



**CAYMAN ISLANDS LEGISLATIVE ASSEMBLY
COMMITTEE OF PUBLIC ACCOUNTS**

**EFFICIENCY AND EFFECTIVENESS OF
THE UTILITY REGULATION AND COMPETITION OFFICE
(OfReg)
~June 2020~**

*Edited verbatim transcript relating to the Official Report of the Standing
Public Accounts Committee Meeting—23rd July 2020*

CONTENTS

PAC Members present	3
Witnesses present	3
Others in attendance	3
Caribbean Utilities Company Limited, Mr. John Francis Richard Hew	9-21
Digicel Cayman Limited, Mr. Raul Nicholson-Coe	23-30
Flow Cayman (Cable & Wireless), Mr. Daniel Tatham	30-46
C3 Pure Fibre, Mr. Randy Merren	47-55
Undertakings to be provided in writing	32, 46

PAC Members Present:

Mr. D. Ezzard Miller, MLA, Chairman
Mr. Bernie A. Bush, MLA, Member
Hon. Barbara E. Conolly, MLA, Member
Mr. Austin O. Harris, Jr., MLA, Member
Mr. Christopher S. Saunders, MLA, Member
Mr. David C. Wight, MLA, Member

In attendance:

Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development
Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development
Mrs. Gloria Myles, Deputy Accountant General, Ministry of Finance and Economic Development

Audit Office:

Mrs. Sue Winspear, Auditor General
Ms. Angela Cullen, Deputy Auditor General (Performance Audit)

Witnesses:

Mr. Richard Hew, Caribbean Utilities Company (CUC)
Ms. Letitia Lawrence, Caribbean Utilities Company (CUC)
Mr. Raul Nicholson, Digicel Cayman Limited, Chief Executive Officer
Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless)
Mr. Giosino Colaiacovo, Finance Manager, Flow Cayman (Cable & Wireless)
Mr. Rob Mayo-Smith, Business Consultant, Flow Cayman (Cable & Wireless)
Mr. David Burnstein, Senior Manager, Flow Cayman (Cable & Wireless) – Via Zoom
Ms. Kecia Taylor, Manager Legal Affairs, Cable & Wireless Caribbean – Via Zoom
Mr. Randy Merren - Managing Director, C3
Mr. James Bergstrom - C3 Board Member
Mr. Kris Bergstrom - C3 Board Member

PAC Clerk:

Mrs. Patricia Priestley

**OFFICIAL VERBATIM TRANSCRIPT
STANDING PUBLIC ACCOUNTS COMMITTEE
THURSDAY
23 JULY 2020
9:23 AM**

Meeting with witnesses

**“EFFICIENCY AND EFFECTIVENESS OF
THE UTILITY REGULATION AND COMPETITION OFFICE
(OfReg) - June 2020”**

Verbatim transcript of the Standing Public Accounts Committee Meeting held Thursday, 23 July 2020, at 9:23 am, in the Chamber of the Legislative Assembly Building, George Town, Grand Cayman.

[Hon. D. Ezzard Miller, Chairman, presiding]

The Chairman: Good morning.

I apologise for the late start. We had a few little internal problems but we have them all sorted out now.

Let the record show that we have a quorum present and I would like to call the Committee to order.

Before I invite the first witness in, I would like to ask the Committee to consider inviting Mr. Colford Scott to come and give evidence before the Committee at 11:30 tomorrow because I believe he is one of the few local people who has extensive knowledge of the impact of the various fuel grades on vehicles since he ran Government's Department of Vehicle and Equipment Services (DVES) for many, many years.

I think he is now a consultant to NRA on the purchasing of vehicles and he does not have any relationship with any vehicle or fuel dealership. So I think he would be able to give us some good insight into the effect that the various octane levels have on the vehicles used in the country.

So, may I have a motion that we invite Mr. Colford Scott?

Mr. Christopher S. Saunders: Moved.

The Chairman: Moved by Mr. Christopher Saunders.

Hon. Barbara E. Connolly: Seconded.

The Chairman: All those in favour, please say Aye; those against, No.

AYES.

The Chairman: Alright. So may I ask the clerk then to issue an invite? I will give you his phone number. I

have already spoken to him and he has agreed to come, so we just have to do the formality, okay?

I invite the Deputy Procedural Clerk to bring the first witness in.

[Pause]

**CARIBBEAN UTILITIES COMPANY
(CUC)**

**ADMINISTRATION OF OATHS
OR AFFIRMATIONS**

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

Ms. Letitia Lawrence, Chief Financial Officer, Caribbean Utilities Company (CUC): I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

[Pause]

The Chairman: Good morning Mr. Hew. I see you brought your CFO, Ms. Lawrence, with you so we welcome her as well.

Mr. Hew, thank you very much for coming. We are really pleased that you decided to come, having received a letter from your attorneys questioning the authority of the Public Accounts Committee to summon you. So in fairness, and to clear up some misconceptions that I believe exist out there in the legal world about that, what I am going to do is read the

letter into the records and then I am going to respond to some of your lawyer's comments.

We received this letter that is dated 14th July 2020 and it comes from your attorneys Appleby.

"Dear Ms. Webb (who is the Clerk of the Public Accounts Committee)

Reports of the Auditor General

"We are writing to you in connection with your letter of the 3rd July, 2020 to Mr. Richard Hew on which he has sought our advice. Your letter is written in connection with a report of the Auditor General Report into the Efficacy and Effectiveness of the Utility Regulation and Competition Office (commonly known as OfReg) which is currently before the Public Accounts Committee (PAC). Your letter requests Mr. Hew in his capacity as the President and Chief Executive Officer of the Caribbean Utilities Company Limited (CUC) to attend before the PAC. In fact, the letter states 'you are being summoned to meet with the Committee.'

"CUC supports the work of the Auditor General and the PAC to improve the efficiency and effectiveness of OfReg and Mr. Hew is willing to appear before the PAC in connection with the report. The language of your letter suggests that you consider that the PAC has the power to compel Mr. Hew to attend before it; if that is the case we respectfully disagree.

"The PAC is governed by Standing Order 77, which provides at 77(4):

"In accordance with Standing Order 72, the Public Accounts Committee may call any officer or in the case of a report on the accounts of or related to a non-government body or organisation, any member or servant of that body or organisation to give information or any explanation or to produce any records or documents which the Committee may require in the performance of their duty."

Standing Order 72 provides at 72(1):

'Every select committee shall have power to send for persons, papers and records.'

"The PAC is a standing select committee whose function is to consider reports of the Auditor General Standing Order 77(1) under Standing Order 77(4) powers to send for persons, papers and records conferred by order 72(1) is, in the case of the PAC, confined in: (1) any public officer; or (2) a member or servant of an organisation which is in itself, the subject of a report that is before the PAC. Mr. Hew is not a public officer and CUC is not itself the subject of the report of the

Auditor General (OfReg). As such, the case clearly falls outside Order 77(4) and the consequence of that, is that the PAC has no power to compel Mr. Hew to appear or to produce documents.

"Nonetheless, as we have pointed out Mr. Hew is willing to attend voluntarily. Mr. Hew has noted that you wish him to only apprise himself on this matter so as to be able to provide the Committee with information. Mr. Hew will of course consider the report itself, and if there are specific matters that the PAC would wish him to inform them about or explain to them, then he would invite you to let him know what they are in order that he can appraise himself accordingly, and hereby assist the PAC with regard to those specific matters.

"Mr. Hew will attend in the company of Ms. Letitia Lawrence who is VP of Finance and Corporate Services and the Chief Financial Officer of CUC."

It is signed "Appleby".

Considering that you had decided to come, I did not respond to your attorney or send the police to get you.

[Laughter]

The Chairman: Firstly, again, I want to thank you for attending this meeting of the Public Accounts Committee, in spite of the legal advice you received.

Before getting started I think there is a bit of housekeeping that we need to address, with regards to the letter that was sent to the Clerk of the Public Accounts Committee that was drafted by your lawyers at Appleby on the 14th of July, which we have dealt with, and I have read the letter.

My response is, in my view, unfortunately, your lawyers erroneously referred to the Public Accounts Committee as a 'Standing Select Committee'. Had they taken the time to look at Arrangements of Orders of the Legislative Assembly Standing Orders on page six, they would have realised that sections 70 to 74 deal with select committees, and sections 75 through 81 deals with standing committees.

For your education and the listening public, please note the following with regards to Select Committees, and I quote from Standing Order 70(1).

"The House may appoint any of its Members to be Members of a select committee to consider and report on a Bill or otherwise to assist it in exercising the function under Part IV of the Constitution."

Standing Order 71 states:

"A select committee shall continue in being for the purpose for which it was estab-

lished (notwithstanding any prorogation of the House during the period beginning on the day on which the select committee is established and ending on the day on which the House is next dissolved thereafter) until the day of that dissolution or (if sooner) the day on which the business of the select committee is finished."

I will also draw your attention to 72(1):
"Every select committee shall have power to send for persons, papers and records."

Section 72(5) states:

"Subject to any order of the House or resolution of the committee, the sittings of a select committee shall be held in private."

The Public Accounts Committee has gotten permission from the House to hold all of its hearings in public.

Note that the sittings of a select committee are held in private, as I just pointed out and I can assure you that we have the necessary authority to go public. With regards to the Public Accounts Committee, please note section 77(1) and please re-emphasise it is a standing committee.

Section 77(1) reads:

"There shall be a standing committee, to be styled the Public Accounts Committee, to consider reports of the Auditor General –

- (a) on the accounts of the Government;**
- (b) on such other accounts required to be laid before the House as the committee may think fit; and**
- (c) on any matter incidental to the performance of his duties or the exercise of his powers as the committee may think fit."**

That is the whole of section 77(1).

Please note that 77(1)(c): The Committee thinks that your attendance and the attendance of others is incidental to the performance of.

Additionally, I want to assure you—and the listening public will agree—that if there were a report by a government entity which criticised or embarrassed a private sector company or individual, natural justice would require that they be afforded the opportunity to come before this body to defend or clear their reputation.

The reason we have invited all of the companies—not just CUC—who are regulated by OfReg to come before us, is so we can complete the 360 evaluation and find out from them what their concerns are and how things are operating as far as OfReg goes.

I would also like to take this opportunity to draw your attention to the Legislative Assembly Immunities Powers and Privileges Law (2015 Revision) which your attorneys made no reference to in their letter. In particular, I draw your attention to section 5(1) which says:

"The Assembly or any standing committee may, subject to sections 9 and 12, order any person to attend before such Assembly or Committee and give evidence or produce any paper, book, record or document in his possession or control."

Section 6(1) says:

"Any order to attend, give evidence or produce documents before the Assembly or a committee shall be notified to the person required to attend or produce documents by a summons under the hand of the Clerk issued by the direction of the Speaker."

Section 6(2) reads:

"In every summons under subsection (1) there shall be stated the time when and the place where the person someone is required to attend and the particular documents which he is required to produce and the summons shall be served on the person mentioned therein either by delivering to him a copy or by leaving a copy at his usual or last known place of abode in the Islands, with some adult person; and there shall be paid or tendered to the person so summoned, if he does not reside within four miles of the place of attendance specified in the summons, such sum for his expense as may be prescribed by standing order or authorised by order of the Assembly."

Unfortunately, we do not have any order to at the current time to pay you for your transportation costs.

Section 18 (1) says:

"A person who –

- (a) disobeys an order made by the Assembly or a committee for attendance or for production of papers, books, documents or records, unless such attendance or production is excused under section 8(1) commits an offence and is liable on conviction before the Grand Court to a fine of one hundred dollars and to imprisonment for six months."**

I hope that clarifies the misconception that exists in the legal fraternity that the Public Accounts Committee has all of these limitations on who they can and cannot call. As I said earlier, that also goes to any Standing Committee of the House. So, we are particularly pleased that after the legal advice you are still here.

I think it is fair to say that this Public Accounts Committee in particular, always tries to do its reports and the Auditor General's reports in a framework of fairness and collaboration. We have gotten away from the "gotcha" and trying to embarrass people, et cetera, because my grandmother told me many, many years ago, that I would catch more flies with honey than vinegar. We have found that our success as a Public Accounts Committee is directly related to this collaborative approach with the Auditor General's Office, with the civil service and with private companies that are involved.

[Inaudible interjection]

The Chairman: Yes.

Mr. Christopher S. Saunders: Mr. Chairman, thank you.

I just want to add something that I think is important for the listening public and for all the witnesses.

We are aware that there is criticism of OfReg in the public space. That is well known and I think it is important for all the companies that OfReg regulates because if people believe that the regulator is not up to or meeting a certain standard, or meeting their expectations, some of them may draw the reference that a company is not doing a certain thing or a company is not doing right, simply because OfReg is not doing their job properly.

I think it is really unfair and in particular—and I have even said this publicly—in reference to CUC being a well-run, efficient organisation, compared to industry standards, et cetera. I would not want anyone to think or feel as if CUC or anyone is getting away with something simply because OfReg is not doing the job, when in fact many other companies that are regulated are actually doing a very good job. So, I think it is important.

As the Chairman said, the whole idea was to get a 360 view of OfReg ultimately, because I think we all agree that some of these industries definitely need to be regulated and it is important for us to get the right regulatory framework, especially with regards to fuel, which is a newly regulated entity that came in 2016 or 2017, in terms of being regulated. Of course the fuel factor issue is one of the biggest parts of CUC's operation and CUC's bill, so you cannot have a conversation on fuel anywhere within the country without having or discussing the views of the largest

purchaser of fuel in the country. So that is more the framework we wanted.

As the Chairman said, it is meant to be informational and educational more than anything else, as opposed to confrontational or adversarial. That is really what we are looking for. We do not want anyone coming here feeling as if it is an ambush or anything like that; that is not our intention, that we can probably do behind closed doors but not for the public's benefit.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Honourable Chairman, may I respond?

Okay, thank you very much for that explanation.

The Chairman: My apologies; could you just state your full name and who you represent? That is just for the Hansards, in case I do to you, what I did to Ms. Letitia—I pronounced her name wrong. You can say it correctly in the Hansards.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): My full name is John Francis Richard Hew and I am the president and CEO of Caribbean Utilities Company Limited.

Thank you Honourable Chairman. The letter that you received was not in any way meant to challenge your authority. It certainly was not intended like that from me. It was merely for me, as the CEO of a publicly traded company to understand where I stand on legal grounds. I also have to comply with other laws and regulations, whether it is security laws, or Data Protection Confidentiality laws, and I just wanted to know where I stood prior to appearing before this honourable Committee.

Having listened to you, I am still not sure where I stand. I am not a lawyer and I do not have the experience that you have in this honourable House; so I would just ask if there is information that you ask or request from me that I am not comfortable giving, whether I can just decline to produce that information at this time and then we discuss it at a later stage. I do not think that is going to be the case and I am not here to hold back information. I think I do have a lot of information to share with respect to the discussions that I heard in the previous week or days.

The Chairman: We do not expect to ask questions which would get you in any legal trouble or otherwise.

Again, as I said in the beginning of my comments, we have been looking here to:

1. Public education; and
2. To collaboratively determine what we can do to make sure that OfReg best serves the people it regulates without giving anything away to the people who are being regulated.

If we do ask you a question and you have concerns about the legal implications, as long as you do not do that for every question, but if that comes up we are quite prepared to give that leeway and we can discuss how best to do it in private. Okay?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Thank you, Mr. Chairman.

The Chairman: Just so we can start off with a friendly note, my first question would be the cost of this legal advice, it is not going into the rate base right?

[Laughter]

The Chairman: I am just trying to get everybody to relax. I will ask Mr. Saunders to lead off.

Mr. Christopher S. Saunders: Thank you very much Mr. Chairman. I also want to thank Mr. Hew and Ms. Lawrence for attending this morning.

As I have said publicly on several occasions and looking at page 186 of the Compendium of Statistics, I want to highlight something which I think is worth it; look at CUC production versus consumption. Back in 2010 it was at 91 per cent, in terms of the ratio and at 2018 it was at 98 per cent, which is actually well above industrial standard, in terms of leakage and everything else.

Having looked at your financial statements between 2010 and 2018, and your annual reports, I can honestly say from doing my own analysis and comparing it to industry and everything else, that barring the fuel factor, it is an efficiently-run organisation compared to industrial standards, in terms of meeting a lot of different targets, even though production to consumption ratio is actually quite high. And just for the public, most utility companies lose between five to seven percent. The fact that CUC is at two per cent, well above what the industry averages, goes to show that despite what people may think, it is an efficiently-run organisation.

You have your own PR department that can do that kind of stuff for you; you do not need us to do that, but at least for the record we wanted to recognise that it is an efficiently-run organisation.

The one issue that we have always had and I think the public has been concerned with, has been the fuel factor. Now, we know that is also a set formula using the Platt's Gulf Coast prices pegged to that.

Leaning into my first question; going back to October 17, 2011, I noticed a statement I want to highlight. I will not get into the whole issue, but it said: **"The price in August for that No. 2 diesel fuel was about \$3.03 per imperial gallon. Additional charges included \$0.22 per gallon to cover shipping, port authority fees, storage and handling, and an-**

other \$0.75 per gallon for government duty – total-ling \$4.00 for the "landed fuel price".

Something I am trying to understand, just for ease of our own internal calculation: While the government duty has gone from 75 cents to 25 cents, the additional 22 cents' charge which covers shipping, Port Authority fees, storage and handling—is that still roughly about what the market is today?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Roughly, yes.

Mr. Christopher S. Saunders: Okay, perfect. We assumed as much because we think we are using—and this is 22 cents US? I do not know if it was US or CI.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): That is US per US gallon, I believe, which is the same as CI per imperial gallon.

Mr. Christopher S. Saunders: Okay, yeah.

That is the assumption that we have been pretty much working with. Do not worry, it is not material to what we want but we just want to make sure that we are on the same page with that assumption.

The first question I would like to put to you Mr. Richard, is in terms of OfReg as a regulator. Again, we do not want to ruin the relationship between you and the regulator, but if there is one thing that you think we can change or improve that would help in terms of regulation, what do you think that would be?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Well, with respect to OfReg, I mean if we refer to the report of the Auditor General, we would note a lot of issues with transition from what we had before. Previously, we had the Electricity Regulatory Authority which was a fairly small but effective office, and it had a dedicated board. Therefore the decision-making was a lot quicker and I think since the whole transition it has slowed down a bit, which we sort of anticipated until OfReg was settled in the new organisation. So we would agree that the decision making sort of slowed down a bit.

Mr. Christopher S. Saunders: I know I have used my own internal assumption but I guess since I have you here, on a gallon basis, roughly how many gallons of diesel would you burn or go through for the month or per year?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Last year we were approximately 34.5 million gallons.

Mr. Christopher S. Saunders: Okay.

We have been trying to determine—and we have asked this of the other licensees—an idea of the fuel storage capacity; each of them sent it separately. If you do not have that information now that is fine, it is just something that we are looking to calculate, especially with hurricane season—what the maximum capacity is that we could have. In terms of CUC, I know you guys have your own storage tanks for fuel. How many do you have and roughly how many gallons can each of those tanks hold?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I do not have the total gallons off the top of my head. Some of them are 750,000 and some are a million gallon tanks. What we do look at is trying to have four to six weeks' supply on Island.

Mr. Christopher S. Saunders: Okay.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): If I may go back to the question, Mr. Chairman.

Obviously you have pointed out that I am in a difficult situation. I do not really want to criticise OfReg because we do have a cordial relationship. I believe the people we interface with do work hard and as efficiently as possible, but it is just that the size of the organisation is a lot bigger now. That is why I believe things have slowed down.

There were also transition elements, like things that were put in motion by the ERA such as our Integrated Resource Plan on renewables. That started under the ERA and we finished it under OfReg, so there was sort of a debate on who could approve this because it was commissioned by ERA and when we completed and submitted it for approval, we were submitting it to the OfReg. That decision, for instance, took quite some time and we are very keen to get renewables in place. We are now years behind in that, in my opinion.

Mr. Christopher S. Saunders: Going back to renewables, I was looking at your financial statements and annual report and I noticed that the cost per kilowatt hour for renewables versus traditional was way high. I mean, it was really crazy—really way off—and that renewables charge is now a part of people's bill also.

I mean, if it is far more expensive based on what we have seen in your annual report. I think it only showed up there in 2018 and 2019—I had the number worked out, I will find it later on—but that per-unit cost on the renewables was well above what it is on the diesel side; and I am curious to know or if you would be able to tell us, what is driving that to be more

expensive because if it. Then, I have to ask the question anyone would ask, "Why are we doing it?"

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Yes, very good question.

Obviously, the public would like to see renewables. We would like to see renewables. The reason we have not moved to it quickly is the economics of it.

Five years ago even the utility scale in Grand Cayman was not really competitive with diesel. What we have now is an industry; we have one renewable scale plant which is in Bodden Town—the Bodden Town Solar Plant—which is five megawatts and more than five megawatts on rooftop solar.

The issue with rooftop solar is that it is very expensive. We have been purchasing that under the core programme, started out over 40 cents a kilowatt hour compared to diesel which ranges—currently it is just over eight cents a kilowatt hour—to as high as 20 or 22 cents per kilowatt hour and the peak fuel prices. We have been purchasing a limited amount of this renewable energy from rooftops and the reason it is limited is because if we buy more it is going to drive up the overall cost of energy on the grid. So obviously there is an industry now that started to put these solar panels on rooftops and they're obviously lobbying for more capacity to install these solar panels on rooftops but it is going to drive up the overall cost.

I would say that in my lifetime at CUC this is the first time we have been in the position where we can actually effectively move from all diesel generation to go to solar plus storage on a utility scale and be as effective, as reliable, more sustainable and economically competitive with diesel, but it is in the utility scale not on the rooftop scale. That is a policy decision that I think OfReg and certainly ourselves struggle with: How much of this expensive rooftop renewable energy are we going to purchase.

