



FAIR TRADING  
COMMISSION  
Annual Report **2019**





# 2019 ANNUAL REPORT

## FAIR TRADING COMMISSION







## Letter of Transmittal

Fair Trading Commission  
Good Hope  
Green Hill  
St. Michael

July 31, 2019

Dear Minister:

In accordance with Section 22 of the Fair Trading Commission Act, Chapter 326B of the Laws of Barbados (the Act), I have the honour to submit to you the Commission's Financial Statements for the year ended March 31, 2019, duly audited in accordance with Section 21 of the Act, together with the Operational Report for the same period.

Yours faithfully

Tammy Bryan  
Chairman

The Hon. Dwight G. Sutherland, MP  
Minister of Small Business, Entrepreneurship and Commerce  
8th Floor, Baobab Tower,  
Warrens, St. Michael





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## Message from the Chairman



Over the years, the Fair Trading Commission has observed the core values of integrity, transparency and professionalism in the execution of its duties and fulfillment of its mandate. These values were upheld during the financial year (April 2018 to March 2019) as the Commission's staff complement, though lean, maintained its robust approach to safeguarding the interests of consumers, ensuring efficient regulated utility services and promoting and encouraging fair competition.

In this period under review, the growing trend of acquisitions in the commercial sector continued. Two matters considered by the Fair Competition Division were the sale of 75 percent of the shares of Sol Investments Limited to Parkland Fuel Corporation; and the amalgamation of Harmony General Insurance Company Limited (Harmony) and Sagicor General Insurance Incorporated (SGI). In the case of the former, the Commission approved the transaction following its review of the matter. The Commission's investigation of the impact of SGI's acquisition of Harmony's policies is ongoing.

The Commission engaged stakeholders at its annual two-day Competition Law and Policy Workshop and 15th Annual Lecture. Dr. Philip Marsden, Deputy Chair of the Enforcement Decision Making Committee of the Bank of England, was the Lecture's featured speaker. He explored the theme Competition Authorities: Keeping Pace with Technology, Commerce and Consumers and highlighted salient issues of concern for regulatory authorities in this technological age.

The Consumer Protection Division continued to address unfair contract term issues. This included an investigation of consumers overcharged for liquid petroleum gas, and the issuance of a notice with guidelines for advertisements that feature part payments for goods and services. Engaging members of the public also remained a priority for the Division, with a number of outreach activities held across the island. The Commission's officers were available to respond to queries from members of the public and disseminated information about matters of consumer interest. The Utility Regulation Division considered Barbados Light & Power Company Limited's (BL&P) Motion to Review the Commission's Decision on the Application to Recover the Costs of the 5MW Energy Storage Device (ESD) through the Fuel Clause Adjustment (FCA). The Motion was submitted as a result of BL&P's concerns about Part III of the Decision, which addressed heat rates. Following its consideration of the company's submission and that of other relevant stakeholders, the Commission issued its Decision on the BL&P's Motion to Review, which included the removal of heat rate targets from peaking plant. The Commission also sought to engage consultants in the development and design of feed-in-tariffs for renewable energy (RE) systems. This endeavour is a significant element of the Barbados National Energy Policy and will contribute to achieving the target of 100 percent of energy generated by RE by 2030.



## Message from the Chairman (*continued*)

The Legal Department ably assisted with these and other matters which arose across the Commission's three Divisions by conducting reviews of all pertinent documents and advising on the appropriate legal action, when required. As such, the Department's guidance on legal and regulatory matters remains crucial to the work of the Commission. The Human Resources Department also played a critical role by providing appropriate internal learning fora and working with management to identify and meet the training needs of staff. The provision of such resources will continue to be essential as the Commission meets the needs of those whom it serves.

As this financial period ends and another begins, I wish to commend the Commissioners, staff and all those who contributed to the Commission's activities during this period and offer my sincere thanks for their continued dedication to the attainment of this year's envisioned goals and the work of the Commission.

Tammy Bryan  
Chairman

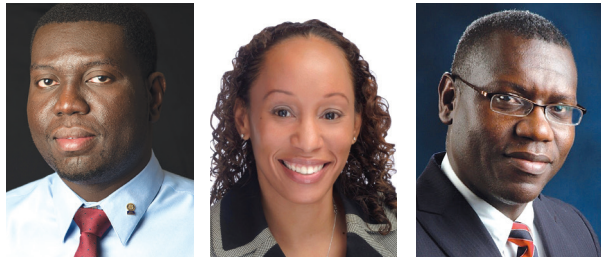


## Members of the Commission 2018 - 2019



**From left:** Ms. Sukeena Maynard; Ms. Jennivieve Maynard; Mr. Samuel Wallerson; CEO, Mrs. Sandra Sealy; Chairman, Mrs. Tammy Bryan; Dr. Donley Carrington; Mr. Jermaine Beckford; Mr. John Griffith; Dr. Brian Francis

**Inset left:** Mr. Morton Holder **Inset centre:** Ms. Ruan Martinez **Inset right:** Mr. Roger Barrow



The eleven (11) Commissioners of the Fair Trading Commission were appointed by the Minister of Small Business, Entrepreneurship and Commerce. 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.

The Commission convened nine (9) administrative meetings and eleven (11) panel meetings during the reporting period. Regulatory panels consisting of up to five (5) Commissioners heard and determined matters relating to utility regulation.



## 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;
- Fair Competition Act, CAP. 326C;
- Consumer Protection Act, CAP. 326D;
- Utilities Regulation Act, CAP. 282; and
- Certain provisions of the Telecommunications Act, CAP. 282B; Barbados Water Authority Act, CAP. 274A; and the Electric Light and Power Act, CAP. 278.

#### The Commission’s goals are to:

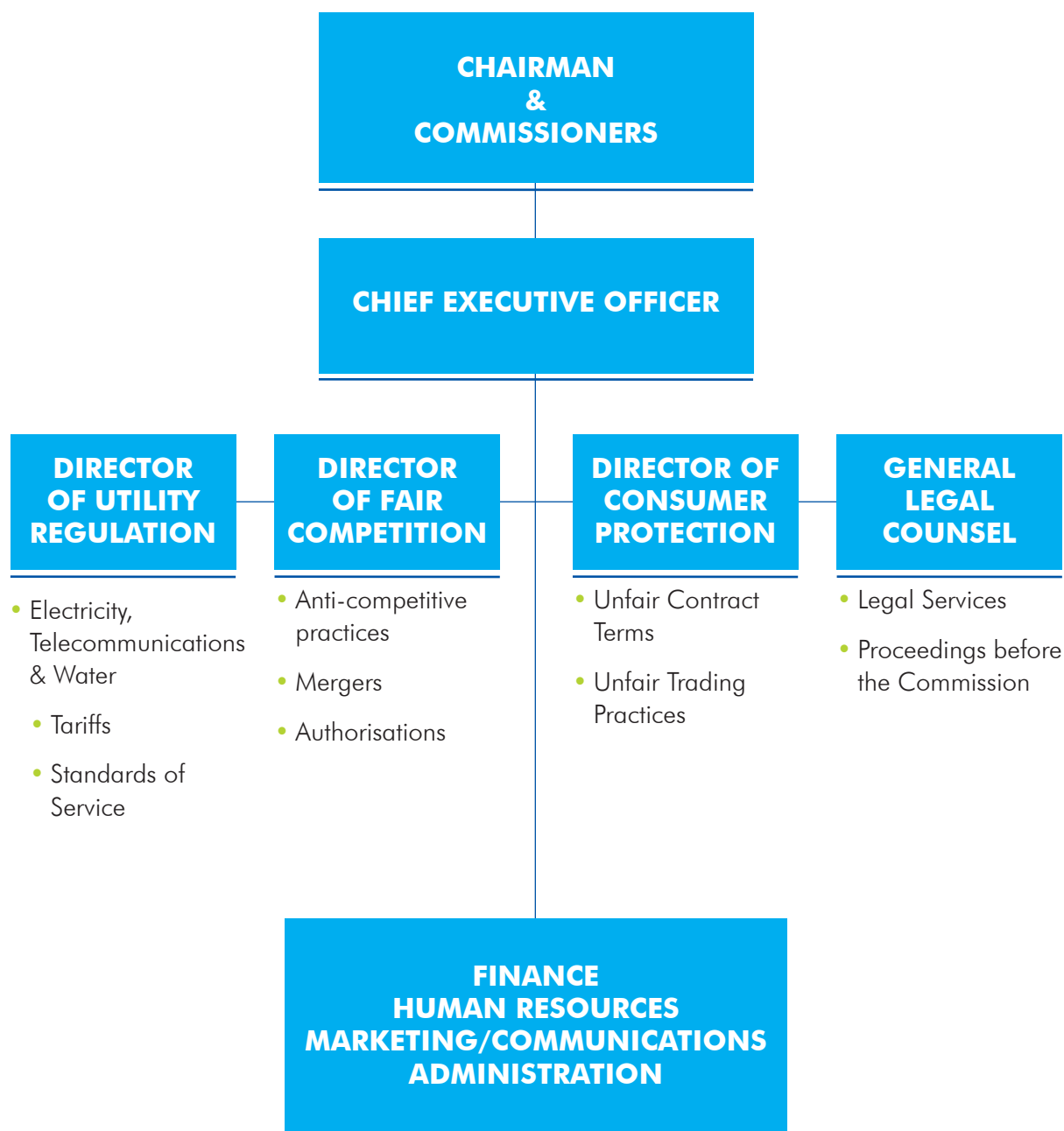
- Ensure the efficient and safe provision of regulated utility services at reasonable rates;
- Safeguard the interest of consumers;
- Promote and encourage fair competition; and
- Strengthen the human resource and operational capabilities of the Commission in order to effectively implement its legislative mandate.

