

THE JAMAICA TELEPHONE COMPANY LIMITED

I wish to report to the House that arrangements are being made for the controlling interest in the Jamaica Telephone Company Limited to be transferred from the British-owned Company - Telephone and General Trust Company Limited which holds 50.216 per cent of the issued ordinary stock of the Telephone Company, to Continental Telephone Holding Company Limited, a wholly-owned Canadian subsidiary of the Continental Telephone Corporation of the U.S.A.

2. Under the terms of the new Telephone Licence, in so far as it is reasonably within the power of the Company to prevent, no person, firm or individual shall hold more than 20% of the issued ordinary shares or stock of the Company without the prior approval of the Minister which shall not be unreasonably withheld. In keeping with these terms, Telephone and General Trust sought and obtained my permission to continue to hold the majority share holding which they held prior to the grant of the new Licence. They also agreed to dispose of their shares in excess of the 20% minimum over a 5-year period, that is, by January 1, 1972.

3. The shares of the Jamaica Telephone Company are quoted on the London Stock Exchange and one of the conditions which apply to all such shares is that, they should be freely transferrable. Telephone and General Trust therefore has the right to transfer its shares in the Jamaica Telephone Company to Continental, and Continental has the right to acquire them, subject of course to the provision in the Licence which requires holders of more than 20% of the issued ordinary shares to obtain my approval to retain the shares in excess of the 20% minimum. Continental sought my permission to retain the shares in excess of the 20% minimum for a 3-year period ending on January 1, 1971, vide paragraph 5(d) below. In effect, the decision I had to make was whether to allow Continental, a fast growing U.S. Corporation with proven resources of finance and skill to acquire the controlling interest from Telephone and General Trust, a Company which had expressed its unwillingness and inability to continue to provide the capital and services that were so badly needed by the Jamaica Telephone Company.

4. Continental Telephone Corporation was formed six years ago, and since then, it has acquired or contracted to acquire more than 230 telephone companies. Most of these companies are in the U.S.A., but it has also acquired telephone companies in Canada and owns the controlling interest in telephone companies in the Bahamas and Barbados. The total assets of the Company as shown in its 1966 Annual Report is \$436,575,000. Our investigations have established that Continental enjoys a very good reputation in the financial markets of the U.S.A. The Company now

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ranks third among American telephone companies, and it also has a high reputation for its operating efficiency among its major competitors.

5. In considering Continental's request, I felt obliged to satisfy myself that its acquisition of the controlling interest in the Jamaica Telephone Company would be in the best interest of Jamaica at this particular time. My Ministry had detailed and exhaustive discussions with top officials of the Company, as a result of which we were able to arrive at certain terms under which Continental would be allowed to retain the controlling interest in the Jamaica Telephone Company Limited. These terms which have been approved by Cabinet and accepted by Continental are set out below, and are explained more fully later on:

- (a) Continental will undertake at any time chosen by it in consultation with the Government of Jamaica during the next 5 years to refinance the World Bank loan on the basis of a U.S. dollar loan carrying on interest of one-half of 1% above prime New York bank rate existing at that time for a period of 25 years with an annual Sinking Fund of 2% of Principal and otherwise upon the usual terms applicable to a long-term financing for telephone utilities.
- (b) Continental undertakes to lend the Jamaica Telephone Company as and when required by the Telephone Company sums of money up to 5,000,000 U.S. dollars at the rate of one-half of 1% above prime New York bank rate from time to time, subordinated to the existing World Bank loan. Such loan to be redeemed from the sale of additional shares of the Telephone Company where such issue of shares would not result in a greater proportion of shares being held by Continental or otherwise by means of bank or other loans from other sources. The timing of the offer of shares would be sufficiently flexible to avoid conflict with other share offerings in Jamaica.
- (c) Continental would not cause the Telephone Company to purchase materials and equipment from any of its affiliated companies except on a commercially competitive basis and that it would not take or accept any commission or discount in respect of any purchase by or for the Telephone Company and, generally it would direct that purchases will be in the best interest of the Telephone Company.
- (d) Continental would reduce its share ownership in the Jamaica Telephone Company to the 20% level now required

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by the Licence on January 1, 1971; provided however that if the Government considered it necessary, Continental would agree to an extension of the time within which it should divest itself of the shares beyond January 1, 1971. The shares to be sold would be offered at the then current market price.

- (e) Continental would expedite the present development programme so that instead of being completed in the 5 years required by the Licence it would be completed in 3 to 3½ years. Continental will also provide the necessary financing to enable the Telephone Company to undertake certain other important projects in addition to the programme agreed on in the Licence.
- (f) Continental would undertake the necessary studies to determine the investment and rates that would be required to change the present metering system to a flat rate system. The result of these studies to be made available to the Public Utility Commission to determine the desirability of implementing the findings.
- (g) Continental would undertake an expanded training programme to train technicians both locally and in the Company's plants in the United States.
- (h) Continental may not enter into any agreement with the Jamaica Telephone Company to supply management services at a fee. This stipulation however shall not preclude Continental from supplying and charging for consultant and specialist services to the Telephone Company so long as such services are supplied and charged for in conformity with paragraph 37 of the All Island Telephone Licence, 1966.
- (i) Continental will give full support to the local I.T.&T. factory.

