

# **ICT & eBusiness Sector in the Caribbean: Opportunities and Challenges**



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**October 25, 2005**

## **A liberalised telecoms industry is driving growth in the Caribbean's ICT industry**

- Cable & Wireless had monopolies in all English speaking Caribbean countries - Governments negotiated an end to monopolies and introduced competition.
- Increased investments in the sector: In Jamaica, over US\$950M invested since 2001 mainly in infrastructure development
- Falling costs have made Caribbean countries more competitive and attractive for investment in ICT & BPO services:  
A T1 line from Jamaica to the US now costs US\$9,907/month compared to US\$21,795/month in 2000.

# Opportunities

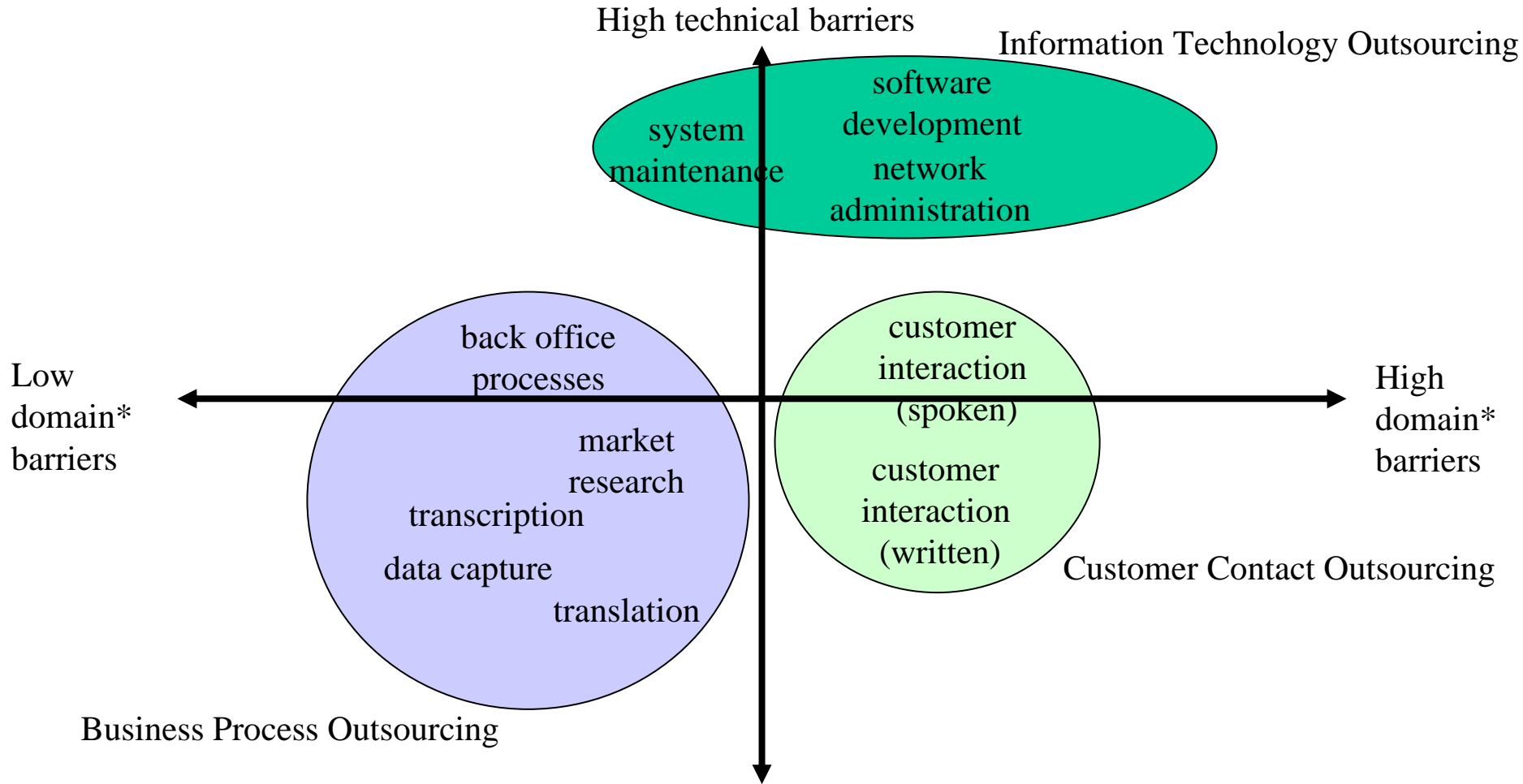
# The majority of companies investing in the Caribbean's ICT industry are efficiency and market seeking