### Organisational Structure

The Chief Executive Officer is responsible for the administration of the legislation under the purview of the Commission and for the supervision of its staff and work programme. Statutory provision is made for the appointment of Directors to carry out the Commission’s mandate. They are the Director of Utility Regulation, Director of Fair Competition and Director of Consumer Protection. The Legal Department, headed by the General Legal Counsel, provides legal advice on all aspects of the Commission’s work.



## Organisational Structure





# The Year in Review



## Consumer Protection

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

The Commission continued to execute its legal duty to safeguard consumers' rights by researching topical issues and conducting outreach initiatives across the island. The influence of new technology on the creation of goods, services and business processes and practices also came into focus, as this has the potential to negatively impact consumer welfare if issues are not promptly identified and addressed.

The Commission also investigated complaints which alleged that suppliers had contravened consumers' rights. Additionally, the Commission maintained its association with national, regional and international bodies in order to identify and eliminate issues which may disadvantage consumers in Barbados.

### **Educational Outreach Programme**

The Commission continued to sensitise consumers to the requirements of the CPA through its Educational Outreach Programme. Six (6) outreach sessions were conducted at popular shopping centres, where officers interacted with and responded to queries from consumers. The Staff also participated in a panel discussion held at the Ellerton Wesleyan Church. In addition, the Division filmed a series of Christmas-themed public service announcements for CBC TV Channel 8, highlighting critical consumer protection issues that may occur during that season. The information, which targeted both businesses and consumers, aired throughout December 2018. The issues highlighted were Complaining Effectively, No Exchange/No Refund, Free Offers, Unfair Contract Terms and Full Costs to be Stated.

### **Relationship with Consumers**

The Fair Trading Commission Act, CAP. 326B (FTCA) requires a consumer to first try to settle matters with the supplier. However, if the consumer has failed to resolve the matter amicably with the supplier, the consumer may seek the assistance of the Commission.

The Commission's education of consumers about their rights and responsibilities under the FTCA has enabled many individuals to resolve matters independently in the marketplace. This has led to a reduction of complaints lodged with the Commission in this reporting period.

### **Queries and Complaints**

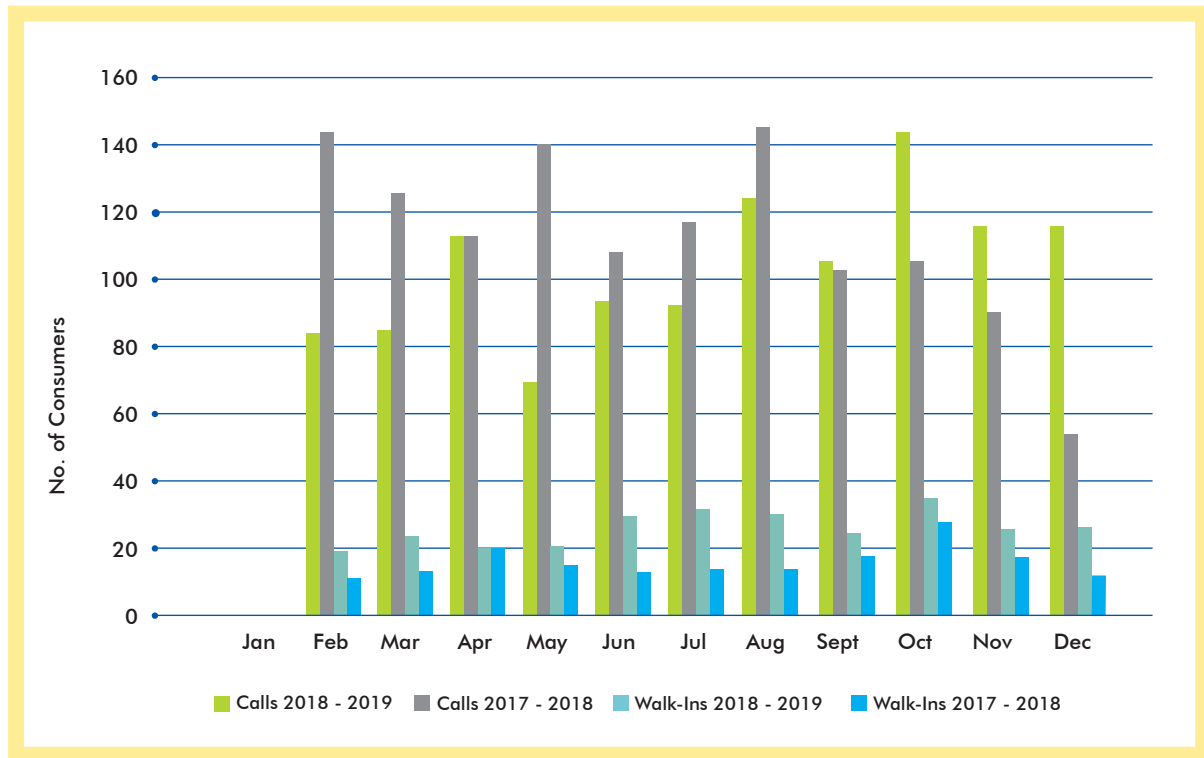
During the reporting period, the number of consumer queries reduced slightly, as one thousand, six hundred and twenty-six (1,626) persons contacted the Commission seeking advice on matters pertaining to the CPA. Of this number, one thousand, three hundred and eight (1,308) were telephone queries, while three hundred and eighteen (318) queries were from consumers visiting the Commission (see Appendix 1.4).





## Consumer Protection (continued)

Figure 1.1 – Consumer Queries



### Unannounced Store Visits

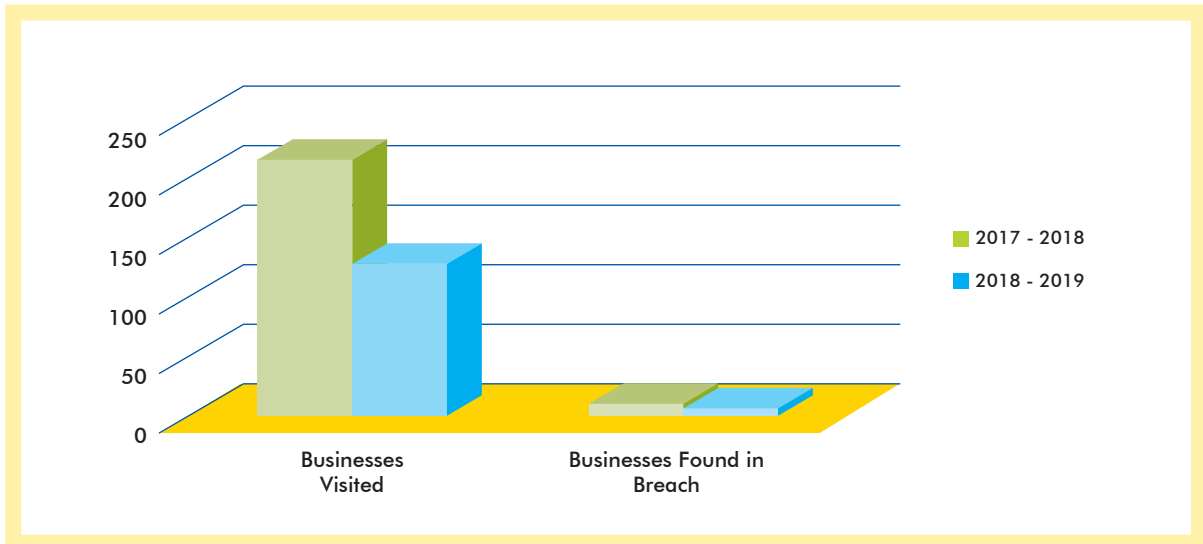
The CPA states that a business must not engage in conduct that misleads or deceives consumers in relation to goods and services.

In this assessment period, officers of the Commission visited one hundred and thirty-one (131) stores to verify compliance with the requirements of the CPA. Visits were made to popular shopping areas, including Bridgetown and malls in the parish of St. Michael.