6. As regard condition (a), it will be recalled that the World Bank approved a loan of £3,938,000 to the Telephone Company for 15 years at 6%. The merit of the new arrangement is that the refinancing of the World Bank loan would on the one hand relieve the Government of its guarantee obligations under the World Bank loan, and on the other, the advantageous repayment terms of the principal would improve the cash position of the Telephone Company and make it easier for the Company to finance improvements as and when required. The repayment terms would give the Telephone Company 25 years to repay half of the principal instead of as at present, 15 years to repay the whole. On repayment

of the first half of the principal, the Company could expect to get another 25 years to repay the balance.

7. Under the terms of the Licence the Jamaica Telephone Company is required to undertake a £5 million expansion programme over the next 5 years. The Company in fact agreed to undertake a development programme which calls for the expenditure of £6,575,000 over the next five years made up as follows:

- (i) overseas World Bank payments £3,938,000;
- (ii) overseas non-World Bank payment £170,000;
- (iii) local payments £2,467,000.

The Telephone Company has been finding it increasingly difficult to find the finance to meet the "local payment" element of the programme, and Telephone and General Trust has clearly stated that it is no longer in a position to assist the Company with interim financing. Continental's ability to supply an additional source of interim financing up to \$5 million U.S. under condition (b) above will assist the Company in solving this particular problem. The Company will also have the advantage of being in a position to arrange its offer of shares to avoid conflict with other share offerings in Jamaica.

8. Condition (c) will ensure that Continental would not take advantage of its dominant position to acquire materials and equipment for the Company at non-competitive prices. This reinforces the protection which already exists under the new Licence, whereby the Public Utility Commission has the right to refuse to accept charges that are not reasonable.

9. Condition (d) has already been explained. This places an obligation on Continental to reduce its share holding in the Jamaica Telephone Company to the 20% level on the 1st of January, 1971, but if at that date the Government felt that it would be in the best interest of the country for Continental to continue to retain for the time being more than 20% of the shares of the Jamaica Telephone Company, Continental would accept such a decision.

10. Under condition (e), the present 5-year programme would be expedited and in addition certain new projects would be included in the programme.

11. Condition (f) deals with the vexed question of metering. The present metering system is not understood by many and this has resulted in much dissatisfaction. Continental will undertake the necessary studies to determine the investment and rates that would be required to change the system to a "flat rate" system. The findings would be passed to the Public Utilities Commission to determine whether or not the system should be changed.

12. Condition (g), is designed to give technicians of the Jamaica Telephone Company the benefit of wider experience and should result in improved efficiency in the local service. The trans-continental telephone system in the U.S.A. is such that the major companies frequently use each other's transmission facilities and this has led to a certain degree of cooperation on a technical level.

13. Condition (h), is designed to ensure that we do not have a recurrence of what was a frequent practice in the past, whereby a foreign major shareholder would charge the local Company a management fee irrespective of whether or not services were actually rendered. Under the new Licence, charges for consultant and specialist services must be on a competitive basis.

14. Condition (i) will ensure that the local factory which makes telephone equipment will continue to receive the full support of the Telephone Company.

15. The conditions which have been imposed on Continental as the main shareholder are additional to, and do not impinge on the obligations which are placed on the Jamaica Telephone Company under the terms of its new Licence. Continental has accepted these obligations, and we look forward to our period of association with this group. I am sure the House will agree that the arrangements which I have concluded augurs a bright future for our telephone system. I commend them to the House.

ROBERT C. LIGHTBOURNE,
MINISTER OF TRADE AND INDUSTRY.

18th May, 1967.

Breakdown of Loans Approved by
Small Businesses Loan Board in 1966

CATEGORIES	NUMBER	AMOUNT
		£
Baking	7	4,925
Bag Manufacturing	1	150
Battery Manufacturing	1	500
Ball Pen Manufacturing	2	2,000
Blockmaking	6	4,400
Curry Manufacturing	1	200
Drycleaning	15	9,650
Floor Polish Manufacturing	2	1,400
Fruit Juice Manufacturing	2	1,060
Jewellery Manufacturing	1	1,000
Mechanical Engineering	7	5,325
Metal Working	9	6,100
Millinery	1	300
Miscellaneous	16	11,150
Garment Manufacturing	43	18,925
Printing	6	4,450
Plastic Floor Covering Manufacturing	1	1,000
Straw Goods Manufacturing	2	250
Stonecrushing	4	3,300
Shoemaking	21	9,125
Syrup Manufacturing	3	1,350
Tile Manufacturing	3	2,100
Upholstering	2	1,600
Woodworking	34	19,170
	190	£109,430