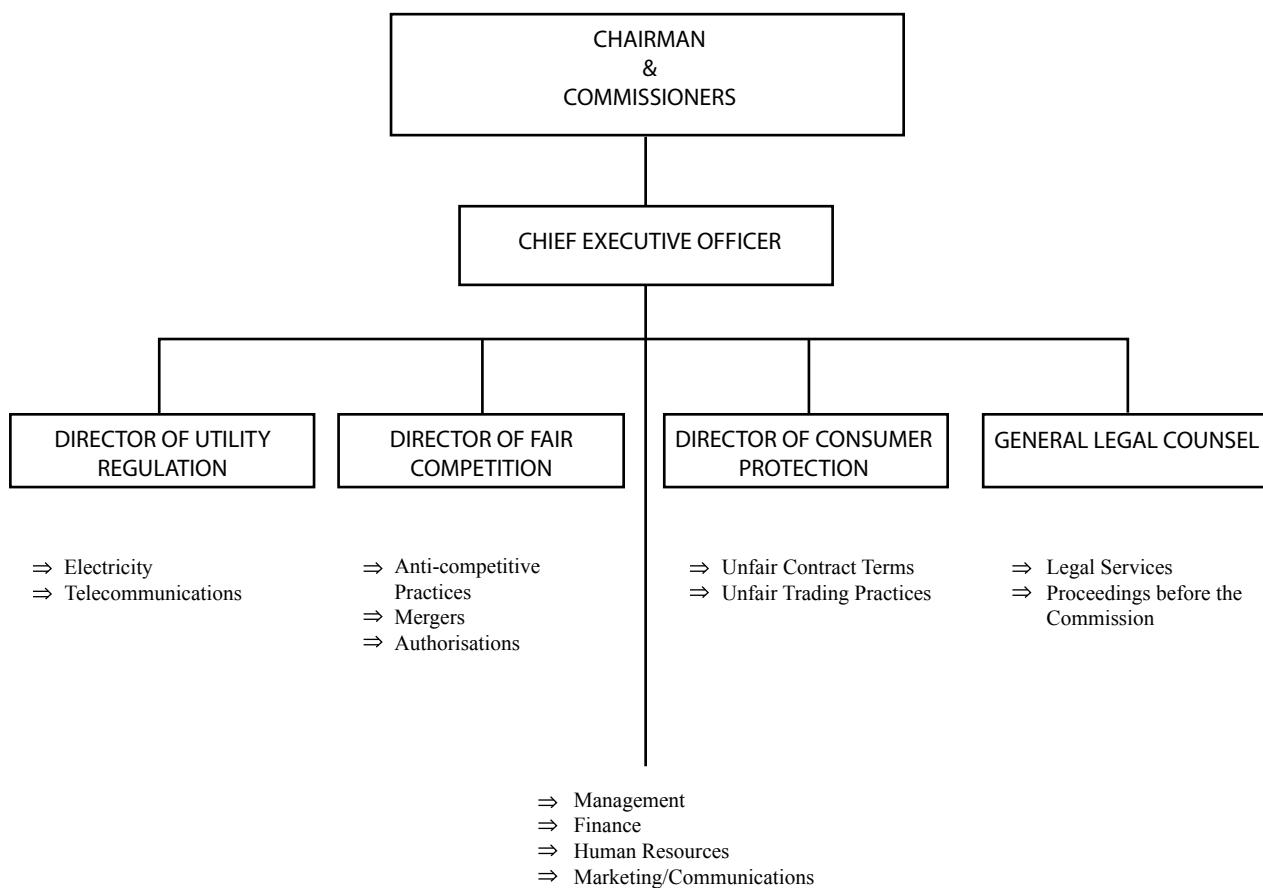
The Commission's goals are

- 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 General Legal Counsel and staff provide legal advice to the Commission on all aspects of the Commission's work including hearings and development of regulations, as well as appeals and reviews. Commission staff provide a range of services to assist Commissioners in adjudicatory matters.

Organisational Structure



The Year in Review

Fair Competition

In seeking to execute its mandate under the Fair Competition Act the Commission undertook a number of activities during the year 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;

Activities undertaken included investigations into anti-competitive conduct, market studies and educational programmes.

Investigate and Adjudicate Anti-competitive Conduct and Mergers

The Commission conducted a number of investigations into alleged anti-competitive practices. These investigations dealt with conduct such as margin squeeze, excessive pricing and refusal to deal. They arose in a wide range of sectors including telecommunications, distribution and oil and gas. Many of these investigations were resolved during the financial year, while others are on-going. Set out below are summaries of the main investigations undertaken during the reporting period.

Merger: SOL and ESSO (Barbados)

On August 26, 2013, the Commission received notification from SOL and ESSO of the companies' intention to merge. The merger involved SOL's acquisition of all of the Exxon Mobil operations in the Caribbean.

Staff analysed the information received and contacted several stakeholders to determine if the merger would likely raise anti-competitive concerns. The Fair Competition legislation states that the Commission has three months in which to complete the merger review and notify the parties in writing.

On October 24, 2013 the Commission agreed to the proposed merger and noted that:

- Post-merger, SOL Barbados will have significant market share. There was however no clear evidence that there will be detriments to the consumer or the economy of Barbados arising from the merger.
- Owing to the lack of price competition due to the regulation of prices and margins by the government, and the heavily regulated market in which the merger is taking place it was recommended that the merger be allowed to proceed with one conditional provision.
- The conditional provision was prefaced on the expectation that consumers' choice of fuel will not be minimised by virtue of the merger. In this regard consumers post-merger should continue to have the option of choosing the ESSO, RUBIS, SOL or SHELL brand. In approving the merger the Commission made the following a condition of its approval:

within the 10 year period [commencing from October 24, 2013] if SOL wishes to discontinue the existing ESSO company owned or company leased branded outlets it

Fair Competition (continued)

must submit to the Commission a request for permission. In so doing it must cite all of the prevailing circumstances.

The Commission also determined that SOL must submit annual reports on the progress of the merger.

Merger: Digicel Acquisition of Antilles Crossing Network

On January 24, 2014 Digicel submitted a request for approval of a merger transaction. The proposed transaction by the Digicel Group Limited (Digicel) through its wholly owned subsidiaries (Digicel Investments France SAS (DIF) and Fibre Investments Holdings Limited (FIHL)) related to acquiring the shares of Antilles Crossings and related assets of the Global Caribbean Fiber SAS Group among others.

The submission indicated that the acquisition of the subsea cable network of the target companies of Global Caribbean Fiber SAS will bring Digicel into the market for the supply of international broadband capacity in Barbados.

The Commission decided that the acquisition should be allowed to proceed given that it involved Digicel's entry, for the first time in Barbados, into the market for wholesale international submarine fibre connectivity. The Commission also assessed that there were more positive competitive externalities than negative externalities to be derived from the acquisition.

Merger: Karib Cable and TeleBarbados/Flow

In March 2013 Columbus International (owners of TeleBarbados/Flow) issued a press release indicating that they were in the process of acquiring Karib Kable. In keeping with its mandate to protect competition, staff contacted the parties and requested information regarding the proposed merger with a view to ascertaining if there were any potential anti-competitive effects which may have arisen as a result of the merger.

Information requested from the company was received after several extensions had been granted. Analysis of the available market data revealed that there was a low probability that the merger would result in anti-competitive conduct. Based on the analysis the Commission determined that the investigation should be closed. This decision was communicated to the companies involved.

Excessive Pricing: Sand Quarry (Island Developments Ltd.)

On March 10, 2014, Island Developments Limited (IDL) the only sand quarry operator in Barbados increased the bulk price of silica sand from \$22.70 per ton to \$42.00 per ton which represents an 85% increase in price. The Commission decided that it was necessary to launch an investigation to determine if this price increase by a dominant company was excessive.

Excessive pricing is an abuse of dominance under Sections 16 (1), (2) and (3) (d) of the Fair Competition Act CAP. 326C and as such the FCA prohibits dominant firms from charging excessive prices to the detriment of their consumers. An excessive price can be defined as a price that bears no reasonable relation to the economic value of the related goods and services. This means that dominant firms are not allowed to charge prices that are "too high", or "unfair" relative to the cost of production of the related product.

Fair Competition (continued)

To date meetings have been held with Island Developments Limited and truckers of sand in Barbados. Information has also been gathered from the Jamaica Commissioner of Mines. The investigation is on-going as at the writing of this report.

Exclusionary Conduct: Diceabed and SBRC

Diceabed made a complaint to the Commission that the Government of Barbados (GoB) paid the Sustainable Barbados Recycling Centre (SBRC) a Consolidated Tipping Fee (CTF) of \$60 BDS per tonne on recycled materials. The policy, which is handled under the Ministry of the Environment, provides for the payment of a CTF to SBRC and not to all companies who recycle. It has been alleged that the policy is unfair and may have harmful effects on competition.

In this regard, other players in the industry as well as the Solid Waste Project Unit were contacted to verify the claims. In carrying out the investigation it was determined that Diceabed and SBRC operated in the same downstream market, that is, they both sold finished compost.

However, having investigated this matter, the Commission decided that a number of key determining factors such as the contractual relationship between SBRC and the GoB which was established by means of an international tender, the stringent environmental and health standards required and the contractual obligation on the part of SBRC to accept all municipal waste established that the payment of a CTF to SBRC was unlikely to cause competitive concerns in the relevant market.

In this regard the Commission determined that there was no credible justification for Diceabed's entitlement to a CTF or equivalent and it was decided that the investigation should be closed. The stakeholders were notified of this outcome.