Eight (8) of the stores visited were found to be in breach of the CPA due to the display of prohibited signs. The Commission required the offending signs to be removed and monitored these locations to confirm compliance with the CPA.

## Consumer Protection (continued)

Figure 1.2 – Unannounced Visits to Businesses

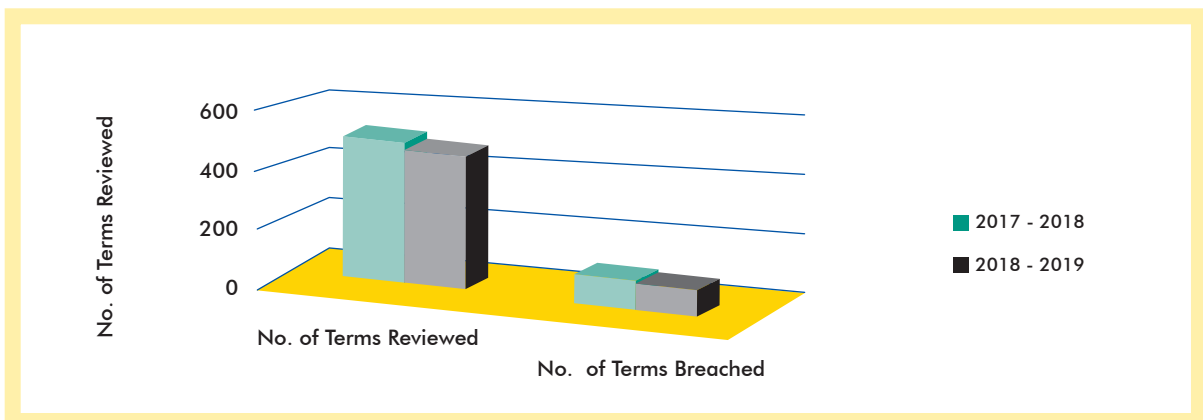


### Standard Form Contracts

Standard Form Contracts are commonly used in commercial transactions between suppliers and consumers. Such contracts do not allow the consumer to negotiate the terms therein. Therefore, these contracts are of concern if they create a significant imbalance between the rights of the consumer and the supplier, resulting in the consumer suffering financial loss.

During the reporting period, seven (7) contracts were examined for fairness based on the requirements of the CPA. The contracts contained four hundred and sixty-one (461) terms. Sixty-five (65) terms were found to be in breach of the CPA. The Commission required the businesses to either delete or amend the offending terms. The Commission is in dialogue with those businesses that are yet to comply to have the offending terms brought into compliance with the CPA.

Figure 1.3 – Contract Terms Reviewed





## Consumer Protection *(continued)*

### **Enforcement**

During the period under review, the Commission maintained its focus on the enforcement tools made available under the CPA, in order to fulfill its mandate and reduce occurrences of consumer inequity. As a result, enforcement action was taken when the Commission received complaints about a local retailer of liquefied petroleum gas. Consumers indicated that while they had made payment for goods prior to a price increase, they were subsequently charged the increased price. After reviewing the information submitted, the company was found to be in breach of Section 12 of the CPA. As a result, the company was required to adhere to a Compliance Plan and sign an Undertaking. This legally binding document serves as a guarantee from the company that it will operate in accordance with the CPA.

### **Breaches of Section 17 of CPA (Full Cost to be Stated)**

As a result of the challenges experienced by consumers in the retail and service sectors where businesses failed and/or neglected to comply with Section 17 of the CPA, the Commission issued a notice in newspapers and to members of the business community (including car dealerships, financial institutions and other retailers or suppliers of goods and services). This notice served as a reminder that, when the price advertised is only part of the total price of the goods or service, businesses must also specify all the information mandated by Section 17(b) of the CPA. This includes the total sum to be paid for the goods or services and the rate of interest to be charged.

### **Cooperating with International Agencies and Consumer Protection Authorities**

#### **CARICOM Competition Commission (CCC)**

The Commission continued to benefit from established linkages with national, regional and international partners, including the CARICOM Competition Commission (CCC). As a member, the Commission participated in the CCC's regional teleconferences on matters that are pertinent to the protection of consumers nationally and regionally.

#### **International Consumer Protection and Enforcement Network (ICPEN)**

As a member of ICPEN, the Commission was privy to information shared about cross-border commercial activities that may adversely impact consumer welfare. The Commission also participated in ICPEN's global survey on unfair contract terms and misleading practices in the area of consumer credit, and a teleconference which focused on online shopping fraud prevention.



## Utility Regulation

The Utility Regulation Division is responsible for the establishment, monitoring and review of rates and Standards of Service of regulated utilities, as listed in the Utilities Regulation Act, CAP. 282 (URA). This regulatory oversight specifically relates to the water and sewerage services of the Barbados Water Authority (BWA), electricity service as provided by the Barbados Light & Power Company Limited (BL&P) and the domestic and international voice telecommunications, interconnection and lease circuit services of Cable & Wireless (Barbados) Limited (C&W).

### Telecommunications Sector

#### Extension of Price Cap Plan (PCP) 2016

On April 4, 2018, the Commission received a request from C&W for an extension of the PCP 2016, which governs the adjustment of rates of the regulated telecommunications services of C&W. This request came as a result of the change in C&W's PCP 2016 annual reporting period from March 31 to December 31, in order to correspond with that of its parent company, Liberty Global. According to Rule 4.2 of the PCP 2016 Compliance Rules and Procedures, the PCP 2016 may be extended for one (1) additional year, at the Commission's discretion. After careful consideration, the Commission decided to extend the PCP 2016 for one (1) year with effect from December 31, 2018. This extension creates a fourth period that ends on December 31, 2019. All of the existing terms and conditions, inclusive of all reporting requirements, remain unchanged.

#### Reference Interconnection Offer (RIO) 2017

On October 12, 2017, C&W submitted the Draft RIO 2017. This document sets out the terms and conditions for the interconnection of mobile, domestic fixed wireless and international service providers with its public telecommunications network, and outlined changes in technology and rates to reflect sectoral changes that had occurred since the approval of the RIO 2010. On January 2, 2019, the Commission issued its Consultation Paper detailing the proposed changes indicated in the Draft RIO 2017. These changes include, *inter alia*:

- The inclusion of the various technological advances in the telecommunications/information and communications technology (ICT) industry, e.g. the change from public switched to packet switched networking;
- Ensuring that the rates and rate structure for interconnection charges are congruent with those approved in the Commission's 2015 Decision on Long Run Incremental Cost (LRIC) Interconnection Rates; and
- Determining whether the Public Land Mobile Network (PLMN) Transit Charge, as found in the Commission's Decision on the Interconnection Dispute between C&W and Digicel (Barbados) Limited (Digicel) of June 2013, is required.

By the end of the reporting period, the Commission's determination on this matter was expected to be delivered by the first quarter of the following reporting period.



## Utility Regulation *(continued)*

### Electricity Sector

#### BL&P Application to Review the Fuel Clause Adjustment (FCA)

On April 13, 2018, the Commission issued its Decision on the BL&P's Application to Recover the Costs of the 5 MW Energy Storage Device (ESD) via the Fuel Clause Adjustment (FCA). The Decision stated that:

- The cost associated with the ESD was prudently incurred and therefore recoverable;
- Recovery of the ESD cost was allowed via the FCA;
- The BL&P would be required to submit certified heat rate tests for each plant/unit every six (6) months;
- Heat rate targets would be applied to all plant/unit;
- All financial inputs of the FCA pertaining to the ESD costs to be audited by the Commission's representative;
- Performance metrics of the ESD to be included in the BL&P's regulatory reporting as well as emergency events; and
- A 10% WACC was approved.

#### Motion to Review the Decision on the BL&P Application to Review the FCA

Subsequent to the issuance of the Commission's Decision on the Application to Review the FCA, the BL&P submitted an Application for Motion for Review and Variation of item (iii) of the Decision. The Application sought to:

- Delay the implementation of item (iii) of the Decision;
- Review heat rate targets assigned to the BL&P's generating plant; and
- Have a contracted consultant assigned to design an incentive scheme.

At the end of the reporting period, the Commission's review of this Application was ongoing.

#### Power Purchase Agreement (PPA) Consultation

On March 9, 2018, the Commission commenced a public consultation on the development of a PPA template, which outlined terms and conditions to facilitate the sale of electricity from suppliers generating from renewable energy (RE) sources to the BL&P. Since then, the Commission has encountered significant delays, the majority of which are attributable to events beyond its control. In an attempt to re-engage stakeholders (e.g. Independent Power Producers (IPPs)) and expedite the process, the Commission convened a meeting in February 2019 to solicit the views of IPPs on the content of the BL&P's PPA template and discuss any associated issues. It was agreed that IPPs would submit their concerns to the Barbados Renewable Energy Association (BREA). These concerns would then be directed to the BL&P for consideration and a final PPA template would be submitted to the Commission for review.

