

IPEC-24

REGIONAL ECONOMIC DIALOGUE (RED-AMS)

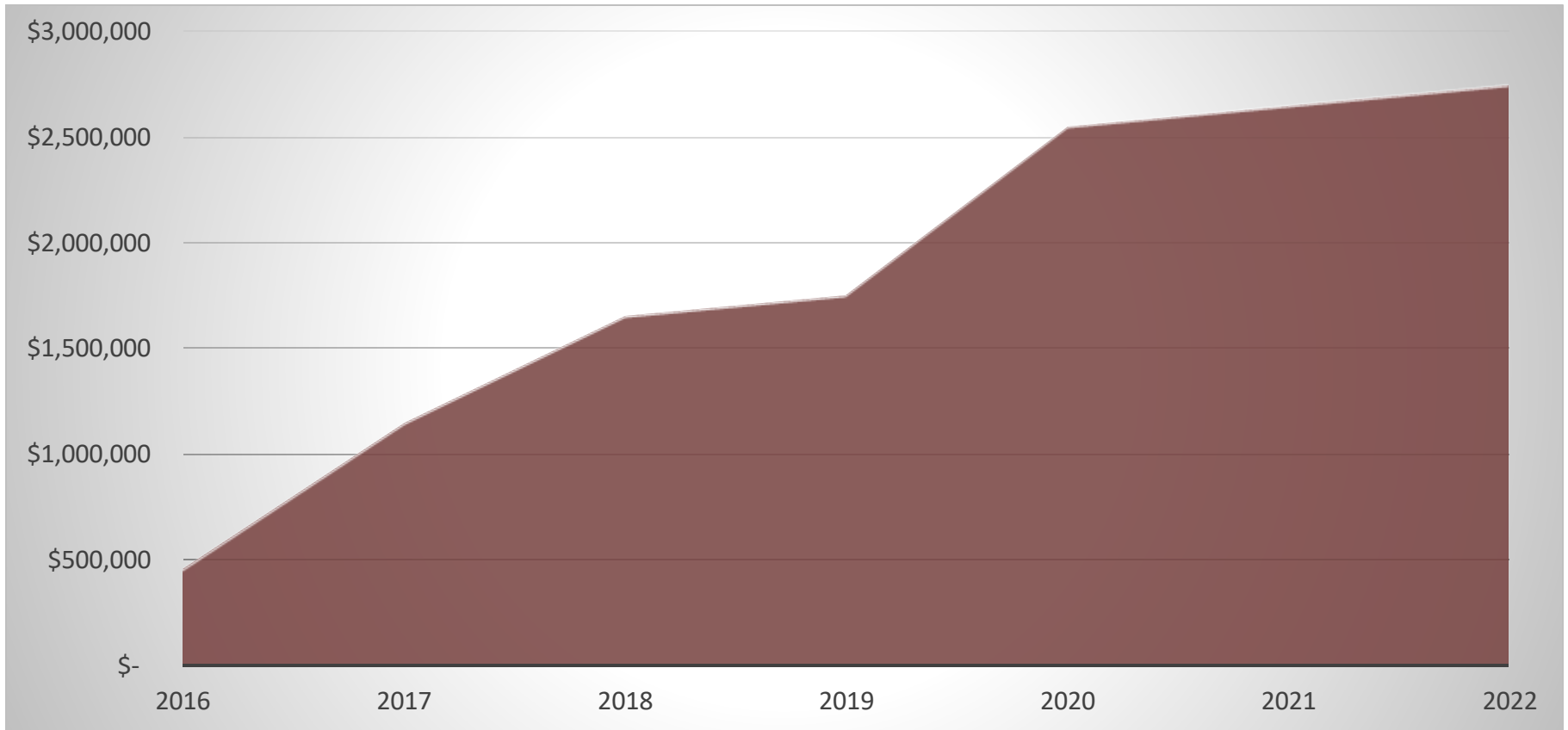
Lima, Peru, 2-3 September 2024

*Deliberating the financing gap in the
LAC region, to secure investments,
achieve inclusive and sustainable
digital development, and ensure that
no jurisdiction is left behind.*

