

The Rt. Hon. Perry G. Christie

PRIME MINISTER AND MINISTER OF FINANCE AT A LUNCHEON TO MARK THE
TRANSFER OF 2% OF BTC SHARES TO THE BAHAMIAN PEOPLE

Friday 29 August 2014

[Salutations]

It gives me great pleasure to be part of this historic assembly of partners and supporting cast, committed to advancing the overall good of the Bahamian people.

Just over two years ago my Party was overwhelmingly returned to government, in the general elections, to lead the course of our national destiny for the five years hence. It will be recalled that, what Bahamians considered to be a significant promise, was made by my Party following the sale of the majority stake in BTC. The promise was that, if elected, my Government would seek to regain majority stake in BTC through lawful means. In our Charter for Governance, it was made clear that I would cause this to happen, through arms-length negotiations with CWC.

To that end, in July, within two months of assuming office, and following an initial high-level engagement with Mr. Tony Rice, the then CEO of CWC, I appointed my team of negotiators headed by Mr. Franklyn Wilson, to start the talks.

The negotiations ran for the better part of a year, primarily, I am made to understand, due to CWC's focus on global restructuring efforts in such

wonderful places as Bahrain, Macau and Monaco, amongst others. As we would have heard from media accounts CWC's restructuring was with a view to concentrating on the company's future growth in Latin America and the Caribbean.

The outcomes of the negotiations were memorialized in an MOU. It will be recalled that in January of this year the Government and CWC signed the MOU for the re-transfer of two percent of the shares in BTC that were held by CWC, to a Foundation to be established by the Government to hold the shares (as on-voting shares) on behalf of the Bahamian people. I am pleased to report today that the necessary legal formalities have been concluded and that the Foundation now holds the two percent shares.

My Government has always recognized the importance, in today's world, of appropriately structured private public partnership (PPP) arrangements, especially in sectors where the private interests can bring expertise, financial wherewithal and global experience, that is not readily at a Government's disposal. This is notwithstanding reservations that we would have had about the process for BTC by which these arrangements were initially arrived at. We appreciate the value of PPPs in national development and have demonstrated this in other sectors, e.g. the hospitality industry (Bimini Bay), the aviation industry (NAD), utility sector with (W&S) and currently working on an appropriate arrangement for the Bahamas Electricity Corporation.

The final configuration of the partnership framework that we now have with CWC is undeniably more beneficial to the Bahamian interest, in all aspects, than the construct agreed by the former administration in 2011.

We also believe that it produces an equitable win-win result that both sides can live with. Here are some of the benefits:

the Bahamian people are guaranteed to receive the economic benefits to be derived from the two percent shareholding and CWC maintains management control of BTC with assurances that their right to consolidate BTC's accounts into the Group accounts is preserved. Additionally, the reconfigured partnership provides for important cooperation between CWC and the BCB for implementing and integrating technologies and developing strategies to enhance BCB's capacity and ability to profitably deliver programming. It also provides for other forms of collaboration with Government agencies to implement agreed "Social telecoms" programmes including, but not limited to, the areas of health, security, education and e-government solutions. In some quarters, there is the unfortunate view that an inherent incongruence exists between the objectives of Government and those of industry. Or, at least within our local context, this appears to be the misguided view about my Government promoted by an unashamedly biased segment of our media corps.

I am satisfied that progressive Governments (of which I count mine as one) and progressive business men have found quite the opposite of incongruence to be the case in most circumstances. For businesses to thrive they inevitably need customers. Governments, on the other hand, are elected to represent the interest of those customers as well as business, for national development purposes.

The right balance, therefore, is one in which there is collaboration between citizens, business and the Government to ensure that customers' needs are adequately and fairly met; and businesses have room for positive growth. The PLP heard the cry of the vast majority of Bahamians in 2011 when the 51% stake in BTC was sold and also took into account issues raised by CWC in the course of the deliberations during negotiations. Through the revised partnership arrangement with CWC, the Government feels that an acceptable consensus has been struck; having regard to the extraordinary efforts the former administration went to ensure that the interests of Bahamians were largely excluded from the equation in the sale process and for the future of BTC.

The need for the balancing I mentioned earlier has been particularly acute in the telecommunications industry which has been a very dynamic one. Telecommunications provides the very infrastructure on which global competitiveness, national economies and social interaction sit. The last decade has produced rapid and phenomenal changes, which have impacted the communications business all around the world. Most notably within this environment of change has been the introduction of competition. Very soon The Bahamas will be amongst those nations that have fully and effectively liberalized its telecommunications sector, with the impending launch of the process to award a second cellular licence. We look forward to BTC responding to the challenges that this new competitive environment will present. I had occasion to note recently, at the opening of the CANTO meeting some two weeks ago, that the CWC leaders and their support teams are to be commended for their cooperation in revisiting the deal that resulted in their acquisition of the majority stake in BTC.

