

Fair Trading Commission

Annual Report 2010



Consumer Rights and Responsibilities

Without partnership between **Rights & Responsibilities** consumers cannot operate efficiently.

YOUR RIGHTS

1. The right to be informed
2. The right to choose
3. The right to safety
4. The right to be heard
5. The right to redress and to be treated fairly
6. The right to education
7. The right to goods of acceptable quality
8. The right to rely on the seller
9. The right to competent and timely service
10. The right to pay an agreed price or a reasonable price
11. The right to accurate weights and measurements

YOUR RESPONSIBILITIES

1. The responsibility to inform yourself
2. The responsibility to be wise
3. The responsibility to be careful
4. The responsibility to speak up
5. The responsibility to go through the proper channels
6. The responsibility to use educational material
7. The responsibility to make the best choices
8. The responsibility to inform the supplier of specific requirements needed
9. The responsibility to engage the services of competent persons to provide the service
10. The responsibility to compare prices before purchasing
11. The responsibility to carry out necessary checks

On the Cover

The Consumer Charter was produced in collaboration with the Department of Commerce and Consumer Affairs, the Office of Public Counsel, the National Initiative for Service Excellence and the Barbados National Standards Institute.

2010 ANNUAL REPORT

FAIR TRADING COMMISSION





Letter of Transmittal

Fair Trading Commission
Good Hope
Green Hill
St. Michael

July 08, 2010

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, 2010 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. Dr. David Estwick, M.P.
Minister of Economic Affairs, Empowerment,
Innovation, Trade, Industry and Commerce
Reef Road
Fontabelle
St. Michael



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Message from the Chairman

The period April 01, 2009 to March 31, 2010 saw the Commission execute a very challenging and intensive programme of activities.

On Friday, May 08, 2009 the Commission received an application from the Barbados Light & Power Company Limited (BL&P) for a review of electricity rates. In considering the Application, the Commission held an issues conference, a confidentiality hearing and a 13-day hearing in October 2009. The Commission issued its Decision and Order on January 25, 2010.

New Standards of Service Decisions for Cable & Wireless (Barbados) Ltd. (C&W) and the BL&P were also issued. These replaced the 2006 Decisions and cover the period April 01, 2010 to March 31, 2013. The Commission issued a Decision on the C&W Consolidated Reference Interconnection Offer (RIO). The Consolidated RIO replaced the existing RIOs for Mobile, Fixed Wireless and International.

Several Fair Competition investigations which were started in 2009 were completed during this period. The Commission concluded the investigation into the allegation that commercial banks were requesting loan clients to choose property valuers from their selected lists. With the release of the criteria to guide the selection of valuers, the distortion of competition in the market for the supply of property valuation services was removed.

The Commission prepared a research paper on the subject of Anti-Competitive Agreements in the Public Procurement Process which identified the dangers associated with collusive tendering in the bidding process and set out a series of measures the Commission plans to introduce to eliminate the threat of such activity. The Commission also met with key procurement officials and their input was incorporated into the document.

The Consumer Protection Division intensified its educational programme in order to reach a wider audience. In addition, issues that could impact large numbers of consumers were identified for in-depth research. Research commenced relating to conditions of carriage in the airline industry and contract terms in the banking industry.

On July 08, 2009, six (6) new Commissioners were appointed. They are Mr. Errol Humphrey, Mr. Kendrid Sargeant, Mr. Gregory Hinkson, Ms. Monique Taitt, Mr. Alfred Knight and Mr. Andrew Willoughby. I wish to thank former Commissioners Mr. Floyd Phillips, who spent 15 years with the Public Utilities Board (PUB) and the Fair Trading Commission, Mr. George Thomas, Mrs. Tammy Bryan, Mr. Delisle Weekes and Mr. Michael Thompson for their services to the Commission.

I also take this opportunity to acknowledge and applaud the contribution of former office manager Mrs. Myrna Forde, who, after 31 years of service to the PUB and the Commission retired on December 31, 2009. I thank all Commissioners and staff for their contribution to the work of the Commission during the year.

Neville V. Nicholls
Chairman

Members of the Commission 2009 - 2010



FROM LEFT: Mr. Errol Humphrey, Mr. Trevor Welch, Mr. Alfred Knight, Mr. Andrew Willoughby, Mr. Andrew Brathwaite, Chairman Sir Neville Nicholls, Mr. Gregory Hazzard, Mr. Gregory Hinkson, Professor Andrew Downes and Ms. Monique Taitt. Inset is Mr. Kendrid Sargeant

The eleven (11) Commissioners of the Fair Trading Commission are appointed by the Minister of Economic Affairs, Empowerment, Innovation, Trade, Industry 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.

During 2009-2010 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. During the reporting period, thirty-three (33) panel meetings were convened.

Fair Trading Commission at a Glance

Role of the Commission

The Fair Trading Commission “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

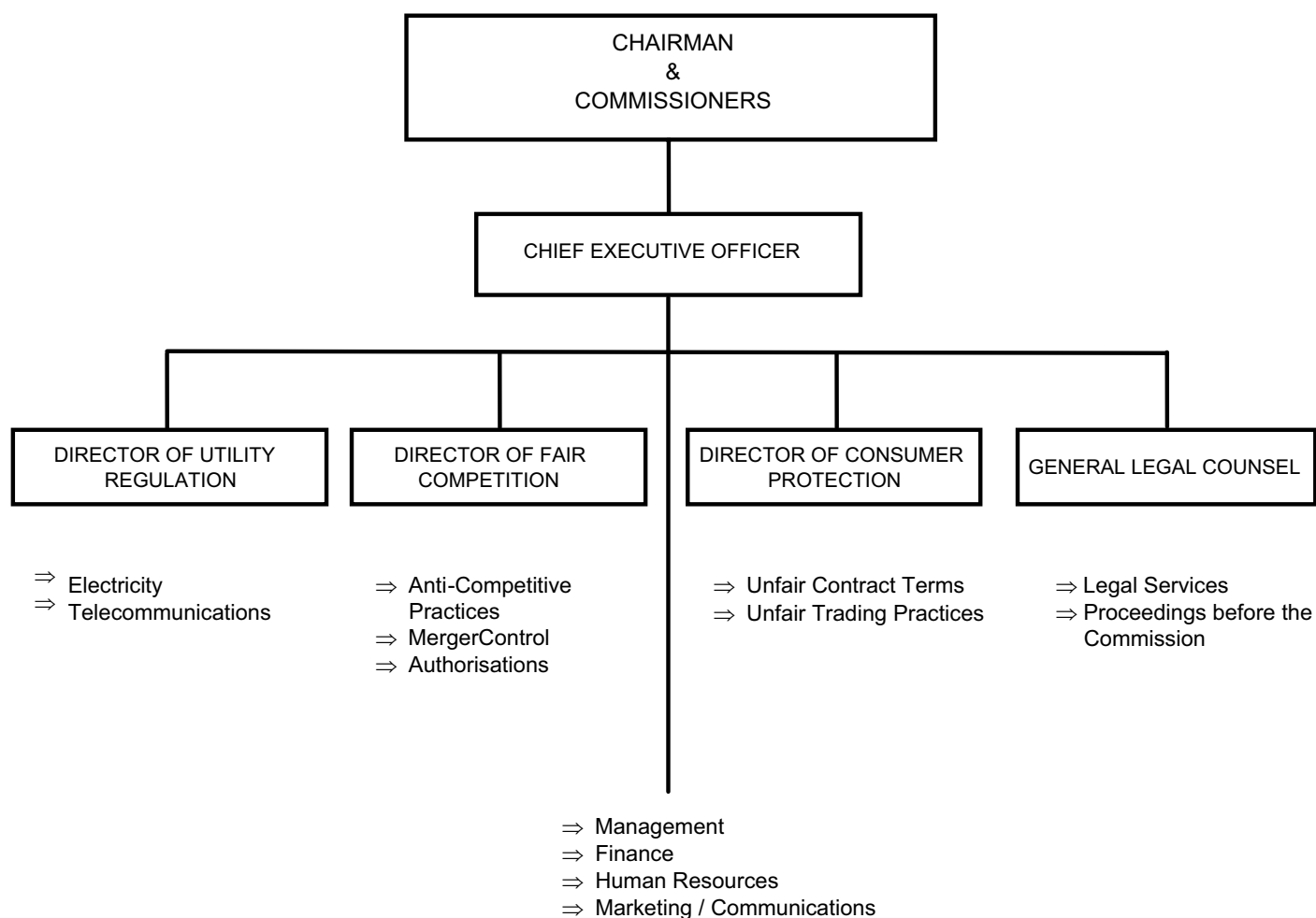
- Ensuring the efficient and safe provision of regulated utility services at reasonable rates;
- Regulation of competition between telecommunications carriers and service providers;
- Safeguarding the interest of consumers;
- Promoting and encouraging fair competition;
- Identifying human resource and 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 appointments 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, 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

Utility Regulation

The Utility Regulation Division regulates telecommunications services provided by C&W that have been designated by the Minister responsible for Telecommunications, and electricity service supplied by the BL&P. In carrying out its mandate in this area the Commission seeks to ensure that the regulated utility providers supply high quality, efficient, reliable and reasonably priced services to the public of Barbados.

The responsibilities of the Utility Regulation Division are defined in the Utilities Regulation Act and include establishing and reviewing the principles for setting rates, determining the applicable standards of service and carrying out periodic reviews of rates and standards of service. Certain provisions of the Telecommunications Act also fall under the authority of the Commission including interconnection.

Electricity

Decision on the BL&P Application to Review Rates

On January 25, 2010 the Commission issued its decision in the BL&P's Rate Application which was filed on May 08, 2009. The Commission approved the rate base of \$544,198,726 and the company's use of a capital structure of Debt 35% and Equity 65%. The Commission denied the requested rate of return of 10.48% and granted a rate of return of 10.00%. The Commission rejected the company's proposed revenue requirement of \$502,238,415 and determined a revenue requirement of \$499,165,291.