- Cost reduction & efficiency seeking: Offshore outsourcing, Assembly operations
  - *Investments aimed at accessing a more favourable cost base*
  - *Use of low cost local inputs eg: labour*
  - *Final good/service exported*
  - *Mobile – will move to lowest cost location*
- Market seeking: Final assembly, Manufacture & Servicing
  - *Investment aimed at accessing markets eg: Jamaica, CARICOM & other countries where favourable trade agreements exist*
  - *Facilitates sales, servicing and warehousing*
  - *Often develops naturally from importers to cut import duties & transportation costs*

**Cost reduction**

# The Caribbean offers a full range of ICT services ranging from the low to the high end

## Mapping out outsourcing



\* Understanding of customers' requirements

Low technical barriers

# **There are a number of factors that make the Caribbean an attractive location for contact centres**

- Highly skilled, dedicated and service oriented work force
- Very low employee turnover
- Good telecommunications infrastructure
- Low operating costs
- Multi-lingual populations – predominantly English and Spanish
- Close proximity to the US mainland and a gateway to both North and South America

# Offshore outsourcing benefits both the country outsourcing and the recipient country

## EXHIBIT 1

### Offshoring's value to India

Benefit per \$1 of US offshore spending,<sup>1</sup> 2002, \$

<b>Offshoring sector</b>	Labor	0.10
	Profits retained in India	0.10
<b>Suppliers<sup>2</sup></b>		0.09
<b>Taxes</b>	Central government <sup>3</sup>	0.03
	State government <sup>4</sup>	0.01
<b>Net benefit to India</b>		<b>0.33</b>

<sup>1</sup>Estimated; India offshore services industry example.

<sup>2</sup>Includes revenue accruing to supplier industries less sales taxes, income taxes for employees, and corporate taxes.

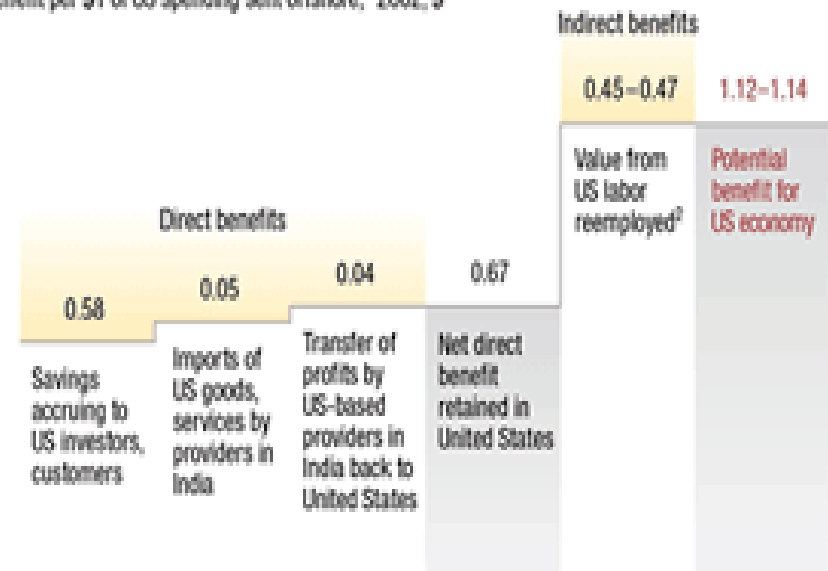
<sup>3</sup>Includes income tax from labor employed in both offshore services sector and supplier industries as well as corporate tax on second- and third-tier suppliers.