Outline

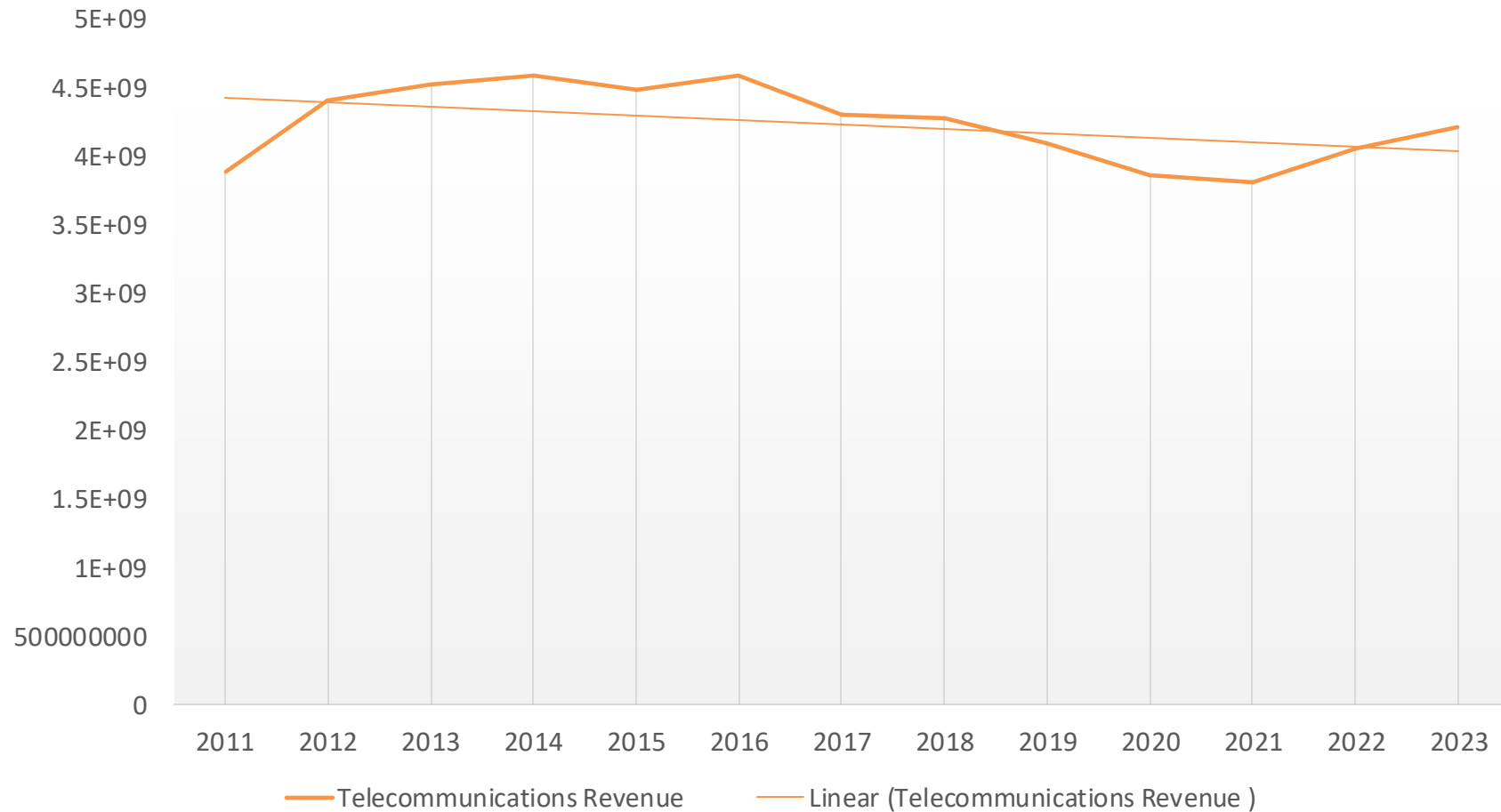
- ❑ Telecommunications Fiscal Debt (Bottom-up Modelling)
- ❑ Sectoral Revenue Challenges
- ❑ Telecommunications Investments- Fiscal Gap in LAC territories
- ❑ Market Solutions and Regulatory Remedies
- ❑ Overview of International Response to the Financing Gap
- ❑ OTT Providers Voluntary Contributions
- ❑ Market Solutions Summarized