The Decision required that the company adjust the block structure for the Domestic Service class and the Employee class, which meant that the first block was expanded to allow more customers to benefit from the lower rate, and remove the ratchet billing from the demand charge for the Secondary Voltage Power and Large Power classes. The Decision also allowed the BL&P to shift the 2.64 cents/kWh (which was related to fuel) from the Base Energy rate to the Fuel Clause Adjustment (FCA). In compliance with the Commission's Decision and Order the BL&P filed its revised rate schedule and on February 25 the Commission approved this rate schedule.

Utility Regulation (continued)

The rates, as summarised below came into effect on all bills issued after March 01, 2010.

Table 1.1 – BL&P Summary of Existing & New Tariff

THE BARBADOS LIGHT & POWER CO. LTD.
SUMMARY OF EXISTING AND NEW TARIFFS

TARIFFS	COMPONENTS	EXISTING	RATES	NEW	RATES	RATES
		Parameters	Monthly Excl. VAT	Parameters	Monthly Excl. VAT	Monthly Incl. VAT
<u>Domestic Service</u>						
	Customer Charge	Each service	\$3	0-150kWh	\$6.00	\$6.90
				151-500kWh	\$10.00	\$11.50
				Over 500 kWh	\$14.00	\$16.10
	Demand Charge	Not applicable	-----	Not applicable	-----	-----
	Base Energy Charge	0-100 kWh, per kWh	\$0.176	0-150 kWh, per kWh	\$0.150	\$0.1725
		Next 900 kWh, per kWh	\$0.196	Next 350 kWh, per kWh	\$0.176	\$0.2024
		Over 1,000 kWh, per kWh	\$0.216	Next 1,000 kWh, per kWh	\$0.200	\$0.2300
				Over 1,500 kWh, per kWh	\$0.224	\$0.2576
	Fuel Charge	All kWh, per kWh.	FCA	All kWh, per kWh.	FCA	FCA x 1.15
<u>Employee</u>						
	Customer Charge	Not applicable	-----	Not applicable	-----	-----
	Demand Charge	Not applicable	-----	Not applicable	-----	-----
	Base Energy Charge	All kWh, per kWh.	\$0.080	0-150 kWh, per kWh	\$0.1080	\$0.12420
				Next 350 kWh, per kWh	\$0.1270	\$0.14605
				Next 1,000 kWh, per kWh	\$0.1800	\$0.20700
				Over 1,500 kWh, per kWh	\$0.2020	\$0.23230
	Fuel Charge	All kWh, per kWh.	FCA		FCA	FCA x 1.15
<u>General Service</u>						
	Customer Charge	Each service	\$5	0-100kWh	\$8.00	\$9.20
				101-500kWh	\$11.00	\$12.65
				Over 500 kWh	\$14.00	\$16.10
	Demand Charge	Not applicable	-----	Not applicable	-----	-----
	Base Energy Charge	All kWh, per kWh.	\$0.226	0-100 kWh, per kWh	\$0.184	\$0.21160
				Next 400 kWh, per kWh	\$0.217	\$0.24955
				Next 1,000 kWh, per kWh	\$0.259	\$0.29785
				Over 1,500 kWh, per kWh	\$0.290	\$0.33350
	Fuel Charge	All kWh, per kWh.	FCA	All kWh, per kWh.	FCA	FCA x 1.15
<u>Secondary Voltage Power</u>						
	Customer Charge	Not applicable	-----	Each service	\$20.00	\$23.00
	Demand Charge	per kVA	\$4	per kVA	\$24.00	\$27.60
	Base Energy Charge	All kWh, per kWh.	\$0.206	All kWh, per kWh.	\$0.1380	\$0.1587
	Fuel Charge	All kWh, per kWh.	FCA	All kWh, per kWh.	FCA	FCA x 1.15
<u>Large Power</u>						
	Customer Charge	Not applicable	-----	Each service	\$300	\$345
	Demand Charge	per kVA	\$3	per kVA	\$22	\$25.30
	Base Energy Charge	All kWh, per kWh.	\$0.196	All kWh, per kWh.	\$0.1170	\$0.13455
	Fuel Charge	All kWh, per kWh.	FCA	All kWh, per kWh.	FCA	FCA x 1.15
<u>Streetlights</u>						
	Customer Charge	Each 50 Watt HPS light	\$5.82	Each 50 Watt HPS light	\$7.04	\$8.0960
		Each 70 Watt HPS light	\$5.82	Each 70 Watt HPS light	\$7.73	\$8.8895
		Each 100 Watt HPS light	\$14.80	Each 100 Watt HPS light	\$8.59	\$9.8785
	Demand Charge	Not applicable	-----	Not applicable	-----	-----
	Base Energy Charge	Not applicable	-----	Not applicable	-----	-----
	Fuel Charge	50 Watt HPS (27 kWh / month)	27*FCA	50 Watt HPS (25 kWh / month)	25*FCA	25*FCA x 1.15
		70 Watt HPS (27 kWh / month)	27*FCA	70 Watt HPS (33 kWh / month)	33*FCA	33*FCA x 1.15
		100 Watt HPS (73 kWh / month)	73*FCA	100 Watt HPS (43 kWh / month)	43*FCA	43*FCA x 1.15
<u>NOTES:</u>						
(1) FCA = Fuel Clause Adjustment, calculated monthly in accordance with the Fuel Clause.						
(2) Proposed Fuel Clause Adjustment is based on the total fuel cost. 2.64 cents/kWh has been shifted from the Base Energy rate to the FCA.						
(3) 10% discount on non-fuel components of Domestic Service bills is applied if full payment is made within 15 calendar days of bill issue date.						

Utility Regulation (continued)

Motion for Review – Barbados Consumer Research Organisation Inc. (BARCRO)

Following the Decision and Order of January 25, 2010 in the BL&P rate review application, the Commission received motions for review from the Public Counsel and the Barbados Consumer Research Organisation Inc. (BARCRO). In addition to the various grounds for review the applications sought a stay of the Commission's decision and order. The Commission denied the application for a stay of the Decision. Subsequently, the Public Counsel withdrew his motion for review. BARCRO's motion for review is currently before the Commission and will be determined by written hearing.

Application for Costs

Arising out of the hearing of the BL&P rate review application, the Commission received three applications for costs from the Barbados Small Business Association (BSBA), Barbados Association of Retired Persons (BARP) and the Barbados Association of Non-Governmental Organisations (BANGO). The matter has been placed before the Commission for assessment and determination.

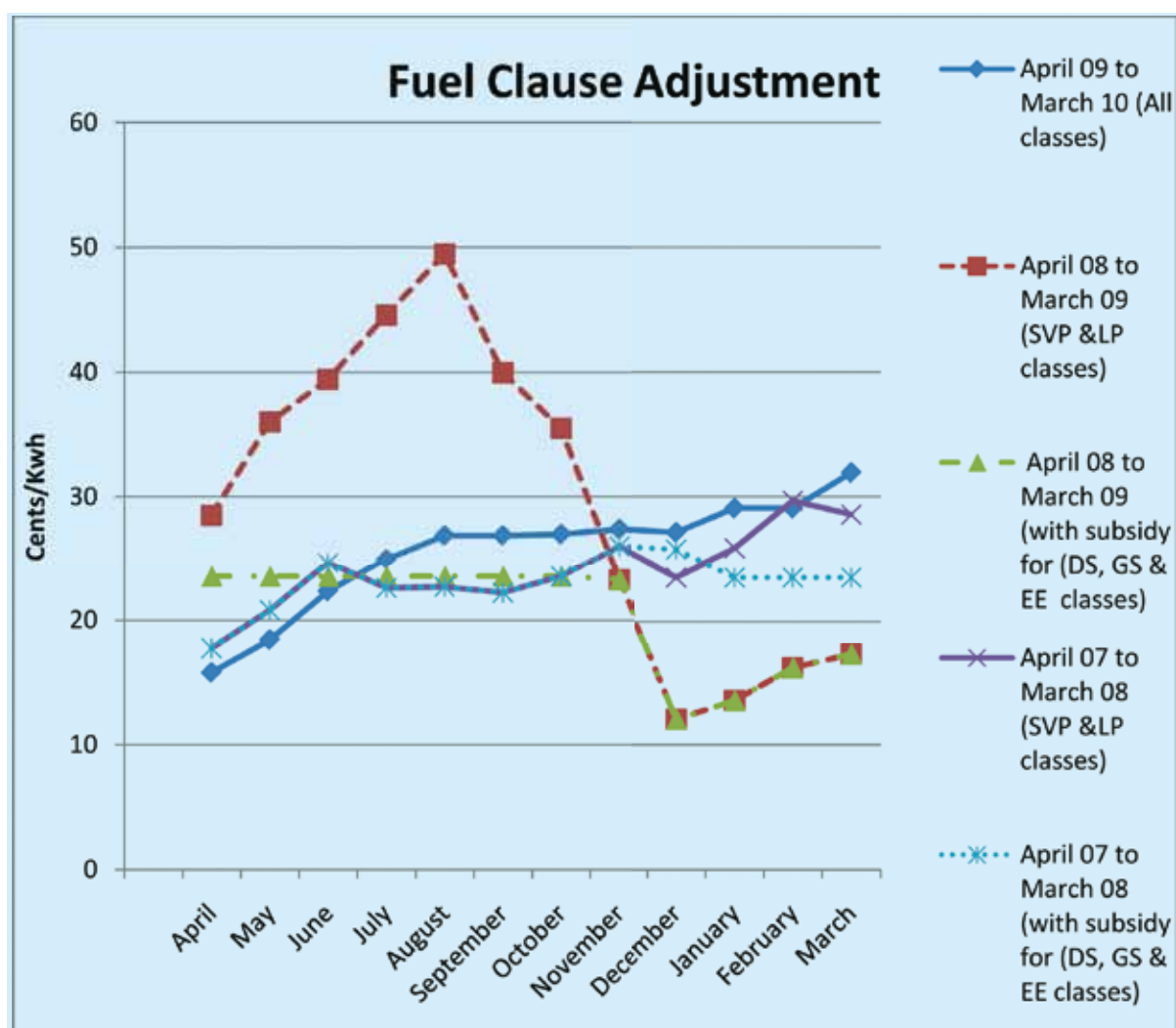
Analysis of the Fuel Clause Adjustment (FCA)

The FCA is a mechanism that permits the BL&P to adjust the price of electricity to reflect fluctuations in the cost of the fuel used to generate electricity. This is reflected as an itemised fuel charge on a consumer's monthly electricity bill.

