3

Jamaica

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Since the mid-1980s telecommunication in Jamaica has been marked by major restructuring in ownership and controversy over regulatory control. The government's majority ownership in the overall system moved from over 80 percent in 1987 to no equity ownership by 1990, while the British transnational Cable & Wireless moved from a total holding of 9 percent to 79 percent of the overall industry. The separate domestic telephone provider and the international carrier were merged into the single entity, Telecommunications of Jamaica Ltd, creating the Caribbean's largest company in terms of annual turnover.

The reorganization of the sector and the protracted debate it generated highlight the shortcomings of developing-country governments in the areas of telecommunications planning and regulation. The Jamaican debate focused attention on the extensive monopoly rights granted to Telecommunications of Jamaica (TOJ) and the limitations imposed on other local and foreign interests by the all-encompassing terms of the TOJ-C&W license. Because TOJ is 79 percent owned by C&W, the debate was also about the dominant role of external interests in Jamaica's communications sector.

3.1 Jamaica and the Regional Context

Jamaica is the largest of twelve independent, English-speaking Caribbean territories that together with the British colony of Montserrat are the membership of the Caribbean Community and Common Market (CARICOM). The combined population of this grouping is over 5 million, with Jamaica accounting for about half (July 1994 estimates). A mostly mountainous island with a discontinuous, narrow coastal plain, Jamaica has an area of almost 11,000 square kilometers.

Jamaica became independent in 1962. As a former British colony, the government is headed by a prime minister and there is a bicameral parliament. Members of the senate are appointed by the governor general, while the house is elected for a term of up to five years. The economy is based on bauxite, sugar, and tourism.

As a major tourist destination, Jamaica has a large volume of telephone traffic with North America and Europe. This volume is further augmented by a large expatriate Caribbean population living mainly in the United States, Canada, and Britain. Traffic balance figures from the U.S. Federal Communications Commission (FCC) indicated that in 1993 the United States-to-Jamaica route was among the most heavily used, accounting for a higher volume of calls than from the United States to a number of countries with which the United States has greater business relations, including Australia, India, and Nigeria.

Proximity to the large U.S. market and the availability of a literate, English-speaking workforce have stimulated the establishment of information-processing facilities in Jamaica in the form of the export processing zones (EPZs) in Montego Bay with a second one to be established in Portmore, near Kingston, in 1998. For this and other reasons, Jamaica and the wider Caribbean region are regarded by U.S. investors as an important and growing telecom market, with strong additional potential for the development of nonvoice services.

The urban corporate centers of Jamaica, like those elsewhere in the region, are well served by advanced telecom facilities. The main national trunk network is fiber optic and is linked regionally with the Eastern Caribbean Fibre System (ECFS). Both cable and satellite facilities provide alternative transmission modes to the rest of the world. Internally, digital exchanges, as well as mobile and cellular services, combine with the latest information technology applications to offer state-of-the-art services to the corporate sector.

Alongside this advanced, urban, corporate provisioning is an acute deficiency in services to the domestic sector and rural communities. A waiting list of potential subscribers extends many times beyond the existing list of subscribers, and a national penetration rate of about 12 telephones per 100 persons (1996) reflects a skewed pattern mainly in favor of urban households and business users. Despite efforts to increase the number of telephones in the rural areas, there remains a large unserved population. The absence of any explicit policy commitment to universal service has dictated priority attention for urban commercial users and for those subscribers willing to pay the high cost of cellular service.

3.2 Early Development

The British transnational company Cable & Wireless has been the major provider of telecom services in Jamaica and the anglophone Caribbean since the mid-nineteenth century. The company initially operated in the service of the British colonial government as the West India and Panama Telegraph Company, starting as early as in 1868. (For an analysis and history of C&W in the region, see Dunn 1991.) Despite changes, including in name, the company has remained largely unchallenged by external competition over these years.

In the 1960s, during the first decade of political independence in the region, the governments of the larger territories began to strengthen national control over the existing telecom resources. The measures taken included takeover of majority equity of the C&W-operated companies. In Jamaica and in Trinidad and Tobago, government shareholdings in the external telecommunications provider exceeded 51 percent, and in Barbados a 40 percent share was buttressed by the appointment of local managers.

Table 3.1. C&W Caribbean Ownership of Telecom

Country	Local Telco (%)	C&W Ownership in Overseas Carrier (%)
Anguilla	100	100
Bermuda	100	100
British Virgin Islands	100	100
Cayman Islands	100	100
Dominica	100	100
Montserrat	100	100
St. Lucia	100	100
St. Vincent	100	100
Turks Island	100	100
Antigua	0	100
Barbados	85*	85*
St. Kitts	80*	80*
Jamaica	79*	79*
Grenada	70*	70*
Trinidad and Tobago	49*	49*

*Single merged company.
Source: Compiled by H. S. Dunn, CARIMAC 1994.