In my view, we need to prioritise the utility scale and get that in place to try and stabilise the cost. Even right now we are enjoying these low diesel fuel prices but what happens in a swing back up? And if we can get large-scale renewables in place that stabilise the cost, because the majority of the cost is upfront investment costs not the maintenance and running costs. I think we need to do that and do that fairly quickly, but the focus has been more on the rooftop because yes, it is providing local businesses with business and nobody wants to take that away from them.

Mr. Austin O. Harris Jr.: Thank you Mr. Chairman. Good morning to the witness and thank you for joining us this morning, as well as to the Chief Financial Officer.

Through you, Mr. Chairman, to the CEO: Picking up on where my colleague the member from Bodden Town West started, in terms of renewable ener-

gies: The national energy policy 2017-2037 focuses on exploiting renewable energies, promoting energy efficiency and conservation measures and supporting energy security by reducing its reliance on imported fossil-based fuels. The strategic framework envisioned that by the year 2037 the energy generation ratio would be 62 per cent energy created through solar means with 30 per cent electricity created through diesel means.

I was going to ask what progress has been made by CUC in the last four or five years but I think my colleague was able to air that out in your answer. What I am curious about, based on your answer is: that 62 per cent envisioned under the strategic framework, is it overstated, achievable, or perhaps in need of a more realistic expectation adjustment, based on what you discovered already and based on the cost of creating that electricity? As my colleague mentioned, at least the bill standpoint suggests it is more expensive to create electricity through solar means than traditional means.

What are your thoughts today looking back at the energy policy and the expectation that by 2037, in 17 years, we will be 62 per cent generation of electricity from solar means?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Through you, Mr. Chairman.

I think we are delayed, no doubt; we should have started a couple years ago. I think the economics are there now but we can still do it. It depends on getting the utility scale solar in place. We are not going to do this at five kilowatts at a time, we are going to do this by perhaps 20 megawatts projects and that is what it is going to take. Renewables is not unlike diesel, everything in the electricity business is scale. Economy is a scale rule; so that is the reason why we have 30,000 customers and we do not have 30,000 small generators out there on homes and buildings, because you can put all of those generators together, and a few big generators and be a lot more efficient.

It is the same with renewables. If you put in a 10 or 20 megawatt solar plant, you're going to get half the cost or less of a rooftop solar installation. So to get there we need to move on these bigger projects. I am aware that OfReg is working on an auction scheme or some method of trying to go out to competitive tender and once they do that we will have to move fairly quickly.

As for CUC, I would like to dispel the myth that we are beholden to diesel engines. There is still a place in the portfolio for diesel engines but they will be more as a backup in the 62 per cent scenario you talked about and we will be using as much of the sun as we can and storing what excess we have during the day, to use at night, but it still will not be enough. So we will probably be running diesel engines some-

times through the night or through cloudy periods. If you follow our integrated resource plan, those diesel engines may be running on a fuel such as natural gas, which has lower CO2 emissions and a more stable and lower commodity price, so you have a more stable price fuel with lower environmental impact.

Mr. Austin O. Harris Jr.: Thank you Mr. Chairman to the witness: One of the things not envisioned in the national energy policy or certainly not in the strategic framework, in terms of how energy will be generated in the future, was by way of steam. I note with interest that in recent years—I cannot recall whether I took the tour since being an elected member or prior to—I had the opportunity to tour your facility to see your newly installed, well not so newly installed steam turbine generator which uses heat transfer to generate electricity as opposed to diesel fuel. It is a cleaner form of renewable energy and I wonder in your determination, now having a steam-driven turbine generating electricity at your plant, what are your thoughts on the viability of steam as a means of producing or generating electricity as a renewable energy option? Perhaps it should be added to the basket of goods of options in the renewable energies or perhaps it will be replaced by Liquefied Petroleum Gas (LPG) or some other resource.

I also have a question on what you described as utility-scale solar energy creation. You talked about the Bodden Town solar farm which requires I do not know how many acres of open land, but it certainly is larger than a house lot. And the argument that has been made in the past and correct me if I am wrong, in favour of adopting rooftop solar is because one of the things the Cayman Islands has a lot of are rooftops. Development proving itself to be a key element in our booming economy—and it arguably will continue to boom post-COVID—whether they be garages, corporate building tops, or residential homes, there is a lot of roof space that could substitute the need for taking up large swaths of open land for utility-scale solar.

I wonder if you can also explain what is the challenge in using your roof-based solar. Why can you not extract the necessary renewable energy from roof based to supplement the solar farm versus the need to go to larger solar farms, if you will—if that is my understanding of your answer.

Thank you.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Through you, Mr. Chairman.

The rooftop works; I mean there are I think over 400 rooftop installations out there now but it is expensive. As CEO of CUC that is all I hear, “*you're expensive, you're expensive*” and if you want to become more expensive, yeah, go ahead and fill every

rooftop with solar and put that energy on the grid. It is fine if it is under a core programme and the producer is being paid their costs of production, but everyone else who is not producing is paying a higher price. So that is a challenge there.

On the steam: We have a steam turbine and that was installed with the last generation project that we did. What it does is, recovers the waste heat coming out of the exhaust stack and harnesses that heat energy to make steam to give us additional electrical output. So it takes the steam, drives a steam turbine and gives us an additional, I think, three and a half megawatts. It means that, for every gallon of fuel going in, we are getting more electricity coming out and I would venture to say, for the size plant, it is the most fuel-efficient in the region.

Mr. Austin O. Harris Jr.: Just on that last point: Given your confidence and obviously satisfaction with the production rate of the steam turbine, is it possible that CUC will utilise or seek to install further steam turbines as a means of generating electricity which was not envisioned by the natural energy policy?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): At this time no because of our size. Steam turbines are typically... Well, in the US you would see that a lot of them are typically driven by coal fire to make the steam, to run the steam turbine or it is nuclear for instance, or you have a large combustion turbine like a jet engine but it is a much larger one and you get electrical output from the generator on the turbine but as well the heat rejection coming out of the exhaust of the turbine you make steam as a combined cycle.

I mean it does not make sense looking at them at under 50 megawatts. Under good utility practice right now we do not want any of our generators to be any larger than 20 megawatts each because if they go down... You know we have a peak right now our last year's peak was 113 megawatts. If you have 50 megawatts of that in one unit when it goes down you're going to immediately have an all Island black-out and be scrambling to get the power back on. So it is not feasible, viable or practical for us to go to these large units or large steam turbines in the Cayman Islands.

Mr. Austin O. Harris Jr.: I am sorry to belabour the point and I know my colleague is eager to jump back in.

Moments ago when explaining the efficiency of the gas turbine, you stated that CUC now has the ability to generate even more electricity per gallon of diesel fuel with the existing steam turbine generator. I do not know how many diesel generators you have but I do recall you have a number of stacks, and presumably those stacks are attached to either one or

two generators. I do not know how many stacks CUC is using to transfer that heat to turn it into steam to power the existing steam generator, but it just seems logical to me—and correct me, again I am not in the energy business you may certainly guide me in this.

If you have achieved success and energy savings from one steam turbine, then why would not you want to seek to increase that energy? It will only mean further savings for the same gallon of diesel fuel.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Yes, the current steam turbines that we have are our two largest units. The capital cost of installing a heat recovery system to make steam is very high, so you do not want to put it on small engines because your output is going to be negligible, compared to the cost of the investment of putting in that infrastructure.

Mr. Christopher S. Saunders: I just wanted to read something here from the 2019 Annual Statement with regards to renewable energy. It says:

“In early 2019, OfReg accepted CUC’s Integrated Resource Plan. The Company continues to facilitate the connection of renewable energy sources to the grid. Renewable energy on the CUC grid for 2019 totalled 18.8 million kWh which amounts to 2.6% of the total energy supplied. The Company aims to have 25% of renewable energy on the grid by 2025 and to meet the objectives and targets of the National Energy Policy over the longer term.”

Looking back at that 2019 annual statement, I noticed in terms of cost, your total cost of energy supply was actually \$111 million. Now, the renewables was actually roughly \$5 million. So if 2.6 per cent cost basically \$5 million, if I extrapolate that, it would basically mean that the full 100 per cent would cost about \$192 million, but then the actual cost for the other 97.4 per cent was actually \$106 million which was way less.

So, what I am trying to understand here is, if renewables at this point extrapolates to \$192 million at this rate versus the current one that is actually \$106 million which is almost half, the question is: What is going to be done over the next five years? Because I am going to tell you right now, this model is... we do not want this extrapolated over the next five years. So what is going to be done over the next five years to bring that cost down to make it actually something to be more... I mean it is nice for the environment and I love the environment too, but I am not willing to pay that kind of money to maintain it.

So what is going to be done to get that cost down to where it is at least competitive to what we have now?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Through you, Mr. Chair.

Yes, what you're seeing is a combined pricing of the Bodden Town solar plant which is—I want to say—over five years. So the technology cost has been dropping fairly quickly. It is a combination of the Bodden Town solar plant, as well as a rooftop. And yes, on average, that is probably double what we would pay normally for diesel. It is about double just using your figures there.

Going into the future however, the new utility-scale solar for instance, with the latest prices and latest technology can be done at the current diesel fuel prices. So if we replace diesel, we will be replacing it at the same cost but with sustainable more environmentally friendly energy coming on to the grid. So, you would not see a doubling in the cost, you would see the cost level remaining about the same but an important feature would be that it is also stable cost. So you're not on this diesel price roller coaster.

Mr. Christopher S. Saunders: You said that the renewable was a combination of the Bodden Town solar plant plus the core programme. Roughly what is the kilowatt per charge hour on the Bodden Town solar farm versus the cost on the core per kilowatt? If you do not have this information, that is fine.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): The blended, I do not know. When we signed, Bodden Town was approximately 14 cents per kilowatt hour.

Mr. Christopher S. Saunders: That is US?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): That that is CI.

Mr. Christopher S. Saunders: Okay that is CI 14 cents.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Then the core started, like I said, I think it was over 40 cents and it is now down to 20 for the large installations, I think is just over 21 cents and for the smaller installations 25 cents.

Mr. Christopher S. Saunders: How much is your kilowatt cost on diesel?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): For August bills, for the diesel alone, will be 8.3 cents.

Mr. Christopher S. Saunders: No, no, no, no. Let me just get this straight now.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Sorry. Renewable cost charge...

[Pause]

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Let me just check that. I think that includes the renewables.

[Pause]

Mr. Christopher S. Saunders: Well, either way it will be less because you know would carry it up.

For my understanding now, the solar plant in Bodden Town is around 14 cents a kilowatt and the larger buildings are 21 cents, in terms of selling back to the grid; they're basically getting paid 21 cents and the households are basically getting 25 cents. So, we are basically buying something more expensive than what it is actually costing us to produce?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I am sorry...

Mr. Christopher S. Saunders: Let's ignore the rooftop because we accept it is small and it is an anomaly et cetera; but if the Bodden Town solar plant is at 14 cents per kilowatt and diesel is running at, let's say nine cents per kilowatt, then what are we going to do to get solar down to below the nine cents? Granted maybe those are COVID prices, maybe 11 or 12 cents would be normal pre-COVID prices. So we will just work with the 11 or 12 cents normal price.

If the solar is at 14 cents a kilowatt and the diesel is running 11 or 12 cents per kilowatt, then what do we need to do to get solar well below the diesel cost?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Well, two points, the cost of the technology has come down since the Bodden Town solar went in place.

Mr. Christopher S. Saunders: That is good.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Also, if you scale up a bit more as well, you will get the price down, so we estimate, around 10 cents a kilowatt hour now for utility-scale solar.

Mr. Christopher S. Saunders: Within your annual report you said that by 2025 you think you can do 25 per cent renewables; I am assuming that is growth in terms of scaling at the Bodden Town plant. Is that still something that is doable?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): It is doable. It requires two projects.

Mr. Christopher S. Saunders: Okay.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Also, CUC is ready to do that type of project. We have the capital, technology and skills. We are prepared to do utility-scale renewables.

The Chairman: I want to ask a question: What kind of acreage are we looking at for that size of utility scale solar?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): You're looking at about four to five acres per megawatt.

Mr. Christopher S. Saunders: Okay.

A couple years ago there was this Ocean Thermal Energy Conversion (OTEC). What is the status with that? Is it completely dead or is it viable?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I think there are still discussions regarding the pricing on that project. The difficulty is that there is not one operating commercially worldwide; it is an experimental technology.

We initially were drawn to it and liked it because it is proven on a small scale and can run year-round but when you scale it up, it is a massive engineering feat to move that volume of water and very costly.

Mr. Christopher S. Saunders: One of the other things that has been seen to be quite popular of late is this waste to energy type situation, where we look into I guess burn stuff and create energy from it. Is that something that is also being explored?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Yes, that is being explored. We are in discussions with the potential producer on interconnection and the sort of power purchase agreement and pricing on that as well.

Mr. Christopher S. Saunders: This may be a bit overly technical, but in terms of the amount of waste that we produce each year, how many megawatts do you think we can probably get from our waste energy?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I think I would guess five to ten megawatts.

Mr. Christopher S. Saunders: Okay. Yeah.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): If I may, Mr. Chair. Just to clarify the price of fuel that I spoke about earlier, that the fuel factor will drop to 7.8 cents with the renewable energy purchases will be 8.4 cents. So, just the diesel fuel element in the fuel factor will be 7.8 cents and that is based on a Gulf Coast market price of 88 cents per gallon, adding the shipping, duty, handling and margin.

Mr. Christopher S. Saunders: Since you touched on the Gulf Coast, something that I think has been the big difference between Chevron Texaco and say, Rubis, is that, being in the business upstream and downstream, Chevron Texaco was able to basically purchase fuel at a cheaper price where they could actually run at Platts minus. Granted, Rubis is no Chevron Texaco, but something I have come to understand is that many of these companies do buy at Platts minus, but your prices are actually pegged to Platts so the extra margin that they would get from getting Platts minus is something additional.

With that said, maybe this is something worth exploring. Would it not be in CUC's best interest—I mean, for the amount of fuel that you buy, granted in a global scheme it may be small but for here it is quite big—to consider going out and start buying your own fuel? In some of these cases, the benefits are not being passed on to the consumer because you are pegged to Platts global.

It is what it is but we know of situations where the tankers are sitting out there, they have fuel sitting and they need to get rid of it and they just basically dump it off at any price and many people benefit. So if we do have a proper storage facility where you can pretty much take advantage of those things, would that be something worth exploring?

I can tell you, looking at what you guys are being charged compared to what the market is in some cases, the consumers are not getting the benefits they should. Is this something that CUC would consider doing? Worst case even partnering with the government, because we do recognise that buying fuel is a serious capital outlay for it to sit there, but at some point for what we are paying now, is that something you think is worth exploring?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Okay, price is important but fuel security is also important. On the price side, we just want to be as competitive as possible. So we have the two companies competing and they're on two-year contracts and they can extend for another three years. So, we tend to do it that way to make sure that when we do go out to bid in the first couple years, if things aren't going well then we can adjust. I think it is a fair price and it is very transparent.

With respect to Platts and the market, Platts is reporting what the reported deals are on the Gulf Coast. It is similar for instance, to stocks. You will see CUC is publicly traded and maybe it is trading on the stock exchange at \$15. So if you're going to buy it through a broker, that is probably what you're going to pay, but if you know Joe Blue next door who needs some money right away and he has CUC shares and you do not go through the market, you can go to him and he may say, *look the market is saying \$15 but I need this money now, I will sell at \$14.50*. That is the same sort of thing I think you have with fuel, but it is not every day that deal is going to come up and when they do not have the deal then what do you do? So, to me, the fuel security is a very important aspect as well and having companies that are well placed and reliable is very important. We do not want to get in a situation where we have a fuel shortage on the Island.

Mr. Christopher S. Saunders: Well that goes back to the issue again of storage because if you have sufficient storage, then you do have a window of opportunity to wait things out.

The reason why I raised this issue is I am going back to the first question where we agreed that roughly 22 cents per gallon would cover shipping, Port Authority fees, storage and handling. Let's just round it up to 25 cents and then we are taking a government duty of another 25 cents that is 50 cents.

Now, I went through your annual reports from 2009 all the way up to 2019 and in each of your pages your organisation listed their average price for imperial gallon in US dollars. I also looked at average wholesale prices and converted it from the US gallon to imperial gallon at the 1.207 conversion rate.

What I was really looking for was the 50 cents difference between the additional costs of bringing it in versus the average cost to kind of give us an idea. Like I said, these are coming from your annual report: \$2.77 per gallon in 2009 and the wholesale was \$2.05 so 72 cents difference. Granted, we can live with the 50 cents difference but there is an additional 22 cents. Again, I know timing can vary throughout the year as you're buying and it can impact it but as I am going through 2010 \$3.45 cents per your annual report — \$2.65 cents. Again, that is almost like 80 cents difference right there. In 2011 it was \$4.63 versus \$3.64;

\$4.79 versus \$3.73; \$4.74 versus \$3.64; \$4.56 versus \$3.39; \$2.98 versus \$2.00; \$2.23 versus \$1.65; \$2.77 versus \$2.03 and \$3.10 in 2018 versus \$2.55.

Now, granted the gap has been getting smaller each year and I guess that can lead towards the competitive pricing, where between 55 cents in 2018 between \$3.10 versus \$2.55. So, we can directly see that 65 cents difference. If you take out the 50 cents it is really 15 cents above, which we can almost live with.

We can see where it is getting better but you go back in the previous years and you can directly see where the gap was so much bigger. Again, like I said, timing is essential because when you're buying at the time, the price could have been anything at that time. So, we do know that you guys track it from when it is loaded and I understand that process. However, in many cases where these guys are buying large parcels, they're already getting Platts minus and on top of that even the margin on the average is still above.

Then, it is clearly an issue with fuel and that has always been the biggest issue that most people have on their bill, because most months it is greater than even the electricity costs that your organisation charges. I think on average maybe 55 per cent of the bill is really the fuel factor; at least for my bill, the fuel factor is around 55 per cent. Therefore, if we can reduce that number by even 10 or 15 per cent, it would make a big difference in terms of the fuel. That is the reason I ask if it is worth it for us.

One of the witnesses mentioned yesterday that in the eastern Caribbean, where they have a large storage facility and fuel just sitting there, it is easier for them to have better price control. So the question then is: Do we need to improve our storage facilities so when deals come up like they did during COVID, we can actually get a larger portion of this and store it where we can basically get cheaper fuel as opposed to continuing as is because the Islands' population is getting bigger.

I understand that when Texaco was here they sometimes used to keep three, four, five months' worth of fuel in their storage facility, but they had the deep pockets to do it. Most of these guys, again from testimony, may keep seven to ten days at the wholesalers' level and the gas stations may have another five to seven days. So, on average we are basically running around 30 days' worth of fuel on Island.

If we do have the capacity to take six months' worth of fuel, granted you have diesel, gas, and jet, the question is: Do we need to take a solid look at our storage facility, because we saw what happened with West Texas crude when it went negative. Again, it was driven by storage; people ordered and had no place to put it, so they basically had to dump it. Storage became the main thing.

Do we have sufficient storage in Cayman to withstand some of these shocks but, more important-

ly, take advantage of some of these situations when they do pop up? I do not know what your thoughts are.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Through you, Mr. Chair, on the first comment that the sort of gap between the market price and what we are paying seems to have been a lot higher before. I am not sure why that would be, I would have to look at those figures and we are happy to look at the figures that you're looking at. However, from just listening, it may be that the duty element has changed because it was 50 cents before then it went up to 75 cent, I think back to 50 cents and then 25 cents. So that is really the only change. The margins, I believe, have been coming down a bit over the years as we get greater volume, but I cannot comment to that gap changing.

Mr. Christopher S. Saunders: That is fine.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): On the storage, yes, if you had a huge storage facility, but you also have the risk of when do you purchase. If we fill our boots with three, four, or five months of fuel and it is at a high price then we have a longer time for that to go through. You have to understand that that is a risk as well.

Lastly, I would say that I think we need to look more at the renewables going forward. If you look at the new model, you will use diesel fuel or natural gas; whether it is diesel or natural gas we will have to see. Whichever one it is, you're going to need less because you're going to be using the renewables during the day; you're going to be generating from sun and storing in batteries. It is really when you do not have the energy that you use fuel for backup. So, if the volume is less, if we are now on 40 per cent fuel, then you're less price sensitive, if you like.

Most of your cost is going to be fixed costs for the renewables. The fixed has two sides to that and this is why I am very keen right now to ensure that we do not lock into too many high-price solar prices because we have a one-time opportunity to transition to a long-term low and stable price. We need to understand that.

Mr. Christopher S. Saunders: Mr. Anderson from OfReg mentioned looking at Liquefied Natural Gas (LNG) which is a third cheaper than diesel. Is that something that you are also looking at in terms of switching to LNG? Has there been any progress made with Liquefied Natural Gas?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Yes, it is something that is in our integrated resource plan; it

is in the national energy policy; and yes, in the not too distant future I think we will be moving forward to see whether it is viable and feasible, but it is a cleaner fuel.

In natural gas, you speak in terms of dollars per the thermal energy—(MMBTU)—so, if we talk about that for diesel right now, it is about \$10 per MMBTU. The natural gas in the markets in the US is floating somewhere between \$2.00 and \$3.00; so the commodity price is a lot cheaper, but then you have to liquefy that, which is a very expensive process of bringing it to very low temperatures and turn it into a liquid so that you can ship it.

Here on the other end you have to store it. We would consider storing smaller quantities because the diesel engines can flip back and forth between diesel and LNG. So you would have smaller storage facilities because the storage facilities are very expensive as well. They have to maintain the temperature of that fuel—it is something like minus-150 degrees or more to keep it in liquid form. So, that overall cost of liquefying it, shipping it, storing it, and regasifying it, is where the majority of cost is; that brings it right back up to diesel around \$10 to \$12 per MMBTU, but the good thing is the commodity price, which is what is fluctuating, is a smaller part, so it would be a more stable price than diesel and also cleaner fuel when it comes to emissions.