Trends in Long-term Debt(LAC Region)



[Operator Long-term Debt \(SIDS-Model \(Avg\)\)](#)

Trends in Telecommunications Revenue



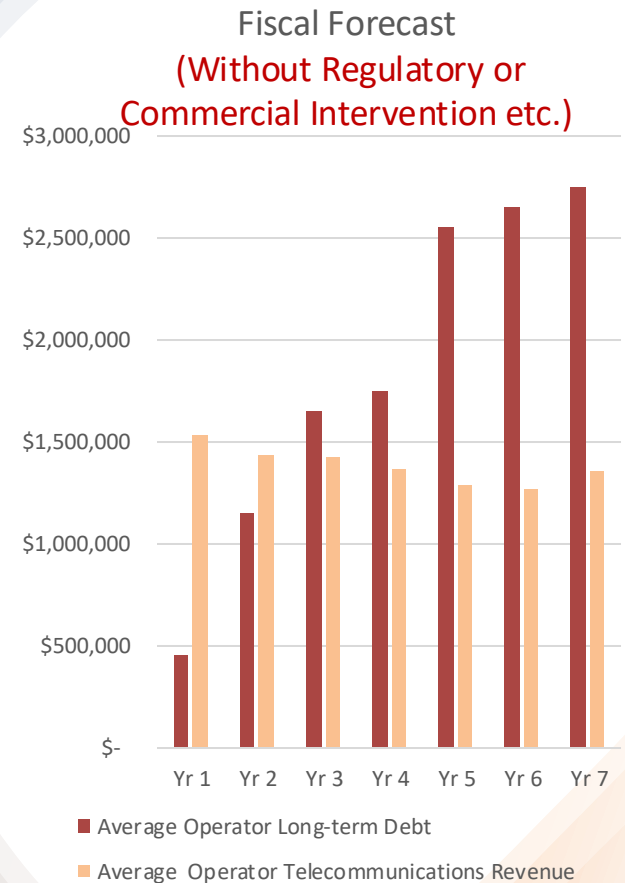
LAC Country-Trinidad and Tobago Base Case

Telecommunications Market Fiscal Gap

(Without Any Intervention)

- High debt financial environment
- Cashflow illiquidity
- Reduced network investments
- Delayed technological advancement (technological advancement outpaced in developing countries)

5G development presents a challenge for developing jurisdictions telecommunications companies, as they attempt to remain competitive and efficient in the provision of data services. The provision of 5G requires an extensive amount of capital for complex infrastructure upgrades in territories with impeded incomes.



Market and Regulatory Remedies

5 Million USD
per annum

50 Million USD
per annum

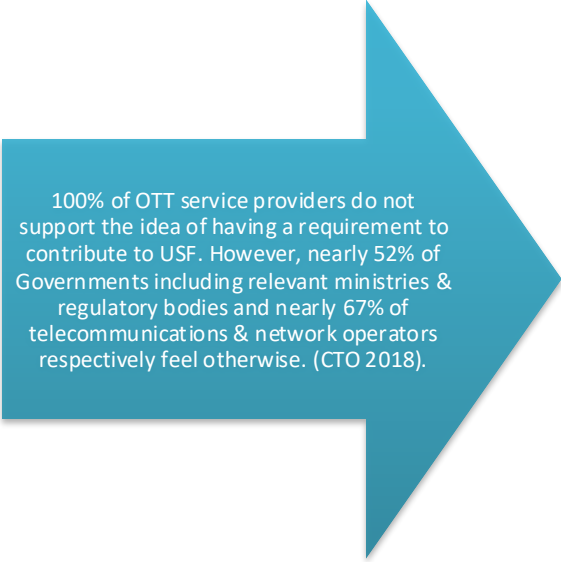
100 Million
USD
(PER 20-years)

1,000 Million
USD
(PER 20-years)

