

CANTO 23rd Annual General Meeting - Opening Statement

Dean Boyce. Chairman, Executive Committee, BTL Board of Directors

Good Evening:

Hon. Said Musa - Prime Minister of Belize, Mr. Leon Williams – Chairman of the Board of CANTO, Mr. Roberto Young – Chairman of the Public Utilities Commission of Belize, Ms. Regenie Frazer – Secretary General of CANTO, Pastor Lloyd Standford, Executives of BTL, Invited Guests, CANTO Delegates and Media Representatives.

It gives me great pleasure to welcome you to the Opening Ceremony of the 23rd Annual General Meeting of CANTO, and BTL is honored that Belize has once again been chosen as the venue to conduct this important event.

I am sure that you will join me in acknowledging the tremendous contribution CANTO has made to the development of the telecommunications industry within the region, and in turn to the economic development of our national economies.

As the region is faced with the accelerating globalization of trade, and the blurring of national boundaries, in particular within the telecommunications industry, sovereign governments and local industry participants begin to

lose the ability to control their own destinies. This loss of control limits the extent to which individual governments are able to guide and develop their local economies in a way that fully meets the needs of their people, rather than the needs of foreign companies and countries.

The need for the CANTO organization is therefore just as great now, as it was when it was first founded in 1985, as a non-profit making association of Telephone Operating Companies spread across the Caribbean. This is a Caribbean organization that supports the development of the local telecoms industries, the development of our local economies, and the support for our indigenous population.

The Caribbean needed a strong organization to represent them in the world forum, and BTL is proud to have been one of the founder members. Over the years CANTO has achieved some notable successes, and these have been achieved by pooling our resources, and by leveraging the natural energies, skills and team spirit of its members.

Even beyond the technical, economic and operational benefits, our relationships with each other have at times been felt in a very personal way. BTL can give testament to this fact. Following the devastation of our infrastructure by Hurricane Keith six years ago, our associates at CANTO

willingly stepped in and gave us support, allowing us to get our services up and running to an accelerated timescale.

BTL is committed to playing its full part as a member of this CANTO team.

The theme for this conference is “CANTO - Leading Connectivity in the Caribbean”. This year’s theme reflects the Association’s past achievements in “facilitating the provision of innovative information and communications for the regional, economic and cultural development of the Caribbean”, and its continued commitment to that mission.

Access to good telecommunications, at an affordable price, is the right of everyone.

On behalf of BTL, I can say that we take this goal very seriously.

We have made services more affordable to customers. Over the past five years, the cost of making a domestic cellular call, or an international call, have on average each fallen by about 75%. At the same time, we have deployed a new digital cellular network and increased cellular subscribers by over 400%. We have deployed high speed internet across the country at a vastly improved quality and speed, while reducing prices by the equivalent of 85%, and to such an extent that despite a twenty fold increase in internet utilisation, revenues from internet have increased very little, still only making up 7% of our total revenue.

BTL also early last year submitted a request to the PUC to allow us to deploy a new quality wireless service across the whole of Belize, that would also provide coverage to the off-shore islands and the more remote inland parts of the country, bringing voice and high speed internet service to residential and business customers that to date have only dreamed of such a service. We are hopeful of a positive response to that request in the near future. This solution will not be cheap, but the benefits to the Belize economy as a whole, and to the long term development of our people, are worth it, and indeed this must be delivered if we are to consider ourselves good corporate citizens, operating in a progressive and well managed domestic telecoms industry.

In addition, we believe in developing partnerships, including with our government and community leaders, as well as commercial partnerships, on a range of community, economic and development projects.

There are however some worrying developments within the global telecoms industry that threaten to undermine the progress that is being made at this local level, that threaten the stability of the local market, and our ability to continue to fund universal service from both a price and access point of view.

Without boring you with too many facts and figures, BTL earns approximately 17% of its total revenue from fixed line access and associated charges, and from internet services, with other revenues, primarily per-minute call revenues, making up the other 83%.

In percentage terms therefore, for every 1% fall in total per-minute call revenue, the price of the flat access fees would need to increase overall by 5%, simply to break-even.

Line access and high speed internet are being provided at subsidized rates, the line access in particular. The subsidized rates are available to all customers no matter where they are located across Belize, and they are priced at a level that is affordable to as wide a cross-section of the population as possible, again regardless of their location in Belize.

The revenues from certain voice services, for example international calls, have been used to generate the additional revenues required to provide those cross-subsidies.

BTL, like the other CANTO members, uses the latest technology and systems, including IP based equipment, we are constantly looks at ways of saving money, in order to operate as efficiently and cost effectively as possible, and therefore to increase service quality and reduce prices. BTL has made great strides forward in the last few years in all these areas.

We now find ourselves faced by Foreign operators, delivering voice services in Belize, over our own network. These VoIP providers are seen by many as the way forward because they offer call rates into the USA, for example, that are the equivalent of domestic US rates. They do however create some potentially dangerous repercussions to the local tariff structure, and the local industry, unless carefully managed.

This isn't a new wonder technology that BTL is failing to utilize, as we have sometimes been accused. We already use this type of technology, and in fact these foreign VoIP providers are using our local network to connect their calls. This is an economic discussion.