Mr. Christopher S. Saunders: I was speaking to a good friend of mine who was involved with PetroJam in Jamaica; I think they're about 30 percent LNG on their production.

One of the complaints that they had is that they are not seeing the cost savings they were expecting to get from going around 30 per cent LNG passed on to the consumer. But of course, they found out later on that a lot of that is driven by the amount of electricity theft that has been going on there. People have not been able to see it but I think they were expecting at least around five or seven per cent average drop in people's light bills and that has not materialised.

Going back to the example that you just used, I guess those other logistics are probably some of the things that may drive up the cost and if you do not have it at a certain scale I guess you really would not see the benefit. But, I think when you converted it the intention was that after going through the process it would still work out a third cheaper, or is it a situation now because of where gas is? Because we have seen the fuel industry and we have seen the wars go on between the Shale guys and the Sheik guys, that the minute something comes out to challenge oil, the prices automatically plummet where it becomes very expensive for anyone to challenge them, and as soon as they basically run them into the ground, they go back to their normal stuff. I mean, you really cannot

blame them. If I had a lot of oil I would do the same thing but at the end of the day, the question is finding something reliable and secure because that is the most important thing, you need energy first.

In terms of the renewables and going to that 2025 solar, is that ultimately the one direction that you think we should be moving on more than anything, to get as much solar as we can use? Is that pretty much where CUC is looking to go?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I think utility-scale solar.

Mr. Christopher S. Saunders: Okay.

Mr. Austin O. Harris Jr.: Thank you, Mr. Chairman.

With your permission Mr. Chairman, I would like to change gears a little bit and move away from the energy sector and move towards the (ICT) Information Communication Technology sector. As we learned last week through testimony of the executive director for ICT, CUC through its subsidiary company DataLink has a role to play in the expansion of broadband or telecommunications in the Cayman Island. So my first question to the witness is: Does CUC in fact own a company called DataLink?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Through you, Mr. Chair: Yes.

Mr. Austin O. Harris Jr.: Thank you, Mr. Chair, to the witness: Also in witness testimony last week, we discovered that the delay in the expansion of broadband and telecommunication choices to residents east of Prospect are largely not with the telecom companies failing to deliver on contractual obligations, but more so because of both DataLink and Flow's unwillingness to agree to share their existing infrastructure.

DataLink's infrastructure, specifically the light poles upon which the telecom companies would attach their fibre optic lines to introduce broadband and telecommunication choices to the eastern districts, Flow's underground cabling boxes have room for expansion, in fact Island-wide; but DataLink specifically in this instance, has been unwilling to share pole space at a reasonable lease price. As a result of that, telecommunications cannot expand to the eastern districts.

Why that point has been driven home, in terms of relevance, is in this post and arguably pre-COVID state with technology being the anchor upon which much of the economy, as well as education, specifically, hangs, the student learning from home in the eastern districts is at a disadvantage to the student learning from home at either George Town or West Bay because they cannot access the same

broadband speeds that are needed in order to fulfil the online school curriculum.

I wonder if you can inform this Committee what your response is to the Executive Director for ICT stating that the delay in broadband expansion is less on the telecom companies and more so on companies like DataLink and Flow for their unwillingness to share existing infrastructure.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): It is not DataLink's fault why there is not wideband or broadband in East End. In fact, there is broadband in East End. I am aware of facilities in East End that have fibre service, so I think this is more an economic issue for the telecoms providers and it is not CUC's fault or DataLink's fault and I will expand.

DataLink was set up to deal with two issues: Firstly CUC had a fibre optic cable that it used for its own supervisory control and data acquisition system for its remote transmission and distribution substations and other devices. This was around in the late 90s and for the first time, we were being able to control our remote substations and we needed reliable communication. I am not sure if there was fibre on the Island but it was not available to CUC at the time so, with Cable and Wireless' (that was a monopoly at the time) knowledge and consent, we put in the fibre to our substations.

So we had this fibre installed before the ICTA was formed, part of which was actually leased to Cable and Wireless to get across the North Sound. When the ICTA was formed, CUC's fibre optic release to Cable and Wireless was outside the law and had to be regularised. Also, the ICTA wanted to regulate the communication space on the pole. It was therefore discussed and agreed between the ICTA and the fledgling ERA at the time, that CUC would set up DataLink to assume the fibre lease to Cable and Wireless, and to manage a communication space on the pole.

Once DataLink was set up, it had to deal with the request for attachments to the communication space. So on the poles we have a designated communication space and it has to be clear of the electrical space. As you can imagine, there are safety standards rule, which we follow. So to accommodate the request for attachments, we needed more space to be on the communications' poles and in order to meet the electricity safety standards, electrical equipment on the poles have to be rearranged on the pole, or the pole has to be changed to a taller pole to provide that greater communication space and maintain the distance from the electricity equipment.

Also, additional communication lines expose the pole lines to greater lateral forces during wind storms; what we want to avoid is, you have a 50, 60-mile an hour wind come through here and all of the

poles lay over with communications and electricity lines. Therefore, to strengthen the lines so that a minor storm does not blow them down we have to place intermediate poles in some cases.

In all jurisdictions the attachers pay for this, what we call 'make-ready' costs and this is where the additional cost is. It is not in the attachment fees, not that I have heard that there is a problem with that. It is in the make ready cost. If the telecoms attachers do not pay that make-ready cost, then electricity consumers will have to pay and there'll be industry cross-subsidisation.

Safety is CUC's first priority. We have had several cases in the not recent past when this was all rolling out, with attachers going on the pole without permission or pulling the poles together and having the electricity lines touch each other and burn down. We had a couple of cases where the lines were down in people's properties causing a fire and big electrical hazards.

Since 2014, we have made-ready approximately 6,800 poles and we estimate that up to another 5,000 poles will be required to be made-ready. We are just estimating what the telecoms providers need to roll out. We have a total of approximately 19,000 poles on the Island but not all will be attached to by telecoms.

Difficulties we are having relate mainly to getting wayleaves or permission to plant poles and anchors on private property. We do not have wide utility rights of ways on most of the roads. I note that they're putting in a utility space in some of the new roads now, but in the traditional roads we did not have that space so we have to plant our poles and the anchors to hold the poles up on private property and many people do not want to agree.

So we design a line, poles and anchors and before we go out to build it, we go out to get permission from the landowners and many of those who we do find, do not want to give us permission. Therefore, we have to try and redesign the line, move the poles on the other side of the road, zigzag along the road; it is a very inefficient process and we do not have the powers in a convenient form, to compel persons to allow us to use the property—with compensation, you know. This is an area that we really have to address with OfReg.

It is in CUC's and DataLink's interests to complete the attachments, as we do get attachment fees and we are exploring a number of strategies to increase the speed and reduce the cost of that make-ready, but the fact remains that the poles are not designed for four attachers, which we were compelled to allow on the pole. The poles were designed for CUC electricity cables—and back when it was just Cable and Wireless. Possibly, I think we could add one more in the space in many areas where we would not have

to do make-ready, but having four attachers is what is driving the make-ready costs.

Mr. Austin O. Harris Jr.: Through you Mr. Chairman, to the witness.

I want to thank him for that response. Just for absolute clarity, the challenge that CUC ergo DataLink has is that the existing poles—as per your testimony and correct me if I am wrong—are not tall enough to accommodate the four communication space attachments. So CUC's/DataLink's response to that is to erect taller poles that can also be reinforced to compensate for the extra height, in order to facilitate this make-ready for telecoms. Is that your testimony to this Committee?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Sometimes you need a taller pole, other times we may need to remove electrical equipment and put it like a transformer and put it on another pole. There are a variety of methods that we employ, but at the end of the day we need to have that communication space a certain distance away from any of the electrical equipment on the pole for safety reasons.

I also mentioned the other reason which is, the more cables you put on the pole, the greater force you're going to have from high winds and lateral force tends to break the poles at the foot, so the line has to be reinforced to take the additional cables.

Mr. Austin O. Harris Jr.: Again, you mentioned that in your estimation, you're going to need to install as many as 5,000 new poles in order to meet this need, but my question is: Of the existing pole infrastructure, how many of those poles can be used for these communication attachments or do we need to replace a third, half or two-thirds of the existing poles with taller poles in order to accomplish the same objective?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): I do not have that figure. We are just estimating that there are 5,000 poles remaining that we have to touch to make-ready for the attachers.

Again, it may be planting a new pole, it may be replacing the existing pole or it may be rearranging the equipment on that pole.

Mr. Austin O. Harris Jr.: Just for completeness: There is the attachment fee and there is a make-ready cost. The attachment fee which would normally be charged to the telecom for use of this pole in position one through four, how does that fee compare in expense to the make-ready costs?

I do not know whether or not you're prepared to tell this Committee what an average attachment fee may cost, as compared to the make-ready cost to

make that pole capable of having an attachment. I do not know whether those are commercially sensitive numbers but if not, then how do the two fees compare to each other?

[Pause]

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Okay.

I do not know the attachment fee, but I will give you orders of magnitude for the make-ready. We may be talking \$1,000 plus or minus. It depends on the pole, but I think it is now averaging \$1,000 or more. So that would be paid to make the pole ready.

Then the attachment fees, I want to say they're around \$7 to \$10 per month and that is the order. I am not whether it is per month or per quarter. I am more familiar with the old Cable and Wireless pole share agreement which was done on a quarterly basis, but that is the order of magnitude.

Mr. Austin O. Harris Jr.: So again, between \$1,000 and \$1,007 or \$1,010 for the complete works is the expected fee per pole for the telecoms that would seek to attach on your infrastructure. That is the kind of money we are looking at, between \$1,007 and \$1,010 plus or minus per pole?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): No. I am a little uncomfortable because I am not sure of the number but it is a—

Mr. Austin O. Harris Jr.: It is a ballpark...

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC):—ballpark and that would be a monthly fee, whereas the make-ready is an upfront to get that pole ready. So it is a one-time up front and then from there, as long as you're attached for the maintenance of that pole and keeping that space.

Mr. Austin O. Harris Jr.: Right.

Mr. Chairman, I thank the witness for his testimony.

The purpose of the line of questioning was simply trying to determine what would be considered affordable or a reasonable rate to charge the telecoms for either the attachment and/or make-ready and at \$1,007 or \$1,010 per pole it certainly seems to me; in my mind only, as the cost of doing business.

I thank the witness, through you Mr. Chairman.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): If I may just add Mr. Chairman, on that question.

We try to follow the Federal Communications Commission (FCC) guidelines because this issue, the relationship between the electric utility and telecoms attachers, occurs in the US as well. So the FCC issues guidelines from time to time on how to calculate fees and what is reasonable in that relationship between the two. We tend to follow those guidelines.

Mr. Christopher S. Saunders: Sorry, just to put things in context for the listening public.

In note 9 of your 2019 Annual Statement, the total cost of your transmission and distribution network is almost US \$431 million. So it is important to recognise that, even if the telecoms is one-tenth of that cost, you are still looking at anywhere from \$40 million to \$50 million in terms of setting up a similar network.

To put things in context, I think this is poor planning on the telecom side. At one point, the telecoms were looking at going everything wireless and all their technology was based on getting their sites up and have these massive wireless speed and everything was going to be wireless. That was what they were basically pushing. Where some companies got caught out is that one person realised, *"you know what, don't care how good wireless is, it still cannot beat fibre"*. And you have other companies that went out and started pushing fibre to the point where broadband speeds and the Netflix culture, et cetera, started increasing the need to where they realised that the wireless technology still could not beat broadband. The truth of the fact is that since liberalisation, Cable and Wireless and Digicel combined have made more profit than CUC as an individual company so these are profitable entities; they have deep pockets. And, while I may give Digicel a pass for not being able to offer certain things, Cable and Wireless really has no excuse in terms of not having this arm out there, for the time that they have been in Cayman. This is just poor planning and poor vision.

This is what happens to a company when it is not spending capital. You are not investing, you are being sold and there are all of these different owners; as one witness testified, the minute a company is getting ready to sell, one of the first things they do is cut capital expenditure in terms of investments. We saw an advertisement where \$30 million was going to be spent on Cable and Wireless infrastructure and that has not been done, so from that standpoint I do understand the challenges. And the truth is that there are parts of this country where rich people with deep pockets are getting fibre and a lot of people are not getting it and that is a problem.

The Chairman: I have two questions based on evidence we were given. Yesterday we were kind of made to believe by one of the wholesalers that they own the pipeline from Jackson Point to CUC. I thought that was owned by CUC.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Yes, it is owned by CUC.

The Chairman: Okay; and you accept responsibility for the cleaning and maintenance of it, et cetera?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): We are currently maintaining it.

The Chairman: Second question—and this is very parochial for me—I know we have had this conversation before: We have a number of old poles in my constituency that are dangerously close to the road. You cannot move them, because telecoms will not take one little wire that goes across the street from one house, but some of these poles, which you have cut-off at a certain height because they no longer have electrical connections on them, are actually in the side of the road.

Is there anything that can be done to remove them, both from a safety point of view and from they just look bad?

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): When these are brought to our attention especially from a safety standpoint, we will try to apply pressure to the telecoms company to have it removed.

The Chairman: I guess one alternative is to just drive through the district with something high and break down the wires that go to the poles. You know, we had to stop one guy with a Mark II the other day because he was breaking wires at almost every pole he crossed.

I would really appreciate it though, from my constituent's point of view, if you could do something about that because from Old Man Bay all the way to Rum Point, you have a completely new line and all the old poles are in the side of the road.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): From Old Man Bay to Rum Point?

The Chairman: Yeah. Thank you.

Are there any other questions? If not I would like to thank—

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Mr. Chairman, if I may, I understand the business of this Committee is important and your time is very valuable, but if I may just make one statement which I think is very important and very dear to me: It is about energy

conservation and consumption by consumers of electricity.

It pains me to see that you can have 5,000-square foot homes on this Island with electricity bills of \$300 a month—and there are many of them—and we have budget homes in the developments in Lower Valley, Savannah, or what have you which are 1,500-square foot, with bills of \$500, \$900. I am telling you, I have seen them; they are not happy customers and they do not think they can do anything about it. A part of that reason is, they perceive and the general belief is that it is all CUC's fault and we are very expensive.

Well, I can tell you that we are very competitive in our pricing, if you compare us to any other island of our size in this region or any other region that operates as an isolated small electricity system, right now I am very confident that we are very competitive next door with Jamaica, Bermuda, Antigua; not Trinidad, because they have free fuel.

They also think that our profits are too high and that is the reason; we do not earn 15 per cent return. That went away from 2003 and even back then I would have argued, in the 80s certainly, when you had 12 per cent interest rates, that 15 per cent was reasonable. We are currently running around seven per cent on our return on rate base and that is very competitive, if you like, from a consumer's standpoint for our region and what it takes to attract capital to invest. We have invested over \$600 million under this license and nearly \$300 million in the past five years alone.

However, there is something that can be done if we focus on the consumption. Those budget homes, in my view, every single one should have the blowing foam in the roof and energy efficient air conditioners. The additional costs, Mr. Chairman, are maybe \$3,000 to \$5,000. If you put that on a 20-year mortgage at today's rate, it is \$25 per month and your savings—I do not see why the smaller homes cannot get down to the 5 cents, less than 10 cents per square foot for monthly energy costs. That is what they're doing in the \$5,000 square foot house. They're taking advantage of the technologies.

I have called and have spoken to everyone that I can about minimum insulation standards in this country. In fact, I have had MLA's doing the right thing, calling for constituents who have been disconnected in the past for not being able to pay the bill. I follow up with many of them, just to find out what is happening and for the majority of them it is the same thing. You have the conversation, they say—I am not throwing the developers under the bus but—they were offered the option and they thought it sounded like a lot of money, so they did not take it.

However, I think it makes so much sense; if there is a standard regulation that everyone has to do it, we will be further ahead. People will have electricity bills that they can afford, we will have customers that

are not disgruntled and we can focus on what they really want, which is reliable electricity service.

I thank you Mr. Chairman.

Mr. Austin O. Harris Jr.: Mr. Chairman—

The Chairman: Thank you.

Mr. Austin O. Harris Jr.: Mr. Chairman?

The Chairman: Yes sir.

Mr. Austin O. Harris Jr.: Apologies sir, but as you and other members will know, I was elected to serve on the business committee which, regrettably scheduled their next meeting simultaneous to this one and it begins in 10 minutes. So I ask to be excused from this meeting so that I can attend another meeting and I will return afterwards.

The Chairman: You are free to go, we have a quorum; we will continue. Thank you.

Once again Mr. Hew, thank you very much for coming sir. It has been a very informative session and I think that the public has been well served by you coming here this morning and answering your questions so forthrightly and honestly.

Thank you very much sir and have a great day.

Mr. John Francis Richard Hew, Chief Executive Officer, Caribbean Utilities Company (CUC): Thank you, Mr. Chairman and thank you to all the members of this honourable Committee.

[Long pause]

DIGICEL CAYMAN LIMITED

ADMINISTRATION OF OATHS OR AFFIRMATIONS

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

The Chairman: Good morning, Mr. Raul Nicholson-Coe.

First of all let me apologise for keeping you waiting, but as you would have been hearing, we were having an interesting discussion with CUC, which I believe was very informative for the public and we expect no less from you.

As we said earlier, we are dealing with the Efficiency and Effectiveness of the Utility Regulation and Competitive Office report as done by the Auditor General in June 2020. We heard from people who do the

regulating last week and some of them are coming back tomorrow. We thought it would be in the interest of the public and also for our edification to hear from those who are actually being regulated by OfReg as to what the issues were, et cetera, and what can we do, particularly, to improve the effectiveness and efficiency of OfReg to those that it regulates.

We want to thank you for coming and we look forward to an informative session. Once again, I apologise for you having to wait for 45 minutes.

The rule is that the first question you answer we would like you to state your full name and position; that is just for the records of the Hansards. At this time without further ado, I will invite Mr. Christopher to lead off with the questions.

Mr. Christopher S. Saunders: Thank you very much, Mr. Chairman.

To expand on what the chairman was saying: We are hoping to get a 360 view. We have heard what the public has to say with regards to OfReg, we heard what OfReg had to say, and now to some extent, we are trying to get the views of the licensees or those who are regulated by OfReg. We are looking to get something more informational or educational and look at what we can do to improve the regulatory environment.

While recognising that you, as Digicel's representative, have a responsibility to your shareholders, we also have a responsibility to make sure that our consumers get the best value for money at the end of the day. With that said, my first question is: Coming from the ICTA, which has been around since maybe 2003 or 2004 from a regulator standpoint, and now transitioned into OfReg, have you seen any difference in terms of the regulatory culture move from ICTA to OfReg?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Good morning, Mr. Chairman, through you. Thank you for the opportunity to actually sit and speak to this honourable Committee.

I do accept your apology but I understand this is important work and it is important not only from a community perspective but from an economic perspective.

My name is Raul Nicholson-Coe and I am a Senior Advisor to the board of Digicel.

To answer your questions specifically, through you, Mr. Chairman: There has been a transition in terms of the way the regulatory framework has evolved. However, the legal and regulatory structure is still fundamentally the same so the way in which they manage the ICT sector, specifically, has not changed that much.

There were specific provisions between the regulation and the laws that were created to promote competition. So the infrastructure sharing regulations

is something that is embedded and forms a critical and integral part of any liberalisation process. And by infrastructure sharing, I mean infrastructure sharing to the point that you share towers, you share duct space, and you share fibre. Those provisions exist and the way the law is written specifically is that infrastructure sharing should be provided in an equitable way, non-discriminatory manner, cost-based and should be transparent. So the law exists, I think it is section 71 of the Regulation.

I think that while the office structure may have changed, the way in which the regulations were created has not changed; so the fundamental regulations and legal framework to promote competition existed. I think 2002 or 2003 was when the Law was passed, the licenses were issued in October 2003 and services were launched in March 2004 so the legal structure exists to promote this.

I think, Mr. Chairman, you have also mentioned many times the legal regulatory structure does exist; it is the way they are applied that needs to be maybe reinforced or applied more in line with what is the intent of the law or regulations.

Mr. Christopher S. Saunders: Thank you very much Mr. Raul.

Sometime last year I noticed there was a campaign on social media, with regards to Digicel's investment in new technology. Can you give us a brief overview of what that investment was and what became of it?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: The investment was actually the expansion of LTE services across all three Islands. It is ubiquitous, so all three Islands have LTE service operating at two different frequencies; the lower frequencies are in particular areas like George Town where you have high density buildings so you need in-building penetration, and the higher frequencies in the outlying areas.

As part of that expansion, we launched a service called TDD-LTE which is more of a fixed wireless solution; that is the service that we are having difficulties with and I would like to address that as well, to tell you what we are doing to try to resolve that. It was an expansion of our existing mobile network to provide better data capacity because as many of you know, the telecoms companies have gone through a phase-shift, in terms of revenue mix.

Fifteen years ago, maybe even six years ago, voice really was king and people communicated via voice; now, there are many ways in which people communicate; there is Instagram, Snapchat, and Facebook, and it is data. Personally, I think, on average I make a normal voice call maybe once every three days. Most of my calls are data calls and that creates another dynamic in terms of how you expand your

network; your networks aren't created to handle voice, all networks were created to handle voice; the newer networks are created to handle data and that was the change, Mr. Chairman—to actually create a more resilient, more robust, data network that had more capacity to be able to handle that demand.

Mr. Christopher S. Saunders: If memory serves me right, barring satellite dishes, there are still two major points off Island for telecoms: I think one is the CGFS that Digicel rents from Cable and Wireless and the MAYA-1. The MAYA-1 has basically come to the end of its useful life. The question then is: What are Digicel's plans in terms of making sure that they still maintain connectivity out of the Island, especially going into North America at really good quality? What is the plan if there is no solution for the MAYA-1?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Mr. Chairman, through you: there are the two systems: The CGFS is the Cayman /Jamaica fibre system and the MAYA-1 fibre system. CGFS is the older cable system that is actually at the end of its useful life; it is still in operation and these things can go on for very long time. What dictates whether you retire a fibre network, or undersea fibre, is the actual electronics; the system's repeaters.