<sup>4</sup>Includes sales tax on second- and third-tier suppliers and revenue from sale of power to offshore service providers (providers' earnings are tax-exempt).

## EXHIBIT 2

### Offshoring's value to the United States

Benefit per \$1 of US spending sent offshore,<sup>1</sup> 2002, \$



<sup>1</sup>Estimated; India offshore services industry example.

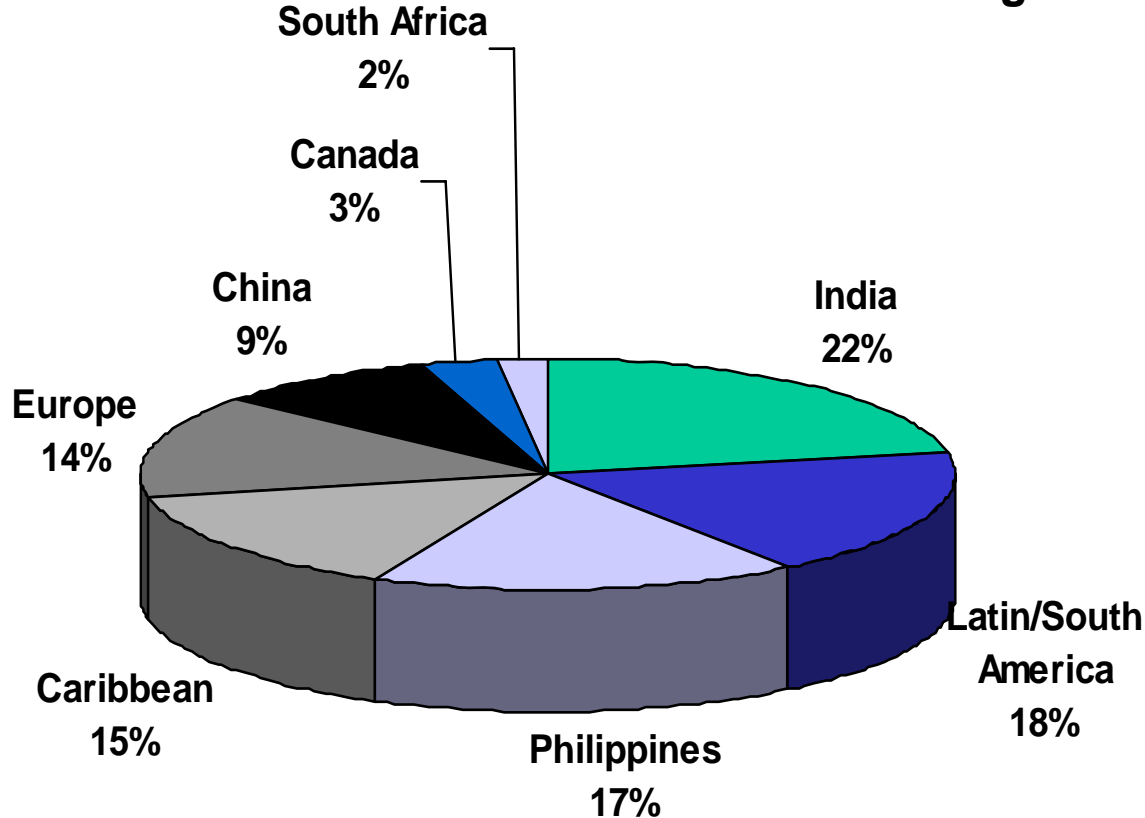
<sup>2</sup>Conservative estimate based on historical reemployment and wage levels; value created from improved global competitiveness of US companies and multiplier effect of increased savings would likely increase amount of value created.

# Companies are adopting a “portfolio of location” strategy by choosing a number of diversified locations

- Companies are choosing to diversify their location risk by selecting multiple locations.
- Locations are no longer perceived as competing with each other, but offering propositions at differing price/quality trade-off points based on client needs and wants.
- Although India is currently the back office of the world, companies are now seeking secondary locations to avoid having all their processes in one location.
- In the post-9/11 era of heightened global security concerns the Caribbean region is perceived as a stable and safe location.