During the period under review the FCA, measured in cents per KWh, increased by 100% from 15.8099 cents to 31.9299 cents. In the previous period (2008-2009), the FCA for Domestic and General Service customers was subsidised by Government and limited to 23.54 cents but commercial Secondary Voltage Power and Large Power customers experienced a peak of 49.4821 cents. The charges are shown in Figure 1.1 with and without the effects of the government subsidy which was in place until November 2008.

Utility Regulation (continued)

Figure 1.1 – Fuel Clause Adjustment



Findings Report on the BL&P Pilot Programmes

On March 19, 2010 the Commission issued a Findings Report on the BL&P Pilot Programmes. Within the BL&P Rate Review Application the Company had proposed the introduction of three Pilot Programmes relating to a Time-of-Use (TOU) Tariff, a Renewable Energy Rider (RER) and an Interruptible Service Rider (ISR). The Commission examined these programmes in a separate public consultation.

In the Findings Report the Commission advised that having reviewed all of the information submitted it was satisfied with the conditions under which the pilot programmes were being offered except for the proposed three-year duration.

Utility Regulation (continued)

The BL&P was therefore advised that the pilot programmes should be undertaken for no more than two years from the date of implementation which should be no later than July 01, 2010. The Commission is putting in place the necessary reporting mechanism for regulatory oversight of these programmes.

Telecommunications

Decision – C&W Consolidated Reference Interconnection Offer (RIO)

The Commission issued the Decision in the Cable & Wireless (C&W) Consolidated Reference Interconnection Offer (RIO) on February 22, 2010. The Consolidated RIO replaced the existing RIOs for Mobile, Fixed Wireless and International, each of which marked the gradual opening of the Barbados telecommunications market to competition. This Decision followed public consultation, an Oral Presentation on June 19, 2009 and additional communications with C&W and other service providers. Following consideration of these submissions, the Commission advised C&W that it was not satisfied with certain aspects of the RIO submitted in December 2008 and requested that C&W revise its submission.

C&W submitted the revised Consolidated RIO on December 15, 2009. The Commission further directed that C&W reduce interconnection tariffs on the following services by 15%. Subsequently, a revised tariff schedule was submitted on February 15, 2010:

- i) Public Switched Telecommunications Network (PSTN) Terminating Access Service: inclusive of charges for call set up, call duration and interconnect specific;
- ii) Public Land Mobile Network (PLMN) to PLMN Terminating Access Service, Transit Part: inclusive of charges for call set up, call duration and interconnect specific;
- iii) PLMN to PLMN Terminating Access Service, Mobile Terminating Part: inclusive of call duration charges;
- iv) Incoming International Call Termination to PLMN Service, Transit Charges: inclusive of charges for call set up, call duration and interconnect specific;
- v) PSTN Transit Service: inclusive of charges for call set up, call duration and interconnect specific;
- vi) PSTN Transit Service, Mobile Termination Charge Payable to Third Party Mobile Telecom Providers: inclusive of call duration charges; and
- vii) Domestic Fixed to Mobile Service, Transit Part (payable by Service Supplier to Service Taker where Call transits Service Taker's PSTN Network): inclusive of charges for call set up, call duration and interconnect specific.

Utility Regulation (continued)

The Commission approved all sections of C&W's Consolidated RIO as submitted on December 15, 2009 and the Tariff schedule as submitted on February 15, 2010. The Commission also stated its intention to implement a forward-looking cost model to determine interconnection costs. As a result the Commission also determined that C&W should undertake a Long Run Incremental Cost study and develop a model based on guidelines developed by the Commission.

Motion for Review – Digicel (Barbados) Limited (Digicel)

Digicel was not satisfied with the Commission's Consolidated Reference Interconnection Offer Decision and the process which the Commission utilised in reaching this Decision and therefore submitted a motion for review. In its motion Digicel provided the various grounds for review and also applied for a stay of the Decision. The Commission denied the application for the granting of a stay but agreed to the review. The matter is currently before the Commission and is being determined by written hearing.

Price Cap Plan 2008

Price changes

In compliance with the Price Cap Plan 2008 Decision there were reductions in Residential International Direct Dialed (IDD) rates effective March 31, 2010 and increases in Residential fixed line rates effective March 01, 2010.

Standards of Service

Decisions – Standards of Service for C&W and the BL&P

The Commission issued Decisions on Standards of Service for C&W and the BL&P on February 22, 2010. These replaced the 2006 Decisions and will be applicable from April 01, 2010 to March 31, 2013 and are subject to review by the Commission every three years.

One of the changes the Commission has required is that for some of the Guaranteed Standards of Service, the companies incorporate a system that automatically compensates all affected customers within three months of a confirmed breach of the specific guaranteed standard. This was in response to the fact that many persons who are eligible for compensatory payments do not file claims.

Utility Regulation (continued)

This automated system applies to the BL&P's Standards of Service for Simple Service Connection and for Connect or Transfer Service. It also applies to C&W's Standard of Service for Installation of the telephone service after approval as well as for Re-connection after Disconnection, (Tables 1.2 and 1.3).

Table 1.2 – Cable & Wireless – Guaranteed Standards of Service

Guaranteed Standard	Target	Compensatory Payment	Number of Times Target Not Met	Average % Compliance
Installation of Service	Residential Customers – no more than 15 working days.	Refund of the applicable installation fee.	423	79.55
Fault Repair	Residential Customers faults to be restored within 12 (Dry season) or 40 (Wet season) working hours	Refund of \$15.00 and an additional \$15.00 for each additional 40 working hours	1901 (Dry season) 4482 (Wet season)	90.81 (Dry season) 64.46 (Wet season)

Table 1.3 – Barbados Light & Power – Guaranteed Standards of Service

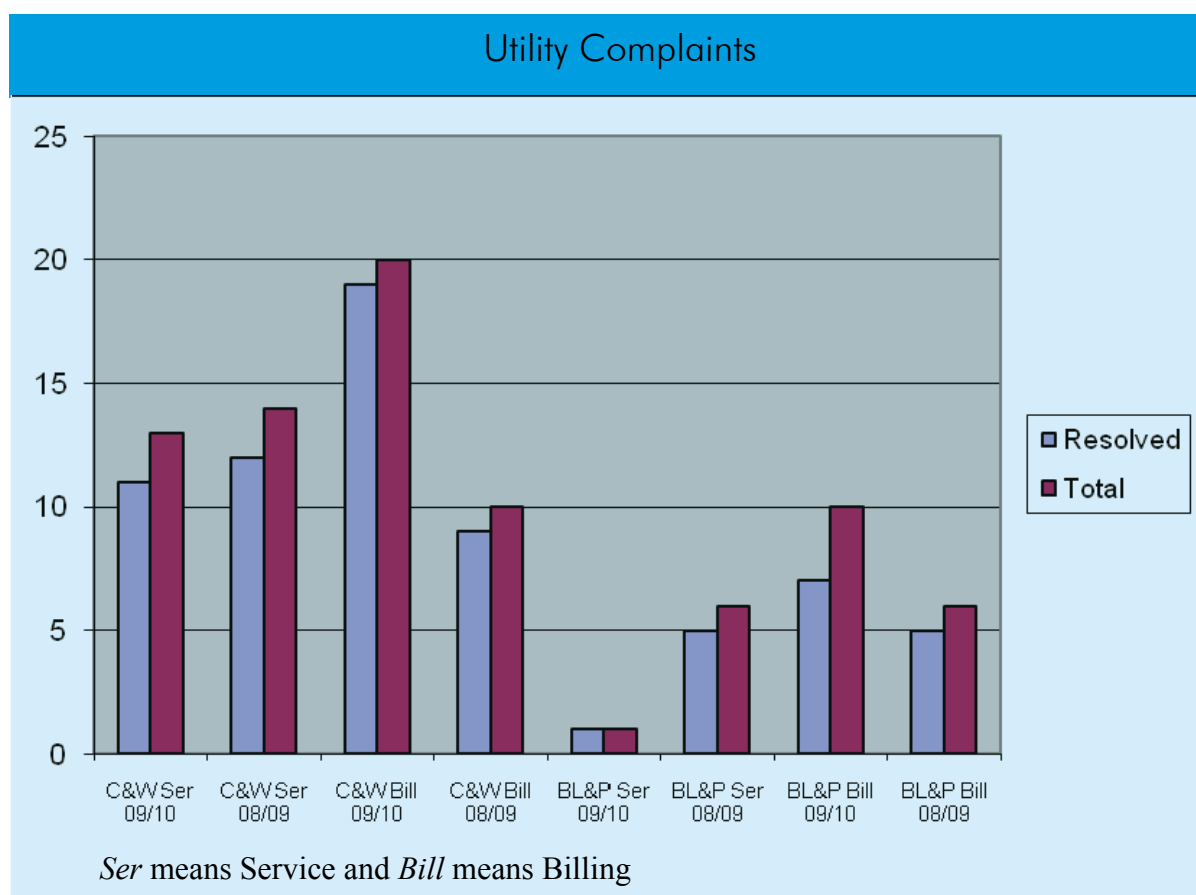
Guaranteed Standard	Target	Compensatory Payment (Domestic Customers)	Number of Times Target Not Met	Average % Compliance
Restore supply after fault on customer's service (single customer)	Within 12 hours	\$45.00 plus \$45.00 for each additional 24 hours.	1	99.6
Installation – Provide a simple service connection	Within 12 working days	Refund of installation fee	193	90.4

Utility Regulation (continued)

Utility Complaints/Queries

During the period April 2009 to March 2010 the Commission received thirty-three (33) complaints in respect of C&W and thirty (30) of these were resolved. Eleven (11) complaints were received relating to the BL&P and eight (8) were resolved. In addition, over 233 queries were responded to by officers in the Utility Regulation Division.