## Utility Regulation *(continued)*

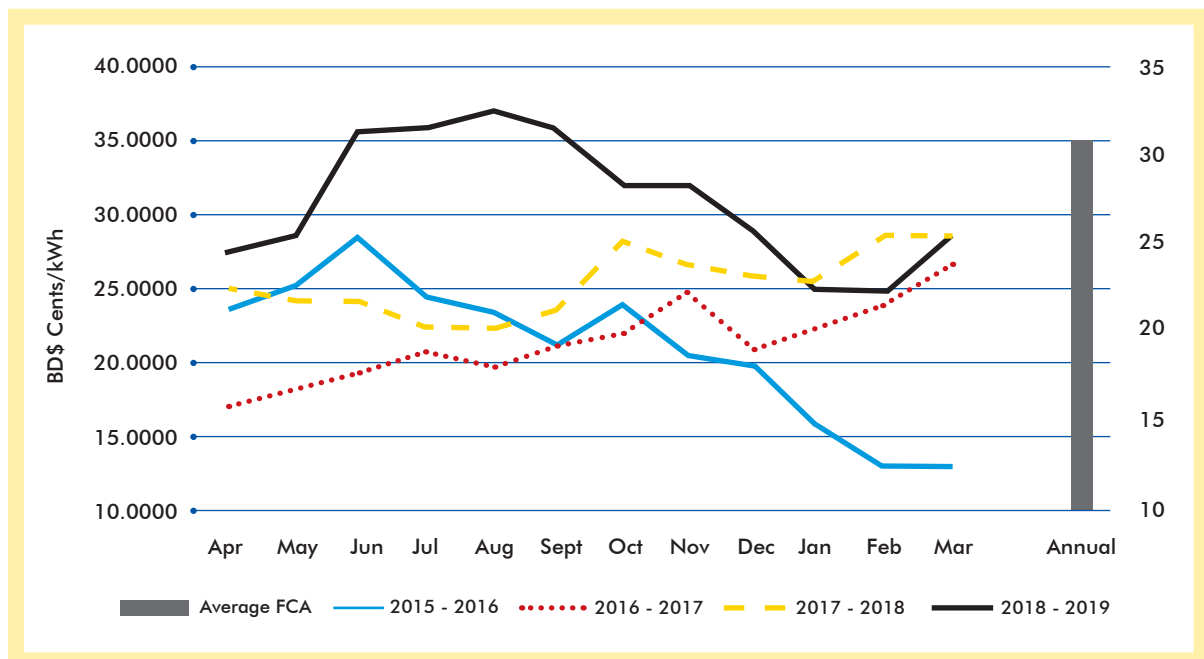
### Feed-in-Tariffs

The Commission has acknowledged the need to stimulate further uptake of renewables in the energy sector and establish market reflective rates. As a result, the Commission issued a call for consultants to provide technical support in the development and design of feed-in-tariffs (FITs) for RE and recommend appropriate FITs based on the levelised cost of electricity. The Commission, therefore, issued a Terms of Reference for Consultancy Services for Technical Assistance to Provide Institutional Strengthening on FITs in February 2019. It is expected that this consultancy will culminate in the delivery of an appropriate FIT for the sector.

### Fuel Clause Adjustment (FCA)

The FCA from April 2018 to March 2019 (Figure 2.1 and Appendix 1.1) averaged 31.0066 cents per kilowatt-hour; this value was 21.80 percent higher than in the 2017 – 2018 reporting period. For the first nine (9) months of the review period, the fuel charge was above the rate for the prior three (3) corresponding reporting periods. Over the first three (3) months of the reporting period, the FCA, which was 27.4759 cents per kilowatt-hour in April, increased by 8.3066 cents per kilowatt-hour; it, however, remained stable at this rate from June to July, before peaking in August at 37.0426 cents per kilowatt-hour. For the following six (6) months, the FCA trended downward and led to fuel charges below 30.0000 cents per kilowatt-hour, from December 2018 through March 2019. Customers therefore benefited from the incremental downward shifts in fuel charges. These month-on-month fuel charge variations were mainly due to the volatility in global crude oil prices.

**Figure 2.1 – Fuel Clause Adjustment (FCA)**



Report submitted by BL&P



## Utility Regulation *(continued)*

### Water Sector

#### BWA Regulatory Framework and Uniform System of Accounts

During the year under review, the Commission developed a regulatory reporting framework outlining specific information to be submitted by the BWA. This included mandatory operational and regulatory financial reports relating to water production, maintenance, customer service and sewerage data.

#### Utility Complaints

For the period April 1, 2018 to March 31, 2019, the Commission received twenty-nine (29) C&W complaints, compared to thirty-one (31) for the previous reporting period (see Appendix 1.2). Seventeen (17) of these were resolved within the period. BL&P complaints increased from eighteen (18) for the last reporting period to thirty-seven (37); twenty-eight (28) of these were resolved. Twenty-three (23) complaints were received for BWA, sixteen (16) of which were resolved.

### Standards of Service

#### Review of C&W's Standards of Service

The Commission evaluated C&W's performance with respect to both the Guaranteed and Overall Standards of Service for the period January 1, 2018 to December 31, 2018 (Table 2.1 and Table 2.2). While C&W's performance was generally satisfactory, a notable area of concern was failure to meet the target for OTS 1 Fault Repair. C&W indicated that a number of cabling and network issues, as well as inclement weather in the latter months of 2018, negatively impacted this target. However, C&W has indicated that these issues have been corrected and average repair times have improved.

**Table 2.1** - C&W Guaranteed Standards of Service (Selected)

Guaranteed Standard	Target	Average % Compliance Jan. 2018 - Dec. 2018
<b>GTS 1</b> Installation or Transfer of Service	Residential Customers – No more than 7 working days	94.75
<b>GTS 2</b> Fault Repair	Residential Customers – No more than 2 working days	83.75
<b>GTS 3</b> Repeated Loss of Service	Residential – Faults should not reoccur within 30 days of repair of first fault	94.69
<b>GTS 6</b> Reconnection after Disconnection for Non-Payment	Reconnection of the service should occur within 6 working hours of C&W's acknowledgement of payment	97.61

*Report submitted by C&W*



## Utility Regulation *(continued)*

**Table 2.2** - C&W Overall Standards of Service (Selected)

Overall Standard	Target	Average % Compliance Jan. 2018 - Dec. 2018
<b>OTS 1</b> Fault Repair	80% of faults should be repaired within a 24 hour period	68.38
<b>OTS 2</b> Repeated Loss of Service	95% of faults should not reoccur within 30 days of repair of first failure	94.62
<b>OTS 4</b> Fault Incidence	No more than 3 faults per 100 subscribers per month	98.10
<b>OTS 5</b> Billing Accuracy	Billing errors must be no more than 0.5% of the total bills issued	99.71

*Report submitted by C&W*

### Review of BL&P's Standards of Service

The BL&P's Standards of Service performance (see Table 2.3 and Table 2.4) depicts reasonably high levels of performance for the review period. However, improvements in 'Meter Reading' and 'Call Centre Answering' are warranted.

**Table 2.3** – BL&P Guaranteed Standards of Service (Selected)

Guaranteed Standard	Target	Average % Compliance April 2018 – March 2019
<b>GES 1</b> Fault Repair Customer's Service	Restore supply within 8 hours of receipt of report	91.33
<b>GES 3</b> Voltage Complaint	Assessment within 5 working days of receipt of complaint	99.36
<b>GES 4</b> Simple Service Connection	Within 12 working days of receipt of request	96.09
<b>GES 9</b> Timely Payment of Compensation	Customer credits to be applied within 2 months of occurrence of breach (automatic compensation) or within 2 months of acceptance of a Customer Initiated Claim	96.24

*Report submitted by BL&P*





## Utility Regulation *(continued)*

**Table 2.4** – BL&P Overall Standards of Service (Selected)

Overall Standard	Target	Average % Compliance April 2018 - March 2019
<b>OES 1</b> Meter Reading	100% of Domestic/General Service customers' meters to be read every 2 months	97.66
<b>OES 3</b> Outage Notice	In 100% of instances of planned outages, all potentially affected customers to be notified 48 hours before the outage	100.00
<b>OES 5</b> Call Centre Answering	85% of calls to be answered within 1 minute.	83.37
<b>OES 6</b> Billing Period	At least 95% of customers in each billing period shall be invoiced for no more than 33 days	97.60

*Report submitted by BL&P*

The BL&P's reliability of service figures exceeded the stipulated benchmarks. The electricity grid was available to end-users 99.99 percent of the year. On average, customers experienced 5.42 outages and were without power for an average of 3.05 hours, an increase when compared to the previous reporting period, when the duration was 2.759 hours. Power was restored to each customer in 0.56 hours on average; for the previous reporting period, restoration time was 0.499 hours.