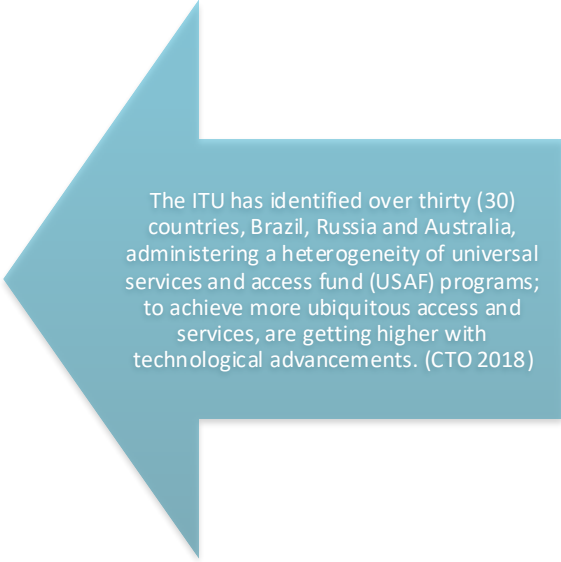


The above estimates the investment deficit, to be resolved, to meet the connectivity requirements in LAC-SIDS territories based on CTU reports and SIDS Benchmarked Deficit

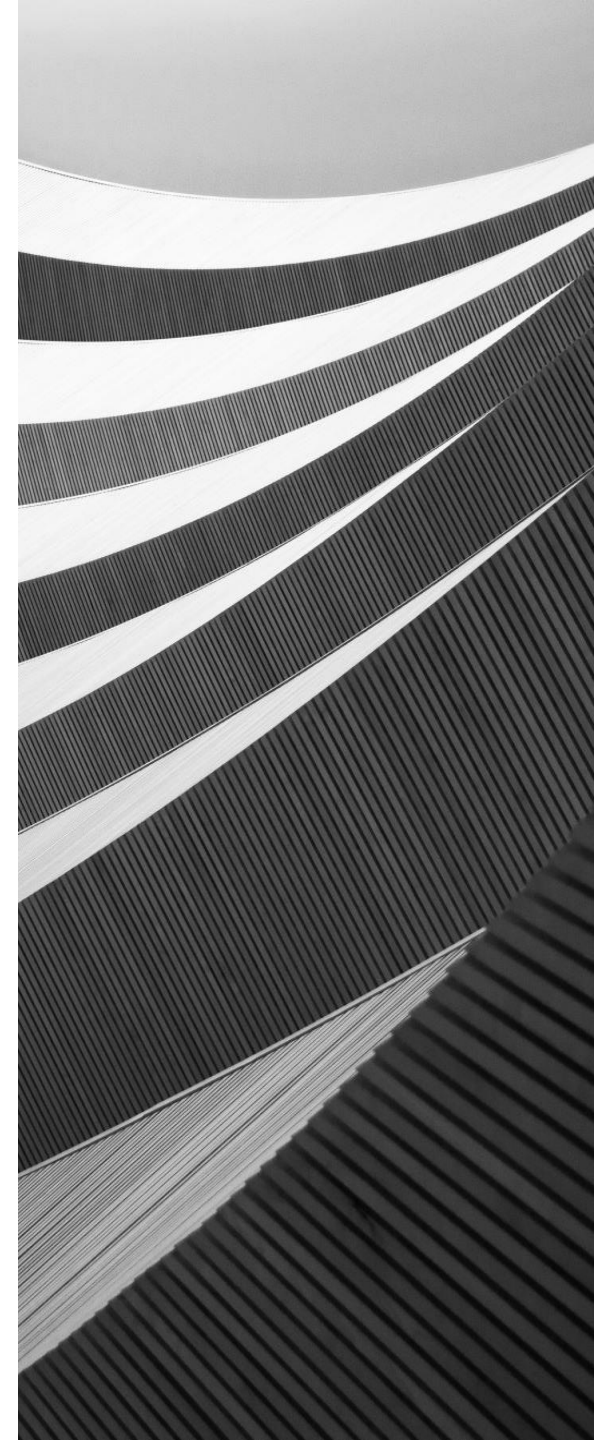
OTT Services Providers Contribution to Universal Service Fund



100% of OTT service providers do not support the idea of having a requirement to contribute to USF. However, nearly 52% of Governments including relevant ministries & regulatory bodies and nearly 67% of telecommunications & network operators respectively feel otherwise. (CTO 2018).



