
Funding the Regulator – The Bahamian Framework

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Topics of Discussion

- INTRODUCTION
- THE DESIGN OF THE REGULATOR
- THE FINANCIAL CHALLENGES OF RECRUITING AND RETAINING PROFESSIONAL STAFF
- SOURCES OF FINANCIAL FUNDING
- INDEPENDENCE AND ACCOUNTABILITY
- CONCLUSION

INTRODUCTION

- State/Government owned monopolies
- Liberalization of markets
- Establishment of independent economic regulators

THE DESIGN OF THE REGULATOR

- Sector Specific
- Multisectoral
 - ◆ Advantages
 1. Synergies
 2. Lower likelihood of capture
 3. Shared Resources
 4. Economies of Scale

THE DESIGN OF THE REGULATOR – CONT'D

- ◆ Disadvantages
 1. Lack of sufficient sector specific expertise
 2. Placing all eggs in one basket
 3. Appropriate only for small countries or states

THE DESIGN OF THE REGULATOR – CONT'D

- Examples in Tables 1(a) and 1(b)

UK – sector specific with OFGEM, OFWAT & OFCOM

USA – sector specific with FCC and FERC

Panama – ERSP is multisectoral for telecoms, electricity, water and radio & TV

California – PUC is multisectoral for telecoms, electricity, water, natural gas & transportation

THE DESIGN OF THE REGULATOR – CONT'D

- Population of 308,000
- Multisectoral regulator – telecommunications, electricity & water and sewerage
- Shared resources across sectors

THE FINANCIAL CHALLENGES OF RECRUITING AND RETAINING PROFESSIONAL STAFF

- Exemptions from civil service salary restrictions
- Benchmark against regulated entities & private sector

Bahamian Experience

- Challenged by novelty of organization
- Very competitive market for professionals such as attorneys, accountants and engineers

SOURCES OF FINANCIAL FUNDING

- Budgetary Allocations
- Levies/licence fees
- Usage/service fees
- Combination of the three

Guiding Principles

1. Transparency
2. Objectivity
3. Proportionality

SOURCES OF FINANCIAL FUNDING

- % of gross revenue
- Seen as equitable as generally there is a relationship between gross revenue and volume of regulatory work generated

SOURCES OF FINANCIAL FUNDING

Bahamas uses combination of all three methods and only currently regulates telecoms.

- 2003/4 budget B\$2.9 million
- 86% - licence fees
- 14% - budgetary allocation
- Less than 1% - service fees

SOURCES OF FINANCIAL FUNDING

- Section 9 licences (telecoms)
- Section 30 licences (radiocommunications)
- Application fees for Section 9 licences
- Licensee may have to pay 2 sets of fees

SOURCES OF FINANCIAL FUNDING

- Fees out of date, over 25 years old
- Fees not cost reflective
- Comprehensive review of fees
- Estimation of costs and development of fees

SOURCES OF FINANCIAL FUNDING

- Financial challenges in first two fiscal periods
- More reliance on licence fees from 2002/3
- BTC challenged PUC's authority to charge it licence fees
- Penalties for non-payment of fees

INDEPENDENCE AND ACCOUNTABILITY

Independence

- Political autonomy
- Organizational/managerial autonomy
- Access to earmarked funding

INDEPENDENCE AND ACCOUNTABILITY

Accountability

- Only carry out duties in mandate
- No corruption
- Not grossly inefficient

INDEPENDENCE AND ACCOUNTABILITY

Measures to ensure accountability

- Transparency
- Prohibit conflicts of interest
- Provision of effective appeal mechanism
- Budget scrutiny by legislature
- Conduct and efficiency scrutiny by independent bodies
- Removal from office for proven misconduct

INDEPENDENCE AND ACCOUNTABILITY

PUC Acts have the following:

- ● Professional criteria for the appointment of commissioners,
- ● The requirement for the disclosure of interest in any undertaking with proceedings before the PUC, and
- The tenure of office and the criteria for removal from office of commissioners

INDEPENDENCE AND ACCOUNTABILITY

- The commissioners are appointed by the Governor General on the advice of the Prime Minister and after consultation with the Leader of the Opposition. The PUC does have organizational autonomy and does have access to earmarked funding as discussed earlier.

INDEPENDENCE AND ACCOUNTABILITY

Legislature requires the PUC:

- ● To publish its proposals on licensing procedures and the like,
- ● To have an appeal process through the Supreme Court,
- ● To subject its budget to approval by the Minister,
- ● To have its accounts audited annually by auditors and provide the Minister with audited accounts within four months of the financial year end, and
- To send an operational report to the Minister within three months of the financial year end

CONCLUSION

- Design depends on size, needs, financial and human resources and impacts costs
- Recruit and retain qualified professional staff
- Adequate and reliable funding
- Independent yet accountable

Thanks you for your attention.