Refusal to Deal: Sunbeach v TeleBarbados

The Commission received a complaint from Sunbeach in which the company alleged that TeleBarbados (Columbus) had refused to supply wholesale dedicated internet access to it without providing a reason.

The Commission initiated an investigation into the complaint and requested specific information from TeleBarbados to assist in its investigation of the matter. The analysis of the information received from Columbus revealed that TeleBarbados did not refuse to supply the service but offered the service on certain conditions.

The Commission viewed these conditions to be legitimate and determined that TeleBarbados (Columbus) had not breached the Fair Competition Act with respect to the refusal to deal with Sunbeach.

Merger: Joint Venture - CWC Wholesale Solutions and Columbus

During the period Columbus Networks and CWC Wholesale Solutions announced the formation of a joint venture to provide expanded wholesale bandwidth capacity to global, regional and local communications companies in the Caribbean and Americas region.

The alliance is intended to provide international wholesale capacity to both companies, as well as to third party carriers. The joint venture is expected to have a network platform of approximately

Fair Competition (continued)

42,000 kilometres with connectivity to 42 countries in the Caribbean and the Central American region. The analysis of this matter is ongoing.

Price Squeezing: Sunbeach Communications Inc. v Cable & Wireless Barbados Ltd. (C&W)
Sunbeach Communications Inc. (Sunbeach) lodged a complaint with the Commission in which it alleged that Cable & Wireless Barbados (C&W) abused its position of dominance in the supply of wholesale broadband services. Sunbeach claimed that C&W had been charging exorbitant rates to Sunbeach for wholesale bandwidth whilst simultaneously allowing its subsidiary (Caribsurf), which is a competitor of Sunbeach in the Internet Service Provider (ISP) market, access to wholesale bandwidth at preferential rates.

The Commission requested information from C&W and Columbus to assist in the investigation. Information was received from C&W in July 2013 while as of the date of this report Columbus had failed to provide the requested information. The Commission was also awaiting specific costing information from Sunbeach which is critical to the analysis. This investigation is on-going.

Review Domestic Commercial Activity

At Section 5 (c) of the Fair Competition Act (FCA), the Commission is required 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 reviews into matters which appear to negatively affect the interest of consumers. A review of the Distributive Sector was completed during the year.

Anti-competitive Restrictions in the Distribution Sector

This study, which commenced in 2010, examined the key features of the grocery retail market in Barbados with a view to highlighting activities that are likely to create competitive concerns and reduce consumer welfare. The study primarily analysed the product prices that comprise the Department of Commerce’s Basket of Goods over the period January 2009 to July 2011.

Two papers, “Resale Price Maintenance” and “Interlocking Directorships”, were developed from this study in the 2010/2011 financial year. There were several challenges in bringing this study to a conclusion. The most critical was obtaining data from public and private entities. Despite the limitations of the available market data, the study was concluded and submitted to the Commission meeting in May 2013.

The report indicated that the prices of selected products were similar and tended to move together. However, it noted that these features appear to be based on intelligent pricing where the prices of the perceived market leader are adopted as the benchmark to which the prices offered by competing retailers are aligned. It was also noted that the feature of vertical integration of businesses exists in the market.

While these features do not represent breaches of the Fair Competition Act, they are of sufficient concern that the Commission will continue to keep them under surveillance to ensure consumer welfare is not affected.

Fair Competition (continued)

Requests for Information

Staff responded to telephone, e-mail and walk-in queries for general information on competition issues. Figure 1.1 provides details of the types of investigations which were conducted during the year, while Figure 1.2 shows those investigations that are on-going.

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

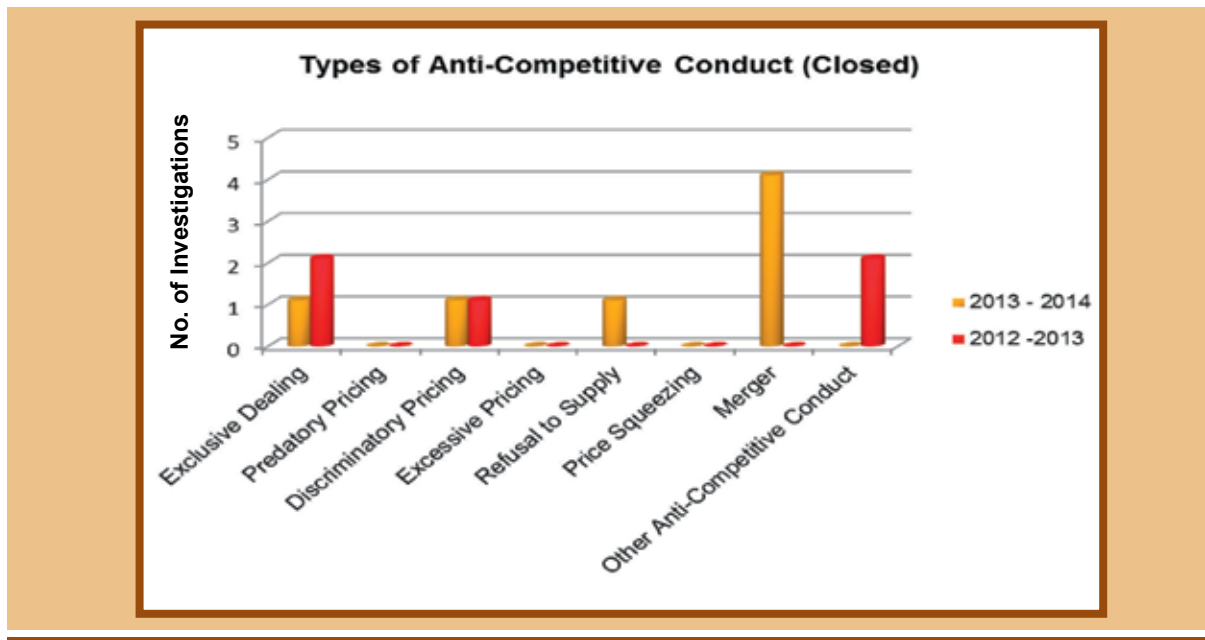
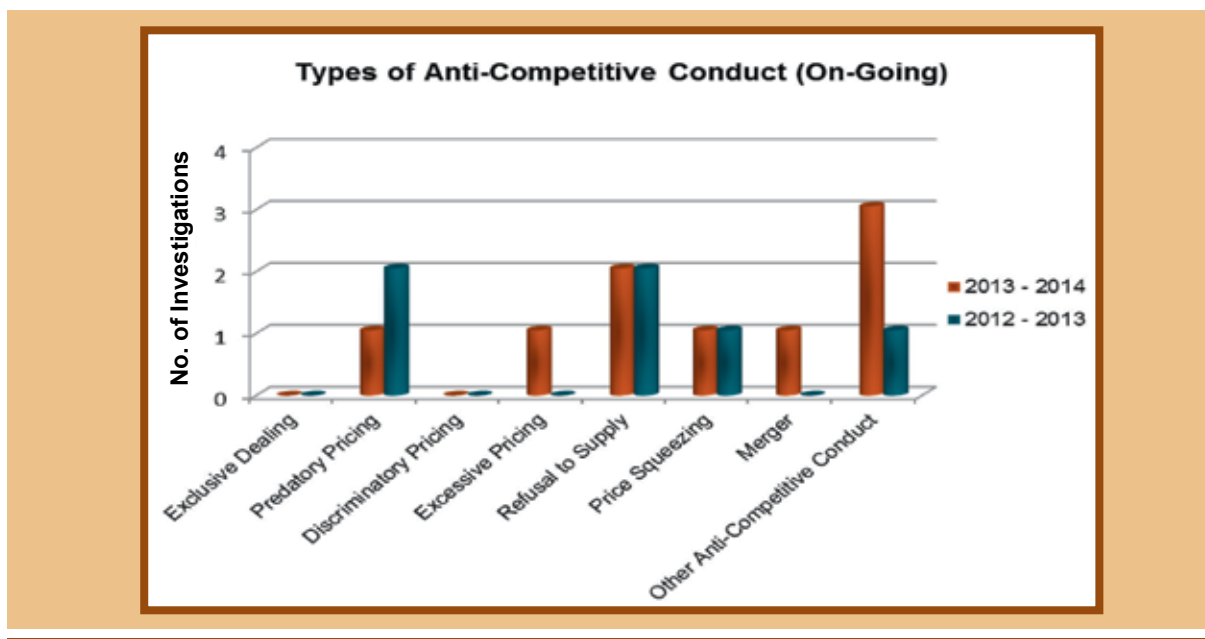


Figure 1.2 - Types of Anti-Competitive Conduct Investigations - On-Going



Fair Competition (continued)

Educating and Informing Businesses and Consumers

The Commission has responsibility to make available to persons engaged in business and to consumers, general information with respect to the importance of competition and their rights and obligations under the FCA. The objective, under the FCA is to reduce the level of anticompetitive conduct, by making persons aware of the negative consequences of such practices and the benefits of competition.

Business Outreach Programme

During the year an enhanced programme of outreach to businesses commenced. Staff made presentations on competition law and policy to management of businesses at their facilities and responded to their questions.

Annual Training Programme

The Commission hosted a two-day training workshop on Competition Law and Policy at the Accra Beach Hotel & Spa on March 19th and 20th, 2014.

Mr. Ian Nielsen-Jones, a former Deputy Commissioner of the Canadian Bureau of Competition, was the guest facilitator while staff of the Fair Competition Division also presented key portions of the training programme.

Twelve participants, including business leaders, legal personnel and administrators attended the course. The main areas of competition law were explained and the broader policy goals of a competition regime discussed. The goals and benefits of effective competition were also explored.