The foreign VoIP providers make no contribution at all to the local telecoms infrastructure in Belize, and the cost of building and maintaining that infrastructure. Instead they simply access Belizean customers over the infrastructure provided by a local operator such as BTL.

For every dollar of revenue collected by BTL, we pay 30% in taxes to the Government of Belize. The Foreign VoIP providers pay nothing.

BTL directly employs a little under 500 Belizeans, pays social security, and maintains health schemes for them and their families. The Foreign provider employs and contributes nothing.

The Foreign provider uses the BTL network to carry their VoIP calls across BTL's network, to the WWW, and the foreign provider then simply terminates the call within the USA, at local USA domestic rates.

The USA has a population of 300 million, a GDP of US\$13 trillion, and they have substantial economies of scale compared with Belize. Not surprisingly their domestic rates per minute are comparatively very low.

Therefore of course the foreign VoIP providers can charge a couple of cents a minute to terminate a call from Belize, because they don't have any costs between the originating point in Belize to the USA.

BTL must therefore benchmark our international rates from any point in Belize to any destination in the USA, against the simple domestic USA rates charge by the VoIP providers. That is an impossible and completely unfair competitive position.

Not a problem for the US regulators, because within the US, domestic operators such as Bell South enjoy the same economies of scale for carrying calls across the USA as the VoIP providers, but for BTL it is clearly unable to provide the same rates per minute and make a profit,

given the different physical contributions being made by each party, and the wider service obligations BTL has across Belize.

This isn't simply confined to the international rates. Internal domestic calls will also be impacted, and over time cellular traffic, all using basic internet access.

So, remember the 1% to 5% ratio. If BTL loses say 20% of its call revenue by a combination of reducing its own rates or losing traffic volumes to the foreign providers, then the rates of the currently subsidized line access services would need to increase by 100%. That's not necessarily a problem for BTL, and not a problem for BTL's customers that have a high volume of long distance calls who will receive substantial financial benefits as a result of the rebalancing, but for the vast majority of our customers, across Belize, many of whom have very low incomes, it certainly will be a problem.

BTL will simply reduce its per-minute rates to whatever level it takes to retain customers, increase the line access charge, bundle in a range of services backed by excellent customer service, and we must of necessity focus on profitable customers that will enable us to stay in business, and we will cut back on any major expansion plans that were intended to deliver improved service to non-profitable customer groups. That's the nature of a fully competitive market.

Now this isn't the fault of the foreign VoIP providers. Its not their fault that they are allowed to operate in this way, or that BTL subsidises the local access, they are simply taking advantage of the situation. The consequence is that money, formally used for subsidization, development and taxes, will migrate out of Belize.

It is also not the case that BTL and any other operator in the Caribbean is slow to adopt new technologies and increase efficiencies. We all use exactly the same technologies that they are using in the more developed countries.

It is also clearly not the case that companies like BTL have not been reducing rates. Everyone knows that lower rates will help stimulate the local economies, and the per-minute rates charged by BTL have seen huge reductions in recent years.

Our problem is that the internet assumes that all countries accessing it are the same. Anyone from Punta Gorda in the south of Belize, to the US President in Washington, all have access to the same internet.

The two countries have different relative cost bases and service pricing structures, resulting from our local economic situations, and past and current Government and Regulatory policies.

For the local Government and Regulator, this should be ringing alarm bells. If BTL is now expected to compete face-to-face directly with a US service

provider, on US terms, i.e. the Belize telecoms industry is now a part of the US telecoms industry, then we must and will take whatever steps are required to meet that head on. We will have no choice but to prioritise our resources, and charge at a rate that will allow us to recover our costs, and stop subsidizing access.

The migration to a flat based 'all-you-can-eat' charge for telecoms services is inevitable, and that is what BTL will now be moving towards. What Belize and other CANTO member countries require, to varying degrees, dependent upon their local situation, is time to address the Universal Service and pricing issues, and the required physical and regulatory steps, that will most benefit the CANTO member countries.

There are a host of small ISPs in Belize queuing up to provide service, but this low priced flat fee internet, and the migration of telecoms revenues out of the country, together with other knock-on effects such as bypass, will substantially reduce the amount that the government collects in taxes, reduce Government control, and migrate skills.

I would like to see CANTO at a regional level, in partnership with the national Regulators, develop a detailed policy and concrete physical and practical steps for dealing with this latest challenge to the Region, and provide the Governments of the member countries with the tools to enable them to manage the effect to their own timetable.

This isn't King Canute, if anybody knows the story, standing on the beach and forbidding the tide to come in. What we are trying to do is build dykes to protect those in a country like Belize that can least afford the downside of a free market economy, US style, but with no restrictions and no control.

So finally, we would like to congratulate the CANTO Board of Directors for their historic drive and vision. What began as an organization to promote the telecom sector has spun into an international platform for the exchange of ideas and experience, and the support of the wider economic development of the region. We are sure that this conference will continue the past traditions and achievements, and will continue to play a key role in the development of the Caribbean group of nations.

Lastly, I hope you will find time outside the conference to enjoy the unique culture of Belize. And I wish you a very successful AGM and conference.

Welcome and Thank you.