Digicel now has two connections: One that goes east through the Jamaica fibre system and connects into New York and one that goes west and connects into Miami, so we have physical diversity of capacity. There is no immediate plan to actually install undersea fibre network to the US because it is an expensive proposition and I think, from an economic perspective, you have to look at it that way; but what would actually make it even more of an issue is if Cayman's economy of changes.

If we decided to go into more tech to attract more content providers, because the use of data is not being driven by you and I, it is driven by the content providers—Netflix, Facebook. If you have seen in Europe during COVID, the demand was so heavy that those companies actually decided to reduce the quality of their offering because a network is not created to handle the sort of demand that we have seen. What this has done is actually created innovation and that is the beauty of the internet. I think it is an amazing invention that has spurred mind-blowing creations.

I mean, Facebook bought WhatsApp for \$14.2 billion and they have not made one cent of revenue, yet WhatsApp is the most ubiquitous and pervasive messaging platform in the world. I think those investments, Mr. Chairman, we have to think of. What do we need, as a country, to be able to take advantage of future opportunities? International fibre is critical, but at the moment it is not at a point where it is critical, where you have to start thinking in immediate terms.

So, there is not a satellite backup. Satellite backups were used 15 to 20 years ago and there are a number of new companies Elon Musk is creating. He has a celestial and sometimes you can actually see the satellites, they are spaced quite close together; that is a concept that he has launched. I think he launched, like 80-something satellites six weeks ago and they create a constellation so they will actually be able to provide data services but that is not created for telecoms companies. It is actually created for individuals specifically, to provide access to the internet in remote areas—places like Africa, where there are hundreds of millions of people that do not have access to data. That is what it was created for.

At the moment honourable Chairman, we are totally reliant on CGFS and MAYA and I think Flow will be able to give you more of an indication as to when they will retire those systems.

The Chairman: I have a question about that.

Both external cables are owned by Flow, do you have any idea when the last time was that the terminals here were upgraded to improve efficiency and effectiveness of the cables? Not being an engineer, it is my understanding that they could do certain upgrades to the current terminals which would allow better services and expand the capacity.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: I am not sure when they were actually upgraded or expanded.

The Chairman: Okay I will actually ask Flow when they come.

As politicians, the general feeling that we get from the public is that the telecom companies seem to provide their customers with minimum service to get satisfaction, as opposed to giving them the best that is available when they apply. They seem to be doing their investments and the service to the public in a very incremental way. Is that related to the investment required?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: No, I think the demand for broadband inherently, is a best effort; in all countries, when they advertise it is up to 100 Megs, or up to 10 Megs. The analogy I always use is: think of a road that is created for 10 cars. If you have 10 cars on that road, invariably, there will be a slowing in traffic. If you have one car on that road, you know the traffic will flow much easier. It is just the physics and the limitations of it.

So, you cannot create a network that is dynamic enough to say *today, I am configured to handle 10 customers but tomorrow there are 20 customers; I will give those 20 customers the same great service*. It is impossible; the investment would be significant and

the returns over time would be lessened. I do not think there is any country in the world that actually has the ability to flex its demand for service depending on what they use.

The other thing is with the internet; they call it a worldwide internet, so Cayman is just one of the many spurs off of the internet. So, if today I decide to go on the BBC, CNN or whatever website, and there is a new story that is topical and people are accessing it, invariably there will be strain on their servers and their capacity, and there will be a slowing of access to that. The only way you could solve that issue is if you have all the big content providers have a server in Cayman and then we will access it automatically and you will get much better services and that is also possible, that will never happen. There are so many different factors that actually will dictate the quality and the greatest service that you will get over any period of time.

Just to add to that: The busy hour periods on this side of the world is between 7PM and 11PM. So, if you access the internet outside of those hours typically, you get much better service.

The Chairman: Is there a formula that Digicel operates on that says, *I have built this for 10 but when it gets to 8, I know I need to move it to 15?*

As a layman, one of the things that I do not understand is, I am paying for 10, but getting six and the technician comes to my house and runs a test and he gets seven or eight and he turns to me and says, *“Well, Mr. Miller, what you really need to do sir, is to pay for 25.”* I asked, *“But, how are you going to give me 25, when you cannot give me 10?”* And he says, *“Oh, no sir, we just turn the screw up.”* I mean figuratively, that is probably not what they do; but certainly that indicates to me that they have the capability to deliver what I am paying for.

It really perturbs me that the constant complaint that I get from many of the customers in my constituency—I do not know about other people—is *“I am paying for something but I am getting less and there is nothing I can do about it. When I call the technicians they blame it on the weather, they blame it on thunder and lightning.”* So, what is the situation?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: There are different grades of service and normally residential service is best effort. So, businesses will purchase a dedicated internet access service and they'll purchase 10 Megs and that is what they'll get. So it is possible, it is just that the cost will actually be more to actually create the network to be able to handle everyone using the internet at the same time and getting the speed that they contract for.

Inevitably, Mr. Chairman, the broadband service that you or most residential customers will use at

home will actually be best efforts, but in businesses, because there are mission-critical services on those, they purchase a dedicated internet access which says, *'I am purchasing a road for my data and that data is reserved for me only at whatever point of time that I am going to use it.'* It is possible, it is just that it is costly and until you get the major economies of scale to allow for the cost of that capacity to be much lower, then it may be cost-worthy.

If I use the voice analogy, in 2003 the cost of a voice call was exorbitant. The cost of a voice call now is lower, so the regulator went through a long exercise to do a fill rate model which is a forward long run incremental costing model, and they then dictated what the cost of delivering one minute of voice traffic would be on the network. That is something that the government did on the voice side and on the data side we continue to see prices dropping. So, the price that we paid for internet service five years ago is much less than the consumer pays now.

The Chairman: As a customer, I would prefer if instead of charging me \$10 for 10 and I only get six, you say you are going to charge me \$12 and I am going to get 10. I mean, I am sure that nobody would go into Fosters and buy bread and allow the manager to take half of it before we actually get out the door. It is something that I would hope the industry and OfReg would try to find a way to regulate, so that the residential customers get better service than they are getting right now.

Mr. Bernie A. Bush: Through you Mr. Chair.

I am going to ask a simple question in a simple way so the listening public can get an understanding. The same thing that the Chairman complained about is what many constituents have said, *'I am paying for 10 or 12 and when you check it out I am not getting near that.'* What has to be done? When will it be done that we will get what we are paying for?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: The networks inevitably are created to provide the service that you are contracted to do but it is a best efforts network. It is just the way networks are developed and it is not something that Digicel or the other providers actually purposely do; the networks are created that way.

Even the mobile networks, they create the network based on a certain user profile and certain demand profile. So if one customer contacts they will get the absolute best service, if there are multiple customers on the network then they will get a lower bandwidths or lower download speeds. In order to do that, there would have to be significantly more investment in terms of creating bigger capacity networks, but then the cost actually will have to be factored in as

well, because you have a network that is not being fully utilised perhaps 60 per cent of the day.

So from an economics perspective, you have to think if it is the best use of capital-spend, or should we spend it on innovation and create new services. It is a process that has to be followed to ensure we get the best quality service for most of our customers. I would say it would be an impossibility to create a network that every customer will be able to get whatever they contracted to unless they pay for that. It would become expensive if the networks were created that way.

Mr. Bernie A. Bush: Okay.

Mr. Chairman through you, so what you are saying is the time has come for you all to invest some of the money that you have been making so much and we are not getting what we are paying for. Is that simple terms to put it?

It is time for you all to invest some money in something good, because we know what we have been paying for and we know what we are not getting.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Right.

No, I do not think it is that. This is an issue with telecom networks throughout the world. It is just the way they are developed. It is not developed to have 20,000 users. I always use the analogy of roads, which is like the best analogy because you cannot create a road based on everyone being on the road at the same time.

Regarding investment, we do invest. We invested a lot last year and we continue to invest yearly, and that is the other thing with telecoms, Mr. Chairman. Telecoms is not like real estate where you put a building up and you will continue to reap the benefits from that capital investment; you continue to innovate and every year the manufacturers come up with a new 5G, 6G, 7G and you have to be able to continue to invest in it—it is a capital-intensive industry.

It is possible, Mr. Chairman, to do what is being asked in terms of giving everyone the service, but I would challenge anyone to go to any country, even countries that are completely wired fibre—South Korea is a prime example. I would challenge anyone, if they contract for a service, that throughout the day they will get the same service because like I said, it depends on what you are accessing, the country that you are accessing, the server that you are accessing, and the State that you are accessing the information from. There are various elements of a speed test that are not indicative of whether it is the last mile creating the bottleneck or whether the bottleneck exists elsewhere.

The internet is the largest network. It is almost like a neural network; you do not know where you are accessing. So today you may access a particular

website via a particular, two seconds after that you may go all the way to another country and come back to that country because of the mesh networking which is created. So, it is not as easy. You would have to then say, *we create the network here and every other provider that we interconnect to also have to create the network to maximum capacity.*

So, it is not that it is impossible but it would be an extremely difficult process to actually be able to do that across the board for everyone accessing every site.

Mr. Christopher S. Saunders: Through you, Mr. Chairman.

Have you guys done any study with regards to your contention ratio or anything like that?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Yeah; contention ratio is normally four to one depending on the service. On a dedicated internet service it is one to one.

Typically on ADSL, which is old copper technology, it was higher; it was like 15 or 20:1. So, contention ratio is one way of actually looking at it but always, when people say, *"Oh, I did a speed test and I did not get it"*, I say what site did you access when you got the speed test? What country did you connect to? Because if we did a speed test to a server here, more than likely you'll get a much better download speed, Mr. Chairman, than if you connect it to a server in Miami because it literally has to go to Miami and come back down. So, what we typically say is do the speed test to a server in Cayman and that would then tell you what the true local capacity is, not to a site that is in the US because we have no control over that.

Mr. Christopher S. Saunders: Sorry, you said your ratio is 4:1?

The Chairman: Can your company provide your customers with a way to test their speed directly to you?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Yeah, yeah; we can.

The Chairman: Okay.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Yeah; so the contention ratio varies, Chris, depending on the service.

Go ahead, sorry. Oh, Mr. Chairman, sorry yeah.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: **The Chairman:** What is a contention ratio? Are we getting ready to fight?

[Laughter]

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: No, no, no.

From a technical perspective, it is saying if I have one mega capacity to US, I can sell up to four Megs if it is 4:1. So you are allowed to say 4:1 based on usage profile, you could actually sell more of the capacity that you have to the customer. If all customers access it at the same time—if it is 4:1—they'll get 25 per cent of what they contracted, but if only one customer accesses it, then they will get the highest capacity and that is how all telecoms networks are created and this has been from Alexander Bell's days. That is just how it is.

So, it is not a contention ratio, no; not in the true sense, maybe in the esoteric sense.

Mr. Christopher S. Saunders: The reason I asked is because, as Raul rightfully said, it does impact the quality of service. A perfect example using cell sites: back then, some sites could take 900 to 1200 calls at one time and there are times when you are stuck in traffic and you are moving from one cell site to the next and then the call will drop because the site that you are moving on may not have space.

Another good example is sporting events where if you have something at, say, the Truman Bodden Field, the cell sites there are not designed for the maximum capacity of Truman Bodden, so some cell companies would bring in something called a C.O.W. (Cell on Wheels) to increase capacity just because you have people in that one area that is now past what the normal limit is.

The reason I asked the contention ratio is that many people have always complained about speeds. As he said, if you test your internet speed at 2 o'clock in the morning it is normally going to be much faster than say, 6 or 7 o'clock in the evening, because many people will be off. I think that is one of the things that the regulators need to look at, because it does impact quality of service. That is why in many cases, people would buy 15 and end of getting 10 because it depends on what time of the day it is. Some days when you run the speed test it is even worse, so it varies.

It was one of the things that came up during COVID, especially where people who were normally using their fast internet at work in the daytime were stuck at home with other people trying to do the same work—the network was not built for it. Seeing that COVID changed this, in that some organisations have chosen for some people to continue working from home and therefore, the old profile has changed, what is Digicel looking to do differently now? What studies or investments have been done since to anticipate this new normal?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Mr. Chairman, through you: The reason it is called a mobile network is that it is for mobility, so when you have people in a particular area using that resource over an extended period of time it is not created that way. That is why cell network are called 'handoffs', because it is literally three cells—you move from one cell to the other if you go around the tower. As you drive, it is a mobile network, you just hand off to the other cell.

So specifically on capacity, what we have seen pre-COVID and post-COVID, obviously is the use of data increased exponentially. What we have seen since a percentage of people have gone back to work is that usage now is actually in line with what it was pre-COVID but the network that we have invested in, which is TDD LTE, is actually to provide a much better service. Unfortunately Mr. Chairman, we have 25 of those sites, and we are experiencing interference on the site that you are on. We have brought in ...

[Inaudible interjection]

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: I know... It was not at all because you and I have had discussions on this. It definitely was not deliberate, clearly we would not be that cunning but what has happened is that it is interference and we brought in special equipment to try to identify the frequency. Because it is radio frequency, it can interfere with harmonics from other frequencies—and it is a high-power frequency that we are seeing.

We actually worked with the regulator and other operators and they have shut off their network to finally find the exact location the interference is coming from but it is only your site, sir, and the engineers are on it. I actually texted them yesterday and they are trying to identify this. When it is resolved clearly you will see a much better service but that is part of the development; it is to find a solution that actually will be able to get greater service.

You know 5G is not in Cayman but it is in other countries and invariably Cayman will follow that. Also, 5G is the ultimate data mobility. It actually was not created for mobile services but for autonomous vehicles. If you think about an autonomous vehicle having to be able to communicate at millisecond speeds, hurtling down the road at 40 miles an hour, the amount of data that that needs to send back and communicate and be able to remain in its lane and also be able to stop. It was created for that and for medical purposes.

So, the speeds that you get now, even on 4G LTE I can get speeds of like 90 Megs on my phone if I am the only person on the cell site. So, 5G is what Digicel is looking to do but to go back to the other part which I started out, about infrastructure sharing. Infra-

structure sharing on the mobile network has happened since 2003; all our cell sites are created to allow for at least three providers to actually have their antennae on the sites.

In order to be able to have broadband and fibre, we have to look at how we can extend infrastructure sharing to other aspects—from duct sharing to dark fibre sharing. All those things are available to the regulator to be able to expand the use of fibre broadband and others, throughout the network; because there are areas where fibre is easily implemented and the capital expenditure (CapEx) is relatively low, but there are other areas where a wireless solution works just as well. Even in the United States, wireless solutions are being used in remote areas, so that is what we are looking at now: expanding the wireless proposition using TDD LTE.

Mr. Christopher S. Saunders: Earlier you mentioned CapEx. What was roughly the total capital expenditure that Digicel would have undertaken in, say, the last 10 years?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: In the last 10 years?

Mr. Christopher S. Saunders: Yeah.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Last year was \$6 million; it is every three years, so I would say it was about \$25 to \$30 million.

Mr. Christopher S. Saunders: Yeah, in the last 10 years? Okay.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Well, it would be \$40 million in the last 10 years.

Mr. Christopher S. Saunders: Yeah okay.

One of the things I want to touch on that has been a sore point for many people has been roaming costs. What is being done? I mean most of these telephone companies literally—

[Long pause]

Mr. Christopher S. Saunders: Pay a flat fee in terms of roaming but for whatever reason, it remains one of the highest things on people's bills. What are Digicel's plans to deal with the high roaming costs that people still seem to be getting hit with?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Well, roaming is going in some jurisdictions; in Europe actually there are no roaming charges. We do have a roaming package

called 'Roam like Home' if someone travels to the US. You pay a monthly fee and get a certain amount of data; you do not pay per usage and you also get free incoming calls. Many companies in North America are actually adopting that model as well, where you pay a set fee and you get a certain amount of data while you are traveling, it would actually appear like you are at home.

When you are in Cayman, you get a voice call and you actually do not pay for that call; now you have it in the U.S. You pay a set fee, go to the U.S. and you get a certain amount of data and can actually receive calls. We have not gone to the unlimited model yet. The market will dictate that and I think invariably that will happen.

Mr. Christopher S. Saunders: Speaking of the market dictating, one of the biggest problems with roaming is the fact that the Caribbean carriers actually charge more than the North American carriers. The reason for that being is there are more North-Americans coming here who would be roaming than Caribbean nationals going there, so to kind of borrow the term, you just 'pop it off' with the tourists.

No, no, I am being realistic; so from that standpoint, are there plans for that model to change where the Caribbean is actually looking to maybe lower the rates that they are now charging the North American carriers to some extent?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: It is actually in the reverse. You are saying the tourists pay more?

Mr. Christopher S. Saunders: What I am saying is, why it was expensive to begin with was because we set the rate high because there were more tourists coming here, so in the Caribbean we could make more money off the tourists than the Caribbean nationals going over there. So by having a higher rate and having more customers from their side coming, it was in the Caribbean's best interest to charge them higher roaming rates. However, when we set that rate, they in turn had the same for our people going on the other side too.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Mr. Chairman, through you.

The market does dictate that, and I think what the North American and Caribbean companies have realised is that we are no longer competing against each other; we are actually competing against the over-the-top services. So if someone arrives in Cayman and they find a Wi-Fi hotspot at a coffee store, they'll make a call on Wi-Fi; they do not need to make a roaming call. So inevitably, the telecom companies will have to say '*I have to price my service to make it easy for a customer traveling that, instead of looking*

for a Wi-Fi network, they will just turn on their mobile phone and use it as if they're at home.'

That is what I mean when I say that the market will dictate it because the internet is just an amazing thing. I think telecoms went through it in its first phase where revenues invoice just kept dropping but the internet has created so many other things: The world's largest hotel company does not own hotels—right? It is Airbnb. The world's largest taxi companies do not own taxis, and that is why the internet is such an amazing thing. It gives countries like Cayman, which has a strong legal framework, a strong regulatory framework and extremely good services, an opportunity to take advantage of this new economy.

I think it is great that this Committee is actually looking at what else we can do to help to take advantage of this. That is what I meant by the market dictating.

Mr. Christopher S. Saunders: A few months ago I saw Digicel's financial problems, has that been settled to some extent now?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Yes, there was a refinancing of the Bermuda entity that basically reduced the debt burden by \$1.5 billion. It has been fixed from that perspective, yes.

The Chairman: Is Digicel going to remain in the wireless stuff on the eastern districts? The reason I am asking is because one of the issues that ICTA has flagged as part of the problem is getting fibre cables out to the eastern districts and everybody's blaming everybody and nobody is really trying to get it done.

Is Digicel going to stick to the wireless and upgrade their wireless coverage of those areas, as opposed to trying to find a way to get fibre or cable out there?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Well, I think it is both. I think the initial phase is to expand the wireless network but the ultimate solution would obviously be to have fibre.

However, you have to think economically, you go into the eastern districts or more rural areas you have to have access to ducts and I think, from an economic perspective, that an island the size of Cayman should not have four operators laying four different duct banks or fibre optic cables up to East End.

In most developed countries they have used a method by which infrastructure sharing is utilised. The regulations exist; I think it is section 71 of the regulation that states, specifically, that infrastructure sharing is actually mandated to a reasonable level.

For example—and this is an extreme example—if a provider has a server and the other providers

want to use that server, you would not force that provider to share the server. However, if they had infrastructure that could be shared in an equitable, transparent and cost-based way then you should use it because economically, if you think of it, it may cost, say, \$30 million to lay fibre. If you have four providers doing that, that is \$120 million.

In my view, that is not an appropriate way of spending CapEx that could be used to do other things. So, the regulations exist to do that, and I think if they are enforced then you will get more fibre in the areas where the economic modelling or business case may not justify laying fibre to all the households.

The Chairman: Again, I am not an engineer but years gone by when I saw what used to be Cable and Wireless pulling a cable through a duct, it was almost the size of my arm.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Right.

The Chairman: What we are talking about now, as I understand it, where a fibre cable is the size of my little finger, I would think that if you are taking out a cable the size of my arm there should be enough ducts left to put in enough fibre in that same pipe, just based on volume that is available and volume being replaced.

Why is it so difficult to get it done then?

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: To answer the specific question that you made, in terms of the size and the dimension of the cable, you are correct. Those old cables are copper cables. Fibre optic cables now are a fraction of the cost; and not only are they a fraction of the cost, but within that fibre cable you can have up to 48 or 64 fibres that can carry trillions of data every second.

The regulations exist to actually do exactly what you said. I am not sure why there is reluctance but the regulations exist so if the regulator decides, *'we need to understand exactly the capacity...'* and it is not only from Flow, it is everyone. *'Tell me what capacity you have in your ducts'* and you have to be open and transparent with it, literally. You cannot hide behind *'oh well, I have a 15-year plan for this.'* If you do not, then you should be allowed to be able to use it and allow others to use it.

On the mobile side—and I was involved from the beginning in 2003—when we made a Planning application for a tower, we met with Planning and they asked, *"Is your tower capable of handling at least three providers?"* And you had to answer in the affirmative.

You then had to provide a price for the other providers to actually sit on the tower because if not,

we would have had many more towers than we have now, and that was the reason for that; people wanted to reduce the number of towers. The reason we were able to do that was that the regulation existed back then and it still exists now. So, in my view, there is nothing preventing it; I think it is just the way it is applied.

[Pause]

The Chairman: Thank you very much for coming. We certainly enjoyed the conversation and I hope I can get my little issue resolved soon.

Mr. Raul Nicholson-Coe, Chief Executive Officer, Digicel Cayman Limited: Yes, obviously. I hope so. I wish I did not have to tell you this in the Public Accounts Committee; I wish it was over WhatsApp but yes, I am hoping for it to be resolved as well.