In particular, Mr. Tony Rice (former CEO of CWC and former Chair of BTC Board), Mr. Nick Cooper (CWC's Director of Corporate Services and BTC Board member), Mr. David Shaw (former head of LIME and former Chair of BTC); Mr. Chris Dehring (current BTC Board Member) and finally, Mr. Phil Bentley, the current CEO of CWC and Chairman of BTC Board.

It is remarkable that, in addition to its global restructuring exercises in the last two years or so, CWC also changed CEOs, relocated its headquarters to Miami Florida, and re-engaged this country's top telecommunications expert, Mr. Leon Williams, to assist with transitioning BTC to compete in a fully liberalized environment. For those critics that unfortunately wish to regard the new partnership arrangement with CWC as reverting to pre-2011 BTC, I say nothing could be further from the truth. BTC is facing competition and is preparing to adjust to this reality. Technology has changed since 2011, indeed The Bahamas very competitiveness in the global economy has come under immense pressure. Today, BTC is managed by private industry best practice standards and norms, and its management leaders saw the wisdom (and I again commend CWC for this) in recruiting local talent to meet changing circumstances. It sounds like a winning combination to me and a far different cry from the BTC of 2011. Today we celebrate the model that integrates external expertise with local experience as part of its leadership. We also celebrate partners that have demonstrably shared with us their commitment to improving the lives of Bahamians. I recall that some \$56M for capital development has been approved for BTC for this year. This is the largest single year Capital Development Budget to be approved for BTC.

I am advised that these monies will be spent to address the Mobile Drop Calls, the slow Data Speeds and Fixed Lines. I am also told that BTC will begin its Trials on IPTV by Christmas of this year. The Alpha and Beta Testing will begin in the Family Islands with a 2015 Roll out in Nassau.

Before, I close, permit me to reflect on what it has taken to bring us to the point we are at today. By so doing my hope is that in highlighting these issues we will learn from the mistakes of our past, so that we are not destined to repeat them in our future.

Without casting aspersions, I think that most rational thinking person would reach the conclusion that the 2011 transaction arguably netted the former administration very little money for a number of reasons First of all, the consideration paid by CWC for the 51% stake was reduced by some \$7M. Further, significant sums to the tune of several millions of dollars were spent on a myriad of consultants and advisors, in addition to legal costs to Bluewater and overly generous bonuses to members of BTC executive management to induce their cooperation with the sale process. This could be considered as an unconscionable and considerable squandering of the company's financial resources Added to this, the former Government committed to meeting the financial burdens associated with underwriting the costs of the legacy defined benefits pension plan for BTC employees. They agreed to endow a Trust with \$39M to meet any deficit in the employee pension fund shortly after privatization, but never did. The current deficit of the BTC pension plan is almost twice that amount.

Notwithstanding prevailing sentiments for accelerating competition in the communications sector, the former Government agreed for astronomical penalties to be paid by Government in the event of any violation of the exclusivity periods agreed with BTC; and legislated the prohibition that the Government could not even commence the process for liberalization before the exclusivity period had expired. These actions have had an appreciable impact on the country's development. I contend that a process which had the interests of the Bahamian people as its primary motivation would have yielded a more favourable outcome for our country.

And so, when the PLP came to office we swiftly moved to engage with CWC with a view to a revisit of the terms of the relationship. I hasten to add that CWC had no obligation to treat with us in the manner that they did. Their willingness to do so is a testament to their appreciation for the need to work with and amongst Bahamians in a way that provides meaningful benefits all around.

We understand from CWC's financial statements, the important role that BTC plays in the success of CWC and recognize that for us, the Bahamian people, as the majority owners, a continued constructive relationship for all stakeholders is an imperative.

I am pleased to have arrived at this point, having fulfilled a major promise to the Bahamian people, that BTC would again, through lawful, non-coercive means, be majority owned by our people.

To Mr. Philip Bentley and his leadership team at CWC, I express appreciation for your cooperation in bringing about this accomplishment.

I also express thanks to my negotiating team, Mr. Franklyn Wilson as Chairman, Mr. Sean McWeeney, Mrs. Rowena Bethel and Mr. Leon Williams. My thanks are also extended to the dedicated team of officers in the Office of the Attorney General who work assiduously to implement the legal framework for the new partnership arrangement with CWC.

I thank you!