Figure 1.2 – Utility Service Complaints



Fair Competition

Under the Fair Competition Act the Commission is required to:

- (a) promote and maintain and encourage competition;
- (b) 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) ensure that all enterprises, irrespective of size, have the opportunity to participate equitably in the market place;

In seeking to achieve these objectives the Commission undertook investigations both on its own initiative and based on complaints of alleged unfair trade practices. It also intensified its programme of educating and informing businesses and consumers concerning competition policy and reviewed commercial activities to identify practices that may adversely affect competition. In addition to advising on matters relating to the Fair Competition Act the Commission also cooperated with the CARICOM Competition Commission to promote competition within the region.

Investigation and Adjudication of Anti-Competitive Practices

Under the Fair Competition Act the Commission's primary function is to investigate potential acts of distortion of competition. In this regard, the Commission undertook several investigations into alleged breaches of the Act. Some of these investigations began in the last financial year and were completed during the reporting period while others which commenced in this reporting period are continuing. The investigations include allegations of breaches of the Act in the construction, financial services, motorcar distribution, travel promotion, manufacturing and telecommunications sectors. Investigations concluded include:

Excessive Pricing – ADM Barbados Mills

In April, ADM Barbados Mills (ADM) submitted their response to the Commission's preliminary findings which indicated that the company, in accordance with the Commission's recommendation, began to institute a reduction in their wholesale prices of Northern Spring Wheat (NSW) flour. They also indicated that there would be a further decrease in May.

The Commission acknowledged the price decreases and communicated to ADM management that, since the company had introduced these decreases on wholesale prices of NSW flour, as recommended, there was no further need for the Commission to pursue the matter.

Fair Competition (continued)

Excessive Pricing – Pinnacle Feeds Limited

In April 2009 Pinnacle Feeds Limited submitted a detailed cost and pricing spread sheet in response to the Commission's recommendation. This spreadsheet was intended to demonstrate that the company had implemented the cost allocation pricing methodology, recommended by the Commission, to ensure that its prices bear a consistent and reasonable relationship to their underlying costs.

In July the Commission accepted the information submitted by Pinnacle Feeds and confirmed that the company had in fact implemented the requisite cost allocation pricing methodology in determining prices for its various feeds. In respect of this the Commission agreed that no further action was needed in regard to this matter.

Unfair Pricing – Arawak Cement Plant

The investigation of discriminatory pricing by Arawak Cement Plant (Arawak) was completed in January 2009 and the Commission concluded that Arawak was acting in breach of the Fair Competition Act. The Commission advised Arawak that it should extend to manufacturers a similar discount to that extended to distributors, when non-distributors purchase cement in volumes similar to that specified for distributors.

After requesting an extension Arawak responded on June 12, 2009, that it had accepted the Commission's recommendations. The company confirmed that it would charge manufacturers who purchase cement on the same terms and in the volume as set out in the distributorship criterion, the same price charged to "authorised distributors".

The Commission has since received confirmation from some manufacturers that they have benefitted by purchasing the stipulated volume at the lower price.

Abuse of Dominance – LIME

The Commission received a complaint from Digicel alleging that C&W, trading as LIME, was acting in breach of the Fair Competition Act, by contacting Digicel's customers and enticing them with promotional offers. They noted that their customers' information was private. The Commission investigated this matter and found that the methodology used by LIME to derive the calling list of potential Digicel customers is widely used in marketing research and tele-sales activity and was not due to any privileged access to customer information because of dominance.

Fair Competition (continued)

The Commission found that LIME's action did not constitute a breach of Section 16 3(h) of the Fair Competition Act.

Anti-Competitive Conduct – Digicel

The Commission also received a complaint from LIME that Digicel, in sending a Short Message Service (SMS) text message to its customers with content that was inaccurate and malicious, engaged in conduct likely to disrupt competition within the market for the supply of mobile telecommunications services.

The Commission found that the content of the message sent by Digicel described the general extent of LIME's action and further that, Digicel's actions could be viewed as "normal" practice between keen rivals in a competitive market.

The Commission found that Digicel did not breach Section 13 (1) of the Fair Competition Act.

Selected List of Valuers – Commercial Banks

In May the Commission agreed with the revised criteria, which were prepared by the Bankers' Association in response to the Commission's recommendation, that the eligibility of property valuers to conduct valuations on behalf of the banks should be clear and transparent. During the period the Commission, following consultation with both the Bankers' Association and the two associations of valuers, signed off on this matter and made it public by way of a press release.

Predatory Pricing – No. 1 Beauty Supply

Following public comment regarding the pricing policy of No. 1 Beauty Supply, the Commission, on its own initiative, began an investigation into the matter.

The Commission concluded that there was no evidence to support the allegation that No. 1 Beauty Supply was engaged in predatory pricing. The evidence showed that by purchasing products in bulk, No. 1 Beauty Supply was able to obtain volume discounts on its orders and passed on the savings to consumers in the form of lower retail prices.

Fair Competition (continued)

Barbados National Oil Company Ltd. (BNOCL) v. Fair Trading Commission
On May 15, 2009 the High Court handed down the judgment in Supreme Court Suit No. 1811 of 2006 BNOCL v. FTC. The Commission was the unsuccessful litigant in this matter and commenced the appeal process in the latter part of 2009 since the Commission is of the view that if the decision is allowed to stand, it may hinder the Commission's effectiveness with respect to many Fair Competition matters.

The judgement stated that: "Sections 23 and 24 of the FTC Act CAP. 326B set out the duties of the complainant and they are quite simply that the complainant can make a complaint and that it can be done either written or orally. What section 5 (4) of the FCA CAP. 326C does is indicate that if a party cannot satisfy those conditions, the FTC could still conduct the investigation. There is absolutely no evidence to show that SOL was incapable of making a written or oral complaint to the Applicant and I hold the view that the FTC should have instructed SOL to pursue their complaint with BNOCL as a first option."

Based on the above the Commission may be required to have all complainants first seek to resolve their disputes and only come to the Commission if they fail to have the dispute settled.

Monitoring Business Conduct and Conducting Market Studies

The Commission is required at Section 5 (1) (C) of the Act to keep under review commercial activities to ensure that practices that may adversely affect the interest of consumers are prevented. In addition the Commission is required to undertake studies and publish reports and information regarding matters affecting the interest of consumers. Pursuant to this responsibility the Commission commenced research into the wholesale distribution, retail food distribution and telecommunications sectors.

Research

Anti-Competitive Agreements in the Public Procurement Process

In February the Commission prepared a research paper on the subject of bid-rigging in public procurement. The paper identified the dangers associated with collusive tendering in the bidding process and set out a series of measures the Commission should be seeking to introduce to eliminate the threat of such activity.

Fair Competition (continued)

The Commission also met with key procurement officials to discuss the practicality of implementation of some of the strategies. The comments of these agencies were then incorporated into the document.