The interactive sessions which dealt with areas such as anti-competitive agreements, mergers, abuse of dominance and regional cross border anti-competitive conduct were well received. Participants expressed great appreciation for the workshop and insights gained in respect of the Fair Competition Act and its role in ensuring fair competition.

Cooperating with the CARICOM Competition Commission (CCC) and CARICOM

Section 5 of the Fair Competition Act establishes a protocol on cooperation between the Commission and the CARICOM Competition Commission (CCC) in the first instance, and between the National Authorities (NAs) of the other Member States.

This protocol on cooperation seeks to promote and maintain healthy competition across the Region.

During the year the Commission worked along with the CCC to fulfil general and specific informational requests on behalf of international agencies.

Staff continued to liaise with the Ministry of Foreign Affairs and Foreign Trade in the continuing negotiations on the text of the Canada-CARICOM Free Trade Agreement and other trade related matters.

Fair Competition (continued)

Cooperating with International Agencies and Competition Authorities

To ensure that the Commission remains aware of new developments, emerging ideas and best practices relating to competition issues, the Commission 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 continued to participate as a member of the Steering Group of the International Competition Network (ICN) to which it was elected in May 2011. The ICN comprises approximately 120 competition authorities from 110 countries. In addition to Barbados other members of the Steering Group 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, México, South Africa and Japan.

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

During the year staff participated in several ICN Steering Group meetings which were conducted by teleconference. The substantive issues addressed by the Steering Group during the year included international cooperation on enforcement, improving the investigative process as well as improving the understanding of the requirements and experiences of agencies in dealing with courts and judges.

Informal Partnership with United States Federal Trade Commission (USFTC)

The Commission continued to maintain a relationship with the United States Federal Trade Commission (USFTC) and the US Department of Justice (USDOJ) under an International Competition Network (ICN) partnership arrangement.

Teleconferences were convened during the year to discuss specific topics in the area of competition law enforcement.

Consumer Protection

The Commission sought to safeguard the rights of consumers through the enforcement of the Consumer Protection Act, CAP. 326D. In so doing, the Commission focussed on educating both consumers and businesses on issues relating to their rights and responsibilities and the provisions of the Act.

The Commission also investigated complaints from consumers alleging unfair trading practices and undertook research on its own initiative to identify, mitigate or eliminate issues that were likely to impact adversely on consumer welfare.

Standard Form Contracts

Review of Standard Form Contracts to identify Unfair Contract Terms (UCTs) and have them modified or deleted was a major activity of the Commission during the year.

During the reporting period, twenty-seven (27) contracts were assessed for fairness in accordance with the Act. The contracts contained one thousand one hundred and ninety-three (1,193) terms. Ten (10) of these terms were found to be in breach of the Act. The Commission required the businesses to either delete or amend the offending terms. Six (6) of the offending terms have been amended or deleted. The Commission is continuing dialogue with the respective businesses regarding the four (4) UCTs that are outstanding. The contracts reviewed were drawn from the construction, retail, telecommunications and insurance sectors.

Figure 2.1 – Contract Terms Reviewed



Educational Outreach Programme Initiatives

The Commission is confident that its sustained efforts to promote the rights and responsibilities of consumers and businesses, as stated in the Act, will assist in eliminating unfair business practices

Consumer Protection (continued)

and redound to the benefit of both consumers and businesses. In this regard, the Commission made tailored presentations to businesses, schools and other organisations.

Businesses and Organisations

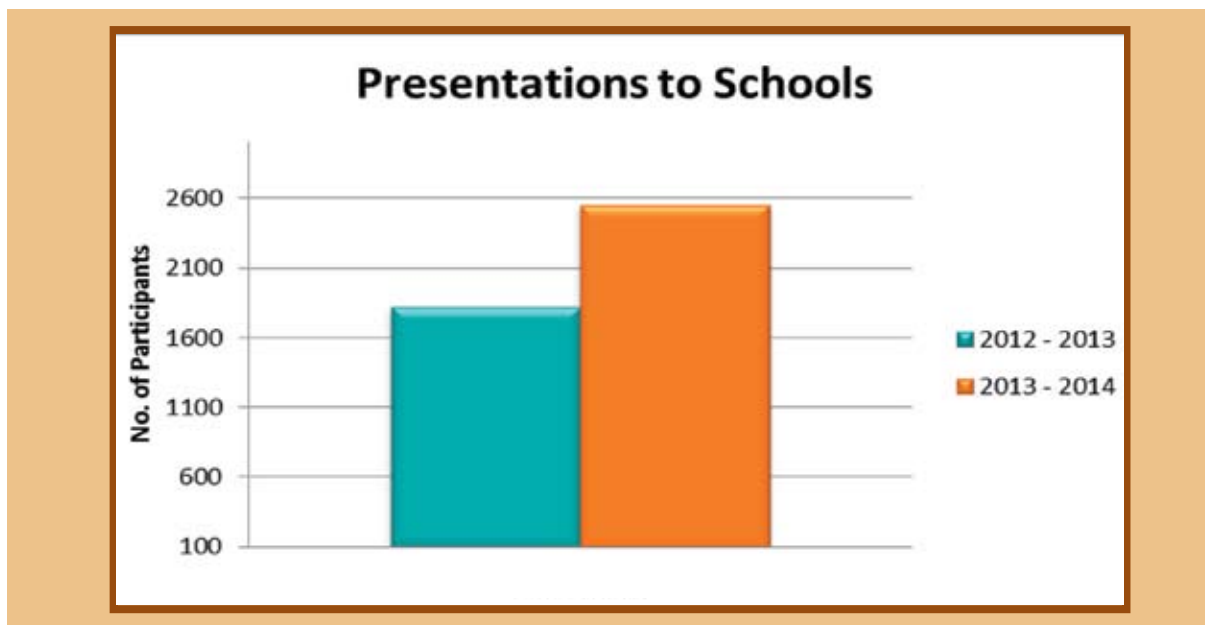
The Commission made forty-six (46) presentations to businesses and organisations. Five hundred and twenty-nine (529) persons participated. Participants included staff from businesses in sectors such as food, credit unions, retail, medical, insurance, financial and telecommunications. Presentations were made to businesses such as Trowel Plastics Barbados Limited, City of Bridgetown Co-Operative Credit Union Limited, Super Centre Limited, Barbados Stock Exchange, Queen Elizabeth Hospital, Burger King, C O Williams, Duty Free Caribbean, Goddard Enterprises Limited and Foster & Ince.

Schools

The young consumer's marketplace is ever changing with new and sophisticated products being targeted at young consumers. The Commission is cognisant of its responsibility to educate consumers of all ages on consumer matters and continued to visit schools regularly to ensure that pupils are made aware of the importance of knowing their rights and responsibilities.

Over the course of the year, officers of the Commission made thirty-two (32) presentations to primary and secondary schools. Two thousand five hundred and forty-four (2,544) pupils and their teachers benefitted from these sessions.

Figure 2.2 - Presentations to Schools



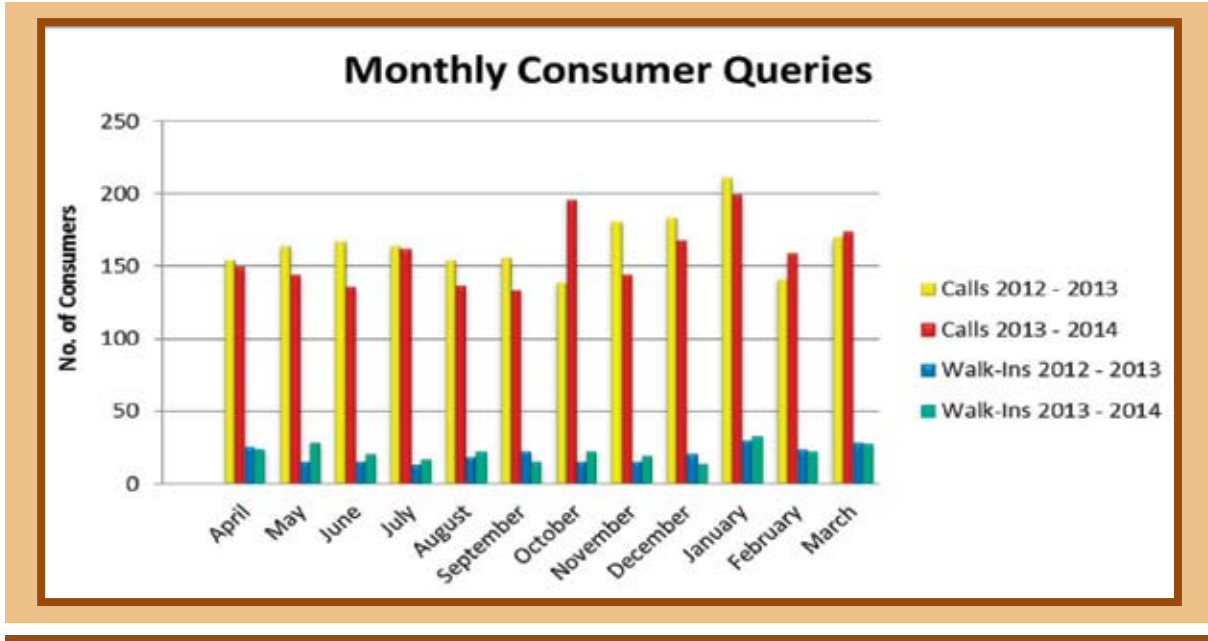
Consumer Protection (continued)

Relationship with Consumers Queries

A total of two thousand one hundred and seventy-six (2,176) consumers contacted the Commission seeking advice on matters relating to their rights and responsibilities. Of this number, one thousand nine hundred and three (1,903) were telephone queries and two hundred and seventy-three (273) queries were from consumers visiting the Commission.