Thank you so much for giving me this opportunity. If there is any time that the Committee wants me to come and speak about these things it would be my pleasure to do so.

Thank you and have a good day.

The Chairman: Thank you.

The Committee is suspended until 1:30 p.m.

Thank you.

Proceedings suspended at 12:03 p.m.

Proceedings resumed at 1:38 p.m.

The Chairman: Let the record show that we have a quorum and I would like to call the Committee back to order and invite the Deputy Serjeant-At-Arms to bring in the witnesses who are in House and to ask the Serjeant to bring the ones who are coming in by Zoom.

[Pause]

FLOW CAYMAN (CABLE & WIRELESS)

ADMINISTRATION OF OATHS OR AFFIRMATIONS

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

Mr. Giosino Colaiacovo, Finance Manager, Flow Cayman (Cable & Wireless): I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

Mr. Rob Mayo-Smith, Business Consultant, Flow Cayman (Cable & Wireless): I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

The Chairman: Good evening.

I would like to take the opportunity to welcome Mr. Daniel Tatham, Mr. Giosino Colaiacovo—or whatever that is supposed to be and Mr. Mayo Smith in the Chambers. On Zoom, we have Mr. David Burnstein and Ms. Kecia Taylor—I only see one person.

Thanks for coming.

As you would have been made aware, this afternoon we are dealing with the Office of the Auditor General's report on the Efficiency and Effectiveness of the Utility Regulatory and Competition Office (OfReg), on a report done in June, 2020. The purpose of you being here is that last week we had the people who do the regulating and this week we decided to invite the people who are being regulated so that we could hear from you all as well.

The rules are: The first time you speak, give your full name and your position, so that it is recorded properly in the Hansard.

I will invite Mr. Chris to lead off the questions.

Mr. Christopher S. Saunders: Thank you Mr. Chairman.

I just want to thank everyone for attending this afternoon. To expand on what the Chairman said, the purpose of this session is informational and educational; it is not meant to be adversarial or confrontational. We are just trying to get a better understanding of what can be done to make sure that we have a regulator that is more effective and efficient.

With that, I just want to start my first question: Having transitioned from the ICTA which was around 2003 or 2004 prior to OfReg being created, what have been your experiences now with ICTA versus the combined OfReg? How have you guys found that transition? Has it been the same, has it been better or can it be a little more effective? Give your general views. Thank you.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): My name is Daniel Tatham. I am the business-to-consumer commercial director for Cable & Wireless or Flow.

Through you, Mr. Chairman: To answer the question, we find that OfReg has been pretty much operating the same. I guess when we look at ICTA before they tend to probably be a little bit faster in actually delivering some of the services that they provide, in terms of regulating us. So, operationally they've been pretty much the same but there are

some areas where we think there can be improvements.

To give an example: We started our licensing framework process two years ago and that has not been completed yet. They did a significant market study as well and it is going on three years and that has not been done yet. Things like that are important, but in terms of the interaction and the day-to-day management of OfReg, it has been pretty much the same. And they have been, you know, cooperative in working with us for those times.

Mr. Christopher S. Saunders: Thank you very much.

I actually took the liberty—no pun intended—of going through Liberty Latin America Securities and Exchange Commission (SEC) 10-k filing for 2019. Under your regulatory matters, I just read it to put it in context for you and the listening public, it says:

“As the incumbent telecommunications provider in many of its jurisdictions, C&W is subject to significant regulatory oversight with respect to the provision of fixed-line and mobile telephony services. Generally, in these markets, C&W operates under a government issued license or concession that enables it to own and operate its telecommunication networks, including the establishment of wireless networks and the use of spectrum. These licenses and concessions are typically non-exclusive and have renewable multi-year terms that include competitive, qualitative and rate regulation. Licenses and concessions are scheduled to expire over the next two years in Jamaica, the Cayman Islands and Turks and Caicos Islands. We believe we have complied with all local requirements to have existing licenses renewed and have provided all necessary information to enable local authorities to process applications for renewal in a timely manner.”

You said you started this process two years ago and your license is subject to expire in the next two years, have you received any feedback?

The fact that it is actually included in your 10-K filings with the U.S. SEC shows it is something of great importance to your organisation. Have you guys received any feedback yet, with regards to the delay and why that license has not been renewed as yet?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Through you, Mr. Chair, point of correction: We had a one-year extension and that extension was extended again this year. The feedback we got is that they are looking at this significant market study that they are doing, before they can conclude the new license framework.

Mr. Christopher S. Saunders: The last part of that statement reads:

"In addition, in some of the (Eastern Caribbean Telecommunications Authority) ECTEL (as defined below) states we are operating under expired licenses and have applied for renewal of such licenses. We expect that such licenses will be granted or renewed, as applicable [...]"

So, currently you guys are operating under a one-year extension; that carries you to what time period?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): My Chief of Regulatory is on here so I would refer that question to him so he can go a little bit more in depth; David?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: Good afternoon, Chairman. My name is David Burnstein; I am Senior Manager of Regulatory Finance for Flow. I just want to confirm if you hear and see me.

Mr. Christopher S. Saunders: Yes, we can hear you and we can see you.

Mr. David Burnstein, Senior Manager, Regulatory Affairs: Okay great.

OfReg initiated a public consultation to review the license templates in June 2019 and that proceeding is a prerequisite to renewing the licenses of each operator; all of which have expired. That proceeding, as I said, is outstanding and we do not know exactly when it is going to conclude therefore, we do not know when our licenses will be renewed. We do know that currently our license is set to expire at the end of December of this year.

Mr. Christopher S. Saunders: This license that you have right now was that the 15-year license that was issued? What was the timeframe for the license that you are currently operating on?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: Yes; the license was initiated in 2003 and expired July 2018, and since July of 2018 it is been continuously extended by OfReg.

Mr. Christopher S. Saunders: Okay.

We have OfReg back here tomorrow but have they identified what the contentious issue may be or is it just a matter of timing?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: I think that is a question for OfReg to answer.

My understanding is that they believe the licenses need to be updated and streamlined to make them current, and so they have initiated a public consultation to do that but they have received comments on their proposals that are causing them to re-evaluate the reforms that they are making. I believe

that is slowing them down but I think that is a question to OfReg as to why this is outstanding over a year now or two years for us.

Mr. Christopher S. Saunders: Well, we will definitely raise that with them tomorrow; that much I can assure you. I know they are watching too, so that is fine; at least they know that question is coming for tomorrow.

I noticed that with the transition Liberty Latin America, I believe, is now the owner of Cable and Wireless Cayman; is that correct?

[Pause]

Mr. Christopher S. Saunders: Okay.

Has there been any shift in terms of priorities that became different between Liberty's core values, core vision or what they want to achieve as a company versus the legacy? Where would you like to see this business go?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well to answer that question: Since we have been purchased by Liberty, we have been moving more in the direction of their areas of strengths. For example, this year we purchased IT Outsource which gives us a little bit more reach within the community.

Liberty is always looking to enhance offering to the customers to our customers and in fact to streamline our businesses and this was one of those moves that we made just recently. Liberty has been good for the business and in fact, good for Cayman as well. So the culture change that you speak to has been a positive one.

Mr. Christopher S. Saunders: Well, thanks. I am happy to hear that.

I could not help but notice with a little bit of I guess political jealousy, to some extent, when I was going through your SEC filings on page 10, it looks at the different maximum download speed being offered in some region: Panama is 1,000 Megs, Jamaica is 150 Megs, Bahamas is 300 Megs, Trinidad and Tobago is 500 Megs, Barbados is 1,000 Megs and other C&W 100 Megs, Chile is 600 Megs, Costa Rica is 200 Megs and Puerto Rico is 500 Megs.

I am assuming that Cable and Wireless is in that other C&W. With that said, broadband speed has been one of the biggest contentious issues within the public, and I think a few months ago there was even a report that Cayman was the 13th most expensive country in the world, with regards to broadband speed, in terms of what they're paying for and what they're receiving. With that said, what is Cable & Wireless eventually looking to get to, in terms of speed and what kind of prices can we expect? What is the future, in terms of where we are going with broadband?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chair, through you. Last year we introduced 100 Megs broadband speeds and our watch all TV package at \$159. This year, and I am just going to put that out there, we just introduced our superhero package which is 200 Megs broadband speed and our watch all TV which is 152 plus channels. So we are continuing to increase our speeds.

If you look back chronologically from 2004 to now, we brought our prices down on per Megs price from around \$71 per Megs to right now where we stand is about 162 per Megs. If you look at our 200 Megs package—the superhero package that we got now—in essence it is \$1 per Megs right now, plus TV for free.

It is our goal to continue to meet the demands of our customers because we are market driven and as we expand in the different areas with our fibre footprint we will continue to offer these speeds but right now in our fibre footprint, we are offering speeds of 200 Megs and on the copper side of the fence it depends on how much they can get. Some customers can get 100 Megs and some can get 70 Megs. It is all dependent on the physics.

Mr. Christopher S. Saunders: There are some parts of the eastern districts that are already getting these speeds. I am going to say Bodden Town and I am going to be a little more centred and say Bodden Town West, but exactly when can we expect to start getting those levels of service out in the eastern districts?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well right now in the eastern districts we passed almost 700 homes already over there with our fibre optic networks. What we tend to do in terms of the build out, the approach that we have been taking is, the areas where we have a lot of complaints and slower speeds, we tend to build them out as a priority. So because of copper and the physics related to that, those that are further away from our exchanges, we tend to build those out first.

Last year we passed Cayman Kai because the average speeds in that area at the time was under 20Megs and we had people looking for more because once we launched our TV product the TV occupies space on the broadband line. Therefore, in order for us to deliver the service we had to do one of two things:

1. Increase the capacity of the line (and we cannot change the physics) or
2. Put the fibres in and we start putting fibres there.

There were some areas in North Side and an area called Further Road is a good example where people live far in the land and instead of us going in

there and trying something different with the copper cabling that we had, we decided to put fibre in there and now those customers are all served on fibre.

Mr. Chairman, we continue to expand our network as customers demand it. Listening to the proceedings of this honourable House over the last couple of days I clearly understand where you guys are coming from; and it is our duty to continue to expand out. So, for the honourable member, we are expanding and pushing east. COVID has delayed some of that but we continue to push east.

Last year we passed some 700 homes in the Savannah area and it is our intention to continue to push east.

The Chairman: You said that you connect people in the eastern districts according to their demand on fibre.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Yes, sir.

The Chairman: Is that why people in Cayman Kai and the richer areas have fibre but the people I represent in North Side, Old Man Bay, and Hutland cannot get anything?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Actually Mr. Chair, we have an application in front of us now with DataLink to actually go into the Hutland area.

The Chairman: You see, you are sending me further down the road again.

[Laughter]

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): No, no, no, not at all.

So because we are the only provider in that area, there are some requirements that they have of us: That we need to change lower cables on the poles, change the locations of some of the poles, and then we have the make-ready costs that we need to pay them to get the work done. I am just talking to our engineering team about that and see where we are, because this has been in front of them now for several months; since we finished Cayman Kai in February last year.

We will continue to buildout North Side. Like I said, we did Further Road and that was the first one we did and then the Hutland area being far away from next year...

The Chairman: Again, how many houses are there on Further Road, five or three?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): I think there was more than that.

The Chairman: I go down there regularly and I do not think that the service that they're getting right now is much better than what they were getting when they had copper, but I know one particular person who lives down on Further Road...

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, okay.

Just to share with you, there were several customers in there who we had to provide service over our mobile network because they wanted speeds higher than 10 Megs. In order for us to keep the customers happy—I think we have somewhere in the region of about 11 customers there—instead of us re-running copper cables to a place where we know had issues with copper before we took the opportunity to put fibre in, which is cheaper to put in, but at the same time there were several poles that we had to make-ready.

The Chairman: Okay and you are feeding them from the North Side exchanges by the graveyard?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Yes.

So we have a new fibre node, if you will, in the North Side exchange there now.

The Chairman: It is my understanding that you have fibre by the Ronald Forbes playing field and I've been trying to get connected now for three years and I cannot get connected and I am less than 300 feet.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): So Mr. Chair, to explain that, we have what we call a fibre to the curb solution, which right now by the play field is fed from a fibre to the curb solution.

In other words, we have a mini exchange, if you will, outside the gates of the North Side playing field and from that—again, the whole idea here is to defeat physics—limit the loop length to each one of our customers. For example, persons in the area that you live can get speeds in excess of 60 Megs right now.

The Chairman: Are you sure of that? Personally, I am paying for something that I am not getting.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, we can have a discussion about that after for sure.

The Chairman: I am only using myself as an example, but this is the complaint that I get from my con-

stituents all the time; Mr. Arden McLean gets it from his constituents all the time, and Mr. Chris gets it from his people in Bodden Town West all the time. We are not getting what we are paying for and your technician comes to my house and I asked him, *"Why am I paying for 10 and I am only getting 6?"* He looked at me and said, what you need to do sir is to pay for 25 and you get 10". And he told me the truth. I asked, "How can you do that?" He said, "We just turn up the screw."

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, I am going to put a correction there: Right now the average line rate in North Side is 30 Megs, in East End it is actually 40. Just a couple of days ago we upgraded the MSAN, as we call it, by the East End playing field so people there can get higher speeds during peak time, in case there was congestion on the lines.

In your particular area Mr. Chair, I assure you that customers as close as you are can get up to 60 Megs.

Now, when we talk about speed it is a subjective thing; with each house that we install or service, we do what we call a "birth certificate" and before we leave we actually confirm the speeds. However, if you are working on Wi-Fi or you are speed-testing on a server that is not in Cayman—which we have our own Ookla server here that you can speed test to—you will get a different speed. Some customers have been speed testing in servers in Jamaica or Key West, when they go on Ookla they pick up those servers so they will get a different type of speed.

In terms of the Wi-Fi coverage in homes that is another issue. Wi-Fi actually causes problems at speeds because if you connect directly to the boxes you will see the speed which you pay. Wi-Fi is dependent on the number of devices in your home. It will determine the speed that you get.

A lot of people today, and we have seen that I guess more so throughout the COVID time because we did free upgrades to thousands of our customers so that they could continue to work from home. One of the things we realised is that, with everyone in the house using the internet at once, the speed obviously comes down and people do not realise how many connections they do have—each mobile phone, smart Alexa box, smart thermostat and camera is a connection.

So, sometimes the customers speak to us and we say, *"Well, you have 22 connections in the home"* and we go through and list them, because each TV box over the top box that they have is a connection. With our TV it is not like that; we have a separate VLAN, a separate circuit if you will, that our TV is delivered over, which does not cause the problem, but for each connection they have in their home—and most people have two or three TVs—they have a

problem with congestion. What I would say to customers out there who are listening is that if you are having problems with your broadband speed, speak to us.

Again, during the COVID period, we realised that many of our customers subscribe to our lower plans, which we knew before—hence the reason we went and gave people free upgrades—and it worked for a lot of our customers. Those customers who had issues, we actually fixed the problem. To that end, we just purchased a new broadband copper modem that allows you to install two lines to the house so that you can get about 75 per cent more speed than you were getting on the original line. So there are things that we do.

The Chairman: Yeah. What does Cisco have that they have put in by the civic centre for everybody to get free Wi-Fi that seems to be a lot better than what you have? What is it that they have put there that you are not prepared to install in North Side?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): So that is an interesting question, Mr. Chair.

We are actually the broadband providers behind the setups in all of the civic centres in Cayman. So, in working with OfReg—and this is one of the good things OfReg does—we are the service provider that is powering the internet for each one of those civic centres. We partnered with them; we provide broadband speeds in excess of 30 Megs in some places, more in others depending where we have the fibre. What they have done is no different, they are using our broadband. I think that might come back to the point that I made earlier, it is the Wi-Fi piece that is different. So, if you have a more expensive Cisco type Wi-Fi in your home, it can make the difference to you in the perception and the speed that you actually receive.

The Chairman: *[Inaudible...]* offer that to your customers right now, you have to use your equipment and yours is less than Cisco?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, my equipment now doubles as a gateway to the internet as well as a Wi-Fi. We took a look at this because it is all about efficiency with us as well.

A truck roll with one of my techs going out and taking a look is expensive—a truck roll is expensive—and we want to reduce the truck roll so we can spend our money in other places. In doing that, we actually have taken a look at different Wi-Fi systems out there and being a part of Liberty Global we asked, “Well, what do you do in Europe?” and they are coming back with solutions for us that can be:

- A. cost effective; and
- B. reliable

Reliability is a big play for us to win in this world, where the pressure on price continues to be hard and our appearance here is part of that today. What we want to do is to make sure we can do end-to-end testing with these equipment that we put on and not just stick a piece of equipment on the end and hope for the best. We want to do end-to-end testing on that and we are working on that right now.

The Chairman: The only other little beef I have with Flow is that I have about hundred light poles in North Side that are in dangerous proximity to the road because CUC stopped using them. You have one wire connected to most of them and CUC cannot take them down.

Can I get a commitment to get those wires removed so we can take those poles down before Christmas?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, I cannot give you a commitment before Christmas, but we will certainly take a look at it.

Just so you can get an understanding of the magnitude of work you are talking about, the poles are concrete poles. CUC operates differently with us connecting to concrete poles and many of the poles...

The Chairman: From driving through the district, you are already connected to the concrete poles; these that are just wires that are left on this one stump of a pole that is right at the side of the road.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, in those particular cases where I have wires that are not in use, absolutely—you have my commitment that we will take those down. However, some of the poles that I am speaking to have underground conduits going to them as well and Data-Link has planted a pole say, another 10 or 30 meters away. We have to do over the trenching and cut the road, right? So, we will take a look at it and...

The Chairman: I mean we are getting close up on 11 years since the poles have been moved.

Thank you very much.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Understood.

Mr. Christopher S. Saunders: Earlier when your competitor Digicel was here, they were saying that their contention ratio was around 4:1. You said earlier that some of the lines in North Side and elsewhere can be up to 60 Megs; but as we start adding customers, what kind of ratio are we looking at or is it a situa-

tion where, as you get more customers coming on then naturally speed will be reduced?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Through you Mr Chair: On the broadband network that we have right now we are looking at contention ratios of 2:1 or 3:1. We are not up to 4:1 on the broadband side.

I will say to you during the lockdown period we saw areas where congestion was going up and we have addressed those as I mentioned a few minutes ago. For example, we saw some increase in requirements in the East End area and we actually went there this week and completed the upgrade that we needed to do there.

We monitor these things closely because at the end of the day, like I said, it results in a truck roll and a negative customer impression. So where we can actually solve those problems beforehand, we actually do. So you are looking at a 2:1 or 3:1 contention ratio.

Mr. Christopher S. Saunders: Several years ago there was this campaign that Flow launched—I think it was a \$30 million investment campaign—that they were looking to upgrade in the network. What was the final outcome of that campaign and how much was actually spent?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chair, I think he is referring to the upgrade Cayman?

Mr. Christopher S. Saunders: I remember the figure being \$30 million.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): That would have been around 2015, you said?

Mr. Christopher S. Saunders: A few years ago, yes.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): I am going to put that on to my Finance Manager so that he you can speak a little bit more to the CapEx part of that—Gio?

Mr. Giosino Colaiacovo, Finance Manager, Flow Cayman (Cable & Wireless): Good afternoon everyone. I am Mr. Giosino Colaiacovo, Finance Manager for Cable & Wireless.

To your question, through the Chair: Over the 10 years, in total CapEx spent has been roughly just shy of \$100 million. So the intent of Cable & Wireless is to continue improvement year over year to provide services to continue its improvement technology to our customers.

How you are referencing earlier in terms of the acquisition of the LLA, that is a synergy that we are continuing now and into the future. So, obviously from a spend perspective, that is a critical piece of our business to ensure that continuity connection is always available; top-notch, state of the art, so forth.

Mr. Christopher S. Saunders: Just to be clear, over the last 10 years \$100 million worth of CapEx was actually spent in Cayman?

Mr. Giosino Colaiacovo, Finance Manager, Flow Cayman (Cable & Wireless): Yes, sir.

Mr. Christopher S. Saunders: Okay.

The Chairman: You said that you have a 200 Megs programme that is available now but people in North Side...

I just want you to make sure that I understood you correctly: If I bought your 200 Megs, I could only get 30?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): No; I will explain that to you.

We would not sell you the 200 Megs in North Side. I have one customer who insisted that he get it in the Frank Sound area. We told him that he would never get the 200 Megs, but he insisted because he wanted the maximum he could get; so we gave him the maximum he could get on that line.

For the copper customers in those areas, we have another hero plan that we sell, which is 20 Megs with a TV package and that goes for \$139. So we have something for the copper customers as well.

[Pause]

The Chairman: The 200 Megs goes for how much?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): It goes for \$200 with TV.

The Chairman: Right; and you said 30 Megs is going for \$139?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): The 20 Megs with the TV package goes for \$139; yes, sir.

The Chairman: So what are they getting extra?

When you divide that number it does not seem right. It seems like the guy who's only getting 20 Megs is getting overcharged.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Well, no; if you look at our stand-alone broadband prices right now for a 20 Megs, the nearest

one to that is the 25 Megs and that currently goes for \$134 so we added...

I just want to get it right here; I think it is 100 channels in our TV max package that gives them a TV as well, which would normally go for \$90 per month. So, they have a \$134 plan plus a \$90 TV plan and instead of charging \$224 for it, we reduced the prices to \$139.

The Chairman: Are there any plans to upgrade your TV reception and provision in the eastern districts?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): If you have the broadband service that we have now, you will get the same TV you get anywhere on the Island.

The Chairman: Well, my TV is still a lot of times, so you need to send someone to check my house.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Absolutely.

The Chairman: I am serious. I have had BBC frozen for two or three weeks.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Okay. Mr. Chair, again to answer that question...