Although such acquisitions were feasible propositions in the 1960s and early 1970s, when the basic technology of telecommunications was still a relatively stable body of knowledge, global changes in the late 1970s and 1980s have rendered the tasks of management, financing, and control of the national telecom systems more complex (Jonscher 1987; Hills 1986). Thus, during 1987–89 Cable & Wireless reacquired control of Telecommunications of Jamaica (TOJ). With a 79 percent interest, C&W directs overall policy from its corporate headquarters in London. This pattern of reversal in ownership arrangements has been replicated throughout the English-speaking Caribbean. As of early 1995, Cable & Wireless has exclusive licenses and mostly uncontested markets in fifteen Caribbean territories. In nine of these the company is a monopoly operator of both domestic and overseas services, as set out in Table 3.1. The company also controls the international cable and satellite gateway facilities linking the region with the rest of the world.

3.3 Challenges to Policy and Regulation

Analysts of public policy in Jamaica (Duncan 1993; Dunn 1991; Gooden 1994; Ritch 1993) have raised questions about the terms of the present licenses granted to TOJ and Cable & Wireless since 1988. The main license gives the company a twenty-five-year monopoly over all aspects of the local wired telephone network. This period is regarded as unduly generous in a global environment in which seven to ten years is the norm for investment recovery. Other sublicenses held by the company award it similar monopoly privileges in the areas of external telecommunications, wireless telephony, telegraphy, telex, and teleprinter services.

This comprehensive monopoly also included, until early 1995, the right to install or approve all attachments to the network and to levy undefined tariffs for such connections. An agreement before the Fair Trading Commission has required TOJ to allow interconnection of certain basic facilities to the network. However, major customer premises equipment remain within the supply and installation monopoly of the company.

The C&W license also granted the company an annual guaranteed return of between 17.5 and 20 percent on revalued assets, with a provision that "the rate charged for telephone services shall be adjustable annually as necessary to provide the permitted rate of return" (Telecommunications of Jamaica 1988, Section 27:1). "Revalued assets" are used because inflation has been substantial (15 to 80 percent annually since the late 1980s). The assets of the company are valued annually by C&W's independent auditors. These values, subject to the approval of the minster, become the basis for computing the return allowed. The speed with which various categories of equipment are depreciated is set forth in the license. Depreciation is at rates between about 4.5 and 22.5 percent per year, taken on the adjusted value of the asset.

The sole regulatory agency in Jamaica, a Public Utilities Commission, ceased to have oversight of rate setting in telecom services and was later abolished. The 1988 license vested sole regulatory control in the minister of public utilities. The current (1996) minister, who has been in office since 1989, has been closely associated with C&W. In effect, the company has been operating without any independent regulatory institution to represent or protect the public interest.

The controversial licenses were granted in 1988 when majority ownership of TOJ still resided with the government. However, after divestment to a foreign-majority company, the government failed to introduce the necessary regulatory review appropriate to the new ownership regime. Despite some research interventions (Dunn 1991), the matter did not enter the agenda of wider public debate until the closing months of 1993, some three years after the ownership transition. This is in part because telecom policy making in the Caribbean region has traditionally been treated as a private, almost secret arrangement between political and bureaucratic elites in government on the one hand, and the overseas or local operating company on the other. It only emerged as a public issue in this instance because certain documents were leaked to the press, disclosing demands by the company for new government legislation aimed at replacing the long outdated 1893 Telephone Act and at upgrading its monopoly license "to take account of advances in technology."

In response to this C&W demand, the government undertook "to make the necessary amendment to the Act and thereafter to make such amendment to the Telephone License as may be necessary to ensure that TOJ enjoys exclusive rights to provide public telecommunications services in, from and through Jamaica" (official letter from then Prime Minister Michael Manley to TOJ Chairman Mayer Matalon, November 2, 1990). It emerged that the proposed legislation was to be in return for further capital investment in the country by C&W. In the same letter, released only as part of the controversial public debate, TOJ-C&W was asked to "accept the good faith of the government" and to "proceed with its Capital Development Programme on the basis of the above assurances."

Such disclosures indicate the powerful influence of transnational financing in domestic policy making, particularly at a time when IMF-inspired economic policies favored a strong role for these companies. The disclosures, however, gave rise to intense, widespread public criticisms of the policy makers who presided over such secret undertakings and who allowed the company such unregulated privileges. Cable & Wireless itself was criticized for demanding restrictive monopoly rights in the Caribbean while spearheading, through its wholly owned subsidiary, Mercury, the breaking of British Telecom's monopoly in the United Kingdom.

In light of the controversy, the government, under Prime Minister Percival Patterson (who assumed office in March 1992), has undertaken a full review of existing arrangements and has promised greater public transparency in the drafting of a new Telecommunications Act. However, no significant changes in the introduction of competition and further liberalization are expected in this new legislation. The new law will update the outdated 1893 legislation and may further consolidate the hold of C&W on the Jamaican market until 2013, when the main operating license expires.

3.3.1 *Tariff Structure*

The merger between the domestic telephone company and the international carrier, formalized by an act of Parliament in February 1995, reflects the official policy of cross-subsidization of the costly internal network services by the traditionally lucrative overseas provider. This strategy aims to keep internal rates low even as the network expands to cover a wider range of users. However, there is no explicit acceptance of universal service as corporate strategy or as a national policy objective.