Six hundred and eighteen (618) consumers were directed to the Office of Public Counsel after assessment of their queries revealed that they fell under the ambit of the Consumer Guarantees Act, CAP. 326D. Forty-four (44) written queries were also lodged with the Commission.

Figure 2.3 – Consumer Queries



Complaints

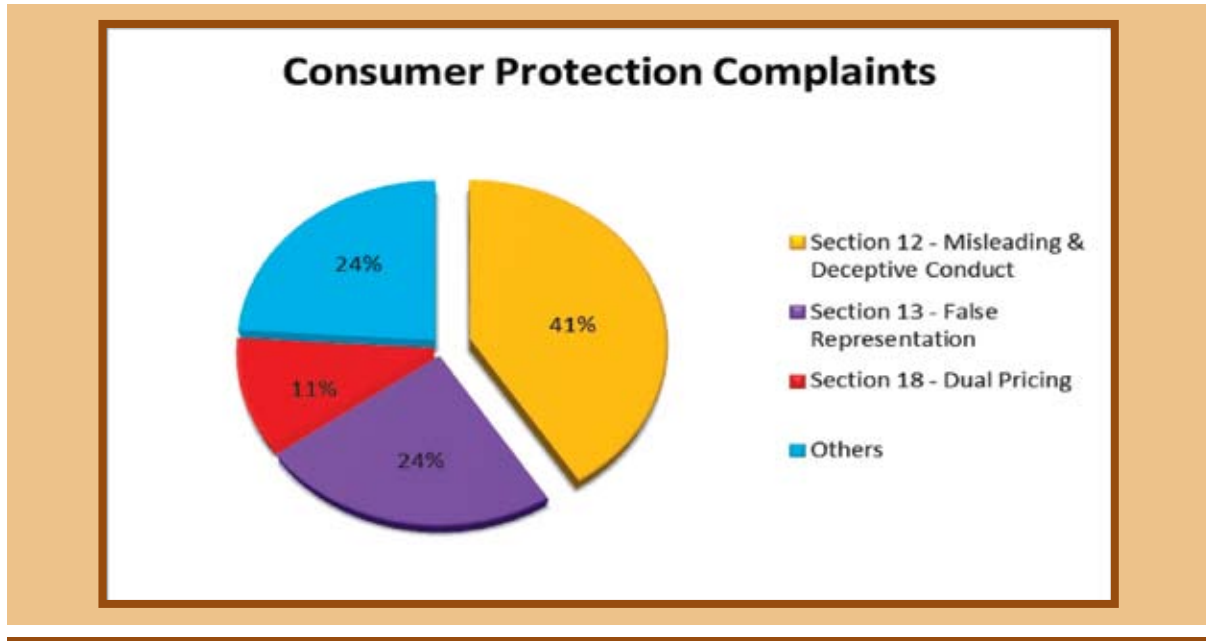
One of the primary objectives of the Commission is to empower consumers and help them maximise their welfare. It is clear that informed consumers can more readily make good decisions about their purchases.

Additionally, empowered consumers who complain effectively because they know their rights and act responsibly, can help businesses to be innovative and to improve their performance in the marketplace in relation to consumers.

Twelve (12) new complaints were recorded by the Commission during the year while four (4) complaints which were not concluded in the 2012-2013 period were investigated. These complaints were mainly in the area of misleading and deceptive conduct and false representation.

Consumer Protection (continued)

Figure 2.4 – Consumer Protection Complaints – Sections of the Act Breached



Relationship with Businesses

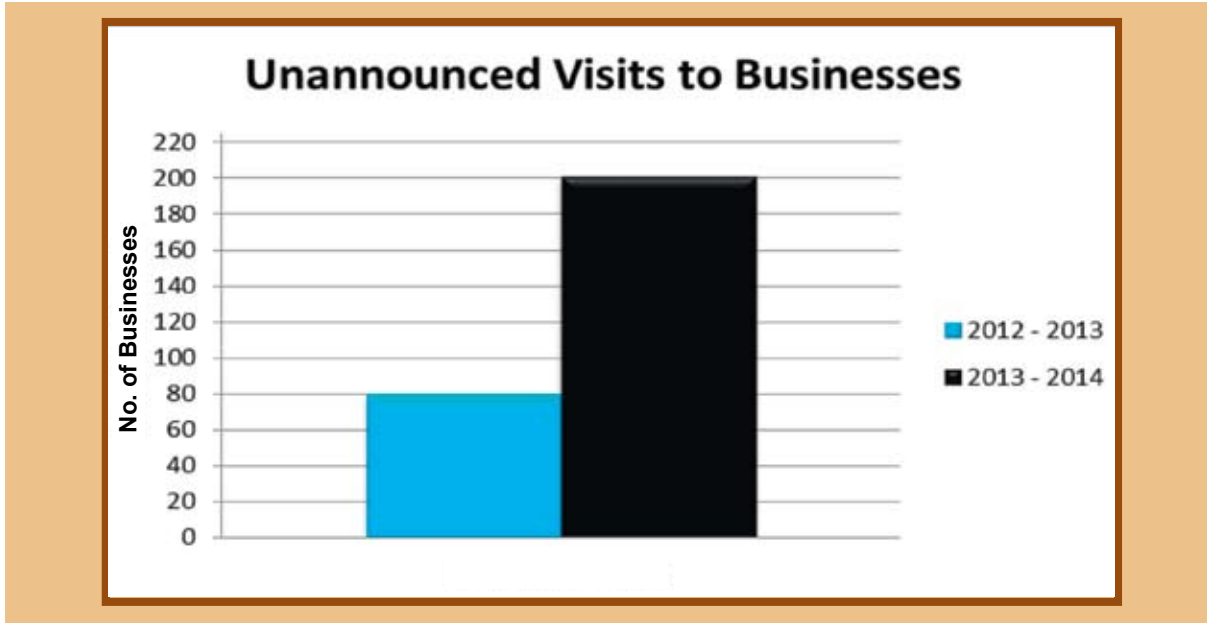
Unfair Trading Practices

During the period under review, two hundred and one (201) unannounced visits were conducted in Bridgetown at stores on Tudor Street, James Street, Swan Street, Roebuck Street, Lower Broad Street, Cavan's Lane, St Michael's Row, Bridge Street, Pier Head, Gateway Mall and at Quayside Centre and Speightstown.

Twelve (12) stores visited were found to be in breach of the Act, by displaying prohibited signs. The businesses were required to remove the offending signs and they complied.

Consumer Protection (continued)

Figure 2.5 – Unannounced Visits to Businesses



Media Monitoring

Newspapers

The Commission staff conducted daily review of advertisements in print and electronic media. Thirty-seven (37) advertisements which were not in compliance with the Act were identified. These businesses were contacted and staff discussed the reasons why they were not in compliance and the changes needed. The advertisements were amended.

Generally, the Commission believes that the upsurge in businesses breaching the Act through their advertising campaigns was due to changes in personnel who were not knowledgeable on the requirements of the Act. The Commission therefore met with these businesses to discuss the provisions of the Act.

Research

(a) Report on the Impact of Negative Options on Consumers in Barbados

In this period, the Commission commenced an investigation into the practice of Negative Option Marketing of goods/services. The purpose of the study is to determine whether or not this exists in Barbados and if it does, determine its impact on consumer welfare.

“Negative Option” (NO) is an arrangement where goods/services are sent to consumers and unless consumers either reject or cancel the offer, consumers’ silence is construed as acceptance and assenting to be charged for the goods/services. This method of selling goods/services is contrary to the established principles in Contract Law of “Offer” and “Acceptance” and can adversely affect consumer welfare. There can be no contract if there is no acceptance.

Consumer Protection (continued)

The study will also determine if the Consumer Protection Act is adequate to address the matter. Based on the findings of this investigation it will be determined how the Commission will deal with this matter in order to ensure that consumers are protected. While this investigation is ongoing, staff have to date identified that the Negative Option is present in some telecommunications agreements.

(b) Construction Report

Staff also commenced a research study into the construction sector. The main objective is to gain a greater understanding of the construction sector in Barbados in order to identify the major issues that affect or can affect consumer welfare and whether there are any breaches of the Consumer Protection Act. By the end of the reporting period the report was nearing completion.

CARICOM Competition Commission

The Consumer Protection Division of the Commission continued to participate in the CCC's regional teleconferences on matters that are relevant to consumer protection.

Belize Bureau of Standards

Mr. Rodolfo Gutierrez, Consumer Protection Liaison Officer from the Belize Bureau of Standards visited to the Commission during the period January 13-17, 2014.

Mr. Gutierrez was visiting in order to study first-hand the operations of a consumer protection organisation since it is planned to establish a consumer protection agency in Belize.

International Consumer Protection Network (ICPEN)

The Commission is a member of the International Consumer Protection and Enforcement Network (ICPEN). This body shares information about cross-border commercial activities that may adversely impact consumers.

The Commission continued to take part in ICPEN's projects and its teleconferences which discussed trends and issues which are affecting consumer welfare.

Utility Regulation

The Fair Trading Commission regulates 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).

As the regulator, the Commission seeks to ensure that high quality, efficient and reliable service is provided to the Barbadian public by the regulated service providers at reasonable prices.

As defined in the Utilities Regulation Act, the responsibilities of the Utility Regulation Division include establishing and reviewing the principles for setting rates, determining the applicable standards of service and carrying out periodic review of rates. The Commission also promotes the development of a competitive telecommunications market. Certain provisions of the Telecommunications Act, such as interconnection fall, under the authority of the Commission.