### Review of BWA's Standards of Service

The BWA commenced reporting on its Standards of Service from January 1, 2018. The BWA's performance overall was unsatisfactory. However, despite the overall poor performance, the BWA was able to attain the minimum standard in some areas (see Table 2.5 and 2.6). There is clearly a need for improvement during the upcoming year.

## Utility Regulation *(continued)*

**Table 2.5 – BWA Guaranteed Standards of Service (Selected)**

Guaranteed Standard	Target	Average % Compliance Jan. 2018 - Dec. 2018
<b>GWS 3</b> Response to Complaints	Residential Customers - Acknowledgement provided within 7 days of receipt of complaint	92.01
	Residential Customers - Investigation and findings provided within 20 days of receipt of complaint	21.35
<b>GWS 4</b> Wrongful Disconnection	Residential Customers - Reconnections within 10 hours of notification of disconnection	100.00
<b>GWS 5</b> Meter Installations	Meter to be installed within 45 days of receipt of request	100.00
<b>GWS 7</b> Reconnection after Payment of Overdue Amount and Reconnection Fee	Maximum of 24 hours to restore supply	98.37

Report submitted by BWA

**Table 2.6 - BWA Overall Standards of Service (Selected)**

Overall Standard	Target	Average % Compliance Jan. 2018 - Dec. 2018
<b>OWS 1</b> Meter Reading	100% of accessible meters to be read monthly	97.27
<b>OWS 7</b> Notify Public of Intention to Interrupt Supply	In 95% of instances customers to be notified not less than 48 hours before scheduled service interruption	55.78
<b>OWS 11</b> Repair of Ruptured Pipes	90% of ruptured pipes shall be repaired within 5 days of notification of rupture	46.67
<b>OWS 12</b> Repair of Ruptured Mains	In 95% of instances mains repairs shall be effected within 24 hours of notification of rupture	94.47

Report submitted by BWA



## Fair Competition

During the year under review, and in accordance with the Fair Competition Act, CAP. 326C (FCA), the Commission endeavoured:

- 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.*

### Investigation and Adjudication

#### Anti-competitive Conduct

The Commission considered several allegations of potential anticompetitive conduct, such as exclusive dealing, refusal to supply and agreements. These matters occurred across various sectors including petroleum, financial services, agriculture, telecommunications, distribution and manufacturing. While fifteen (15) of these issues were resolved during the financial year (see Appendix 1.3), one (1) remains under investigation.

#### Merger - Sagicor General Insurance Inc. (SGI) and Harmony General Insurance Co. Ltd. (Harmony)

In May 2018, SGI, a subsidiary of the Sagicor Group (Sagicor), informed policy holders in a circular that the company would be taking over the policies of Harmony. SGI announced the completion of the amalgamation with Harmony on September 13, 2018, following approval from the Financial Services Commission (FSC).

The Commission subsequently determined that Sagicor's market share in the life insurance market over a four-year period was greater than the 40 percent merger threshold. The Commission, therefore, opined that the entities had contravened the FCA, as mergers of this nature require the Commission's permission to proceed. Pursuant to Sections 20 and 22(1) of the FCA, the Commission initiated proceedings to notify the parties of the contravention and an investigation was launched.

In December 2018, Sagicor submitted a completed application for permission to merge. As of March 31, 2019, the matter was ongoing.

#### Merger - BNTCL Holdings Limited's (Sol) proposed acquisition of Barbados National Terminal Company Limited (BNTCL)

On November 28, 2017, the Commission issued its Decision on the proposed acquisition of BNTCL by Sol, and indicated that the transaction, as presented, was denied. Sol appealed the Commission's Decision but subsequently filed a Notice of Discontinuance in October 2018.



## Fair Competition (*continued*)

### **Merger - Parkland Corporation Inc. (Parkland) proposed acquisition of 75 percent of shares in Sol Investment Limited (SIL)**

In applications submitted in October 2018, Parkland and Sol sought the Commission's permission for Parkland to acquire 75 percent of the shares of Sol Investments Limited (SIL). The merger application was submitted, and investigation commenced, in November 2018.

The Commission observed that prices were not expected to be affected by the transaction and pre-merger barriers to competitive entry would remain. It was also noted that it was unlikely that the transaction would create a shift in market power or market dominance. In addition, the Non-compete Agreement was specific to the transaction, did not contain anticompetitive covenants, and was of a reasonable duration. There were no public objections to the transaction.

The Commission also determined that it was unlikely that the proposed transaction would cause anti-competitive effects, as it involved the transfer of ownership of SIL from Sol to Parkland—the substantive element of the transaction was Parkland's acquisition of 75 percent of the shares of SIL from Sol. In this arrangement, there would be no change in the direct ownership of SIL. Rather, each of the Barbados Operating Companies would be indirectly controlled by Parkland.

Consequently, in January 2019, the Commission approved the transaction subject to the Applicants' adherence to the conditions imposed by the Commission in its 2013 Decision in the matter of *the Acquisition by Simpson Oil Limited (Sol) of ESSO (Barbados) Holdings Limited, ESSO (Barbados) International Sales Company Limited, and MOBIL Oil Barbados Limited*. These conditions, which will expire in 2023, are:

*Within the 10 year period if Sol wishes to discontinue the existing ESSO company owned or company leased branded outlets it must submit to the Commission a request for permission. In so doing it must cite all of the prevailing circumstances.  
... Sol must submit annual reports on the progress of the merger.*

### **Review Domestic Commercial Activity**

Under Section 5(c) of the 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 investigations into matters that appear to negatively affect the interest of consumers. The following is a summary of one of the investigations conducted.

### **Market Study – Agriculture: Poultry Sector**

The Commission embarked on a poultry study in order to gain a greater understanding of the sector and identify the separate markets that exist along the value chain; describe the



## Fair Competition *(continued)*

activities within each market; and highlight the key stakeholders at each level of the value chain. A survey instrument was launched in July 2018 to establish the public's perspective on this industry and determine consumption patterns. There were 143 respondents to the survey. This study is ongoing.

### **Requests for Information**

Staff responded to telephone, e-mail and walk-in inquiries for general information on Competition Law. During the year, sixteen (16) general inquiries were received, while seven (7) matters related to mergers were addressed, one (1) of which is ongoing (see Appendix 1.3).

### **Educating and Informing Businesses and Consumers**

The Commission's mandate involves providing information to businesses and consumers about competition and their rights and obligations under the FCA. This serves as a pre-emptive effort to reduce the incidence of anti-competitive conduct by increasing awareness about the negative consequences of such practices versus the benefits of competition.

### **Annual Training Programme**

The Annual Competition Law and Policy Workshop was held on March 11 and 12, 2019 at the Accra Beach Hotel & Spa. Mr. Daniel Zach, Deputy Assistant Director in the Bureau of Competition of the United States Federal Trade Commission (USFTC) was the guest facilitator; Staff of the Fair Competition Division also made presentations. Twenty-one (21) participants, mainly business leaders, legal personnel and administrators, attended the workshop. Themes such as anti-competitive agreements, mergers and abuse of dominance, as well as regional cross border anti-competitive conduct were addressed during the two-day event.

### **Cooperating with International Agencies and Competition Authorities**

The Commission sustained its association with international counterparts in competition law and policy. Such engagement allowed the Commission to remain au fait with emerging issues and best practices relevant to competition and other related themes.

### **CARICOM Competition Commission (CCC)**

In accordance with Section 5 of the FCA, the Commission maintained its cooperation with the CCC and authorities of the other member states in order to promote and maintain competition throughout the region.

During the financial year, the Division continued to liaise with the CARICOM Secretariat on matters related to Competition Law and Policy as a member of the Sub-committee of the Reconvened Task Force on Competition Policy in the CARICOM Single Market and Economy (CSME).



## Fair Competition (*continued*)

This sub-committee is tasked with examining three (3) possible models whereby support could be given to CARICOM states that have not yet established national competition laws.

The Commission, in collaboration with the CCC, also hosted a two-day Competition Law and Policy workshop for Commissioners on March 13 and 14, 2019. Participants included Commissioners from the Commission, the CCC and the Trinidad and Tobago Fair Trading Commission. Representatives from Curaçao, the Telecommunications Authority of Trinidad and Tobago and the Eastern Caribbean Telecommunications Authority also attended.

### **International Competition Network (ICN)**

The focus of the ICN is to improve and advocate for sound competition policy and its enforcement across the global antitrust community. The ICN seeks to develop and promote sound and principled procedural and substantive benchmarks, and to foster pro-competitive, efficiency-enhancing conduct.

During the year in review, the Commission participated in several working group calls, which included Agency Effectiveness Working Group discussions on how organisational design impacts institutional efficiency, as well as webinars on Non-Horizontal Mergers and Challenges in Market Definition and the Merger Working Group webinar on retail mergers.

### **Informal Partnership with the United States Federal Trade Commission (USFTC)**

The Commission's informal affiliation with the USFTC was maintained under an ICN partnership. The Staff, through this ongoing arrangement with the USFTC, and to a lesser extent the US Department of Justice, convened teleconferences throughout the year to discuss and share experiences on specific issues related to competition law enforcement.