The Chairman: I mean, it is personal, but I want to use examples that I know about, so you will understand the complaints I am getting throughout the district. This is not confined to me.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): No, no, I understand.

The Chairman: Okay.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Just to expand on that a little: If there is one particular channel giving a problem it is not the broadband service that is doing that; there is something coming from our hit-ends or coming from the content provider themselves. So if you, or any one of the customers in Cayman have issues like that please bring that to our attention because we can get those fixed fairly quickly.

The Chairman: The problem I have is that when I call you sometimes I have to give the phone to my Spanish wife, because I cannot understand the people who are talking to me and they cannot understand me.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): To satisfy that requirement, we do have a local number that people can reach us on that we

have been sharing and we also have a WhatsApp store number that you can reach us on as well: 747-5050 and someone local will answer that.

During the COVID period we did not miss a beat; we got all our customers and the WhatsApp number that we have—it escapes me right now—*[inaudible]* working virtually, thousands of customers were served. So, you can reach us on the 747-5050 number if you have issues as well.

Mr. Christopher S. Saunders: Something I am curious about is the local number portability that has been in place now for several years. What has been the feedback? Did you guys see a lot of customers either coming or going? How did that end up working out?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chair, through you. Initially, there was a lot of back and forth: Digicel took some of our customers, we took some of theirs, and about two years in, it kind of settled down.

Every now and again one of us will do a switch campaign and we see some people move across and of course the next person responds and it stops. In all honesty, I think it gives people freedom to move if they want, which is a plus for the country; they have choice because they can take their numbers. Primarily, I guess over the last three to four years the movement has generally been businesses where we have been a business and they come across, and they have been a business and they will go across.

For the general consumer we offer good plans and they offer good plans and the people just generally stay where they are, unless they have a reason to move—but the option is there, which is a good thing.

Mr. Christopher S. Saunders: One of the things that also jumped out on me was on page 34 of your SEC filings under the heading “**Risks that Relate to Our Operating in Overseas Markets and Being Subject to Foreign and Domestic Regulation**”.

It says: “**Our businesses are conducted almost exclusively outside of the U.S., which gives rise to numerous operational risks.**” And one of the risks identified was “**difficulties in staffing and managing operations consistently through our several operating areas.**” I wanted to touch on staffing.

At one point I know Cable and Wireless was almost 100 per cent local staff. What is that ratio like today?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): We have 97 employees currently and probably...

Mr. Christopher S. Saunders: Ballpark is fine.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): I would say about 12 people on PR and work permits.

Mr. Christopher S. Saunders: Not bad, thanks.

I am curious about the local operations now. Who is in charge of the local operation?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Our country manager right now is Mr. Paul Osbourne. Unfortunately, he is in the UK as his father is terminally ill. So, the operations are run by me and the senior management team with the help of consultants Cable and Wireless has provided us with.

Mr. Christopher S. Saunders: I am really sorry to hear of the country manager's father; on behalf of the Committee I hope he has a speedy recovery and that everything goes well in that regard. I do feel it for him in these times.

One of the things that we have gotten testimony on has been with regards to the arrangement where a lot of cannot be done because of the DataLink issue. One criticism is that Cable and Wireless/Flow/ Lime has been around forever and a day in this infrastructure. Everyone is wondering, when you have a duct network that pretty much runs through so many parts of the Island, why are there struggles in getting fibre to different places when you guys basically built an entire Island network? We are trying to understand what those challenges are. Is there something that OfReg or someone needs to be doing?

I think everyone can agree that for the Cayman Islands and the product and services that we have in both the tourism and financial services industry, we need to make sure that we have a world-class infrastructure. We want to know what we can do as legislators and as policy makers to either help you or help OfReg get that issue sorted. The last thing we want is one organisation, one entity—others—blocking the progress from the Island achieving what I think we should all be working towards.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chairman on a point of clarity, are you asking how DataLink impacts Cable and Wireless?

Mr. Christopher S. Saunders: Other operators have raised the issue that there seems to be some reluctance on the make-ready cost and all different kinds of issues. Earlier CUC said, I think it was like, 5,000 poles that they needed to make-ready in order to achieve certain things.

What we are trying to understand fully, is what is it going to take for all organisations to come together to get those 5,000 poles—or whatever the number of poles is—ready, so the Cayman Islands can at

least start positioning themselves? I mean, we are flat; we do not have some of the challenges other places have. At this point, for us having the resources and the GDP, the infrastructure that we should have, as we like to put ourselves as a top financial centre, is not there. At least in some parts of the country; in town it is, outside it is not and this place is really small for us to basically not have it everywhere.

We are just trying to understand what the challenge is.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Through you, Mr. Chair.

From our perspective, the challenges we have with DataLink is where we do the laterals because correctly so, we have underground conduits in many areas of the Island, so all of our main cables tend to be underground and we just do the lateral. So the service drops off of the poles to the home; it distributes to the homes that way and we continue to build out. The only areas that I have challenges in are areas where they plant new poles, in essence, take the old one out and put a new one in; that involves a make-ready for me if I am going on that pole because what they do now is make-ready for the other competitors that could go on the pole, right.

So, in areas where I have my existing copper cables and they are just changing out the connections on the poles, I do not pay a make-ready for those. However, if they change the poles out to a new location—maybe the pole is too close to the road, as the honourable Chair mentioned earlier—and they put a new pole, then I would have to pay make-ready for that. So it does not hamper me that much to roll my network out because like I said, the core part of my network is under ground.

Where I do have difficulties in terms of delivery of the service is more in residential areas where I am going to roll it out or places that do not have conduits to them. We have a good working relationship; we have a work group with DataLink that we work with monthly and they tell us when we are doing things wrong and likewise, we will tell them the areas that we need build-out and we continue to work like that. So I have a good relationship with them and that works well for us.

To answer the next part of your question—what would be needed to get this technology East—I guess this comes back to why we are here. OfReg needs to get the other licensee to live up to their obligations. When we surrendered our monopoly it was on the premise that that would happen; 15 years on and the other licensee is still talking about pushing east.

Ten years ago DataLink did not have the rules that they have in place now in terms of safety on the pole, so they could have been there; eight years ago they could have been there. These issues that we are

talking about now have raised their head, I think, since a sitting in the House a couple of years ago when the Premier spoke about getting fibre around the Island so I guess from our perspective, OfReg needs to hold the licensees to account. They have to make this other licensees accountable for not pushing east.

Mr. Christopher S. Saunders: The mobile market was liberalised...

The Chairman: Just a follow-up on this whole thing: the ICTA law currently requires that you share the stuff that you have going east with other providers, so what is the problem? Is there a problem with the sharing, why the other ones are not getting out there?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): From a Flow perspective we currently have infrastructure-sharing contracts with all the licensees. There are different areas on this side of the Island that they are using our conduits. We have site sharing with Digicel as well. Pretty much any time they come to us there is a regulation in place for that and once proper procedures are followed we have no problem honouring that.

Right now in front of us we have a determination with OfReg where somebody put the wrong size sub-ducting in our conduits and OfReg is to make a determination on the way forward; we are currently awaiting that decision from OfReg but no, we have not had applications for service in our conduits in North Side, East End, Frank Sound or Bodden Town. If they apply for it and there is space available, we will give it.

The Chairman: It is basically an economic decision on their part; they have not even applied to you to use it, but they are telling us that they cannot get out there. The truth seems to be that the reason they are not coming out there is because we do not have the kind of density they have on Seven Mile Beach and around George Town, while their original license says that they were supposed to roll out to the eastern districts, the farthest point, within a specific period of time and in answer to questions in this Legislative Assembly, no one has done that.

The question remains: Why are they being allowed to get away with not doing it?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr Chair, through you, I understand the sentiments of the comments you made. We continue to do it. We continue to build-out in the Sister Islands as well; Flow (Cable and Wireless) continues to actually meet that part of our obligation; not from a regulatory perspective, but from a customer perspective.

I like to say that we live here too. That is why we went with LTE advance in our investments last year; the whole island now has our LTE advanced

service, which are upgrades to the LTE service that we had. It is not just expanding the footprint that everybody can get LTE, but they can get higher speeds on the LTE which is the mobile network, and we will continue to do that.

We continue to upgrade our subsea cables as well. We are always looking at upgrading the CGFS and there is a working group each year for the MAYA-1 cable that goes through to look to upgrade. There are upgrades going on now in other segments of the cable. In 2016 we upgraded the MAYA-1 cable and this working group keeps looking at the different segments that need to be upgraded based on demand, and continue to do that.

I just brought up the subsea cables in that people would not continue to upgrade it if the system was old. The working life of these cables will continue and we will continue to upgrade them as necessary. Our expansion, whether it is pushing east or pushing off-Island, we continue to invest in our networks to do that.

The Chairman: So, you are constantly upgrading the terminals for the CGFS and MAYA-1 cable locally in order to provide services; and this idea that somehow these cables are going to magically be useless in 2023 is not really founded in technology?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): To answer your question, yes. We will continue to use them for the foreseeable future and beyond.

Technology is the way it is now and I think I will touch on the fibre optics piece of it. The way technology is now, especially with fibre, is dependent on equipment and we just continue to upgrade that. One of the things we are doing with the MAYA-1 is that some people have requirements for larger capacity links off Island; currently we sell 10 Gig links. They might have 100 Gig link in the future, so we will keep upgrading those terminal equipment in order for that to happen. If the repeaters underground for example the MAYA-1, if that needs to be changed or upgraded in any way a consortium, of which we are members, will actually do those upgrades.

In terms of the CGFS cable, that cable as it stands right now, does not have repeaters. At the time it was put in, it had the longest undersea link—from Cayman Brac to Jamaica—without a repeater, so all of the electronics are on the ground. In 2018-19 we did a 100-gig upgrade to that and it is still not at capacity, so we will continue to upgrade those links as necessary. And no, it is not something that will impact the growth of telecommunications in Cayman.

Mr. Christopher S. Saunders: With regards to the undersea cable—the MAYA-1 and the CGFS: Are any

of the other licensees connected to that directly, or everyone has to go through your organisation?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Currently, they have to go through Cable and Wireless but there have been some applications to connect directly to the cable.

When the building it is in was constructed it was not designed for multi-hosting, if you will, or hoteling of the services, but we have given alternative options to the people that have applied. You can get connectivity by putting your own meet-me point in the area, but some of those have not been accepted by the other licensee so we give alternative connections to the building.

Mr. Christopher S. Saunders: Okay. Going back to the old telephone sharing infrastructure, 15 or 16 years ago we liberalised the mobile market. Did we ever liberalise the fixed-line market, because there are mobile and fixed. Has that market been liberalised?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): When you say 'fixed', is it 'fixed voice' that you are talking about?

Mr. Christopher S. Saunders: Yes. The fixed voice; there was the mobile and the fixed. I remember there was a big hoopla with mobile liberalisation. The reason I ask is because I think that is the part that has been affecting the Go-East initiative, because these guys came in, made a ton of money on mobile and just said, *'to hell with everything else; we are fine just being a mobile company'*.

However, their license required them to offer a lot more and here we are now, 15 or 16 years later and the question is: How much have they expanded past just the mobile liberalisation. That is what I am trying to understand.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): What I will do with this question is pass it on to my regulatory guy, Mr. David.

Mr. David Burnstein, Senior Manager, Regulatory Affairs: Good afternoon.

The retail pricing regulations do not apply to any operator other than Flow. The regime is contained within an annex of our license and unfortunately that regime is largely unchanged since liberalisation; the same retail pricing regulations that were adopted in 2003 are still largely in place today. As Mr. Tatham indicated, OfReg has initiated a review of this regime to determine whether changes should be made; we believe that is long overdue and should have taken place many years ago.

Another unfortunate aspect is that they initiated this review three years ago and it still has not con-

cluded. We are eager to make changes to this regime; we think it is warranted, but it is part and parcel of this license reform process that is still outstanding for our offering.

Mr. Christopher S. Saunders: I do understand that with that market not being liberalised it also affects your ability to bundle some products that could literally bring down prices, et cetera. Have you guys done an analysis in terms of whether you would be able to bundle many of your services if that market were to be liberalised?

I think everyone can agree that everyone had 15 or 16 years to play catch-up to Cable & Wireless at the time, as a dominant player. I think it is time now, and I hate to say *competition wins* but at this point, if we were to push to get that liberalised and you guys were able to bundle many different services, what could that do in terms of the prices to the consumer?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): David, do you want to take that or do you want me to take it?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: I can take it.

One reaction to that is that liberalisation would provide Cable and Wireless the opportunity to experiment in the types of bundles, prices, and different services that they would like to offer that they cannot today under the existing regime.

It is not really geared for a dynamic market in which operators experiment to see what types of services are successful and what types of services customers do not really appreciate. I think with liberalisation you would see a much more dynamic process and many more different types of services and experimentation with them.

Mr. Christopher S. Saunders: Basically then, we need to get full liberalisation of the telecoms market; because I do not think the public recognises that the entire telecoms market is not liberalised—just a portion of it.

I think it is important for us to start pushing for the full liberalisation of the telecoms market, so we can start seeing better bundles, better prices, and—hopefully—better service.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Yes. That is true; yes. That is the answer to that.

Mr. Bernie A. Bush: Mr. Chairman through you: As you know, everyone complains that they're paying for 20, but no one can ever see 20; they're seeing 12 or 14, if that much. Is there anything Government can do

to help you, as a provider, give the people what they are paying for?

The complaints that we get from our constituents is that they are paying for these packages and they are never up to the speed that the companies are telling them. Is there anything we can do to make it easier for you to give them what they are due?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chair, through you.

Right now I would say there is not much the Government can do on that side to make that happen. Like I said, there are a bunch of different things that determine speed in homes, so it has to be done on a case-by-case basis.

What I would say to expand on that a bit, is that when we are rolling out our fibre optics network, and I know this to be true for the other providers as well, the cost of our installs are crazy ridiculous; roughly speaking, it is \$1,000 per customer with equipment and labour, because we have to run the fibres in the house, so on and so forth.

Many years ago, when the Central Planning Authority put things in place, Cat5 cabling was the thing. We had to run telephone cables within the house, and right now I do not think that is part of the law for the new fibre optic systems that we are putting in; so one thing I would say is that it would be great if we could put that as part of the law—that we get the fibre optic cables in the building when we come there to reduce the cost.

It would be reducing cost to me, but it will also allow me to actually become more innovative with what I do and converting the customers a lot quicker. Because if I pass 1,500 homes in a year, it will cost me 1,000 times that which is \$1.5 million, just to connect them, before I make a dollar; so in that sense, we could reduce some cost there which would allow us to pass more homes and expand our fibre networks faster.

I mean, just putting it out there; get duty concessions in some areas and maybe this is where the government can help us. We could expand our fibre networks even faster in the areas where there is no fibre now. We are willing to sit down with you to come up with solutions, because like I said, we live here too. Those are just some ideas that I am just throwing off the cuff but we are willing to work on any solution that would make it quicker and faster for customers.

At the moment, I guess the large one is that everyone is connecting wireless and I think it is an education piece that we need to let people know what limits speeds; with all the smart homes and people buying more phones, I-pads and computers every day, the more go on the network, the slower the speed will appear if you are not on the right package.

From listening to these hearings over the last couple of weeks, I get where you guys are coming

from and I share similar interests. We are going to make some changes to improve the perception of customers and, indeed, your constituents. We will be working to make sure that happens and have started looking at how we can do that with improvements on Wi-Fi technology.

Mr. Austin O. Harris Jr.: Mr. Chairman—

The Chairman: Do you offer that service to customers, that you send people out to their house and advise them on what would be the best to buy based on how many instruments they have, et cetera?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): We do not offer the Wi-Fi service in the house at this time, other than what comes with the gateway modems that we use, but it is a space that we want to get in because it reduces our truck roll and customer complaints.

It does not make sense for me to bring the food if I do not bring the forks, right, because you will get your hands messed up.

The Chairman: We are country people, we will find a way.

[Laughter]

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): So that is what we are going to do; make it an end-to-end solution. That is what we are working on.

Mr. Austin O. Harris Jr.: Thank you, Mr. Chairman through you.

First of all, I wish to say good afternoon to the witness. I thank him and his team for coming and to the witness, my once upon a time neighbour; it is good to see you.

I've asked this question of all of the telecoms and for completeness, I will ask it of the witness. When we heard from the Executive Director for ICTA at OfReg; his testimony suggested that the reason why broadband and internet service are not widely distributed to the eastern districts by all of the available carriers—Flow from the Cable and Wireless era and all of the competitors since the liberalisation of the telecoms market—is not the new telecoms who are dragging their feet in breaking into or expanding their fibre network into the eastern districts, but largely because their hands are tied given that the original entities CUC (vis-a-vis DataLink) and Flow, are not willing to share infrastructure that allows newcomers to tag on and build out their services to provide those in the eastern districts with choice.

We heard from DataLink earlier this morning and I wonder if Flow agrees with the Executive Direc-

tor of OfReg that Flow is standing in the way of broadband telecom build-out by competitors.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chair, through you. I answered that one before, but I will answer you again. No, Flow is not—

Mr. Austin O. Harris Jr.: Mr. Chairman, certainly I do not wish to waste the Committee's time. If the question was asked in my absence, I do not need to hear it again; I will simply read it in the record, thank you—my apologies.

The Chairman: No problem.

Mr. Christopher S. Saunders: I remember being part of a regional group years ago, that there was normally a Capital Review Board where there would be one set capital budget and the different regions would apply to that board to basically make their case as to what capital projects to undertake.

I remember sitting there many times listening to Cayman compete against Antigua, Anguilla—at that time, everyone was fighting for ADSL money—that is how old it is. However, what is the capital process as it exists today in terms of the Liberty Group? How would you determine how capital is allocated?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): I am going to pass that on to Gio.

Mr. Giosino Colaiacovo, Finance Manager, Flow Cayman (Cable & Wireless): Through you, Mr. Chair.

We as senior leadership team would assess our requirements on an annual basis just pre the budget season and we would list those requirements in terms of what our strategic drives would be for the upcoming short term and long term developments and strategic decisions, and we would make those submissions to the Group. They would then decipher what the massive or major pool would then come back and allocate accordingly. Then, there would be numerous rounds of budget discussions where we would justify our actions and submissions, and then we would come to a mutual agreement.

Mr. Christopher S. Saunders: Thank you very much.

I ask because something jumped out at me when looking at your SEC filings—and this is consolidated for the entire group. I noticed that on page 11.8 going into 11.9, where it speaks to the financial performance, they made a note that I think was worth highlighting on 11.8 ***“decrease in residential mobile interconnect equipment sales and other...”*** and they used the letter “e” to explain that further and it basically says that: ***“This decrease is primarily attributable to:***

1. ***Lower interconnect revenue primarily associated with***
 - a. ***lower volumes at Panama;***
 - b. ***reduced rates at other Cable and Wireless markets***
2. ***Lower handset sales, primarily the result of:***
 - a. ***decreased volumes in our Cayman Islands operations, the Bahamas and other C&W markets; and***
 - b. ***customers purchasing lower price products in the Bahamas and other Cable wireless markets***

I noticed at a consolidated level for the Liberty Group, that for the last two years (2018 and 2019) there was basically a net loss. I also noticed that there is an accumulated loss for the Group that has been there for quite some time.

The reason this jumped out at me is because I recall that in April Digicel even filed for bankruptcy and earlier, their advisor to the Board basically said they were able to restructure their debt, I think to the tune of \$1.5 or \$1.6 billion less of the \$7 billion plus that they owe.

When I look at the two largest telecoms providers on Island—Digicel and Flow—both have businesses that are struggling financially, to some extent. It may not be to the Cayman market, but looking overall as a Group, it questions the appetite of the Group as a whole, in terms of investment in capital, et cetera. While we do recognise that our infrastructure is behind, I cannot help but wonder where the appetite comes from with companies that are basically having their own financial challenges, even intensified by COVID. What is the appetite to invest in Cayman? I am interested in investment in Cayman and that is the reason I asked about the capital investment in both companies over the last x number of years. More importantly, what can expect from the capital investment going forward?

I would just like to get a commitment or an idea from the Liberty Group, in terms of the forward investment in Cayman to get our infrastructure up to the world class that we want it to be—is the appetite there? Because, in the grand scheme, looking at the overall Liberty Group we are actually quite small. I recognise that Cayman has to compete for that capital dollar with places that offer more volume, bigger markets, and bigger and better margins. What would make Cayman more lucrative for them to put that capital here as opposed to Jamaica, Chile, Panama or elsewhere?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Yes, I will pass this on to Mr. Rob.

Mr. Rob Mayo-Smith, Business Consultant, Flow Cayman (Cable & Wireless): For the record, my name is Rob Mayo-Smith. I am a commercial business consultant for Flow and Cable & Wireless.

I think when the Group looks at its investments, you know Cayman is a great business; we hold our own in terms of profitability. We are not as big as some of the other markets, but surprisingly, some of our smallest businesses can be just as economic as our larger ones.

We also recognise that there is a demand here; a hunger obviously has been put forward by this Committee, and as Mr. Tatham said, we are committed as well to continuing to invest into Cayman and from our perspective continuing to fight for that investment, so if the question is: Will we continue to invest? Yes; we will continue to roll out fibre, while we continue to bring the newest innovations 5G, et cetera into the future. All those types of innovations are part of our motto to be innovative as part of the LLA Group.

Mr. Christopher S. Saunders: As a follow-up then: If we were to push—because ultimately it would take political will—to get the full liberalisation of the telecom markets that would basically allow you guys to bundle and increase market share and profitability, would those kind of decisions incentivise you to invest more in Cayman, to basically max out your bottom line and the use of your infrastructure?

Mr. Rob Mayo-Smith, Business Consultant, Flow Cayman (Cable & Wireless): Through the Chair: As David said, I think liberalisation helps in our ability to put bundles together. For example when we talked about a superhero bundle, last year I think part of the promotion that we had initially, we wanted to have fixed calling as part of that and because of the regulation that is around that, we are not really allowed to—David correct me if I am wrong—provide discounts on our fixed servicing by bundling it. So it does allow us to be more creative. It would help.