Both the electricity and the telecommunications sectors are undergoing reform. The Commission has been actively involved in the review of the Information and Communications Bill and the Electric Light and Power Act which was passed in Parliament in December 2013.

Electricity

Renewable Energy Rider

The Commission issued its decision on the Renewable Energy Rider (RER) on August 8, 2014. This followed public consultation after a two year period, during which the BL&P undertook a pilot programme to gather data on the financial, technical and operational impact of the RER programme.

The terms of the RER provided for compensation in the form of a credit to customers with solar or wind renewable energy systems who feed their excess electricity to the BL&P's grid.

In the decision the Commission determined that:

- The value of the RER credit will be 1.6 times the fuel clause adjustment (FCA). In doing so the Commission accepted that such a credit was representative of the avoided fuel cost when consideration was given to, among other things, the type, quantity and cost of the fuel utilised at that time to generate electricity, the cost at peak load and the RE generating capacity limit.
- The individual customer's capacity limit should be 1.5 times the customer's current usage up to a maximum capacity of 150 KW.
- The capacity limit for distributed intermittent RE generation should be 7MW.
- The billing arrangement shall be based on the sale of excess electricity to the grid and that the Alternate Meter Connection 1 should be implemented for all new installations.

Subsequent to this Decision a Motion for Review of the Decision was filed by the BL&P on December 3, 2013. This was accompanied by a request for a Stay of the Decision. The Commission granted

Utility Regulation (continued)

a Stay of the Decision on January 29, 2014. The Motion for review is specifically in regards to the Commission's determination on the billing and metering arrangements. The Commission is currently reviewing the Decision and, in keeping with good regulatory practice, solicited the input of interested parties who were involved in the RER Decision proceedings.

At the end of March 2014, a total of four hundred and twenty-four (424) customers had subscribed to the RER programme. The installed capacity of all customers on the RER programme is just over half of the 7MW capacity limit that was determined in the August 2013 RER Decision.

Fuel Clause Adjustment (FCA)

The Commission commenced a review of the principles used by the BL&P to calculate the fuel clause adjustment (FCA). The FCA is a charge that is passed directly to electricity consumers and is representative of the fuel cost incurred in generating the electricity consumed by end-users.

The Commission determined, in its decision of October 11, 2013, that the FCA should be calculated using historic data i.e. by using the fuel cost that was incurred in the preceding month and dividing this figure by the energy generated in the previous month (adjusted for the estimated system losses incurred and the auxiliary consumption). Auxiliary consumption is the amount of energy consumed by equipment, such as feed pumps and air fans of generating units, expressed as a percentage of gross energy generated. Net energy generated is the energy produced by the power plant less the auxiliary consumption.

It was determined that the formula for calculating the FCA should be:-

$$FCA_n = \frac{FuelCost_{n-1}}{EnergyGeneration_{n-1} \cdot (1 - Aux_{n-1}) \cdot (1 - losses)} \left[\frac{BDS}{kWh} \right]$$

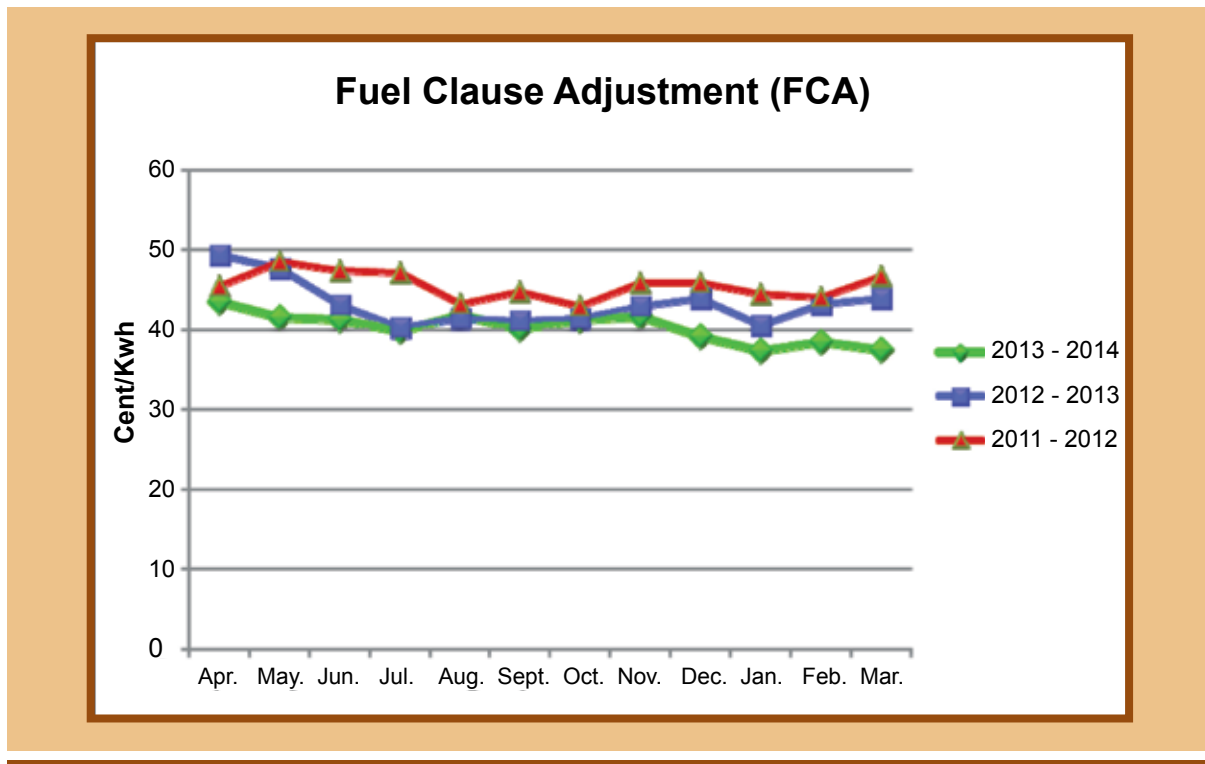
'Fuel cost_{n-1}' will include adjustments for any cumulative over/under recovery from the previous months.

The Commission further determined that the BL&P should be permitted to continue to use its discretion to smooth the FCA when warranted as this practice reduces the impact on customers of significant fluctuations in the FCA from one month to the next. Additionally, the Commission required the BL&P to advise whether and to what extent the FCA was smoothed.

During the period April 2013 to March 2014 the FCA averaged 40.2501¢/kWh. The FCA peaked at 43.4315¢/kWh in April 2013 and fell to its lowest in January 2014 at 37.2305¢/kWh. This represents an average decline of 6.87% relative to the previous 2012 to 2013 reporting period.

Utility Regulation (continued)

Figure 3.1 - Fuel Clause Adjustment, 2013-2014



Integrated Resource Plan

The BL&P submitted the final revised Integrated Resource Plan (IRP) on February 28, 2014 after two rounds of revisions. This plan identifies the company's proposed expansion plans over a 25 year horizon. The IRP considers both supply and demand side issues such as appropriate generating technology and methods of modifying consumer demand. It must be noted that this plan will need to be updated overtime based on changes in market conditions and policy. The proposed expansion plans for meeting future energy demand in a cost effective manner were arrived at by the BL&P after broad consultation with stakeholders.

The Commission is satisfied with the approach and the assumptions which have been made by the BL&P in preparing the IRP.

Pilot Programmes

Time-of-Use and Interruptible Service Rider

In response to a request from the BL&P, the Commission granted the company an extension of time for both the Time-of-Use (TOU) and Interruptible Service Rider (ISR) pilot programmes to the year 2015 or until the next rate application, whichever comes first. This extension was approved in view of the small number of persons currently signed onto these pilot programmes. Participation in the ISR and the TOU Tariff programme did not increase over the previous year and remained at six (6) and nine (9) customers respectively.

Utility Regulation (continued)

Telecommunications

Long Run Incremental Cost (LRIC)

The Commission's review of C&W's draft Long Run Incremental Cost (LRIC) models for its fixed and mobile networks was the main focus of work in this sector. During the period under review C&W submitted revised specifications for the LRIC modelling process and, following approval of these specifications in May 2013, the company commenced building of the fixed and mobile LRIC models. The Commission's review pointed to necessary changes to input data, calculations and methodology and these were communicated to C&W. Revised models were submitted and these issues were remedied.

In addition, stakeholder consultations were convened and these were followed by the submission of their written responses. This review is on-going.

Interconnection Dispute

On January 17, 2013 the Commission was advised by C&W of a dispute pertaining to an Interconnection Agreement with Digicel. The dispute was referred to the Commission for resolution in accordance with the Commission's Interconnection Dispute Resolution Procedures Decision dated June 30, 2003.

The Commission completed its review and analysis of the Dispute, and issued its decision on June 14, 2014. In consideration of the confidential nature of the matters discussed, the Decision was issued only to C&W and Digicel.

Price Cap Plan

Enhance Allocation Model (EAM)

The Commission reviewed C&W's Enhanced Allocation Model (EAM) and the associated documentation and separated accounts which were submitted on September 16, 2013. The submission reflected the Commission's recommended improvements stemming from its 2012 review of the EAM. These improvements related to the format, structure and content of the documentation.

Standards of Service Review

The Utilities Regulation Act, CAP. 282 (URA), provides for the Commission to determine standards of service for regulated utility companies. In discharging this responsibility the Commission issued consultation papers on the Review of the Standards of Service for the BL&P and C&W on October 25, 2013. The six (6) week public consultation ended on December 6, 2013. New Standards of Service decisions will be issued in the second quarter of 2014.