## Public Education and Awareness

### 15th Annual Lecture

The Fair Trading Commission hosted its 15th Annual Lecture on March 15, 2019, in collaboration with the CARICOM Competition Commission. The theme *Competition Authorities: Keeping Pace with Technology, Commerce and Consumers* was discussed by Dr. Philip Marsden, Deputy Chair of the Enforcement Decision Making Committee of the Bank of England.

Dr. Marsden's lecture focused on the challenges faced by competition authorities, with specific consideration of the speed with which changes are made in technology versus in competition regulation. He observed that the internet had made anti-competitive conduct more prevalent and difficult to control and, as a result, faster enforcement and application of codes of conduct were required to mitigate the negative effects. Dr. Marsden also noted that competition authorities require a range of tools, beyond fines, to more effectively address the anti-competitive behaviour encountered in a range of markets.

### World Consumer Rights Day 2019

The theme of World Consumer Rights Day (WCRD) 2019 was *Trusted Smart Products*, which brought to the fore the advent of technology in every sphere of modern life (e.g. smart TVs, fitness trackers, virtual assistants) and the importance of ensuring consumers' information and privacy are protected. The Commission's Staff participated in the WCRD outreach activity which was held in Bridgetown on March 15, 2019 and hosted by the Ministry of Small Business, Entrepreneurship & Commerce.

### Published Articles

The Commission continued to publish the following:

- **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)*



**(From right)** CEO of the FTC, Mrs. Sandra Sealy; FTC Chairman, Mrs. Tammy Bryan; Minister of Small Business, Entrepreneurship and Commerce, Mr. Dwight Sutherland; Permanent Secretary in the Ministry, Mr. Patrick McCaskie; CARICOM Competition Commission (CCC) Chairman, Justice Christopher Blackman and FTC Commissioners Dr. Brian Francis, Mr. John Griffith and Mr. Samuel Wallerson at the 15th Annual Lecture.



Featured speaker at the 15th Annual Lecture, Dr. Philip Marsden, addresses the audience.





## Public Education and Awareness *(continued)*



CCC Chairman, Justice Christopher Blackman, delivers his address at the 15th Annual Lecture.



Dep. Asst. Dir., Bureau of Competition, USFTC, Mr. Daniel Zach, delivers his presentation at the Annual Competition Law and Policy Workshop.

## Public Education and Awareness *(continued)*



Staff of the Commission, as well as representatives from other regional agencies, participate in the USAID/CARCEP Workshop in June 2018.



Staff of the Commission engage with members of the public during a Consumer Outreach activity in Bridgetown in December 2018.



## Organisational Development

### Training and Development

The provision of training and developmental opportunities remained a priority during this review period. The Commission was privileged to be selected to participate in the USFTC International Fellows Program 2018 in Washington, D.C., with funding provided by the United States Agency for International Development (USAID). The Commission's Research Officer, Ms. Nikita Mayers, participated in the programme from April 11 to July 20, 2018. This allowed Ms. Mayers to observe how USFTC staff process and analyse legal and economic evidence, and participate in investigations and enforcement actions with USFTC attorneys, investigators and economists.

Throughout the year, members of staff were able to engage in a variety of local training opportunities hosted by agencies including the Barbados Renewable Energy Association (BREA), Barbados Light & Power Co. Ltd. (BL&P), Barbados Association of Professional Engineers (BAPE), Institute of Chartered Accountants of Barbados (ICAB), Barbados Association of Office Professionals (BAOP), Barbados Statistical Service (BSS) and Barbados Stock Exchange (BSE).

The Commission also benefitted from a number of collaborative and developmental opportunities with regional and international agencies, including the CARICOM Competition Commission (CCC), Organisation of Caribbean Utility Regulators (OOCUR), Inter-American Development Bank (IADB), Caribbean Electric Utility Services Corporation (CARILEC), Caribbean Clean Energy Project (CARCEP), CARICOM Development Fund (CDF), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Organisation of American States (OAS), Caribbean Community (CARICOM) Secretariat, Michigan State University, Institute of Public Utilities (IPU), and Public Utilities Research Centre (PURC), Florida.

The Commission continues to explore relevant programmes which contribute to the professional and technical development of staff, as well as opportunities for the presentation of academic papers at the local, regional and international levels.



## Looking to the Future

As the Commission approaches its nineteenth year of existence, the need for public engagement and education will remain in constant focus. Special emphasis will be placed on businesses, as it has been recognised that members of this community are especially unaware about the legislative provisions related to fair competition, consumer protection and utility regulation. Furthermore, active representation of consumers' interests through enforcement action, when necessary, will continue to be integral to the Commission's future activities.

The developments in renewable energy (RE) and the impact of technology on commerce and competition have implications for the execution of the Commission's mandate. It is essential, therefore, that the Commission remain au fait with the developments in these industries and employ the necessary expertise to proactively address relevant matters. The development of feed-in-tariffs for RE sources is one such example, where the Commission engaged external expertise in order to determine appropriate tariffs for this market, which is targeted for growth in the coming years.

Likewise, as various markets in Barbados continue to be impacted by the trend of acquisitions and mergers, the Commission will remain apprised of undertakings on a global scale, as these inevitably impact the local market which it regulates, both directly and indirectly.

Holistically, these efforts will contribute to the fulfillment of the Commission's role as an impactful and relevant entity in Barbados. The Commission will remain committed to operating as an efficient team, fostering respect and trust for both its internal and external public.

**Financial Statements**  
**Fair Trading Commission**  
For the Year Ended March 2019  
*(Expressed in Barbados Dollars)*

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**Year ended 31 March 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD OF COMMISSIONERS OF THE FAIR TRADING COMMISSION**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of the Fair Trading Commission ("the Commission"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Responsibilities of Management and the Board of Commissioners for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

The Board of Commissioners is responsible for overseeing the Commission's financial reporting process.

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD OF COMMISSIONERS OF THE FAIR TRADING COMMISSION (CONT'D)**

#### **Report on the Audit of the Financial Statements (cont'd)**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management of the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young Ltd*

BARBADOS  
22 JULY 2019



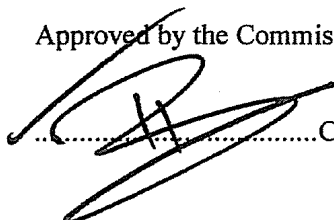
**FAIR TRADING COMMISSION**

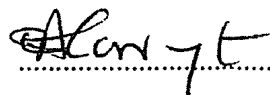
Statement of Financial Position  
As of 31 March 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	4	202,454	564,859
Time deposits	4	117,179	117,026
Receivables	5	1,309,774	1,003,727
Prepayments		76,583	83,249
		<u>1,705,990</u>	<u>1,768,861</u>
<b>Property, equipment and software</b>	6	182,815	187,667
		<u>1,888,805</u>	<u>1,956,528</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		57,699	91,737
		<u>57,699</u>	<u>91,737</u>
<b>Deferred income</b>	7	158,650	163,502
		<u>216,349</u>	<u>255,239</u>
<b>Net assets</b>		<u>1,672,456</u>	<u>1,701,289</u>
<b>Represented by:</b>			
Government advances and levies		1,012,737	1,139,637
Government grants		243,093	145,180
Accumulated surplus		416,626	416,472
		<u>1,672,456</u>	<u>1,701,289</u>

The accompanying notes form part of the financial statements.

Approved by the Commission on June 26, 2019 and signed on its behalf by:

  
.....Chairman

  
.....Deputy Chairman

## FAIR TRADING COMMISSION

Statement of Comprehensive Income  
Year ended 31 March 2019

	Notes	2019 \$	2018 \$
<b>Income</b>			
Government grants		3,005,335	2,780,045
Levies		1,025,614	974,637
Merger fees		11,500	58,500
Income in kind		-	36,946
Other fees and funding		9,249	33,702
Workshop fees		4,200	4,800
Interest income		154	256
		<u>4,056,052</u>	<u>3,888,886</u>
<b>Expenses</b>			
Employment costs	8(a)	2,862,724	2,607,395
Other operating expenses	8(b)	1,036,089	1,036,812
Professional services	8(c)	42,621	41,801
Depreciation	6	113,939	165,677
Expected credit losses of receivables	5	525	-
Loss on disposal of fixed assets		-	(237)
		<u>4,055,898</u>	<u>3,851,922</u>
Surplus for the year		<u>154</u>	<u>36,964</u>

The accompanying notes form part of the financial statements.