The ITU has identified over thirty (30) countries, Brazil, Russia and Australia, administering a heterogeneity of universal services and access fund (USAF) programs; to achieve more ubiquitous access and services, are getting higher with technological advancements. (CTO 2018)



Stakeholder Partnerships

Partnerships between telecommunications operators and OTT services providers can improve the operator's reputation, drive acquisition by bringing the loyal user base that your partner has independently built up, and also strengthen retention among your existing user base. Research shows that mutual partnerships allows telecommunications operators to regain control over revenue streams.

OTT services Contribution to Network Costs & Tariffs in LAC Jurisdictions

- OTT Annual
- OTT Tariff

OTT services Contribution to Telecommunications Networks

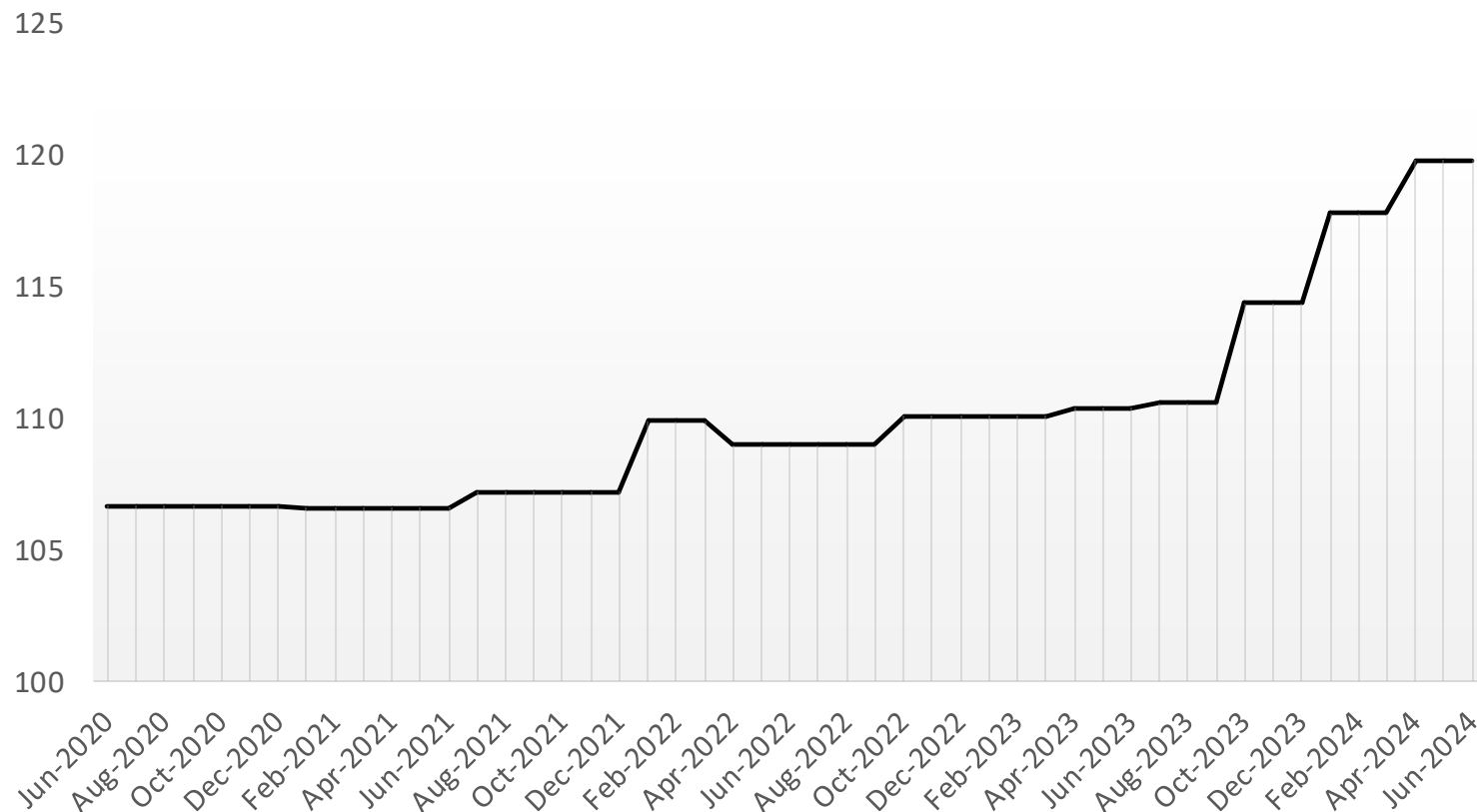
- Considering that market failure may arise where revenue challenges persist and prospects for future growth are limited.
- The rationale behind OTT services or “big tech” paying their fair-share, is to address this market failure, promote the sustainability of telecommunications infrastructure which benefit the region’s citizens,” balance the costs of capital (CTU 2023).
- <https://www.guardian.co.tt/business/regional-telecoms-to-address-ott-leakage-6.2.1735073.22cd4c4eae>