Does that help us with our future investments? I guess the more competitive we can be that that generally helps us with our investment decisions. So yes; I think the answer is yes.

Mr. David Burnstein, Senior Manager, Regulatory Affairs: Mr. Chairman, if I may interrupt for a minute.

I just wanted to clarify that the liberalisation measures you mentioned would be helpful, but I would add another point: the fees the ICTA sector pays to OfReg are another factor that I think should be given consideration. As Mr. Fa'amoe indicated in his testimony last week, the ICTA sector is fully funded. It is not only fully funded, but they generate over a \$6 million surplus each year, as he indicated.

Flow and all the other ICT operators pay just under seven per cent of the revenue to OfReg in these fees, which is a very large amount. If you look at what we pay elsewhere in the Caribbean, it is closer to one per cent; if you look at what CUC pays to OfReg, it is closer one per cent.

I think the burden that is borne by the ICT sector is an impediment to the investment that you want to see and the increased competition in improvements. I think that is something that would help and should be given serious consideration; the reallocation of the funding and fees that is borne by various sectors that OfReg regulates.

Mr. Christopher S. Saunders: Just to put that in context, and going back to the answer on liberalisation: At that time there were a lot of concessions being given to the company.

First of all, let us put CUC in context. When you are burning 30 million plus gallons of fuel and the government is making 25 cents duty on every single gallon, looking at the overall contribution to the government coffers and the country—it has to be looked at in that context. I think it is the same thing in the telecoms industry. I think royalties for government is six or eight percent of gross adjusted revenues or something like that; revenues minus direct costs, and this has been one of the challenges.

I cannot speak for the Government, but I can speak for some of the Members of this House. For us to entertain that, it will also come with a caveat that if someone wants to go on a massive expansion run of, say, \$56 to \$70 million worth of investment in infrastructure over a period of three to five years, and asks that during that time that fee or something be reduced to x amount, those are the kinds of incentives that were the Government to look at, as a legislator I would not oppose, because you still need some level of incentive to get infrastructure up. Unlike CUC, where their license is set so that based on the asset they invest they will get a certain return on that asset; thus the reason CUC's license requires that they have to get permission from OfReg to increase their capital spend.

Part of the criticism that I and others in this Legislature have on the telecom side is unlike CUC, in terms of where we can see—and going back to the earlier testimony between 2010 and 2018—their production to consumption ratio moved from 91 to 98 per cent, which I would basically say is world class, considering that the industry standard is normally between 93 and 95 per cent. CUC is at 98 per cent, so they are tied in to some extent on their return on investment also as a public trader company like yourself.

The flip side is that when you combine the net profits of both Cable & Wireless and Digicel—if memory serves me right—it is actually more than

CUC. That is the reason I asked what CapEx investment has been made, because there is a lot of money still being made on old equipment that has already been fully depreciated and paid off and at this point it is just making money. That has always been the challenge for us. How do we put policies in place to incentivise companies to invest, but at the same time not penalise? I think that is where the trade-off needs to be.

Ultimately, I would very much like to see to some extent, that most other companies within the OfReg sector move to that kind of RCAM-type based model where once you start investing in capital and the future, then we can start looking at other ways to incentivise you to get a certain return on your capital or your investment. However, in the present form, we cannot sit down and look at the profits that are being generated by some of these entities, look at the capital infrastructure and their continued capital investment and believe that we are going to allow them to continue. This is where the balancing act comes from.

This is one of the things that we are hoping to get at the end of these sessions, to put in a regulatory framework that encourages investment, but at the same time allow your shareholders to have a reasonable rate of return on that investment comparable to market.

I would like to see that kind of CUC concept rolled out to others, but let's be honest; we have guys in the ICT space that have been in this business a long time, still using old equipment. You guys can even look at some of your competitors and know that they have not spent the money that you have spent but, at the same time cherry-picking market share. And it is unfair to companies that actually invest, and that is not the kind of model that we want in Cayman because that does not encourage businesses to want to come here and do business.

You guys are stuck with a legacy infrastructure, part of which is still not liberalised, and it is unfair to you guys that 15 or 16 years after, someone comes in and takes the best part of the market and leaves you guys with the most expensive to turn off the light. That is unfair.

Thus the reason I raised the point that at this stage of the game, the market needs to be fully liberalised. I would encourage the Government and my colleagues in here to start looking at ways to incentivise companies that say, *"We want to make that infrastructure and capital investment and here's what we can do for you."* I think that is ultimately the model that we need to get to, in order for this to work but you cannot come inside here, drop an old piece of equipment, ride it out for 10 or 15 years, make a ton load of money off it and then complain about ICT fees. No.

Barring the ICT fees, that is the only way we make some money off some companies. Cable & Wireless still had above 90-odd per cent Caymanian

staff. Some of your competitors have never hit that number from the time they have been around. Companies that do well by Cayman and Caymanians need to be incentivised and rewarded for that; it cannot be the same playing field. For us inside here as policy-makers that is something we need to be looking at, from a different level.

When Aleo comes back tomorrow, it will be a situation of what do we need to do to get the full liberalisation of the market. I want to see the competition; I want to see the bundle and the prices come down, and if somebody loses market share, tough. Go invest and do what you need to do.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chair, through you.

I learned through the recent hearings that we are entertaining a third licensee in the liberalised mobile market. I guess the point that I will make in follow-up to your statement, is that the one area where we have liberalisation taking place and everything is working fairly well with prices and the likes, we are about to open to a third provider, yet we are still waiting on our license to be renewed.

The Chairman: Talking about the fixed line—is it because the fixed line is not liberated that people still have to pay for fixed-line phone rental every month when they do not have a phone?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Yes, sir.

The Chairman: Why?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): The broadband is delivered over our copper lines and that is a part of the tariff.

Do you want to expand on that, David?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: I do not know if I can expand beyond that. My understanding is that over our fibre network that is not a requirement and the quicker we transition to fibre, the faster that will go away; but there is cost recovery. That would require us to charge for the fixed line under the DSL or provide copper.

The Chairman: So that is part of the 1960s infrastructure in North Side that you are still making money on because you are running broadband on it now?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chairman, it is not 1960s. Like I said, we brought our loop closer to you; we shortened our local loop so in portions of the area up there we have MSANs (Multi-Service Access Nodes) and the copper lines extend from there but fibre into them. So

the network is a part of the pans. I think I heard that earlier in a discussion—pots and pans—well this is a part of the new network; it is the pans.

[Pause]

Mr. Christopher S. Saunders: Bringing it back to the regulatory environment itself; 16 years post liberalisation, we have seen prices drop on the mobile side, but one of the things that remains a bee in my bonnet is the interconnect rate.

I know at one point it was like 18.5 cents, what is that number today?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): I am going to defer that question to Mr. David; I am not clear on that one. Interconnect rates, David.

Mr. David Burnstein, Senior Manager, Regulatory Affairs: The prices? I would have to check; I do not have that information.

Mr. Christopher S. Saunders: This is where I think you guys are moving now; a FLLRIC (Forward Looking Long Run Incremental Cost) or lyric or something like that model, where it becomes a sliding scale or something?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): David, I do not know if you got that.

Mr. David Burnstein, Senior Manager, Regulatory Affairs: So, maybe I misunderstood the question. Are you referring to the prices that—

Mr. Christopher S. Saunders: The mobile interconnect rate between Flow and Digicel and the other areas; that interconnect rate that you would charge other providers.

Mr. David Burnstein, Senior Manager, Regulatory Affairs: Oh; okay. They revised those rates in 2014 or 2015 I think, in consistence with a LYRIC—a long-run incremental cost model.

I do not know the exact level of the interconnection rates but they were reduced at that time.

Mr. Christopher S. Saunders: At one point I think I heard a number being batted around like 9 or 10 cents or something like that. Well, I can confirm this with Alee tomorrow; that is fine.

Something I have been curious about goes back to when the interconnect rate was CI 18.5 cents; I could never understand what was driving the rate to be so high when to terminate a call on say the MCI network was \$0.01 or \$0.02 US versus 22 cents US for a local interconnect call. What drives the intercon-

nect rate between the mobile carriers to be so expensive compared to terminating on a foreign carrier?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: I will take a shot at that.

Interconnection rates have been coming down dramatically over the period of liberalisation. I think at the outset the interconnection rates that were established were not based on cost or a cost model that is going to produce these low rates that you would find under what we call the lyric—long run interconnection cost models. The rates were initially very high because there was no implementation of lyric but now that that is considered best practice within the industry, you are seeing interconnection rates come down dramatically. I think Cayman is included in that; they were reduced when they were revised in the 2013 or 2014 time frame.

I think you are talking about international calling and those are subject to a different regime called 'settlement rates'; those are not regulated by OfReg.

Mr. Christopher S. Saunders: The reason I ask is that if I were to call my colleague for West Bay North on his cell phone, because he uses a different carrier than I, versus if I were to pick up the phone and call my cousin in Florida, that cost is actually cheaper versus for me to call Mr. Bush that is sitting three feet away from me. Not in terms of revenue, but cost. That is something I could never understand, why that local interconnect rate or cost was far more than what it was to make an international call.

With the lyric model, have we now reached a point where the cost of calling a person next door on another network is competitive to the cost of calling somebody overseas on another network?

Mr. David Burnstein, Senior Manager, Regulatory Affairs: I can take across the Flow markets in the Caribbean that is a truthful statement or truthful generalisation. In Cayman specifically, I think that the interconnection rates were last reviewed some time ago and they are due to be re-evaluated and updated; that would bring the rates down further. Those types of movements generally take the domestic rates closer to what you would see for some of the international calling you referenced.

If OfReg were to pursue interconnection review then you would see some of that improvement.

Mr. Christopher S. Saunders: OfReg makes its money as a percentage of gross adjusted revenues; your revenues minus your direct cost. If that direct cost remains very high or skewed to one particular provider as opposed to the next, then they in essence would have higher costs, which would mean lower gross revenues, which would be a lower fee being payable to the regulator; versus that, the cost will

come down and maybe revenues may come down a little bit. I do not think revenue is going to come down as much as the cost will. It would at least mean more money going to OfReg in terms of the fees, as opposed to the arrangement that we have right now.

As it stands right now, what is expense to you, you can actually make back by paying less royalties but for the person with the lower expenses... because what is expense to you on an interconnect side is revenue for someone else. You would end up paying a lower fee and they'd end up paying a higher fee. I think that is one of the imbalances within the market and a barrier even to new entrants or incentives for people to come in and take a look at it. But we can take that up with the regulator tomorrow; we can leave that there.

The Chairman: I understand that in East End and North Side the fibre line crosses houses on the street yet they are not connected. Is that because the demand on that fibre line from people that you already hooked up is so high, that you are worried about reducing it for them by hooking up the local people in between?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Mr. Chairman, just understanding the network in itself: We do have fibre that runs and connects our exchanges and our cell sites, but it is a different type of fibre—we use our G-Pawn fibre for residential connections—so, certain areas in East End where we run G-Pawn fibre which extends to the Queen's Highway and down by the Health City area, considering that a part of the eastern district, we do have fibre in there.

General connectivity in the central East End area we have the fibre to the curb solution. So I do not have fibre strung on a pole passing someone having poor speeds... I mean, just thinking about it as you talk—and being from East End myself—I do not have fibre where someone is having a problem. If we have issues we will open the fibre up on the G-Pawn side to do that.

I know right now we are looking to do some stuff, like I said, where people are having issues on the Queen's Highway; it is just a small fibre drop that we are looking to do in that area because they had problems over there with lightning and all of that as well.

Again, it is not an economics thing that we are looking at in terms of connecting the rich homes and leaving the others out. Our customers pay us and they pay us well. What we are talking about here as we discussed earlier, it is \$200 for 200 Megs and TV; if I can get that from any customer that would be good. Right now our lower plans are in the \$80 range. So the price disparity is not much when you are talking one or two customers, right. Our goal is to improve

customer service and make sure we have a product that is competitive in the marketplace.

I do not know if that answers your question, but anyplace we can put fibre—any green field area—if there are new housing estates we are going to build that up with fibre; it does not make sense to put copper there because of the issues we could have with copper down the road.

The Chairman: Just for edification of the constituents. For instance, in the Hutland area where you say you just put in fibre—will you go to your customers there and offer them fibre, are you going to replace it as routine or do they have to make an application if they want to get fibre?

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): In the Hutland area, like I said, we are working with DataLink to get permissions to do that so I will just use an area that we just converted, which is Woodland by Breadfruit Walk area.

As soon as we put fibre in the new housing estate there, what we do is canvas the homes and customers in that area to see if they want the service; find out what speeds they are looking for and connect them. We did Savannah Acres last year; some people are still on copper and some people are on fibre in there because they wanted to take our TV product so, in essence, we prioritised those who wanted the TV product.

Coming back to your initial question about the CapEx: a part of getting the CapEx is to show increased penetration on our fibre footprint, so that is exactly what we need to do. Self-governance is that I cannot leave people off and continue to operate two separate networks; it is not economically feasible, so we have to convert those customers.

So when we come into the Hutland area, we will be canvassing the homes to see who wants to upgrade, because some people may just have a normal telephone line which works happily on the copper and as I mentioned it is a \$1,000 investment for each one I convert; so those customers that have faults or poor experiences with our product, especially, will be the first to be converted.

The Chairman: Mr. Tatham, I would like to thank you and your team for coming in and appearing before the Public Accounts Committee.

Thank you very much and have a good evening.

Mr. Daniel Tatham, Director, Flow Cayman (Cable & Wireless): Thank you and the members of the honourable House, have a good evening.

The Chairman: We will take a five minute break, before we call in the next group.

Proceedings suspended at 3:16 p.m.
Proceedings resumed at 3:25 p.m.

The Chairman: I invite the Deputy Sergeant to bring in the witnesses. I think there are four.

C3 PURE FIBRE

ADMINISTRATION OF OATHS OR AFFIRMATIONS

Mr. Randy Merren, Managing Director, C3 Pure Fibre: I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

Mr. Kris Bergstrom, Shareholder, C3 Pure Fibre: I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

Mr. James Bergstrom, Board Member, C3 Pure Fibre: I swear by Almighty God that the evidence I shall give to this honourable Legislative Assembly, shall be the truth, the whole truth, and nothing but the truth.

[Pause]

The Chairman: Thank you for coming, Messrs. Randy Merren, James Bergstrom and Kris Bergstrom. Thank you all very much.

As you would have been made aware, we are dealing with the Office of the Auditor General's Report on the Efficiency and Effectiveness of the Utility Regulation and Competition Office (OfReg), June 2020.

We had the people who do the regulating in last week, and in an attempt at fairness and objectivity, we decided to invite the people being regulated so we could find out what concerns they have with the OfReg, whether it is offering assistance or it is an impediment to you being able to give the best service to your customers.

The only rule is, the first time you answer a question, please speak into the mic and give your full name and position so it will be recorded properly in the Hansards of the Legislative Assembly because anything you say here will be recorded forever and ever. Miss Annie's words are still here.

I will invite Mr. Chris to start the questions.

Mr. Christopher S. Saunders: Good afternoon gentlemen.

Firstly, I want to thank Mr. Randy for returning to the Committee. Members and the listening public may recall that he was here a while back and high-

lighted some of the issues and challenges they were having. Since your last testimony, I am curious to see what progress has been made with regards to getting your organisation moving forward.

As you can see, the fibre issue has become somewhat topical for the public. I think we all can agree that having Cayman positioned as a world-class infrastructure especially when it comes down to telecoms, when we rely on tourism and financial services for our bread and butter, is key to our survival.

I would just like to get a brief update on the challenges you raised back then: What has been done since or what progress has been made, if any, with regards to making sure that we get more competition in this sector.

Thanks

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, my name is Randy Merren, Managing Director of C3.

To answer Mr. Saunders' question: We have filed seven different disputes and within those disputes there are multiple others. When I was here last time I think we had had two decisions on part of one dispute. None of those decisions came to fruition. They have been done by the regulator but I do not think anyone paid them any mind to adhere to them. I brought that up to the regulator up to a couple days ago.

Since then we have filed numerous other disputes; Flow was here a few minutes ago and I heard them say that they have a dispute with one of the licensees, that is us—C3. That issue was that we applied to get into their ducts from Shamrock to High Rock landing station where the MAYA-1 is. We negotiated an agreement to put a one-and-a-half-inch inner duct in there and we have communications with them agreeing to that duct; we ordered the duct to go in there and then when we started—by the way, we paid \$70,000 for the survey and \$70,000 more to clear the ducts for make ready.

That was in 2018 I think, or maybe a little longer than that, but they have not cleared the ducts and then they basically came back saying that we are trying to install a one-and-a-half-inch inner duct and we only have permission for one inch. So, we have a dispute in there. Inside of that is that we tried to get into the MAYA-1 landing station, which they have refused to give us access to so, it is not that us licensees are not trying to expand our network, we are being blocked; that is the fact of the matter.

I think the regulators lost sight of what they are supposed to be doing. They are not regulating the garbage dump here; they are regulating multi-billion-dollar companies that are not going to easily give up their market share to someone like C3, who is a 100 per cent Caymanian-owned company, so they are going to try to block us any way they can. We are the

disrupter; the third wheel in the chain. That is the whole issue that we are running into here.

It has not gotten any better, but I think it was really telling when Mr. Fa'amoe said in here that he lacks regulatory attorneys; he should have access to a fleet of them, because they are the ones who have to deal with these disputes. They need to properly investigate and resolve them in four months, not the 80 or 82 months that we are seeing in here.

It has cost us dearly; we are a green field, meaning we had no revenue streams like any of the other providers here had revenue streams that they could depend on whether they had service or not. We had to build as quickly as possible to deploy our G-Pawn network as quickly as possible and that has not happened. It is not only just on the underground cables; it is the ones going aerial as well. We have disputes with DataLink, Logic—all of them except Digicel.

The Chairman: You sound like a very disputable guy.

[Laughter]

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Yeah, well; I just have a job to do.

The Chairman: I want to clarify that for the listening public because the people might misinterpret disputes. I think what you mean to say is that you have complained to the OfReg about interactions with other companies and it is OfReg's responsibility to resolve those complaints.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Absolutely, Mr. Chairman.

The Chairman: One of the things we hope to accomplish in these hearings is public education.

Mr. Austin O. Harris Jr.: Mr. Chairman, thank you.

Through you, Mr. Chairman, I want to formally welcome the witnesses and thank them for appearing before this Committee on such a very important subject as the one we are dealing with this afternoon.

The witness just used very strong language when he stated that they as a newcomer to the telecoms market are being "blocked" from expanding their broadband internet choice particularly, to the eastern districts. This Committee heard testimony over the last two weeks, specifically from OfReg's Executive Director of ICT who stated, with regards to your challenges with DataLink, that they agree with you and they even challenged DataLink in court and lost.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman that was lost on a technicality. They are supposed to do their dispute resolution in a draft form first and issue it to the parties but they

skipped that step so it was on that technicality; they did not follow that one step, so they took them to court on that.

Mr. Bernie A. Bush: Are you going to do it over?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: I would assume that they have to, because the dispute was not resolved. I think all they got to do is reissue the dispute in draft form which I think they've done; C3 had no comments on it, I do not know whether DataLink did, but from there they should reissue those so I do not know what the status of that is. However, if you do not have a regulatory attorney in-house who's going to do the job?

Mr. Austin O. Harris Jr.: I thank the witness for that. Obviously, that is different than what we got from OfReg; they stated very clearly in testimony that they agreed with C3, challenged it in court, but lost the argument.

[Inaudible interjection]

Mr. Randy Merren, Managing Director, C3 Pure Fibre: On a technicality.

Mr. Austin O. Harris Jr.: All right, let us bypass what OfReg did or did not do. Let us talk about your claim that DataLink and Flow are not allowing you to "piggy-back" on existing infrastructure for a fee, in order to expand to the eastern districts.

We asked the question specifically of DataLink and their subsidiary owner company CUC this morning. The evidence suggested was they have not refused however, they said specifically, that the providers—and I only presume they are talking about C3—have not been willing to pay the make-ready fees which average about a \$1,000 per pole, nor are they prepared to accept the connection fee which is between \$7 to \$10 a day or a quarter or something to that effect, I think.

Simply stated, DataLink's evidence was that the new providers—C3 or otherwise—are not prepared to accept the make-ready costs. How do you respond to that?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, we have paid millions of dollars in make-ready costs. The dispute was not on that portion of it but I think it should be; we should probably have another dispute because the make-ready charges have grown astronomically since we started on South Sound and Walker's Road building east and they will continue to go up.

The make-ready on a pole is running right now about \$800 for us and we share with Logic; so it is about \$1,600 per pole. The issue is not so much the

poles now; they got mid-span poles that are now added cost to us. How we look at it is: it is a cost to home pass. For instance, we just paid \$1.5 to \$2 million to do make-ready in the Newlands area. That is our portion; Logic would have paid 50 per cent of that, so that is \$2 million worth of make-ready in that area.

In that area, we crossed 2360 homes. Now that is a lot denser than when you start going east. It is going to be homes farther apart, so the home pass is going to start getting higher and higher. It is going to get to the point where, can we even afford to continue? We have been building since 2012 and we have gotten to Newlands.

Mr. Chairman, I have no idea when we are going to get to North Side, that is a long ways, but those are the issues we are getting into. I think the government has a look at solving that issue; whether they come up with some kind of rural plan because Caymanians need to have access to broadband but the barriers of continuing are going to get to the point where we just cannot build.

Mr. Austin O. Harris Jr.: In recognising your challenges to piggyback on existing infrastructure and the millions that you have spent and the very little progress that arguably, you and I would admit has been made—why not direct those millions into your own infrastructure and get the job done perhaps in half the time?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, C3 has a license to construct its own poles. We submitted two applications and two test areas to build our own poles and neither of them was approved. They had to go to NRA, I assume they had to go to CUC to get signed off but both of those were submitted and neither one was approved. Since that time, CUC completed make-ready in that area and we paid to attach to those poles.