The purpose of Standards of Service for electricity and telephone services is to ensure that a minimum quality of service is maintained, provide incentives for improvement, create conditions for customer satisfaction, monitor service quality and generally protect the interest of consumers.

C&W Standards of Service

There were four (4) Guaranteed Standards which recorded no breaches - these were Approval of Application for Service GTS1A, Installation of Service on Approval GTS1B and Reconnection after Disconnection GTS6. The performance of the Fault Repair Standard GTS2 continues to be a concern. The figures however reflect challenges as a result of the unseasonal rainfall, cable damage and road repairs.

Utility Regulation (continued)

It is expected that the company's installation of fibre will reduce the incidence of cable faults as well as improve overall delivery of its services to customers.

Table 1.1 - C&W Guaranteed Standards of Service (Selected)

GUARANTEED STANDARD	TARGET	NO. OF TIMES TARGET NOT MET	AVERAGE % COMPLIANCE April 2013 - March 2014
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	0	100
GTS2 Fault Repair Wet Season (June 1- November 30) Dry Season (December. 1- May 31)	Residential - 40 working hours	10,483	65.91
	Residential - 12 working hours	6,260	59.61
GTS6 Reconnection after Disconnection	Business - No more than 8 working hours	0	100
	Residential - No more than 8 working hours	0	100

Table 1.2 - C&W Overall Standards of Service (Selected)

OVERALL STANDARDS	TARGET	AVERAGE % COMPLIANCE April 2013 - March 2014
OTS2 Repeated Loss of Service	95% of faults should not reoccur within 30 days of repair of first failure	80.70
OTS3 Working Payphones	At least 95% of public payphones in working order daily	92.74
OTS4 Trunk Blocking	At least 95% of the calls should be completed during peak traffic	99.86
OTS5 Billing Accuracy	No more than 0.5% of the total bills issued	99.87

Utility Regulation (continued)

C&W's performance in the Overall Standards remains relatively high with C&W exceeding the 80% acceptable performance minimum in the Repeated Loss of Service OTS2, Working Payphones OTS3, and Trunk Blocking OTS4 and Billing accuracy OTS5.

BL&P Standards of Service

For 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), and 'Provide Cost Estimate for Complex Connection Requiring a Service Visit' (GES5) all recorded perfect compliance.

The other guaranteed standards achieved performance of over 90% with the lowest being GES4 – 'Provide a Simple Service Connection (connection point within 30 meters)', where the company performed at a 94.4% compliance level.

Table 1.3 - BL&P Guaranteed Standards of Service (Selected)

GUARANTEED STANDARD	TARGET	NO. OF TIMES TARGET NOT MET	AVERAGE % COMPLIANCE April 2013 - March 2014
GES1 Restore Supply after Fault on Customer's Service (single customer affected)	Within 12 hours	0	100%
GES2 Restore Supply after fault on the distribution service (multiple customers)	Within 12 hours	0	100%
GES4 Provide a Simple Service connection (connection point within 30m)	Within 12 workinghours	37	94.4%
GES5 Provide Cost estimates for complex connection requiring a service visit	Within 3 months	0	100%

With regard to the Overall Standards the company exceeded the target for OES2 – 'Response to complaints high/low voltage' and met that for OES3 – 'Prior notice of outage'. It failed to achieve the established targets for OES1 – 'Frequency of Meter Reading' for both the Domestic/General service customers and the Secondary voltage power/Large power customers, and OES5 – 'Answering of billing and trouble calls'.

Utility Regulation (continued)

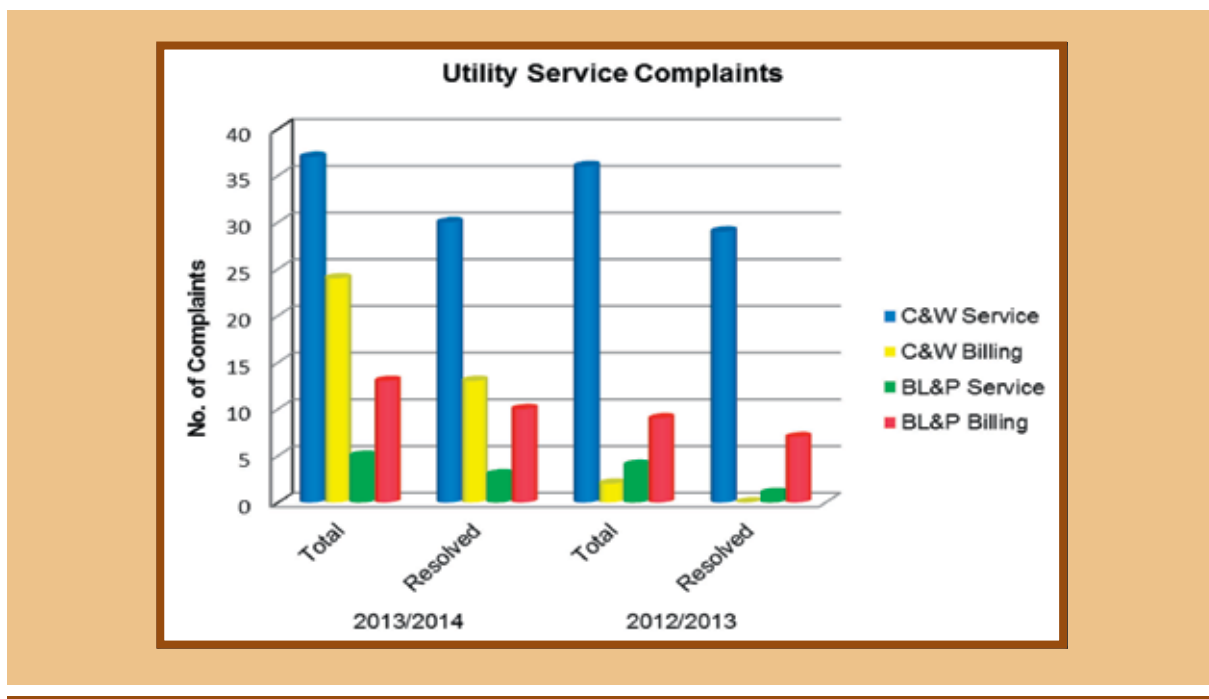
Table 1.4 - BL&P Overall Standards of Service (Selected)

OVERALL STANDARD	TARGET	AVERAGE % COMPLIANCE April 2013 - March 2014
OES1 Frequency of Meter Reading	100% of domestic/general service customers' meters to be read every 2 months	96.6%
OES2 Response to complaint of high/low voltage	95% of complaints to be responded to in 5 working days	99.9%
OES3 Prior Notice of Outage	Where a planned outage is expected to exceed 3 hours, all affected customers to be notified 48 hours in advance	100%
OES5 Answering of Billing and Trouble Calls	85% of calls answered by a representative within 1 minute	80.9%

Utility Complaints

There were 61 (sixty-one) C&W and 18 (eighteen) BL&P consumer complaints for the period April 01, 2013 to March 31, 2014 compared with 38 (thirty-eight) C&W and 13 (thirteen) BL&P consumer complaints in the previous year. Seventy-one percent of the complaints were resolved.

Figure 3.2 – Utility Service Complaints 2013-2014



Utility Regulation (continued)

Queries

The Commission also responded to and gave advice on two hundred and seventy-one (271) queries related to telecommunications services and fifty-nine (59) queries related to electricity services.

Public Education and Awareness

10th Annual Lecture

On Friday, March 14, the Commission hosted its 10th Annual Lecture entitled, “*What is a Fair Trade?*”. This year’s speaker was Dr. DeLisle Worrell, Governor of the Central Bank of Barbados who delivered a very informative presentation to approximately two hundred (200) participants. Dr. Worrell presented on “the ways in which economists, accountants, lawyers and business people try to arrive at a fair price of things, a price that is somehow the “correct price”.

Meeting with the Public

The Commission’s staff interacted with the public at the Da Costa’s Mall on Friday November 15, 2013. This effort was used to inform persons about the Commission’s consultation papers on the Standards of Service for both C&W and the BL&P. Staff also informed members of the public about their rights and responsibilities under the Consumer Protection Act.

Renewable Energy Rider - Forum

On Friday, May 10th, 2013 the Fair Trading Commission held a forum where respondents to the Commission’s “Public Consultation on the Barbados Light and Power Renewable Energy Rider” were given the opportunity to present their views to the Commission’s Electricity Panel. The meeting was held at the Lloyd Erskine Sandiford Centre.

Published Articles

The Commission continued to publish columns as follows:

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

Public Education and Awareness (continued)



Chairman of the Fair Trading Commission Sir Neville Nicholls as he greeted featured speaker Dr. DeLisle Worrell, Governor of the Central Bank of Barbados in the presence of the Honourable Donville Inniss, Minister of Industry, International Business, Commerce and Small Business Development at the 10th Annual Lecture



Students of the Lester Vaughan School with Chairman of the Fair Trading Commission Sir Neville Nicholls, Governor of the Central Bank Dr. DeLisle Worrell, and CEO Peggy Griffith at the Annual Lecture

Public Education and Awareness (continued)



A section of the audience at the 10th Annual Lecture



A section of the participants to the consultation on the Renewable Energy Rider

Public Education and Awareness (continued)



Mr. Ian Nielsen-Jones former Deputy Commissioner of the Competition Bureau Canada presenting a certificate of completion to one of the Competition Law and Policy Workshop participants

Organisational Development

Training and Development

As part of the attainment of its goal of creating opportunities for growth and development for members of staff, the Commission continued to capitalise on relevant training initiatives. The purpose of participation in these activities is to contribute to the professional development of members of staff and ultimately to the effectiveness of the Commission in its role as a regulatory body.