# The Caribbean is a location of choice for outsourcers

Areas of customer interest for outsourcing



**“Additionally, outsourcers are becoming available in the Caribbean at a furious rate: Jamaica is a popular destination right now.”**

**Marketing  
seeking**

# The Single Market and Economy makes the Caribbean an attractive market for investors

- Caribbean Single Market & Economy (CSME) scheduled for full implementation in 2006 should make the flow of investment and trade in the region easier
- The Caribbean region has a total population of 37 million
  - *Cuba – 11million; Dominican Republic – 8 million; Haiti – 8 million & CARICOM – 11 million*
- CARICOM also has bilateral trade agreements with Cuba, Venezuela, Colombia, Costa Rica & Dominican Republic

# One country can be a launching pad into the rest of the region

## The Case of Digicel:

- Operates as truly a pan-Caribbean player in the wireless mobile industry
  - *Commenced operations in Jamaica in 2001 and now operates in Cayman, Aruba, Barbados, Grenada, St. Lucia, St. Vincent & the Grenadines, Curacao, Haiti and Trinidad & Tobago.*
- Acquired the operations of Cingular Caribbean in June 2005
  - *Gave it access to the markets of Bermuda, Anguilla, St. Kitts and Nevis, Antigua and Barbuda, and Dominica*
- Invested over US\$600M in the region

# E-opportunities will blossom with cheaper and improved telecoms infrastructure

- High speed Internet access is now more widely available and accessible to small businesses and individuals
  - *In Jamaica, Cable & Wireless has introduced Max – a personal Internet communicator starting from a low of US\$99 or with no deposit a monthly payment of US\$14.99*
  - *They have also reduced their ADSL price to US\$29.95/monthly which has triggered significant uptake*
  - *Special arrangements for educational institutions*
- E-Opportunities:
  - *Ecommerce*
  - *Telemedicine*
  - *Elearning*
  - *Graphics based design*
  - *Software development*
  - *Emaps*

# Liberalisation has created new opportunities with many licences issued for telecoms operations

Licences	2000	2001	2002	2003	2004	2005	Total Issued
ISP		45	12	3	14	1	76
ISP (STVO)		7					7
IVSP		31	10	6			52
DC		11	8	8	5	1	35
DVSP		17	8	13	7		44
DSP		22	2	5	6	2	32
FTZC	1	6	2	1	1		10
FTZSP	1	6	1				8
IC				48	20		68
INTL.SP				41	21	1	62
Total Issued	2	145	43	125	74		394

## Key to Licence Categories

DC - Domestic Carrier  
 DSP- Data Service Provider  
 FTZC - Free Trade Zone Carrier  
 IVSP - International Voice Service Provider  
 ISP - (STVO) - Internet Service Provider for subscriber Television Operators  
 DVSP - Domestic Voice Service Provider  
 ISP - Internet Service Provider  
 FTZSP - Free Trade Zone Service Provider  
 IC - International (Voice/Data/ Transit  
 INTL.SP - International (Voice/Data Service Provider

# Opportunities exist for partners with financial and technical resources to form alliances with licence holders

- Operating a telecoms business, particularly where infrastructure build-out is required is very capital intensive and many local players lacked financing for their operations.
- Some local firms also lacked the technical knowledge and were unwilling or unable to partner to acquire this
- Others that launched operations folded due to competitive pressures and poor strategy

# Summary of Opportunities

- **Outsourcing**
- **Partnering**
- **Market Access**

# Challenges

# The Caribbean ICT sector faces a number of challenges

- High telecoms cost
  - *Still high although reduced with further price reductions anticipated*
- Lack of available infrastructure
  - *Limited office space and technology parks*
  - *Only one major technology incubator at UTECH*
  - *Governments financially constrained and private sector lacking understanding of sector*
- Lack of financing for the sector
  - *Traditional financial institutions lack ability to make appropriate risk assessments*
  - *Governments less willing to fund start-ups due to well-publicized collapses*
- Lack of homogeneity among countries makes marketing and promotion of the region as a single area difficult