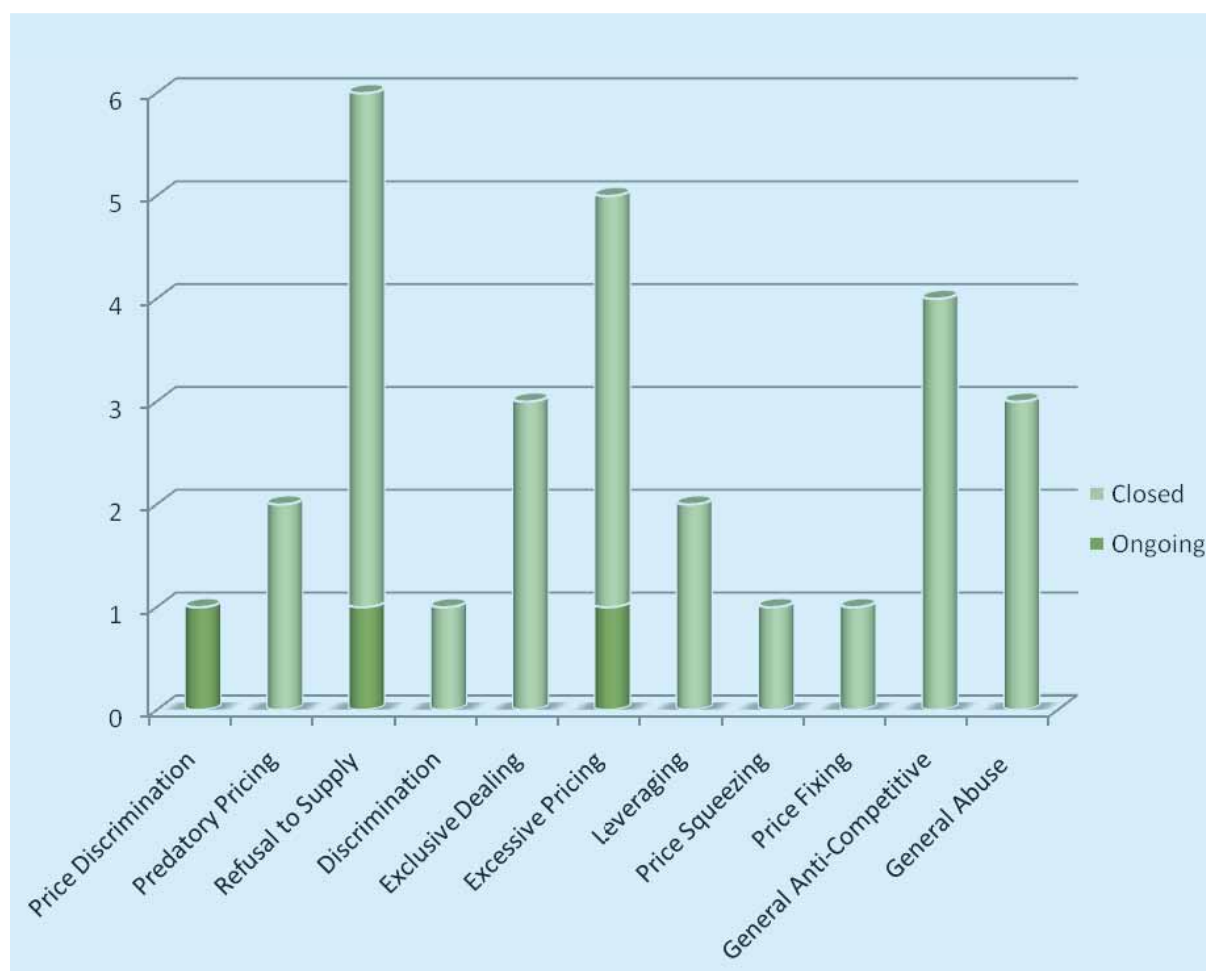
Against this background the Commission is seeking to introduce a number of measures, through workshops to help public procurement officers identify and/or reduce the occurrence of bid-rigging and the negative effect such conduct would have on government procurement. These measures take into account the experiences of mature jurisdictions.

Investigations

From complaints received and on its own initiative the Commission conducted inquiries into twenty-nine (29) cases of alleged anti-competitive conduct during the year. The majority of these concerned allegations of abuse of dominance, namely, refusal to supply, excessive pricing and exclusive dealing. In the period under review twenty six (26) of these matters were resolved while three (3) were ongoing at the end of the period. The Commission also received and handled seventeen (17) additional queries relating to anti-competitive conduct during the financial year. This information is shown at Figure 2.1.

Fair Competition (continued)

Figure 2.1 – Allegations and Queries of Anti-Competitive Conduct



Fair Competition (continued)

Developing Procedural Framework

Section 50 of the Fair Competition Act states that the Commission, with the approval of the Minister, may make rules generally for giving effect to the provisions of this Act by (a) prescribing the procedures to be followed in respect of applications and notices; and (b) respecting the proceedings of the Commission. In this regard, the following rules were completed.

Merger Fees

The Commission's recommendations led to the introduction of the statutory instrument which establishes the fees to be charged for the investigation of a merger. The fees are designed to offset the expenses associated with conducting a merger investigation.

Authorisation Fees

The Commission's recommendations also led to the introduction of the statutory instrument which establishes the fees for an application seeking an Authorisation. An Authorisation gives to any business which proposes to engage in a practice prohibited by the Act, permission to do so, provided that following a public consultation the Commission is satisfied that the conduct is likely to promote the public benefit and is reasonable in the circumstances.

During the year under review, the Commission was proactive in identifying issues that could impact negatively on consumers. Specifically, the Commission commenced research into the airline and banking industries and placed greater emphasis on its educational programme which focused on reaching a wider audience.

Forty-six standard form contracts were reviewed compared to 23 in the 2008-2009 period. The aim was to ensure that contracts with unfair terms as defined by the Consumer Protection Act CAP. 326D were amended or deleted.

Educational Outreach

The Commission visited twenty-three (23) primary and secondary schools. During these visits, one thousand six hundred and twenty-six (1,626) children were educated about their rights and responsibilities under the Consumer Protection Act.

In addition, the Consumer Protection Division visited eight (8) institutions, both government and private sector agencies. During these visits over one hundred and twenty (120) individuals were educated about their rights and responsibilities under the Act. The response was positive. Many questions were answered and consumers were able to relate some problems they experienced to provisions of the Act. They left enlightened and better educated as to how the particular issue should have been handled.

Contract Terms

The forty-six (46) contracts reviewed during the period April 2009 to March 2010 represent one thousand two hundred and twelve (1,212) contract terms. The Commission examined the courier sector and contracts based on consumer complaints. Each contract clause was compared to the provisions of the schedule of the Consumer Protection Act to determine if it conformed or breached these provisions. There were sixty-four (64) breaches of the Act, and at the end of the reporting period eleven (11) were resolved either by deleting or amending the term. The Commission is continuing to work with companies in breach of the Act to rectify the situation.

Consumer Protection (continued)

Unfair Trading Practices

The Consumer Protection Division continued its inspection of stores based on complaints or on its own initiative, for “No Exchange No Refund” signs. Efforts were concentrated on the Bridgetown area. Forty-nine (49) stores were visited during the year and twenty-one (21) had the “No Exchange No Refund” sign displayed or printed on receipts or sales invoices.

Six (6) stores in breach of the Consumer Protection Act have removed the signs from their stores and invoices. The Commission is currently taking steps to ensure that the remaining companies comply with the Act. Considerable progress has been made in this area as it is noticed that from one monitoring period to the next businesses are not replacing the signs after being asked by the Commission to remove them.

The print media was also monitored for misleading or potentially misleading advertisements. There were seven (7) breaches, especially as it relates to font size. Businesses in breach of the Act have undertaken to increase the font size in future advertisements. The Commission also investigated and resolved complaints relating to misleading advertising in the broadcast media.

Relationship with Consumers

When consumers contact the Commission the information is recorded and an assessment made by the officer as to whether or not the issue is one that falls under the jurisdiction of the Consumer Protection Act. Several queries fell under the Office of Public Counsel and consumers were directed to that office.

Queries

The Commission received two thousand six hundred and seventy-six (2,676) queries during the period under review. Two thousand three hundred and fifty (2,350) of these were telephone queries and three hundred and twenty six (326) were from persons who visited the Commission as shown at Figure 3.1. One thousand two hundred and eighty-nine (1,289) consumers were directed to the Office of Public Counsel after their complaints were reviewed.

Complaints

During the financial year April 2009 to March 2010, the Commission received thirty-one (31) complaints from consumers. The Commission was able to resolve twenty-seven (27) of these complaints with only four (4) complaints outstanding for this period. The reduction

Consumer Protection (continued)

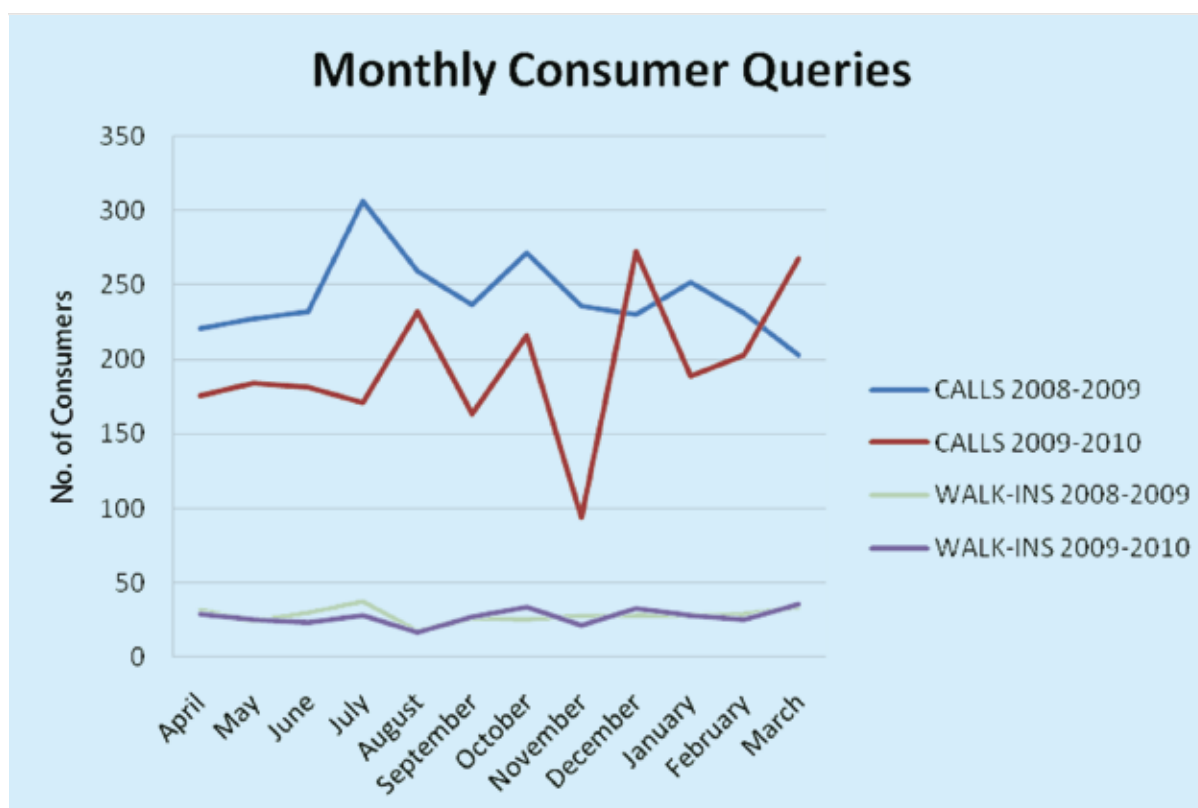
in complaints to the Commission can be partly attributed to the Commission's ongoing educational programmes with the major stakeholders – consumers and businesses.