The utilisation of renewable energy as an alternative to fossil fuel continues to be one of the areas of focus in the energy sector internationally as well as locally. In this area, the Commission was fortunate to be able to participate in the Caribbean Electric Utility Services Corporation (CARILEC) sponsored Renewable Energy Forum, as well as a Renewable Energy Awareness Seminar hosted by the Barbados Light & Power Co. Ltd.

Members of staff were also able to participate in workshops, seminars and conferences hosted by such entities as the International Consumer Protection and Enforcement Network (ICPEN), the International Competition Network (ICN), Stitt Feld Handy of Canada, the Institute of Chartered Accountants of Barbados (ICAB), the Human Resource Management Association of Barbados (HRMAB), the Training Administration Division and the Barbados Association of Office Professionals (BAOP).

Conferences

International Competition Network (ICN)

The CEO and Director of Fair Competition attended the Annual Conference of the International Competition Network (ICN) from April 23-26, 2013 in Warsaw, Poland. This Conference focussed on areas such as advocacy, agency effectiveness, cartels, mergers and unilateral conduct. The CEO was a panel member of the Human Resources break out session.

International Consumer Protection and Enforcement Network (ICPEN)

The Director of Consumer Protection participated in the Annual Conference of the International Consumer Protection and Enforcement Network (ICPEN) which was held from April 16-19, 2013 in Antwerp, Belgium. The Conference focussed on enforcement and also looked at online issues such as mobile payments and behavioural pricing.

Global Symposium for Regulators (GSR)

The Director of Utility Regulation attended the Global Symposium for Regulators (GSR) which was held in Warsaw, Poland from July 2nd - 5th, 2013. Over one hundred and twenty (120) regulatory agencies were represented. A major focus was the need to balance and protect consumers with the objective of stimulating investment and the growth in new services.

Pacific and Caribbean Conference on Effective and Sustainable Regulation of Power and Water Services

The Pacific and Caribbean Conference on Effective and Sustainable Regulation of Power and Water Services which was held in Fiji from March 25th to March 27th, 2014 provided the opportunity for staff and other regulators from the Caribbean region to share their experiences with those from the Pacific region. The Commission's participation was sponsored by the Asian Development Bank.

Organisational Development (continued)

Organisation of Caribbean Utility Regulators (OOCUR)

Staff participated with fellow regulators from the region in the 11th Annual OOCUR Conference which was held at the Radisson Fort George Hotel in Belize City, November 6-8, 2013. Topics covered related to water, energy and telecommunications.

Looking to the Future

The Commission will continue to keep abreast of new developments, emerging ideas and best practices relating to areas covered by its mandate and will participate in the work being undertaken by the various international networks that promote competition, consumer protection and utility regulation. The Commission will continue to participate as a member of the Steering Group of the International Competition Network (ICN) and in several of the meetings of the working groups which are conducted by teleconference. It will also continue to participate in the Organisation of Caribbean Utility Regulators' (OOCUR) activities and in the working groups of the International Consumer Protection and Enforcement Network.

The Electric Light and Power Act (ELPA) was passed in Parliament in January 2014. It is expected that this Act will be proclaimed during the coming year. The Commission will then set about administering the provisions of the Act for which it will be responsible. Some of these responsibilities will be to approve interconnection agreements, interconnection fees and renewable energy power purchase rates. The Commission will also be expected to approve the Grid Code in collaboration with the Chief Electrical Officer. Further the Commission will continue to undertake activities related to the regulation of both the Barbados Light and Power Company Limited and Cable and Wireless (Barbados) Limited.

The Commission plans to seek out opportunities and develop new initiatives to further develop a culture of competition and generally to identify and embrace new and innovative ways to educate stakeholders about the provisions of its legislation. It will also continue its programme of visits to schools and businesses and disseminate articles in the print and electronic media to promote areas relevant to its work.

The Commission looks forward to pursuing credible leads that raise competition issues and to rigorously investigating allegations of anticompetitive behavior and breaches of the Consumer Protection Act. Enforcement will be a critical determinant of the success of its work.

Financial Statements

**Fair Trading Commission
For the year ended March 2014
(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 2014 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 2014 and its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Barbados

10 July 2014



FAIR TRADING COMMISSION

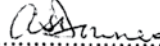
Statement of Financial Position
As of 31 March 2014

	Notes	2014 \$	2013 \$
Assets			
Current assets			
Cash	4	932,371	753,554
Time deposits	4	112,584	109,845
Accounts receivable	5	1,213,526	1,057,418
Prepayments		94,262	94,528
		<u>2,352,743</u>	<u>2,015,345</u>
Accounts receivable	5	30,000	50,000
Property, equipment and software	6	385,635	496,023
		<u>2,768,378</u>	<u>2,561,368</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		177,482	79,019
Advance deposit	7	5,000	20,000
		<u>182,482</u>	<u>99,019</u>
Deferred income	8	57,804	86,235
		<u>240,286</u>	<u>185,254</u>
Net assets		<u>2,528,092</u>	<u>2,376,114</u>
Represented by:			
Government advances and levies		1,203,526	1,037,418
Government grants		953,248	980,544
Accumulated surplus		371,318	358,152
		<u>2,528,092</u>	<u>2,376,114</u>

The accompanying notes form part of the financial statements.

Approved by the Commission on July 10, 2014 and signed on its behalf by:


.....Chairman


.....Commissioner

FAIR TRADING COMMISSION

Statement of Comprehensive Income
Year ended 31 March 2014

	Notes	2014 \$	2013 \$
Income			
Government grants		2,733,204	2,963,278
Levies		1,208,526	1,037,418
Merger fees		10,500	-
Other income		13,166	14,242
		<u>3,965,396</u>	<u>4,014,938</u>
Expenses			
Personal emoluments	9(a)	2,124,585	2,177,897
Rental of property		464,125	450,025
Other operating expenses	9(b)	288,626	269,872
Professional services	9(c)	273,237	257,356
Utilities		130,118	154,360
National Insurance contributions	9(a)	129,073	131,613
Pensions and gratuities	9(a)	123,009	142,884
Depreciation	6	125,928	120,055
Maintenance of property		49,493	54,403
Other personal emoluments	9(a)	48,962	50,043
Supplies and materials		51,414	49,919
Travel		45,345	40,780
Group medical		38,418	40,469
Rental of equipment		27,713	27,713
Library books and publications		14,434	17,059
Subscriptions and contributions		15,476	14,059
Bank charges		2,274	2,189
		<u>3,952,230</u>	<u>4,000,696</u>
Surplus		<u>13,166</u>	<u>14,242</u>

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Statement of Changes in Equity
Year ended 31 March 2014

	Government advances	Government grants	Accumulated surplus	Total
	\$	\$	\$	\$
Balance at 31 March 2012	1,158,760	761,751	343,910	2,264,421
Government contributions	1,037,418	3,282,789	-	4,320,207
Government grants and levies utilized	(993,760)	(3,063,996)	-	(4,057,756)
Repayments to Government	(165,000)	-	-	(165,000)
Surplus for the year	-	-	14,242	14,242
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

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Statement of Cash Flows
Year ended 31 March 2014

	2014 \$	2013 \$
Cash flows from operating activities		
Personal emoluments	(2,129,616)	(2,173,211)
Rental of property	(465,300)	(451,200)
Other operating expenses	(303,200)	(266,618)
Professional services	(145,321)	(259,167)
Utilities	(131,655)	(152,542)
Pensions and gratuities	(123,009)	(165,131)
National Insurance contributions	(129,071)	(131,615)
Maintenance of property	(47,835)	(55,277)
Supplies and materials	(53,961)	(50,721)
Other personal emoluments	(48,962)	(50,043)
Group medical	(38,418)	(40,469)
Travel	(45,345)	(40,780)
Subscriptions and contributions	(15,466)	(15,694)
Rental of equipment	(27,713)	(27,560)
Library books and publications	(16,884)	(16,704)
Bank charges	(2,274)	(2,189)
Net cash used in operating activities	(3,724,030)	(3,898,921)
Cash flows from investing activities		
Car loans repaid by staff	20,000	17,500
Car loans disbursed to staff	-	(50,000)
Increase in time deposits	2,739	2,673
Interest received	10,427	11,568
Purchases of equipment	(19,675)	(43,709)
Net cash from (used in) investing activities	13,491	(61,968)
Cash flows from financing activities		
Advances from Government	3,020,188	3,282,789
Levies paid in by utility service providers	1,037,418	1,158,760
Repayment of Government advances	(143,750)	(165,000)
Decrease in litigation reserve	(35,000)	(49,287)
Merger fees	10,500	-
Advance deposits	-	20,000
Net cash from financing activities	3,889,356	4,247,262
Increase in cash for the year	178,817	286,373
Cash – beginning of year	753,554	467,181
Cash – end of year	932,371	753,554

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2014

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

- IAS 1, Presentation of Items of Other Comprehensive Income
- IAS 19, Employee Benefits Amendment
- IAS 36, Impairment of Assets
- IFRS 7, Financial Instruments: Disclosures (Amendments) Offsetting Financial Assets and Financial Liabilities
- IFRS 10, 'Consolidated Financial Statements',
- IFRS 11, 'Joint Arrangements',
- IFRS 12, 'Disclosure of Interests in Other Entities'
- IFRS 13, 'Fair Value Measurement'

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2014

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 2013 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:-

- 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'
- IFRS 9, 'Financial instruments'
- IFRS 10, IFRS 12 and IAS 27 Investment Entities
- IFRIC 21, 'Levies'

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 2014

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.