Mr. Austin O. Harris Jr.: A comment was received from a member of the public who obviously has been listening to these proceedings much like you have been, that attaching fibre optic cables to telephone poles in the Cayman Islands in this day and age is short-sighted. One hurricane comes along as did hurricane Ivan, and not only have you lost your electricity and your telephone network but arguably your broadband and internet as well.

Is there a reason why C3, Logic and some of the new players on the market are looking to go above ground by way of poles instead of underground, which seems to be the wave of the future and certainly much more secure in a jurisdiction ravaged by the annual risk of hurricanes?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman that is the entire reason why we

applied to go into the Flow ducts that run all around the Island. We wanted to put in our feeder fibre in the inner ducts on the ground from George Town to the MAYA-1 landing station. We have applied for survey costs to go to Rum Point and we have applied to go as far as Flow's ducts go, which is to Gun Bay, in their ducts simply to put our feeder fibre under there and then pop up with our distribution fibre on the poles in that area. No luck.

Mr. Austin O. Harris Jr.: Mr. Chairman through you, obviously I missed the response from the witness from Flow but I recognised and accepted that my question was already asked and answered. We had a chat during the break and the response from Flow to the claim that C3 has been asking for access to this ductwork so that they can connect their devices and their service was that they have not received any such requests.

Is that correct, Mr. Chairman, so that I do not speak out of turn to the witness?

[Pause]

Mr. Austin O. Harris Jr.: All right, so the response from Flow was that they have not received any requests from C3 or otherwise to “piggyback”—access—their existing infrastructure. How do you respond to that?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Well, we have not asked to use their fibre; we have asked to get access to the ducts to put in our inner ducts to basically use our own fibre. So that portion, if that is what he has construed that to mean, he would be right but we have asked to go—and I can send you the paperwork—into lots of ducts around this Island, especially going East.

We have had duct surveys; we paid for duct surveys for George Town. They took our money and still have not done it. Facts are the facts.

Mr. Austin O. Harris Jr.: I know C3 has provided an excellent bundle to this Committee, I would ask you to simply send over the rest of it so at least we can have some evidence upon which to make any recommendations going forward.

The Chairman: Mr. Merren, you keep using the term ‘to put an inner duct’. Why is it necessary for you to put a duct inside of what I believe is PVC pipe ducting that they already have? This is just for my and the public’s edification.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: That is a requirement by Flow/Cable & Wireless; they want us to be within an inner duct inside of their duct.

The Chairman: Is that a space problem?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: I think it is probably more to protect their cables that are in there. We pull in the inner duct and then we pull our fibre through that.

The Chairman: Okay.

I was going to ask you how far east you have gotten and when you are expecting to get to North Side but that would be a superfluous question right now.

The question I have to ask is: In order to reach the eastern districts, having come against the impediments that you have, is it not possible to do a wireless connection from George Town say, to an antenna in North Side, and then distribute from that by fibre? Or is that technology not available?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, I heard you complaining about having a wireless solution in your house earlier in a PAC meeting. Our technology is fibre to the home; it is a jip-on system. We do not have a wireless license either.

To be quite honest, I do not know whether there is any spectrum space to be able to do a 5G without actually clawing some of it back from the Flows and the Digicel.

Mr. Christopher S. Saunders: Are you basically saying there is a possibility that the amount of spectrum you would need is unavailable?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: In the 3.5 to 3.7; most of that has been allocated. I think it is on reserve for Government's 911 or something service but I think a lot of that has been allocated; they would have to claw some of that back.

Mr. Christopher S. Saunders: Yes; originally there were three: Cable & Wireless, Digicel and AT&T so there was definitely capacity in that space for at least the three providers.

Now it is really down to two so as you said, maybe it is time to claw back some, because I think Digicel ended up with some of AT&T's spectrum when they did the acquisition back then and I very much doubt that they could be using all of that.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: No.

Mr. Christopher S. Saunders: Something I want to touch back on with regards to OfReg, and this has been the crux of the matter.

I do not know if you caught the earlier part with Cable & Wireless speaking of the regulatory fees with Cayman being one of the highest in the region.

Granted, that we do not charge taxation to companies, but one of the things that I think is necessary for us to look at as a country, especially when it comes on to investing in infrastructure, is: How can we incentivise companies, especially Caymanian-owned companies like yours, to really push forward?

The reason this bothers me on a personal level is having some experience in telecoms and seeing that much of these companies' growth came from buying smaller companies. I will give you a perfect example: Bermuda. When AT&T was expanding to Bermuda, the company they bought was actually started and owned by a Bermudian. So we saw in some of these places where many of these local telcos were actually owned by nationals within the country and to some extent, even after the purchase some of those nationals—I guess looking for economies of scale and growing—still retained a percentage of ownership in these companies.

That is one of the things with Cayman that really bothers me: when we look at this business, we look at the amount of wealth in this country but yet so much of the essential services—I mean at least CUC is publicly traded and every Caymanian has the right to go down there and get a piece of it; even pensions, et cetera, but these are the kind of things that we need to do as a country to incentivise our own people.

What would you like to see done to incentivise businesses like yours, who is willing to push out the tens of millions of dollars needed to put in the infrastructure that the country needs, because in addition to being a good business, it is also good for the country to have fibre throughout.

What can the government or anyone do to help companies like yours?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Well, Mr. Chairman the first thing I would do is to get the regulator regulating this properly, quickly and efficiently. We have invested a lot of money, we spun our wheels spending a lot of money on legal services that we should not have. It should have been a regulator, file a dispute, do the questions and get through the system.

As far as going to some of these other pockets when you are looking at the rest of the Island that has to be done when you go east, I think the government may have to look at some sort of rural assistance programme to basically build a fibre infrastructure that people can use when you go out there.

Mr. Saunders, you worked in the sector; you know it is capital intensive and barrier to entry is extremely high. The other thing is, get us access to the landing station, so we can negotiate better terms for off Island capacity.

Mr. Christopher S. Saunders: May I make a suggestion on something that maybe you guys want to entertain? I just have this sneaky feeling that if you guys were to go out and probably raise capital on the local market because there are a lot of people right now with a lot of pension money and probably some of them do not know what to do with it, other than maybe stick it in Credit Union.

To expand on the point that my colleague for Prospect raised before, in terms of laying fibre throughout this entire country, I just have a sneaky feeling that a lot of people would invest in a company like that. And those are the kind of people who, once invested would become customers, because they know that at least they are spending money back with themselves.

Is that something you guys would even entertain?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, absolutely. That was our long-term plan; to get the company profitable and go to the local market to raise more funds. I have been privileged enough to find five Caymanians that invested in this—two of them are here.

The company has to grow; you have to build it for it to grow and when people look at it, they look at the issues of investing and it comes back to the same thing; the regulatory issues that are outstanding because they do their due diligence as well, and they see that you know, *hey you have seven disputes...* So you have to get across the barrier first.

Mr. Christopher S. Saunders: Here is something to think about: You go you out and find 1,000 or 1, 500 Caymanians to invest in your company ten months away from election, do you really and truly think that at that point the political will is not going to change to say to those guys, *get this done*?

Not to belabour what my colleague for Prospect said, but I also have a problem in a subdivision in my area where all the utilities are underground and we only found out when they wanted street lights and we realised they have no poles there on which to put street lights. I mean they had other lamps there but the point is in this day and age, looking at our terrain and where we live, one of the biggest issues we faced after Ivan was basically poles being down. Why not just say, *you know what, let us go make the necessary investment at this point, put everything underground and just start moving everything underground from now?* That would take away at least one of the worries that we have.

I believe that those are the kind of big, bold initiatives that if you guys decided to push that, I am almost certain you can go out and easily raise \$20 to \$30 million from the local market because there are people with money willing to invest in Cayman and for

something like this, I think these are the kind of things that we need to be looking at.

I would definitely encourage you not to wait until you become profitable; because the whole idea of investing in a company is that you buy the stock low and then you just wait for it to appreciate. People want to come in on the ground now where they can push some money away for three, four or five years and know that three, four or five years later it should be worth something.

I mean I would definitely tell you to look at it because at the end of the day—no disrespect to the other carriers—but, for where we are sitting right now, we are still about what is best for the Cayman Islands and what is best for Caymanian people and having our own people own key infrastructure is in the best interest of the Cayman Islands and in the best interest of the Caymanian people, and we need to do more to encourage that so I will put that out there for you to consider.

What would you like to see us change, because if there are weaknesses in the law or regulations—obviously you said OfReg needs a proper regulatory lawyer to deal with these issues; that is a feedback I have gotten from other people within the ICT space that it seems to be lacking in that area on the regulatory side, compared to where they were before.

We have recognised even from Mr. Alee's testimony here last week, that there are internal challenges where before we had an ICTA-focused sector, now they are basically competing with other areas and so forth. But we need to realistically look at what is needed. The ICTA is paying its way; it is putting millions of dollars a year in the government coffers, so I do not see why we should be having these challenges in this space.

If that is a policy issue then that is something that we can push to deal with the government from that standpoint, but in terms of getting the right people in place, well, I will say this much: maybe to some extent, when OfReg is going to court, I mean you guys have some competent lawyers back there, become friends of OfReg and go pound those guys up too.

The Chairman: Some time ago there was a lot of activity in the middle of the road on Seven Mile Beach, was that putting in fibre and TV cable?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman we put our infrastructure down and we use Flow's duct along West Bay Road all the way to the Kimpton, I think. Ours weren't intrusive because we just pulled it in into the duct, but I think other carriers cut through the middle of the road.

The Chairman: My question is: Why can't you just do the same thing going east—knock down the middle of the road like they did over there and put in your own?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: I think it is the just the cost of doing it; it is expensive. Let's face it, that duct is on public land, the roads are owned by Cayman so we should not be stopped from getting access to it. I mean they have three, four ducts; clear out the way and let's go.

The Chairman: I understand that the law the ICTA law specifically provides that the ICTA can force one of its licensees to provide access to their ducts. The question is—and I guess we will have to ask Mr. Alee when he comes back tomorrow afternoon—why is it not being done in the eastern districts, in particular, where there is low demand but the people deserve to have equal coverage?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, Alee is a great guy and I see his struggles, but it gets back to having the resources to actually fight them. They got legal counsel, tons of lawyers behind them. The longer they keep us out, the longer they slow everything down, the quicker it is to run us out of business. You have to lawyer them up.

The Chairman: That is why I like to write laws in clear language, 'shall'... This thing about 'may be', 'might be'; 'could be convenient' or maybe it should happen or should not happen, that is what causes the problems. But I think, the way I read the ICTA Law, they have full authority to order Flow to give you space in their duct.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, I will give you a point right now of what we are dealing with: We applied to build a duct from Cricket Square to One Technology Square—because we want to go into One Technology Square—to backhaul our own capacity, our local loop of the CGFS. Flow would not give us the locates of their cable so they basically blocked us. We applied to go from Health City to MAYA-1, why? To get into the MAYA-1 landing station to back haul our thing.

We are paying them \$20,000 a month to bring that loop down; we wanted to get in there to bring it down. They would not give us the locates to both of those places, so we could not do that connection. We still cannot. The regulator reviewed it and made an opinion that he had no issues with why they would not give us and told them to give us their locates. That letter was issued the 20th March 2020 and we did not push on it because of the COVID situation but as soon as the Premier took us to level two, I wrote a letter and said, *'okay let's go.'*

They have ignored that letter. I followed up with another letter, they ignored that. I copied the CEO of OfReg on it and he wrote a letter to the country manager and that has been ignored to this date, so I want to tell you they have no respect for the regula-

tor. Issue some fines and let's get them in. If you have a stick and you do not use it...

Mr. Christopher S. Saunders: So is it that the Law is inadequate in dealing with these issues?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, I think they have gotten away with doing nothing for so long, they basically choose to ignore the regulator. The regulators are basically powerless.

Mr. Christopher S. Saunders: We asked Flow a question earlier with regards to access to the MAYA-1 cable and it was something along the lines that the space they have is limited, it was not built for more; but they basically said that you can basically build something next door and get access or something to that effect. We can always go back and take a look at the testimony that was given, but they basically said, *'well, if you want to connect you can go build to it and we will allow you to connect.'*

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, for us to get access to MAYA-1 landing station we need to put in a 1-RU switch in a rack. We asked them for that they told us *'nope, could not get in there.'*

We said, *'okay can we have space on the land to build a small building because it has to have power and all that other stuff?'* They said no because they had future expansion plans of that building; that is on 2-something acres of land. They told us the only way we are going to do it is a mid-span, which basically would give us the fibre link to a manhole on a corner of the building. It has no power, we cannot put a switch in it, it is susceptible to water damage and this is a switch, it is a Cisco switch to move the traffic around, so let's not go that way.

I mean I am just trying to be quite honest; I am just sick of the bovine scatology. Excuse me; can I get arrested for that? I do not know but that is what I am getting here from—

Mr. Christopher S. Saunders: Not inside here. You can say whatever you want.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: That is what we are getting from people when we try to do anything here. That has to stop; the regulators have to man up and use the stick and let's go.

The Chairman: One of the things that ICT identified to me, in particular, several years ago was the lack of fines and through a Private Member's Motion, the Member for East End and I convinced the Government to put some penalties in the Law. What we were

looking for was graduated penalties which would incentivise people to do something.

So, I get a \$5 fine if I were paying for 10 megabytes and I was only getting six and they had an established acceptable measuring system that they could use, because we have been told now that unless you are measuring their server, what we are measuring is incorrect. They would come out to my house, for instance, check it and if it were only six then it would be an automatic fine of \$50 and it would be \$50 per day, for however long it took that provider to get me up to 10 and they came back with the same instrument and measured and I was getting 10.

Unfortunately, what the government of the day did under the honourable Kurt Tibbets was that they put in this penalty and it says up to \$500,000, I believe was. So what happens now is that every time ICTA tries to enforce something, the big companies who can afford it, are looking at a \$500,000 and then they lawyer up. Whereas if they were only looking at a \$5.00 fine that they could collect in a couple of days they would go and fix the problem.

So I think part of what probably needs to be done is to try to get that kind of stuff in the ICTA Law which will better equip them to get compliance; because if they could say to Cable and Wireless, *'there have been so many months that you have not complied, so it is a \$500 fine now and if you do not comply by next Friday, there is another \$500 fine'*. So, there is an incentive for them to stop, instead of having to argue about the half a million dollars which will encourage them to lawyer up. It is kind of difficult to go and get 10 lawyers to work for you if the fine is only \$500.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, competition will do that; because if I am paying for service now and I am not getting it and I've got competition outside the door I can change.

Right now, unfortunately, you are in North Side and you only have one provider...

The Chairman: Well I cannot get a competition to my door. I switched providers and I was worse off and switched back again I am worse off again.

Do you think a kind of graduated penalty like that would get better results?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman I will be honest with you: We had an outage for 27 hours on May 10th on our network, I do not think you have probably ever seen but C3 issued credits to customers for that outage. It was not our fault, it was our upstream provider that had a fibre cut outside our control but we issued the credit to our customers.

We told them to fill out a form if they were affected and we issued a credit. We have done that

twice now for outages. Look back and see the last time you got issued a credit for having an outage from anybody else—but that is because we are a Caymanian company and we care.

Mr. Christopher S. Saunders: Mr. Chair, all I can say is that I do wish your organisation well.

I have sat at the Cable & Wireless table in a previous life and I remember as clear as day when I heard one Island came asking for funds to do a particular project and several months later we are asking for an update on the project and we were told the project was not off the ground because it was awaiting regulatory approval. The Chairman then asked, *'What is the fine if we breach the approval?'* And he said, *'Maybe \$300 or \$400 per day'* and he then asked, *'How much money are we going to make a day from doing this?'* It was much higher and his response was *'go do the project and pay the fine if they catch you'*. That is the mind-set in this business; it is a dog-eat-dog business and none of these guys who have made that investment is going to roll over and allow you to take their food.

So I tell you straight up, if you want it they are not going to give it to you; you have to go take it one way or the other.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman; that is why we fight them with all these disputes.

Mr. Christopher S. Saunders: Randy and company, good luck.

The Chairman: Thank you very much, Mr. Merren and Mr. Bergstrom for coming in. We feel it has been useful exchange and we will see how we can assist you in our report but, thank you very much.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman I think Kris would like to make a statement about some of the issues that he has seen. He's better at it than me.

The Chairman: We do not normally allow individual statements but if it is a short statement we will—

Mr. Bernie A. Bush: Mr. Chairman through you: Would any of the other board members like to say something that would help this situation?

Mr. Kris Bergstrom, Shareholder, C3 Pure Fibre: Mr. Chairman, Kris Bergstrom; I am a shareholder and a members of the board of directors of C3.

We came here today and we are very grateful for this opportunity to appear before you because we do have a situation and everybody's pointed to it where we are dealing with the dollar and that is what it

comes down to. When we look at the different challenges that we have been faced, when we talk about being blocked or prevented, it is not really blocked and prevented in the normal sense of the word. What they do is they make it untenable for us to actually reach the goals that we need to and we are not supported by the current regulator or even the Government in the way that they provide the regulator with the tools to do that job.

The difficulty comes when you really break it down and looking at some very basic things. We have a prepared statement but I think it is easier for me just to discuss it like this:

We have a utility provider to provide electricity for the country; they have been granted an easement by the Government to place their poles on public and private lands. That infrastructure they are allowed to get repaid for by the consumers of electricity in our country, so the infrastructure is paid for by the people. We take that same infrastructure and because it is probably smarter to attach to that infrastructure than put other infrastructure in place, and as we try to attach to it we started out at \$150 per pole and we are up into astronomical figures now where it is cheaper for us to actually buy a light pole and stick it in the ground ourselves and put our infrastructure up on it, than to make-ready one pole to get to you. So those are the challenges we are faced with, just to break it down into the facts.

Likewise, when we talk about reaching to the MAYA-1, they do not want to give us access. If I make a call to you from one cell phone provider to the other it has to leave the Cayman Islands go up to Florida and come back, all that traffic gets charged and the money gets collected by the legacy provider for that service. They have no reason to let us get into that. If we want to get cheaper rates for our people in this country, we need to break that legacy. It is as simple as that.

Mr. Christopher S. Saunders: Hold on, I just want to understand: You are saying a local call actually goes up to Miami and come back down to Cayman?

Mr. Kris Bergstrom, Shareholder, C3 Pure Fibre: I will let Randy answer that if you do not mind, Mr. Chairman.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Mr. Chairman, all the providers now use voice over internet protocol so any call that is going to travel on internet, there is no interconnection point in the Cayman Islands—no internet exchange point in the Cayman Islands. So all traffic has to go up to either MAYA-1 or CGFS and come back down. If you send a text message to me on WhatsApp messages, the message goes up and come comes down. It has nothing in here.

It goes further than that: there is no local interconnection of phone calls agreements here in the Cayman Islands; we only have one with Cable and Wireless. To give you the cost on that, we pay 12 cents to Cable & Wireless for landline to cell numbers. Why that is so high, is because in the past they were using TDM (Traditional Divisional Multiplexing) phone service analogue or 'pots' they used to call it.

When we came along and other new providers came on they used a voice-over-internet protocol (VOIP) switch, Cable & Wireless did not have a VOIP switch, so they use the traditional TDM and we had to install a SS7, which is a signalling device that lets VOIP talk to this service. That is why those rates are high, because they set those rates here and that is what it is.

Now they have voice-over-internet protocol as well, but there are no interconnection agreements between C3 and Logic, C3 and Digicel, that we could pass our traffic rather than using Cable & Wireless. I brought this to the regulator's attention, because if anything ever happens we lose that. I think it should be kept here; local calls should be kept here. Local calls should be. If we lose the connection...

The only connection point in the Cayman Islands where traffic goes without going through Cable & Wireless is 911. We all touch there; we could easily do interconnection agreements there. It is available and it should be implemented right away; a national emergency, we cannot continue in this way and it is going to happen sooner or later.

Mr. Christopher S. Saunders: Okay, so just be clear: It is C3 calls that have to go to Miami and come back? Because Digicel and Cable & Wireless local calls, I think, I remain local

Mr. Randy Merren, Managing Director, C3 Pure Fibre: It is VOIP—(Voiceover Internet Protocol). We have to go up on them...

Mr. Christopher S. Saunders: Well, for you guys.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: For all of us!

We are using VOIP (Voiceover Internet Protocol). So, you have to go on the internet. Unless they have set up some kind of exchange between them, but ours go up and come back.

Mr. Christopher S. Saunders: All right, cool.

The Chairman: Any other questions?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: By the way ratio came down drastically, but those rates have not been looked at since that that was put in place. It is much cheaper to complete a call

to the United States, United Kingdom, Canada, Mexico, than to complete calls locally.

Mr. Christopher S. Saunders: Before you guys came in, we were asking Flow about that same thing because I remember back in 2003, it was like 18.5 cents; you have now just confirmed. Is that 12 cents CI or US?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: It is CI.

Mr. Christopher S. Saunders: So it has gone from 18.57 CI down to 12 cents?

Mr. Randy Merren, Managing Director, C3 Pure Fibre: That is mobile to landline.

Mr. Christopher S. Saunders: Yeah, that is the one that we are talking about. I was still saying it is very expensive because it was basically like about \$0.01 to send a call of an MCI back then, I do not know what it is now.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Oh, it is fractions of a penny.

Mr. Christopher S. Saunders: Yep.

The Chairman: Thank you all very much and as my grandma used to say, watch this space.

Mr. Randy Merren, Managing Director, C3 Pure Fibre: Thank you very much guys.

The Chairman: The meeting is adjourned until 9 o'clock tomorrow morning.

The meeting stood adjourned at 4:15pm