Relationship with Businesses

Businesses were actively encouraged to implement compliance programmes. The Commission continued to provide advice and guidance to businesses and also educated them on the provisions of the Consumer Protection Act. It was useful that companies contacted the Commission to discuss how to proceed on a consumer issue to avoid contravention of the Act. Businesses and their staff are becoming more aware of when an infringement of this Act is likely to be made and are therefore able to take preventative action.

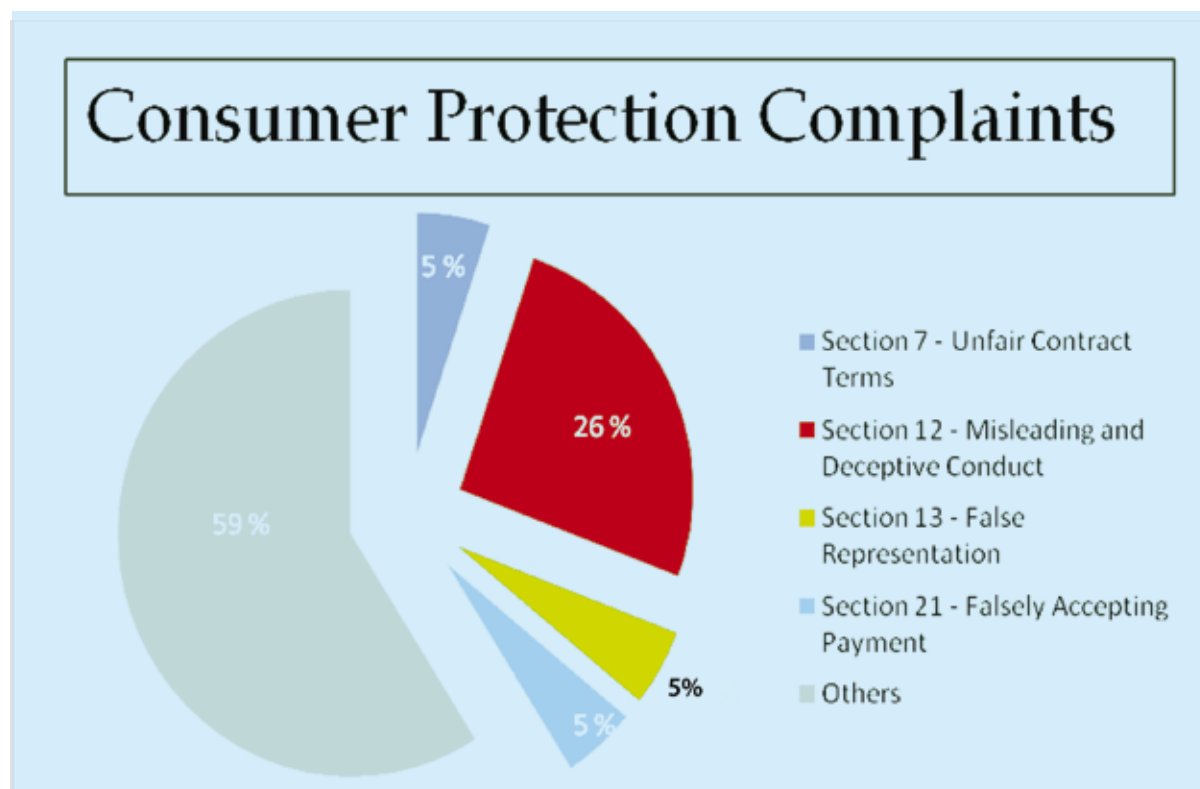
The Consumer Charter which outlines consumers' rights and responsibilities was completed in draft and is expected to be ready for distribution early in the next financial year.

Figure 3.1 – Consumer Queries



Consumer Protection (continued)

Figure 3.2 – Consumer Complaints



Research

The Fair Trading Commission Act CAP. 326B enables the Commission to conduct investigations on its own initiative, into issues affecting consumers. The Commission commenced research into the airline and banking industries during the reporting period.

Airline Industry

The study on the airline industry is examining the 'Conditions of Carriage' of the airlines, that is, the conditions under which the airlines provide transportation to passengers. It is also looking at the general practices of the airline industry as the Commission seeks to gain a better understanding of the full operations of the industry. The objective of this project is to ensure that no actions are being taken by airlines which contravene or have the potential to contravene the Consumer Protection Act.

Banking Industry

With respect to the banking industry, the aim of the banking study is to analyse standard form contracts primarily for the presence of unfair contract terms. The contracts of commercial banks are being analysed and cross-referenced against the general characteristics of unfair contract terms specified in the Act.

Public Education and Awareness

Sixth Annual Lecture

This year the Commission hosted its Sixth Annual Lecture on Friday March 12, at the Hilton Barbados. The lecture was delivered by Dr. Mark Jamison on the topic “Functions, Formulas and Fiction – Regulation in the Next 10 Years”. Dr. Jamison spoke of regulation as a very complex system of economic and stakeholder interests which must evolve as times, needs and circumstances change.

Dr. Jamison is the Director of the Public Utility Research Center (PURC) at the University of Florida and also serves as its Director of Telecommunications Studies. His research topics include leadership and institutional development in regulation, competition and subsidies in telecommunications and regulation for next generation networks.

Opening remarks were made by the Honourable Patrick Todd, Minister of State in the Ministry of Economic Affairs, Empowerment, Innovation, Trade, Industry and Commerce.

Published Articles

As part of its public education efforts 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 publication monthly. This column featured interviews with senior officers of the Commission on current issues under their purview.
- Let’s Get It Right Consumers appeared in Heat newspaper once a week and featured short tips on consumer rights and responsibilities.
- The FTC column, which was published on a fortnightly basis in Business Monday, dealt with issues relevant to the business community.

Other Educational Programmes for Consumers and Businesses

The Commission undertook a number of initiatives during the review period. Staff presented on television and on radio and at several public events, including participation in a discussion on the “Bajan Brand Radio Programme” which dealt with competition and

Public Education and Awareness (continued)

consumer issues in the manufacturing sector. During the year staff also contributed articles to the Industrialist magazine of the Barbados Manufacturers' Association and the Global Competition Review.

The Commission hosted a training workshop entitled "Competition Law & Policy" on March 29 and 30, 2010 to expose key members of the local business community to the fundamentals of competition law and policy.

The main facilitators of the two-day training workshop were Mr. Norman Armstrong, Deputy Director of the Bureau of Competition and Ms. Jeanine Balbach, also an attorney of the Bureau of Competition at the United States Federal Trade Commission. Staff also presented and facilitated discussion on issues related to the application of competition law and policy in Barbados and the region.



Featured Speaker - Dr. Mark Jamison

Public Education and Awareness (continued)



Dr. Mark Jamison meets Minister the Hon. Patrick Todd as Chairman Sir Neville Nicholls and Professor Andrew Downes, Deputy Chairman, look on



A section of the audience at the Annual Lecture

Public Education and Awareness (continued)



Dr. Roland Clarke asking a question at the Lecture



Director of Utility Regulation Sandra Sealy presenting
Dr. Mark Jamison with a token of appreciation

Public Education and Awareness (continued)



Norman Armstrong and Jeanine Balbach of the United States Federal Trade Commission with CEO Peggy Griffith and Director of Fair Competition DeCoursey Eversley

Organisational Development

Review of Legislation

The Cabinet of Barbados established a broad based committee to review the legislation administered by the Commission.

The committee's mandate is to make recommendations for improving existing legislation, consolidating such legislation where necessary and for institutional reform where appropriate. The Commission's proposed amendments based on its institutional experience were also placed before the Committee.

It is anticipated that the review process will conclude shortly at which time the committee's recommendations for improving the effectiveness of the existing legislation will be contained in a report and placed before Cabinet for consideration.

Training and Development

Capacity building, with emphasis on the enhancement of leadership and technical skills of Commission staff continued to be the main focus in the area of training and development. This was achieved mainly through attendance at local, regional and international workshops and conferences relevant to the Commission's mandate. Staff participated in seminars, workshops and conferences hosted by such agencies as the Stitt Feld Handy Group, the International Competition Network (ICN), the International Telecommunications Union (ITU), The Organisation of Caribbean Utility Regulators (OOCUR), International Consumer Protection and Enforcement Network (ICPEN) and the New York-based Fordham Competition Law Institute.

Regional and International Co-operation

The Fair Competition Division continued to strengthen its alliance with the CSME Unit and participated in the launch of the Guyana Competition Commission in August 2009. The Commission also continued to cooperate with regional member states sharing information in response to their questions.

Organisational Development (continued)

US-Barbados Partnership Programme

The Commission through the International Competition Network (ICN) partnership arrangement cemented its association with the US Federal Trade Commission (USFTC) under an informal partnership arrangement. The partnership arrangement was initially formed as a technical assistance programme designed to pair an experienced competition authority with a new and emerging authority.

International Competition Network (ICN)

The ICN conducted several webinars (online seminars) throughout the year and the Commission participated in discussions with the Unilateral Conduct Working Group, the Merger Working Group and Competition Advocacy Experience Sharing Project in order to increase awareness in these areas.

International Consumer Protection and Enforcement Network (ICPEN)

The Commission also participated in several of the International Consumer Protection Enforcement Network (ICPEN) teleconferences in order to increase knowledge of developments in this area.

Organisation of Caribbean Utility Regulators (OOCUR)

Members of the Commission joined other regional regulators at the 7th Annual OOCUR Conference held in Tobago from November 04 - 06, 2009. The theme of the conference was "Emerging Regulatory Issues in the Caribbean". Topics such as the promotion of renewable energy sources, convergence and water subsidies were presented by experts in the field.

