Emerging Trends in the Telecommunications Industry and its Impact on Regulation for Small Island States

CANTO 33rd Annual Telecommunications Conference & Trade Exhibition
Punta Cana, Dominican Republic
JULY 16-19, 2017

Dr. Paul Golding, Professor & Dean
College of Business and Management, University of Technology, Jamaica
Examination of the current dynamics within the regional telecommunications sector and their impact on regulation:

- Drivers of consolidation and convergence
- The emergence of new distribution technologies
- Pressures on margins
- Consumer preferences for bundles
- The change in balance of power between content and networks
GATS signaled a major shift in international and regional telecommunications sector

BATS heralded a new paradigm in telecommunications regulation in the Caribbean region

College of Business and Management, University of Technology, Jamaica
Technology’s relentless advances and new market dynamics are disrupting the telecommunications sector and are consequently threatening the role and function of regional telecommunications regulators.
The **greatest forces** for changes in the communications world are:

- Convergence of media
- Increasing ubiquity of connections
- The interactive, user-generated nature of the new paradigm
- Internet of things: E-SIM
- Smart cities
- Cryptocurrencies
- Industry 4.0
On July 2016, UN resolved that access to internet is to be considered a basic human right.
Market Trends

- Pressure on margins (ARPU): Cost of call in Jamaica is US$0.01
- Roaming revenue’s steep decline:
  Apple FaceTime, Whatsapp, Skype, WeChat
- Preference for bundles:
  Digital ubiquity - Any Time, Any Where, Any Device (ATAWAD)
Market Trends

• Convergence:

  - The traditionally distinct realms of media, technologies and networks will ultimately blend into a seamless and interchangeable whole.

College of Business and Management, University of Technology, Jamaica
Market Trends

• Convergence: Media and Network Ownership

- Globally:
  - 2016 US$224B on M&A
  - 136% increase over previous year

- Regionally:

College of Business and Management, University of Technology, Jamaica
Market Trends

• Consolidations
  ❑ Horizontal
    ✓ CWC acquires Flow and Liberty Global acquires CWC
    ✓ Digicel acquired SAT Telecommunications in Dominica, TCI in Turks and Caicos, Telstar Cable in Jamaica, TRES Networks in Curacao
  ❑ Vertical:
    ✓ Digicel: International Media Content Ltd (SportsMax, CEEN-TV)
  ❑ Acquisition of adjacent industries
    • Digicel acquires Paymaster
Market Trends

• Content - the new source of power:

- **Flow**: creates sports channel and acquires rights to Barclays Premier League, NFL, Rio 2016 Olympics, Boys and Girls Champs, Indian Premier League
- **Digicel**: NBA, Spanish Premier League, IAAF Diamond League
- **RJR communications Group**
- **DirecTV**: Exclusive Caribbean media rights to FIFA events across all platforms from 2015-2022
Market Trends

- **OTT**: Netflix to enter 130 new countries.
- **KOBI**
- **MOBDRO**

Is this the passing of linear TV?
Market Trends

- Privacy and hacking
Market Trends

- **Net Neutrality**: FCC rules that broadband service to be treated like public utility and prevents providers from offering preferential fast lanes.
Market Trends

• New Regulatory Model: Market Diversification

Source: Telecommunications Regulations Handbook 2010, p.34
### Size of the regional economy: CARICOM

<table>
<thead>
<tr>
<th>Name of Country</th>
<th>Estimated Population in 1000s</th>
<th>GDP Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antigua and Barbuda</td>
<td>91</td>
<td>13,539</td>
</tr>
<tr>
<td>Bahamas</td>
<td>393</td>
<td>25,557</td>
</tr>
<tr>
<td>Barbados</td>
<td>290</td>
<td>14,765</td>
</tr>
<tr>
<td>Dominica</td>
<td>73</td>
<td>6,998</td>
</tr>
<tr>
<td>Grenada</td>
<td>110</td>
<td>7,617</td>
</tr>
<tr>
<td>Guyana</td>
<td>736</td>
<td>4,272</td>
</tr>
<tr>
<td>Haiti</td>
<td>9,997</td>
<td>892</td>
</tr>
<tr>
<td>Jamaica</td>
<td>2,930</td>
<td>8,287</td>
</tr>
<tr>
<td>Montserrat</td>
<td>5</td>
<td>11,290</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>163</td>
<td>8,233</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>103</td>
<td>7,239</td>
</tr>
<tr>
<td>Suriname</td>
<td>573</td>
<td>9,197</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>1,224</td>
<td>24,209</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,688</strong></td>
<td></td>
</tr>
</tbody>
</table>
ISSUES

• Size of the regional economy: CARICOM

Guatemala

College of Business and Management, University of Technology, Jamaica
• Cost of regulation and institutional design

- Multi sector versus single ICT sector
- Inclusive Regulation: including the disabled
- Balance: Safeguard incumbents rights and support innovation
- Light touch regulation
ISSUES

• Competition and Regulation

- Network externalities and winner take all markets (duopoly, oligopoly, monopoly)

**Compete or Regulate?**
- Defining market using layered regulatory model
- Defining market power and dominance
• Regulations to focus on:

- Coverage and performance obligations
- Privacy
- Transparent access to new entrants
- Infrastructure sharing
- IPv6
Mergers and Acquisition

Digicel turns major content provider following cable TV acquisitions
Friday, September 19, 2014 4 Comments

Cable & Wireless seeks to ease anxiety among Flow staff
Acquisition will make companies stronger, says Columbus
Friday, November 07, 2014 20 Comments
• Hindering New Technologies

Can vertically integrated operators foreclosure on OTT, and is this addressed by net neutrality addresses this?
CHANGE IN BUSINESS MODEL

• Is Telecoms Dead?
  - Demise is exaggerated
  - Greatest asset:
    Infrastructure – Network Speed & Throughput
  - Last mile
    FTTH
  - Interconnect; interoperate
Should legislation be harmonized and authorities merged?
Thank you.