## FAIR TRADING COMMISSION

### Statement of Changes in Equity Year ended 31 March 2019

	Government advances \$	Government grants \$	Accumulated surplus \$	Total \$
<b>Balance as at 31 March 2017</b>	1,113,167	211,816	379,508	1,704,491
Government contributions	1,139,637	2,567,796	-	3,707,433
Government grants and levies utilized	(1,113,167)	(2,634,432)	-	(3,747,599)
Surplus for the year	-	-	36,964	36,964
<b>Balance as at 31 March 2018</b>	1,139,637	145,180	416,472	1,701,289
Government contributions	1,012,737	2,690,534	-	3,703,271
Government grants and levies utilized	(974,637)	(2,757,621)	-	(3,732,258)
Government debts forgiven (note 5)	(165,000)	165,000	-	-
Surplus for the year	-	-	154	154
<b>Balance as at 31 March 2019</b>	1,012,737	243,093	416,626	1,672,456

The accompanying notes form part of the financial statements.

## FAIR TRADING COMMISSION

Statement of Cash Flows  
Year ended 31 March 2019

---

	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Employment costs	(2,883,448)	(2,605,443)
Other operating expenses	(1,028,969)	(1,014,039)
Professional services	(42,483)	(57,190)
	<hr/>	<hr/>
Net cash used in operating activities	(3,954,900)	(3,676,672)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Car loans repaid by staff	1,953	3,300
Car loans disbursed to staff	(4,340)	-
Increase in time deposits	(154)	(256)
Interest received	154	256
Proceeds from disposal of fixed assets	-	225
Purchases of assets	(107,021)	(37,696)
	<hr/>	<hr/>
Net cash used in investing activities	(109,408)	(34,171)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Advances from Government	2,690,534	2,732,796
Levies paid in by utility service providers	972,886	1,113,167
Merger fees	19,000	51,000
Hearing fees	14,627	17,321
Other fees	18,246	-
Workshop fees	4,200	5,700
Decrease in litigation reserve	(17,590)	(29,375)
	<hr/>	<hr/>
Net cash from financing activities	3,701,903	3,890,609
	<hr/>	<hr/>
<b>(Decrease)/increase in cash for the year</b>	(362,405)	179,766
<b>Cash – beginning of year</b>	564,859	385,093
	<hr/>	<hr/>
<b>Cash – end of year</b>	202,454	564,859
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of the financial statements.

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

---

### 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 as promulgated by the International Accounting Standards Board (IASB).

#### b] Changes in accounting policy and disclosures

##### *New and amended standards*

The Commission applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

##### *IFRS 15, 'Revenue from Contracts with Customers'*

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

There was no impact of adopting IFRS 15 as at 1 January 2018.

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

---

### 2. Significant accounting policies (cont'd)

#### b) Changes in accounting policy and disclosures (cont'd)

##### *New and amended standards (cont'd)*

##### *IFRS 9, 'Financial Instruments'*

IFRS 9, 'Financial Instruments' replaces IAS 39, 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 has fundamentally changed the Commission's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Commission to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVPL), together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

There were no adjustments to the opening balance as a result of the implementation of this standard.

##### *New standards, amendments and interpretations issued but not effective*

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

- IFRS 16 'Leases'- effective 1 January 2019

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

---

### 2. Significant accounting policies (cont'd)

#### c] Receivables

The adoption of IFRS 9 has changed the Commission's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Commission to recognise an allowance for ECLs for all receivables. Prior to the adoption of IFRS 9 the Commission, recognized receivables 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.

The Commission recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Commission expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables and contract assets, the Commission applies a simplified approach in calculating ECLs. Therefore, the Commission does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Commission has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Prior to the adoption of IFRS 9, the following was taken into consideration in assessing an impairment loss; 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 recognized in the statement of comprehensive income.

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

---

### 2. Significant accounting policies (cont'd)

#### d] Property, equipment and software

Property, equipment and software 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.

The useful lives of the assets are estimated as follows:

Computer hardware and software	1 - 3 years
Office Equipment and fixtures	5 years
Vehicles	5 years
Leasehold improvements	10 years

#### e] Revenue from contracts with customers

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. Sums levied on service providers are recognized in accordance with IFRS 15.
- 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. are recognized in accordance with IFRS 15.
- v) Other fees and funding:  
Fees that may be charged from time to time for the work of the Commission, fees charged to attend commission workshops and other funding obtained to defray the expenditure of the Commission.

Every potential donor is assessed for any potential conflicts of interest.

- vi) Income in kind – Assets donated to the Commission under the 10<sup>th</sup> European Development Fund/ Caricom Single Market and Economy Grant Fund. The income is recognized in the period that the assets were received.



## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

---

### 2. Significant accounting policies (cont'd)

#### 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 corporation taxes.

#### h] Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

### 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, equipment and software*

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.

#### *Impairment of financial assets*

The Commission uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns, that is, by customer type.

The provision matrix is initially based on the Commission's historical observed default rates. The Commission will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

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### 3. Significant accounting judgments, estimates and assumptions (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Commission's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Commission's receivables is disclosed in Note 5.

### 4. Cash and time deposits

Cash comprises an operating account which is non-interest bearing.

Time deposits bear interest at the rate of 0.01% per annum (2018 - 0.15%) The deposits are due to mature on 24 November 2019 and 14 February 2020.

### 5. Receivables

	2019	2018
	\$	\$
Utility service providers	1,012,737	974,637
Due from the Government of Barbados	293,537	-
Other receivables	1,638	21,590
Merger fees	-	7,500
Car loans receivable	2,387	-
	<hr/>	<hr/>
	1,310,299	1,003,727
Allowance for expected credit losses	(525)	-
	<hr/>	<hr/>
	1,309,774	1,003,727
	<hr/> <hr/>	<hr/> <hr/>

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.

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

### 5. Receivables (cont'd)

The Commission receives advances from the Government of Barbados annually, in order to fund any expenditure requirements. These advances are repaid when the levies due from utilities companies are received. During the financial year, the Commission was instructed by the Ministry of Finance to write-off any intragovernmental balances payable and receivable as at December 31, 2018. As such, the amount to be repaid to the Government of \$165,000 was transferred to Government contributions.

### 6. Property, equipment and software

	Leasehold improvements \$	Computer hardware & software \$	Office equip- ment & fixtures \$	Vehicles \$	Total \$
<b>Cost</b>					
Balance – 31 March 2017	819,570	282,816	203,136	254,338	1,559,860
Additions	-	67,773	8,311	-	76,084
Disposals	-	(13,672)	(11,414)	-	(25,086)
Balance – 31 March 2018	819,570	336,917	200,033	254,338	1,610,858
Additions	-	101,378	7,709	-	109,087
Disposals	-	(11,480)	-	-	(11,480)
Balance – 31 March 2019	819,570	426,815	207,742	254,338	1,708,465
<b>Accumulated depreciation</b>					
Balance – 31 March 2017	737,613	230,431	193,285	120,810	1,282,139
Charge for the year	81,957	44,207	3,095	36,418	165,677
Disposals	-	(13,672)	(10,952)	-	(24,624)
Balance – 31 March 2018	819,570	260,966	185,427	157,228	1,423,191
Charge for the year	-	72,098	5,423	36,418	113,939
Disposals	-	(11,480)	-	-	(11,480)
Balance – 31 March 2019	819,570	321,584	190,850	193,646	1,525,650
<b>Net book value</b>					
31 March 2019	-	105,231	16,892	60,692	182,815
31 March 2018	-	80,866	9,691	97,110	187,667

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

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### 7. Deferred income

	2019	2018
	\$	\$
Deferred income – beginning of year	163,502	196,265
Add: Grants for assets purchased during the year	109,087	39,687
Less: Amortization of deferred income for the year	(113,939)	(72,450)
	<hr/>	<hr/>
Deferred income – end of year	158,650	163,502
	<hr/> <hr/>	<hr/> <hr/>

### 8. Operating expenses

#### a] Employment costs

	2019	2018
	\$	\$
Personal emoluments	2,433,112	2,213,287
National Insurance contributions	177,706	147,470
Other personal emoluments	49,354	45,881
Pensions and gratuities	113,626	115,706
Group medical	58,229	53,490
Travel	30,697	31,561
	<hr/>	<hr/>
	2,862,724	2,607,395
	<hr/> <hr/>	<hr/> <hr/>

#### b] Other operating expenses

	2019	2018
	\$	\$
Other operating expenses	278,225	287,887
Rental of property	438,510	423,000
Utilities	127,256	116,719
Maintenance of property	58,669	74,630
Supplies and materials	53,971	54,379
Rental of equipment	29,638	28,401
Subscriptions and contributions	13,849	16,167
Library books and publications	11,435	13,962
Bank charges	2,565	2,246
Hearing costs	14,627	19,421
Bad debt expense	7,344	-
	<hr/>	<hr/>
	1,036,089	1,036,812
	<hr/> <hr/>	<hr/> <hr/>

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

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### 8. Operating expenses (cont'd)

#### c] Professional services

	<b>2019</b>	<b>2018</b>
	\$	\$
Other professional services	15,125	17,126
Audit fees	26,438	24,675
Legal expenses	1,058	-
	<hr/>	<hr/>
	42,621	41,801
	<hr/> <hr/>	<hr/> <hr/>

### 9. Related party transactions

Transactions with related parties related to transfers from the Treasury relating to government grants of \$2,690,534 (2018 - \$2,732,796).