Looking to the Future

On January 02, 2011, the Commission will have been in existence for ten (10) years. It is expected that the recommendations of the report of the Cabinet appointed Legislative Review Committee will give rise to modifications and amendments which will allow the Commission to better execute its mandate.

Strategically, in all areas of the Commission's mandate, emphasis will be placed on enforcement of its decisions and determinations. Mandatory reporting processes will be reviewed and fine-tuned to allow the Commission to regulate more effectively.

Analysis of three motions for review and an application for costs by intervenors has commenced. The Commission expects to issue its decisions and determinations in these matters in the next reporting period.

Educating consumers and hosting of training programmes for businesses will continue to be an overarching feature of the work of the Commission. The consumer educational programme will continue to embrace the primary and secondary schools and employees in the workplace, as the Commission seeks to ensure that everyone, consumers and businesses, is aware of their rights and responsibilities.

**Financial Statements
Fair Trading Commission
For the year ended March 2010
(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 2010 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 notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

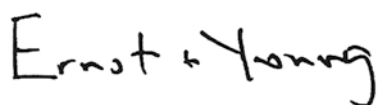
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 2010 and its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



CHARTERED ACCOUNTANTS

Barbados
8 July 2010

FAIR TRADING COMMISSION

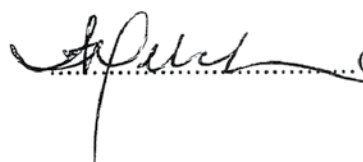
Statement of Financial Position As of 31 March 2010

	Notes	2010 \$	2009 \$
Assets			
Current assets			
Cash	4	636,156	1,529,815
Time deposits	4	102,021	99,365
Accounts receivable	5	1,639,987	977,711
Prepayments		134,359	128,155
		<hr/> 2,512,523	<hr/> 2,735,046
Accounts receivable	5	7,576	14,577
Property and equipment	6	717,559	871,510
		<hr/> 3,237,658	<hr/> 3,621,133
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		85,200	107,825
Deferred income	7	61,900	133,894
		<hr/> 147,100	<hr/> 241,719
Net assets		<hr/> 3,090,558	<hr/> 3,379,414
Represented by:			
Government advances		1,632,987	970,211
Government grants		1,247,811	2,243,711
Accumulated surplus		209,760	165,492
		<hr/> 3,090,558	<hr/> 3,379,414

The accompanying notes form part of the financial statements.

Approved by the Commission on 8 July 2010 and signed on its behalf by:

 Chairman

 Commissioner

FAIR TRADING COMMISSION

Statement of Comprehensive Income Year ended 31 March 2010

	Notes	2010 \$	2009 \$
Income			
Government grant		2,852,092	2,864,573
Levies		1,632,987	970,211
Other income		41,665	41,266
Gain on disposal of equipment		2,603	-
		<hr/> 4,529,347	<hr/> 3,876,050
Expenses			
Personal emoluments	8(a)	2,121,312	1,962,883
Rental of property		414,082	428,225
Professional services	8(b)	412,649	110,031
Other operating expenses	8(c)	355,700	429,781
Utility rate hearing costs		236,742	64,369
Pensions and gratuities	8(a)	195,604	101,472
Depreciation	6	182,110	181,689
Utilities		135,950	141,618
National Insurance contributions	8(a)	119,553	108,729
Supplies and materials		78,386	69,348
Maintenance of property		66,938	49,683
Other personal emoluments	8(a)	41,226	37,357
Group medical		32,600	30,555
Library books and publications		25,486	24,983
Rental of equipment		22,793	22,563
Subscriptions and contributions		21,432	25,855
Travel		20,591	20,152
Bank charges		1,925	1,887
Loan interest		-	23,604
		<hr/> 4,485,079	<hr/> 3,834,784
Surplus		<hr/> 44,268	<hr/> 41,266

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Statement of Changes in Equity Year ended 31 March 2010

	Government advances \$	Government grants \$	Accumulated surplus \$	Total \$
Balance at 31 March 2008	1,245,476	1,450,864	124,226	2,820,566
Government contributions	970,211	4,579,721	-	5,549,932
Government grants utilized	-	(3,786,874)	-	(3,786,874)
Repayments to Government	(1,183,206)	-	-	(1,183,206)
Levy adjustment	(62,270)	-	-	(62,270)
Surplus for the year	-	-	41,266	41,266
Balance at 31 March 2009	970,211	2,243,711	165,492	3,379,414
Government contributions	1,632,987	3,608,651	-	5,241,638
Government grants utilized	-	(4,604,551)	-	(4,604,551)
Repayments to Government	(970,211)	-	-	(970,211)
Surplus for the year	-	-	44,268	44,268
Balance at 31 March 2010	1,632,987	1,247,811	209,760	3,090,558

FAIR TRADING COMMISSION

Statement of Cash Flows Year ended 31 March 2010

	2010 \$	2009 \$
Cash flows from operating activities		
Personal emoluments	(2,121,485)	(1,962,710)
Rental of property	(414,000)	(379,500)
Professional services	(418,429)	(119,550)
Other operating expenses	(392,668)	(423,200)
Utility rate hearing costs	(236,742)	(64,369)
Pensions and gratuities	(194,724)	(100,188)
Utilities	(133,175)	(141,910)
National Insurance contributions	(119,603)	(109,484)
Supplies and materials	(78,751)	(81,550)
Maintenance of property	(61,530)	(75,700)
Other personal emoluments	(41,025)	(37,358)
Group medical	(32,377)	(30,555)
Rental of equipment	(22,793)	(22,563)
Subscriptions and contributions	(21,032)	(24,248)
Travel	(20,591)	(20,273)
Library books and publications	(20,020)	(26,990)
Bank charges	(1,925)	(1,887)
Net cash used in operating activities	(4,330,870)	(3,622,035)
Cash flows from investing activities		
Car loans repaid by staff	7,500	54,260
Increase in time deposits	2,656	5,027
Interest received	38,960	36,239
Purchases of equipment	(28,630)	(51,823)
Proceeds from sale of equipment	3,074	-
Net cash from investing activities	23,560	43,703
Cash flows from financing activities		
Advances from Government	3,608,651	4,579,721
Levies paid in by utility service providers	970,211	1,183,206
Repayment of Government advances	(970,211)	(1,183,206)
Decrease in litigation reserve	(195,000)	-
Repayment of loan	-	(480,000)
Net cash from financing activities	3,413,651	4,099,721
(Decrease) increase in cash for the year	(893,659)	521,389
Cash – beginning of year	1,529,815	1,008,426
Cash – end of year	636,156	1,529,815

The accompanying notes form part of the financial statements.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

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

Changes in accounting policies and disclosures

These financial statements, expressed in Barbados dollars, have been prepared under the historical cost convention and are in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Commission has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 8 *Operating Segments*
- IAS 1 *Presentation of Financial Statements*
- IAS 23 *Borrowing Costs (Revised)*
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

2. Significant accounting policies (cont'd)

Changes in accounting policies and disclosures (cont'd)

- IFRIC 9 *Remeasurement of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- Improvements to IFRSs (May 2008).

These standards and interpretations had no impact on the Commission with the exception of IAS 1 which resulted in the re-naming of the balance sheet and statement of income and expenses as the statement of financial position and statement of comprehensive income respectively. The improvements to IFRS could give rise to additional disclosures in the future.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Commission's financial statements are listed below.

- IFRS 2 *Share-based Payment: Group Cash Settled Share-based Payment Transactions*
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements*
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- IFRIC 17 *Distributions of Non-Cash Asset to Owners*
- IFRIC 18 *Transfers of Assets from Customers*

These standards and interpretations will have no impact on the Commission.

The significant accounting policies are summarized below:

a] 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.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

2. Significant accounting policies (cont'd)

b] Property and equipment

Property and equipment are stated at cost less accumulated depreciation and provision for impairment in value. The carrying value of property and equipment are 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 and office equipment	1 - 5 years
Fixtures	5 years
Vehicles	5 years
Leasehold improvements	10 years

c] 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.

d] Taxation

The Commission is exempt from taxation.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

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 1.5% per annum.

Time deposits comprise \$50,460.87 and \$51,559.86 which both bear interest at the rate of 2.85% per annum (2009 - \$49,295 and \$50,070 at rates of 4.15% and 3.4% respectively). The deposits are due to mature on 15 November 2010 and 14 February 2011 respectively.