The operating company's guaranteed annual profit of 17.5 to 20 percent on revalued assets means it has the right to demand rate increases to meet this profitability level. During the late 1980s and early 1990s the company has achieved its expected profitability, except in 1988 when it fell short by a narrow margin because of network disruption caused by Hurricane Gilbert.

The tariff structure for international calls is based on the usual carrier ownership of half circuits. The system compensates carriers for interconnecting their half circuits to that of a counterpart carrier on the basis of a 50-50 split of the agreed accounting rate. The level of outpayment by the Jamaican carrier fluctuates, depending on the prevailing rate of exchange against the U.S. dollar.

In Jamaica, the monopoly company has been battling with a group of unauthorized operators attempting to provide users with cheaper overseas calls. In 1989, in an attempt to counter this, the company imposed an International Call Authorization (ICAS) system involving the use of individual ten-digit password codes for all outgoing calls. It also temporarily imposed a ban on collect calls to or from Jamaica as it put new, tighter arrangements into place.

In Jamaica—as in Trinidad and Tobago, Barbados, Japan, and other places—some network users have also resorted to call regeneration systems, under which a brief call is placed to high-tech collaborating firms in the United States, which employ advanced data-compression technologies. The computer-based callback system allows local users to place overseas calls at a fraction of the C&W rate without infringing the legal status of the monopoly operator. Such methods suggest that despite legal barriers, technology and public demand for alternative outlets can combine to circumvent the monopoly arrangements.

3.4 Replica of the Wider Caribbean

Many of the problems and undoubted benefits that have come to the public in the licensing and regulatory arrangements for TOJ also exist to varying degrees among other countries in the developing world. Where telecommunications are run with a free hand by large global transnationals, there is usually a wide range of available services and easy global connectivity. However, from the experience of Jamaica and the Caribbean, this is accompanied by a relative neglect of rural users as the company concentrates on the easily served business and urban sectors. The main variable likely to alter this pattern is systematic government monitoring and regulation of the quality and range of services against a publicly discussed development agenda.

Within the rest of the English-speaking Caribbean region, large telecom users, domestic consumers, and potential investors have been quite closely watching the events involving C&W, TOJ, and the Jamaican authorities.

In 1990 the Caribbean Telecommunications Union (CTU) was formed by state telecommunications authorities in the region.[1] The preamble of its charter "recognises the sovereign right of each State to regulate its telecommunications system." Based in Trinidad, CTU aims to promote information exchange among telecom operators; encourage the transfer of technology among member countries; coordinate standards and the planning, programming, and development of the regional and international network; harmonize Caribbean positions at international conferences; and foster greater awareness in the Caribbean of both telecommunications needs and the importance of the sector for social and economic development.

The region's national governments have, however, neglected to provide adequate resources for the effective operation of CTU, and they continue to rely heavily on C&W. However, the Jamaican debate, unprecedented for this sector, underlines the increasing importance with which telecommunication is being viewed both by influential sections of the wider public in the region and by potential U.S.-based competitors to the C&W monopoly. Information processing companies, cable television operators, cellular telephone operators, broadcasters, and domestic telephone users are just some of the diverse interest groups demanding a share of the tightly controlled market.

3.5 The Future: Regulatory Reform and Diversification

In response to criticisms about the need for institutional regulation of the sector, the Jamaican government has established a central Office of Utilities Regulation (OUR) with departments for electricity, water, public transport, aeronautical services, and telecommunications. The telecom division provides advice to the minister and serves as a central focus for national policy making and reform. This represents an important advance on the existing system, even if falling short of the "independent" institutions that exist in some countries.

The approach of combining the regulation of all utilities under a single agency is argued as a cost-saving measure. However, its scope runs counter to the more focused approach, which seeks to combine telecommunications, broadcasting, and information services as a dynamic growth sector having strategic implications for all other sectors of the economy (Dunn 1995).

3.6 Conclusion

The experiences of Jamaica and the Caribbean highlight the need for greater advisory support by the ITU's Development Bureau to small and developing countries negotiating with major transnational interests such as Cable & Wireless. After all, these countries are also ITU members, albeit with a different set of needs and support requirements than those being advanced by the powerful, industrialized members.

This assistance should be geared toward strengthening existing local research and regulatory institutions and encouraging regional joint bargaining, bulk purchasing, and skills development.

Many technological innovations are likely to play an important role in undermining the legislated monopoly arrangements of the traditional carriers. Continued refinements of satellite communication systems, cellular and other mobile technologies, and data compression and call regeneration services, as well as the increasing voice capacity of the Internet, are expected to lay the basis for increased network competition and improved access and diversity in rural and urban domestic services. At the same time, a major improvement in the systems of regulation and management of the technologies is an urgent requirement if the benefits of these innovations are to extend to all social classes in societies such as Jamaica and others in the global south.

Note

1. In this regard, CTU differs from the Caribbean Association of National Telecommunication Organizations (CANTO), discussed in chapter 1, which includes privately owned telecom companies as members.

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