#### Key management compensation

The remuneration of members of key management personnel during the year was as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Salaries and other short-term benefits	749,161	673,344
Gratuities	103,690	99,815

### 10. Lease commitments

The Commission occupies premises under a lease for a period not to exceed three years with an option to renew. The estimated future lease payments under this lease are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Property rental:		
Due within 1 year	374,355	439,920
Due for year 2	352,500	454,020
Due for year 3	352,500	-
	<hr/>	<hr/>
	1,079,355	893,940
	<hr/> <hr/>	<hr/> <hr/>

## FAIR TRADING COMMISSION

Notes to the Financial Statements  
Year ended 31 March 2019

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### 11. Financial risk management objectives and policies

The Commission's financial assets comprise cash, time deposits and receivables. 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 Commission'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 changes in equity. The Commission relies on the Government of Barbados for any additional capital funding as required.

### 14. Litigation matters

A Notice of Discontinuance was filed on 24 October 2018 by Barry Gale, Q.C. on behalf of BNTCL Holdings Limited, bringing this matter to an end. The matter of the recovery of the Commission's costs in defending the claim up to the point of discontinuance has been discussed between the Commission's lawyers, Clarke Gittens Farmer, and Mr. Gale and costs have been estimated at \$20,000 plus VAT.

# Appendices



## Appendix I

### Statistical Tables

#### Appendix 1.1 – Fuel Clause Adjustment

Month	April 2018 to March 2019 ¢/kWh	April 2017 to March 2018 ¢/kWh	April 2016 to March 2017 ¢/kWh	April 2015 to March 2016 ¢/kWh
April	27.4759	25.0169	16.9458	23.7152
May	28.6051	24.0533	18.1228	25.4294
June	35.7825	24.0533	19.2970	28.5476
July	35.7825	22.3400	20.5842	24.4941
August	37.0426	22.3400	19.5434	23.2769
September	35.7825	23.8118	20.9516	21.2023
October	32.1238	28.0138	21.9800	23.8666
November	32.1238	26.5914	24.9911	20.3903
December	29.0166	25.8770	21.0279	19.7069
January	24.8711	25.8770	22.2866	15.7877
February	24.8711	28.7500	23.8847	13.1108
March	28.6017	28.7500	26.4981	13.1106





## Appendix I

### Statistical Tables (continued)

#### Appendix 1.2 – Utility Service Complaints

Complaints	2018/2019		2017/2018	
	Total	Resolved	Total	Resolved
C&W Service	3	3	10	9
C&W Billing	26	14	21	17
BL&P Service	15	11	8	3
BL&P Billing	22	17	10	5
BWA Service	0	0	1	1
BWA Billing	23	16	17	12
	<b>89</b>	<b>61</b>	<b>67</b>	<b>47</b>

#### Appendix 1.3 – Fair Competition Investigations and Queries for the Financial Year April 2018 - March 2019

Type of Anti-Competitive Conduct	On-going	Closed	Total
Tied Selling	0	0	0
Excessive Pricing	0	2	2
Predatory Pricing	0	0	0
Anti-Competitive Agreement	0	0	0
Mergers & Acquisitions	1	6	7
Other Anti-competitive Conduct	0	7	7
<b>Total Inquiries/Requests/ Complaints or Investigations</b>	<b>1</b>	<b>15</b>	<b>16</b>



## Appendix I

### Statistical Tables *(continued)*

Appendix 1.4 – Consumer Protection Queries for the Financial Year April 2018 - March 2019

Month	Calls		Walk-Ins		Contacts	
	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018
April	70	98	17	7	87	105
May	91	156	20	11	111	167
June	92	136	25	13	117	149
July	123	123	21	21	144	144
August	74	152	21	15	95	167
September	101	117	31	13	132	130
October	100	127	34	14	134	141
November	135	157	31	14	166	171
December	114	112	26	18	0	0
January	156	115	37	29	193	144
February	126	98	27	18	153	116
March	126	58	28	12	154	70
<b>TOTAL</b>	<b>1,308</b>	<b>1,449</b>	<b>318</b>	<b>185</b>	<b>1,486</b>	<b>1,504</b>



## Appendix II

### Consultation Papers, Reports, Decisions and Orders

#### DECISIONS

- Stay of Implementation of Part III of ESD Decision issued on September 17, 2018.
- Decision on BL&P Application to Recover the Costs of the ESD through the FCA issued on April 16, 2018.
- Motion to Review and Vary the Price Cap Plan 2016 issued on April 3, 2018.

#### CONSULTATION PAPERS

- Public Consultation on C&W Limited Reference Interconnection Offer (RIO) 2017 issued on January 2, 2019.

#### TERMS OF REFERENCE

- Terms of Reference for Consultancy Services for Technical Assistance to Provide Institutional Strengthening for Feed-In-Tariff Setting issued on February 26, 2019.

### Commission Panels

#### UTILITY REGULATION

##### Telecommunications

Dr. Donley Carrington  
 Mr. John Griffith  
 Ms. Sukeena Maynard  
 Ms. Jennivieve Maynard  
 Dr. Brian Francis

##### Electricity

Mrs. Tammy Bryan  
 Mr. John Griffith  
 Dr. Brian Francis  
 Mr. Samuel Wallerson  
 Ms. Ruan Martinez

##### Water

Mrs. Tammy Bryan  
 Mr. Roger Barrow  
 Mr. Jermaine Beckford  
 Dr. Donley Carrington  
 Mr. Morton Holder



## Appendix III

### **Presentations at Lectures, Workshops and Seminars**

#### **LECTURE**

March 15, 2019

#### **FTC's 15th Annual Lecture**

*Competition Authorities: Keeping Pace with Technology, Commerce and Consumers*  
- Hilton Barbados Resort

**Presenter**

Dr. Philip Marsden, Deputy Chair, Enforcement Decision Making Committee, Bank of England

#### **WORKSHOP**

March 11 & 12, 2019

#### **11th Annual Competition Law and Policy Workshop**

- Accra Beach Hotel & Spa

**Presenter**

Mr. Daniel Zach  
Dep. Asst. Director  
Bureau of Fair Competition,  
United States Federal Trade Commission

#### **CONFERENCE**

October 10-12, 2018

#### **16th Annual Conference of OOCUR**

*Regulating for Sustainability in a Disruptive Environment*  
- Belize

**Presenters**

Dr. Marsha Atherley-Ikechi  
Mrs. Kathyann Belle



## Appendix IV

### Commission Staff

#### Commission Staff as at March 31, 2019

Chief Executive Officer	- Mrs. Sandra Sealy, BSc, MBA, MSc
Director of Fair Competition	- Mr. Antonio Thompson, BSc, MSc
Director of Utility Regulation	- Dr. Marsha Atherley-Ikechi, BSc, MSc, MSc, PhD
Director of Consumer Protection	- Mrs. Dava Leslie-Ward, LLB, MBA, Attorney-at-Law
General Legal Counsel	- Ms. Cherie Jones, LLB, LLM, MA, Attorney-at-Law
Accountant	- Mrs. Shernell Small-Husbands, BSc, FCCA
Human Resources Officer	- Mrs. Arlene Bushell, BSc, MSc
Chief Economist	- Dr. Troy Waterman, BSc, MSc, PhD
Financial Analyst	- Mrs. Kathyann Belle, BSc, MSc
Utility Analyst – Water	- Ms. Fiona Scantlebury, BSc, MBA
Telecommunications Analyst	- Mr. Stewart Carter, BSc, MSc
Electricity Analyst	- Mr. Elvis Caddle, BSc, MSc
Information Specialist	- Mrs. Nekaelia Hutchinson-Holder, BA, MSc
Senior Legal Officer	- Mr. Kevin Webster, LLB, Attorney-at-Law
Consumer Protection Officer	- Mrs. Julia Regis, BSc
Consumer Protection Officer	- Mrs. Wanda Crichlow-Trotman, BSc
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	- Mrs. Teresa Patterson, 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	- Ms. Sonia Spencer
Help Bureau Officer	- Mrs. Antoinette Bridgeman
Help Bureau Officer	- Ms. Alia Mascoll
Receptionist/Typist	- Ms. Danielle Hope (Temp.)
Office Attendant	- Mr. Corrie Thompson
Office Helper	- Mrs. Cecilia Alfay

#### AUDITORS

Ernst & Young



## Contact Information

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](mailto:info@ftc.gov.bb)

**Website:** [www.ftc.gov.bb](http://www.ftc.gov.bb)

**Facebook:** [www.facebook.com/BarbadosFairTradingCommission](https://www.facebook.com/BarbadosFairTradingCommission)



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