5. Accounts receivable

Current:

	2010 \$	2009 \$
Utility service providers	1,632,987	970,211
Car loan receivable	7,000	7,500
	<u>1,639,987</u>	<u>977,711</u>

Non-current:

	2010 \$	2009 \$
Car loan receivable	<u>7,576</u>	<u>14,577</u>

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 2010.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

6. Property and equipment

	Leasehold improvements \$	Computer and office equipment \$	Fixtures \$	Vehicles \$	Total \$
Cost					
Balance – 1 April 2008	819,570	332,084	247,981	237,655	1,637,200
Additions	-	44,958	6,865	-	51,823
Balance – 31 March 2009	819,570	377,042	254,756	237,655	1,689,023
Additions	-	27,856	774	-	28,630
Disposals	-	(112,809)	(58,655)	-	(171,464)
Balance – 31 March 2010	819,570	292,089	196,875	237,655	1,546,189
Accumulated depreciation					
Balance – 1 April 2008	-	260,443	228,224	147,157	635,824
Charge for the year	81,957	53,670	9,702	36,360	181,689
Balance – 31 March 2009	81,957	314,113	237,926	183,517	817,513
Charge for the year	81,957	55,569	8,224	36,360	182,110
Disposals	-	(112,338)	(58,655)	-	(170,993)
Balance – 31 March 2010	163,914	257,344	187,495	219,877	828,630
Net book value					
31 March 2010	655,656	34,745	9,380	17,778	717,559
31 March 2009	737,613	62,929	16,830	54,138	871,510
1 April 2008	819,570	71,641	19,667	90,498	1,001,376

7. Deferred income

	2010 \$	2009 \$
Deferred income – beginning of year	133,894	181,806
Add: Assets acquired during the year	28,630	51,823
Less: Depreciation charge on equipment for the year	(100,153)	(99,735)
Assets disposed of during the year (net)	(471)	-
Deferred income – end of year	61,900	133,894

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

8. Operating expenses

a] Employment costs

	2010 \$	2009 \$
Personal emoluments	2,121,312	1,962,883
National Insurance contributions	119,553	108,729
Other personal emoluments	41,226	37,357
	<u>2,282,091</u>	<u>2,108,969</u>

Pensions for retired employees and gratuities to contracted employees and a retired employee amounted to \$195,604 (2009 - \$101,472).

b] Professional services

	2010 \$	2009 \$
Regulatory consultancies	389,481	41,107
Other consultancy services	1,376	42,761
Legal fees	-	863
Audit fees	21,792	25,300
	<u>412,649</u>	<u>110,031</u>

c] Other operating expenses

	2010 \$	2009 \$
Overseas training	60,202	176,538
Local training	21,376	66,591
Hosted seminars	61,068	51,312
Refreshments and hospitality	27,545	20,288
Commissioners' fees	120,030	60,408
Public relations	41,930	35,681
FTC publications	19,838	17,107
Postage and courier services	3,711	1,856
	<u>355,700</u>	<u>429,781</u>

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

9. Lease commitments

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

	2010 \$	2009 \$
Property rental:		
Due within 1 year	414,000	414,000
Between 2 and 5 years	1,311,000	1,656,000
Over 5 years	-	34,500
	<hr/> 1,725,000	<hr/> 2,104,500

10. Financial risk management objectives and policies

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

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 balance sheet date is the carrying value of each class of receivable. 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 liquidity and foreign currency risks.

FAIR TRADING COMMISSION

Notes to the Financial Statements
Year ended 31 March 2010

11. Fair values

The carrying values of short-term assets and liabilities are a reasonable estimate of their fair value because of the short term to maturity of these instruments. Short-term financial assets comprise cash, time deposits and accounts receivable. The short-term financial liabilities comprise accounts payable.

12. Capital management

The Commission's operations are financed by Government and levies from certain service providers which are regulated by the Commission.

Appendices

Statistical Tables

APPENDIX I

Appendix 1.1 – Fuel Clause Adjustment

Month	April 09 to March 10 (All classes)	April 08 to March 09 (SVP & LP classes)	April 08 to March 09 (with subsidy for (DS, GS & EE classes)	April 07 to March 08 (SVP & LP classes)	April 07 to March 08 (with subsidy for (DS, GS & EE classes)
April	15.8099	28.5220	23.5375	17.7414	17.7414
May	18.4356	36.0308	23.5375	20.7895	20.7895
June	22.3399	39.4286	23.5375	24.6564	24.6564
July	24.9719	44.6095	23.5375	22.5858	22.5858
August	26.8980	49.4821	23.5375	22.6812	22.6812
September	26.9048	39.9634	23.5375	22.2092	22.2092
October	27.0151	35.4779	23.5375	23.5375	23.5375
November	27.4151	23.2598	23.2598	26.0279	26.0279
December	27.1449	12.0313	12.0313	23.5375	25.7652
January	29.0777	13.5406	13.5406	25.8781	23.5375
February	29.0777	16.1709	16.1709	29.6884	23.5375
March	31.9299	17.2685	17.2685	28.5867	23.5375

Statistical Tables

APPENDIX I

Appendix 1.2 – Utility Service Complaints

Utility Complaints	2009/2010		2009/2008	
	Resolved	Total	Resolved	Total
C&W Service	11	13	12	14
C&W Billing	19	20	9	10
BL&P Service	1	1	5	6
BL&P Billing	7	10	5	6

Appendix 1.3 – Allegations and Queries of Anti-Competitive Conduct

April 2009 – March 2010						
Type of Anti-Competitive Conduct	Ongoing		Closed		Total	
	2009	2010	2009	2010	2009	2010
Price Discrimination	1	1	2	0	3	1
Predatory Pricing	1	0	2	2	3	2
Tied Selling	0	0	1	0	1	0
Refusal to Supply	0	1	0	5	0	6
Discrimination	0	0	0	1	0	1
Exclusive Dealing	0	0	0	3	0	3
Excessive Pricing	1	1	2	4	3	5
Leveraging	0	0	0	2	0	2
Market Restriction	0	0	2	0	2	0
Price Squeezing	0	0	0	1	0	1
Price Fixing	0	0	0	1	0	1
General Anti-Competitive Agreements	0	0	0	4	0	4
General Abuse of Dominance	0	0	10	3	10	3
TOTAL	3	3	19	26	22	29

Statistical Tables

APPENDIX I

Appendix 1.4 – Consumer Queries

	CALLS		WALK-INS		CONTACTS	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
April	221	176	32	29	253	205
May	227	184	24	25	251	209
June	232	181	30	23	262	204
July	306	171	37	28	343	199
August	259	232	18	17	277	249
September	237	163	26	27	263	190
October	272	216	25	34	297	250
November	236	94	28	21	264	115
December	230	273	28	33	258	306
January	252	189	28	28	280	271
February	231	203	29	25	260	228
March	203	268	34	36	237	304
TOTAL	2,906	2,350	339	326	3,245	2,676

Appendix 1.5 – Consumer Complaints

Section of Act	No. of Complaints
Section 7 - Unfair Contract Terms	2
Section 12 - Misleading and Deceptive Conduct	10
Section 13 - False Representation	2
Section 21 - Falsely Accepting Payment	2
Others	23

Consultation Papers, Reports, Decisions and Orders

APPENDIX II

Public Consultation

BL&P Pilot Programme

October 21, 2009 – November 18, 2009

Decisions

BL&P Rate Application

January 25, 2010

C&W Consolidated Reference

Interconnection Offer

February 22, 2010

C&W Standards of Service

February 22, 2010

BL&P Standards of Service

February 22, 2010

Order

BL&P Tariff Structure

February 25, 2010

Presentations at Lectures, Workshops and Seminars

APPENDIX III

Lecture

March 2010

Sixth Annual Lecture

"Functions, Formulas and Fiction

Regulation in the Next 10 Years"

Hilton Barbados

Presenter:

Professor Mark A. Jamison

Director, Public Utility Research Center, University
of Miami

Workshop

October 2009

University of the West Indies and the Small
States Network for Economic Cooperation and
Development, (SSNED)

"Competition Policy in Small States"

Sir Shridath Ramphal Centre,
University of the West Indies

Presenter:

DeCoursey Eversley,
Director of Fair Competition

Utility Regulation

Telecommunications

Sir Neville Nicholls
Professor Andrew Downes
Mr. Gregory Hazzard
Mr. Trevor Welch
Ms. Monique Taitt

Electricity

Sir Neville Nicholls
Mr. Andrew Brathwaite
Mr. Gregory Hazzard
Mr. Andrew Willoughby
Mr. Alfred Knight

Fair Competition/ Consumer Protection

Professor Andrew Downes
Mr. Errol Humphrey
Mr. Andrew Brathwaite
Mr. Gregory Hinkson
Mr. Kendrid Sargeant

Commission Staff as at March 31, 2010

Chief Executive Officer	- Ms. Peggy Griffith, BA, MPA
Director of Utility Regulation	- Mrs. Sandra Sealy, BSc, MBA, MSc
Director of Fair Competition	- Mr. DeCoursey Eversley, BSc, MSc
General Legal Counsel (Ag.)	- Mrs. Kim Griffith-Tang How, LLB, Attorney-at-Law
Officer in Charge, Consumer Protection	- Ms. Judy Maynard, LLB
Chief Economist	- Mr. Antonio Thompson, BSc, MSc
Utility Analyst (Water Sector)	- Dr. Marsha Atherley-Ikechi, BSc, MSc, PhD
Telecommunications Analyst	- Mr. Edward Hunte, BSc, MBA
Accountant	- Ms. Shernell Small, BSc, ACCA
Financial Analyst	- Mrs. Susanna Cooper-Corbin, BSc, ACCA, MBA
Human Resources Officer	- Mrs. Arlene Bushell, BSc
Senior Legal Officer (Ag.)	- Ms. Dava Leslie, LLB, MBA, Attorney-at-Law
Consumer Protection Officer	- Ms. Fiona Scantlebury, BSc, MBA
Consumer Protection Officer (Ag.)	- Ms. Nichole Mayers, BSc, MSc
Information Specialist	- Mrs. Petra Emmanuel, BA, MA
Systems Administrator	- Mr. Richard Farley
Documentalist	- Ms. Heather Waithe
Economist	- Dr. Troy Waterman, BSc, MSc, PhD
Research Officer	- Ms. Sherri Worrell, BSc, MSc
Executive Secretary	- Mrs. Denese Alleyne
Office Manager	- Mrs. Heather Boxill, APS
Assistant Accountant	- Ms. Sharon Grimes
Research/Administrative Assistant	- Ms. Marisha Walcott
Administrative Assistant	- Ms. Shareka Gibbs
Administrative Assistant	- Ms. Cheryl Jones, ACS, ACAM
Administrative Assistant (Ag.)	- Ms. Samantha Hinds
Senior Clerk	- Mrs. Cherylann Jemmott, BA
Help Bureau Officer	- Ms. Julia Lowe
Help Bureau Officer	- Mrs. Wanda Crichlow-Trotman
Receptionist/Typist	- Ms. Sonia Spencer
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
Website:	www.ftc.gov.bb

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