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 2014

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 0.75% (2013 - 1.25%) per annum.

Time deposits bear interest at the rate of 1.70% per annum (2013 - 2.85%). The deposits are due to mature on 15 November 2014 and 14 February 2015 respectively.

5. Accounts receivable

Current:

	2014	2013
	\$	\$
Utility service providers	1,193,526	1,037,418
Car loans receivable	20,000	20,000
	<u>1,213,526</u>	<u>1,057,418</u>

Non-current:

	2014	2013
	\$	\$
Car loans receivable	30,000	50,000

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 2014.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2014

6. Property, equipment and software

	Leasehold improvements \$	Computer and office equipment \$	Fixtures \$	Vehicles \$	Total \$
Cost					
Balance – 1 April 2012	819,570	238,614	193,855	72,250	1,324,289
Additions	-	48,217	-	-	48,217
Disposals	-	(8,279)	(1,900)	-	(10,179)
Balance – 31 March 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
Accumulated depreciation					
Balance – 1 April 2012	327,828	222,748	190,195	15,657	756,428
Charge for the year	81,957	21,835	1,813	14,450	120,055
Disposals	-	(8,279)	(1,900)	-	(10,179)
Balance – 31 March 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
Net book value					
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
31 March 2012	491,742	15,866	3,660	56,593	567,861

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2014

7. Advance deposit

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

8. Deferred income

	2014	2013
	\$	\$
Deferred income – beginning of year	86,235	76,116
Add: Grants for assets purchased during the year	15,540	48,217
Less: Amortization of deferred income for the year	(43,971)	(38,098)
Deferred income – end of year	57,804	86,235

9. Operating expenses

a] Employment costs

	2014	2013
	\$	\$
Personal emoluments	2,124,585	2,177,897
National Insurance contributions	129,073	131,613
Other personal emoluments	48,962	50,043
	2,302,620	2,359,553

Pensions for retired employees and gratuities to contracted employees amounted to \$123,009 (2013 - \$142,884).

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2014

9. Operating expenses (cont'd)

b] Other operating expenses

	2014	2013
	\$	\$
Overseas training and conferences	44,756	64,137
Local training	22,985	22,131
Hosted seminars	50,999	64,935
Refreshments and hospitality	16,977	16,444
Commissioners' fees	104,900	59,600
Public relations	21,479	18,507
FTC publications	22,331	20,184
Postage and courier services	4,199	3,934
	<u>288,626</u>	<u>269,872</u>

c] Professional services

	2014	2013
	\$	\$
Regulatory consultancies	246,949	232,555
Other consultancy services	1,416	429
Audit fees	23,941	23,441
Legal fees	931	931
	<u>273,237</u>	<u>257,356</u>

10. Lease commitments

The Commission occupies premises under an operating lease which expires in 2014 with an option to renew. Future lease payments under this lease are as follows:

	2014	2013
	\$	\$
Property rental:		
Due within 1 year	478,225	464,125
Between 2 and 5 years	998,750	38,775
	<u>1,476,975</u>	<u>502,900</u>

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2014

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 liability

At 31 March 2014 there was a legal proceeding against the Commission. No provision has been made for this in the financial statements as it is currently not practicable to determine the outcome and impact with any certainty.

Appendices

Statistical Tables

APPENDIX I

Appendix 1.1 - Fuel Clause Adjustment

Month	April 2013 to March 2014	April 2012 to March 2013	April 2011 to March 2012	April 2010 to March 2011
April	43.4315	49.3526	45.387	32.4633
May	41.5305	47.6181	48.4401	33.6871
June	41.2246	43.0266	47.3105	32.2438
July	39.8415	40.2808	47.1443	30.7056
August	41.7291	41.3764	43.1732	29.1349
September	40.1498	41.0961	41.0961	30.9430
October	41.1980	41.351	42.9438	31.9795
November	41.6705	42.9585	45.8392	33.6020
December	39.0698	43.9224	45.8823	33.7912
January	37.2305	40.5668	33.7912	33.6561
February	38.4601	43.1478	43.9711	35.7891
March	37.4655	43.9379	46.7002	39.4738

Appendix 1.2 - Utility Service Complaints

Complaints	2013/2014		2012/2013	
	Total	Resolved	Total	Resolved
C&W Service	37	30	36	29
C&W Billing	24	13	2	0
BL&P Service	5	3	4	1
BL&P Billing	13	10	9	7

Statistical Tables

APPENDIX I

Appendix 1.3 - Fair Competition Investigations and Queries for the Financial Year April 2013 -March 2014

Type of Anti-Competitive Conduct	On-going	Closed	Total
Exclusive Dealing	0	1	1
Predatory Pricing	1	0	1
Excessive Pricing	1	0	1
Refusal to Supply	2	1	3
Price Squeezing	1	0	1
Other Anti-competitive Conduct	3	0	3
Merger	1	4	5
Total Domestic Investigations	9	6	15
General queries/requests for information handled			33

Statistical Tables

APPENDIX I

Appendix 1.4 - Consumer Queries, April 2013 - March 2014

	CALLS		WALK-INS		CONTACTS	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
April	150	155	24	26	174	181
May	144	164	29	16	173	180
June	136	167	21	16	157	183
July	162	164	18	14	180	178
August	137	155	23	19	160	174
September	134	156	16	23	150	179
October	196	139	23	16	219	155
November	144	181	20	16	164	197
December	168	184	15	21	183	205
January	199	211	33	30	232	241
February	159	141	23	24	182	165
March	174	170	28	29	202	199
TOTAL	1,903	1,987	273	250	2,176	2,237

Appendix 1.5 - Consumer Complaints- Sections of the Act Breached April 2013 - March 2014

Section of the Consumer Protection Act	No. of Breaches
Section 12 - Misleading & Deceptive Conduct	7
Section 13 - False Representation	4
Section 18 - Dual Pricing	2
Others	4

Consultation Papers, Reports, Decisions and Orders

APPENDIX II

Decisions

- Decision on the BL&P's Renewable Energy Rider (RER) was issued on August 9th, 2013.
- Decision on the BL&P's Fuel Clause Adjustment (FCA) was issued on October 11th, 2013.
- Decision on the BL&P's Application for a Stay of the Renewable Energy Rider (RER) Decision was issued on January 29th, 2014.

Consultations

- Consultation paper on Standards of Service for BL&P Company Limited was issued on October 23rd, 2013.
- Consultation paper on Standards of Service for Cable & Wireless (Barbados) Limited was issued on October 23rd, 2013.

Presentations at Lectures, Workshops and Seminars

APPENDIX III

Lecture

March 2014

Tenth Annual Lecture

"What is a Fair Trade?"

- Accra Beach Hotel & Spa

Presenter:

Dr. DeLisle Worrell,
Governor, Central Bank of Barbados

Conferences

March 25 – 27, 2014

Pacific and Caribbean Conference on
Effective and Sustainable Regulation of
Power and Water Services, Fiji
*"The Autonomous Multi-Sector Regulator
Model"*

Presenter:

Ms. Peggy Griffith,
Chief Executive Officer

Seminar

December 10 – 11, 2013

Competition Policy Seminar
Royal St. Lucian Hotel, Gros Islet, St. Lucia
*"Prohibited practices: Mergers and
Acquisitions"*

Presenter:

Mr. Antonio Thompson,
Director of Fair Competition

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
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, 2014

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
Utility Analyst	- Dr. Marsha Atherley-Ikechi, BSc, MSc, PhD
Telecommunications Analyst	- Mr. Edward Hunte, BSc, MBA, LLB
Financial Analyst	- Mrs. Susanna Cooper-Corbin, BSc, MBA, FCCA
Human Resources Officer	- Mrs. Arlene Bushell, BSc, MSc
Senior Legal Officer	- Mrs. Dava Leslie-Ward, LLB, MBA, Attorney-at-Law
Chief Economist	- Dr. Troy Waterman, BSc, MSc, PhD
Consumer Protection Officer	- Ms. Fiona Scantlebury, BSc, MBA
Consumer Protection Officer	- Ms. Nichole Mayers, BSc, MSc
Information Specialist	- Mrs. Petra Emmanuel, BA, MA
Systems Administrator	- Mr. Richard Farley
Documentalist	- Ms. Heather Waithe
Economist	- Mrs. Sherri Frederick, BSc, MSc
Research Officer	- Mr. Dario Alleyne, BSc
Executive Secretary	- Mrs. Denese Alleyne, CPS
Office Manager	- Ms. Heather Boxill, APS
Assistant Accountant	- Mrs. Sharon Grimes-Payne
Research/Administrative Assistant (Ag.)	- Ms. Cheryl Jones, ACS, BSc
Administrative Assistant	- Ms. Cheldine Holford
Administrative Assistant (Ag.)	- Ms. Saunta St. Hill
Administrative Assistant	- Ms. Samantha Hinds
Senior Clerk	- Mrs. Julia Regis, BSc
Help Bureau Officer	- Mrs. Wanda Crichlow-Trotman, BSc
Help Bureau Officer	- Ms. Sonia Spencer
Receptionist/Typist (Temp.)	- Ms. Krista DeJean
Office Attendant	- Mr. Corrie Thompson
Office Helper	- Mrs. Cecilia Alfay

AUDITORS

Ernst & Young

Contact Information

APPENDIX V

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 (<i>Consumer Complaints Line</i>)
Facsimile:	(246) 424-0300
E-mail:	info@ftc.gov.bb
Website:	www.ftc.gov.bb

Notes

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