OTT Services Contribution to Network Cost in LAC-SIDS

- According to a recent report commissioned by the Caribbean Telecommunications Union, OTT-based traffic generates annual costs between US\$232 and US\$332 million for Caribbean network operators. This was estimated to represent 45% to 65% of the annual investment incurred by Caribbean network operators and 7% to 10% of their retail revenues.
- The report also noted that OTT-based annual costs are broadly estimated to range between US\$34 and US\$73 million in Jamaica and between US\$16 and US\$39 million in Trinidad and Tobago. Notably networks are sustained is by users and businesses who bear the cost through tariffs and capital injections respectively (CTU 2023).
- <https://www.guardian.co.tt/business/regional-telecoms-to-address-ott-leakage-6.2.1735073.22cd4c4eae>



Consumer Price Index - Communication



Consumer Price Index – Communication
(Trinidad and Tobago Benchmarked –Source: CBTT 2024)

International Response

Simplification of operations (Vodafone Case)

- The company transitioned from a complex Enterprise Resource Planning (ERP) to a single digital core-based SAP (Application Performance Standard (Ward, Forbes 2021). This reportedly aided in cost savings that was visible with a 1.3 billion in net savings from Europe and other common functions.

Core Focus on Network Infrastructure

- BT plans to expand 5G coverage through EE (everything everywhere), its subsidiary and mobile network provider, aiming to become the UK's first fully integrated network, combining fiber and 5G technologies. They have set a target to offer 5G coverage for nearly 90% of the UK's landmass by 2028, leveraging new market opportunities, strategic mergers and acquisition and increasing profitability (BT Group Newsroom 2021).

<https://www.bt.com/about/investors/financial-reporting-and-news/annual-reports>



Summary of Strategies



Set Fair Share Targets (Gap Funding)



Establish Mutual Partnerships For LAC-SIDS Markets



Network or Retail Business Segment Focused Development



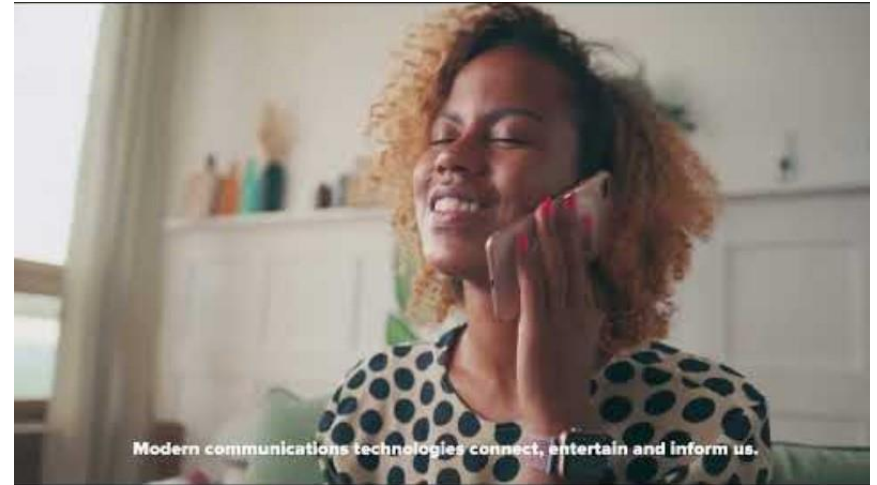
Identify USF Project Priorities with OTT Providers and Independent of OTT Providers



Strategic Mergers and Acquisitions Support, and Advanced Market Assessments (Modernizing Market Definition, Dominance and Communications Frameworks)

Proactive Regulatory Support (Trinidad and Tobago-TATT Base Case)

<https://www.youtube.com/@Tattorg>



Thank you

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