

# Cable & Wireless Jamaica Limited 1998

(formerly Telecommunications of Jamaica Limited)

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## Chairman's Report

Since the last Annual General Meeting, there has been a change in the name of the company to Cable & Wireless Jamaica Limited. The name change was part of a rebranding exercise by the principal stockholder, Cable and Wireless plc, designed to create a unified worldwide identity for all its companies, and to ensure that every Cable & Wireless company adopts the corporate global vision - "To lead the world in integrated communications". For us that means more than just technology, it means the strengthening of the commitment to providing world class customer service to every individual who does business with us. Our name change took effect on February 6, 1998.

The change represents a strengthening of a partnership that has so far resulted in significant improvements in the country's telecommunications infrastructure. In bringing Jamaica so visibly under its brand name, Cable and Wireless plc is exhibiting commitment to, and confidence in, the future of the country.

The Jamaican economy has been no less challenging for businesses this past year than it was when I reviewed the company's performance last year. Monetary and fiscal policies aimed at controlling inflation and providing a stable currency have resulted in contraction in key sectors, increased unemployment and reduction in real disposable income.

This has been compounded by changes in our own regulatory arena, and a strong tendency towards the introduction of competition in certain areas.

Dialogue continues at the International Telecommunications Union (ITU), on the issue of Tariff and Accounting Principles in order to ensure the best arrangement for the company and the country. You will recall from last year's report, that I spoke of the Notice of Proposed Rule Making (NPRM) issued by the USA's Federal Communications Commission (FCC) to move towards dramatically increasing the rate at which international settlement rates decline.

Our concerns continue to be the negative impact that this will have on the company's international earnings which have been used to cross-subsidize our local charges and contribute to the funding of our development programme. We however continue, along with other developing countries, to work through the formal mechanisms established by the ITU to seek the best possible arrangements for our shareholders and for the country.

Notwithstanding, as settlement rates decline over time, there will be the need to rebalance revenue streams.

All of this will of course impact negatively on the development programme and the cost of domestic service to our customers.

Another challenge faced was that of having our application for a rate increase denied.

Despite all of this and notwithstanding also that the minimum rate of return allowable under our licence was not achieved, the Company managed to do relatively well with the development programme. The net gain to lines installed for the year was 62,100. This has brought the total number of lines installed to 419,362. In addition, 28 Outside Plant Modules (OPM) were installed - 22 of them in rural areas - bringing the total number of OPMs in service to 132. This added 17,792 to the number of lines in service.

Meanwhile, six new cellular sites were erected in the Corporate Area in an effort to improve the quality of the service being provided. Two other "cell" sites were erected in Montego Bay and one in Braeton to improve the quality of service to our customers in those areas. Additionally, six existing sites were expanded with 140 voice channels.

The network was expanded by the addition of three new switches with a total of 9,900 lines and 13 were upgraded by a total of 17,832 lines. At the end of the fiscal year, installation of additional inter-exchange fibre transmission systems to increase total capacity in Kingston and Spanish Town spanned seven exchange sites.

Some 52.69 kilometers of trenching was undertaken, 166 cabinets were completed and 78,892 usable pairs added.

The number of customers served using the Wireless Local Loop (WLL) technology now stands at 1,849, served from 12 sites islandwide.

The cost of infrastructural work to provide telecommunications services of world class standard, is extremely high and capital expenditure on our development programme during the year was \$4,741 million, thus demonstrating our continued commitment to the expansion of our telecommunications infrastructure and service offerings. This has brought the total capital spend since the formation of Telecommunications of Jamaica Limited in 1987 to approximately \$28 billion.

Net profit after tax for the year was \$3,139 million, a 17.79% increase over the previous year with earnings per share moving from 34.51 cents to 40.63 cents. Gross turnover was \$15,141 million compared with the previous year's turnover of \$13,036 million, or an increase of approximately 16.15%.

Despite this performance, the return on equity of 17.26% was below the allowable band of between 17.50% and 20%.

The company is mindful that while the pace of our network development has been extraordinary, our customer service has not kept pace and is far from being what it ought to be. We are well aware that without our valued customers we have no business. We also know that all the stakeholders in our business expect and deserve world class service from us, and we are committed to providing this.

Consequently we have embarked upon several significant initiatives aimed at bringing our customer service to world-class standards in the shortest possible time. These initiatives have already begun to deliver improvements to our customers.

Probably the most important one has been the establishment of a Division for Customer Services, headed by a Senior Vice President.

Already we have made significant strides in the turn-around time for customers paying bills in 90 percent of our business offices - reducing this to an average of 10 minutes - down from an average of 45 minutes.

Most of you might already be aware of the modern state-of-the art Call Centre which we are in the process of establishing. This will provide a single point of contact for any business our customers may want to conduct with us. The staff are now being vigorously trained and our goal is that by the end of the 1998/99 financial year, we will be able to answer 90 percent of our calls in less than 20 seconds and resolve more than 75 percent of your queries on first contact. That means that the person who answers your call will be able to resolve your query.

We have also acquired a new service provisioning system, which has already improved the reliability and accuracy in our provisioning of services.

We have expanded our network of payment points which now, in addition to our 23 Business Offices, includes all branches of National Commercial Bank, Scotia Bank, Workers Bank and Paymaster outlets. We have also introduced a direct debit scheme which allows customers to have the charges on their telephone bills debited directly from their bank accounts.

We are also moving to further improve the quality of our cellular service. As a result, we plan to begin the deploying of a new digital system by the end of the 1998/99 financial year to complement, and eventually replace, the analog system currently in use. The new network will bring greater service reliability and advanced features. A number of additional cell sites are also planned to further enhance the system, while plans are being made to simultaneously, dramatically improve the customer service area of cellular services.

Cable & Wireless Jamaica is acutely aware of the potential negative impact of the year 2000 problem, which could affect computer systems worldwide. Our company is actively engaged in addressing the problem to ensure secure and stable service to customers up to, during and beyond the year 2000. We are being assisted and guided by Cable and Wireless plc, which has approached the challenge in a very proactive and methodical way.

Our successes, this year, could not have been achieved without the cooperation and efforts of our employees. To them I extend my personal gratitude for their valuable contribution to all aspects of company life. Over the years, the staff of this company has managed to perform well despite the challenges of all types and they have always supported the Board in its

efforts throughout all the years that I have been associated with the company.

I wish to publicly record my thanks to employees, past and present, for having given me the support that was necessary as we worked to develop the modern telecommunications infrastructure which this country now enjoys. The road has not always been an easy one, and I say to all employees that the future will not be any easier, as new and greater challenges will present themselves as technology evolves and the environment changes.

We welcomed Messrs. Carl Grivner, Mark Macfee and Hartland Paterson to the Board. At the same time, we said goodbye to Messrs. William Allan and David Bamford who served the Board with distinction.

On a personal note, I would have retired as a Director of the Board and, as a consequence, as Chairman of the company by the time the next Annual General Meeting comes around. I would like to express my thanks to our shareholders for their cooperation and support throughout the years.

When I joined the Board of the then Jamaica Telephone Company some 36 years ago, there were 35,000 main lines in service. Today, there are over 419,000 lines in service. I leave the company satisfied that there is a modern telecommunications infrastructure in place, comparable with the best in the world and with plans to make it even better. I leave knowing that there is a well trained and dedicated staff, led by a committed and able President at the helm.

I would like also to record my thanks to the many persons who served with me on the Board of Directors over the years. I wish I could name them all individually, but that is not possible in this medium. Their collective wisdom made my job as Chairman that much easier.

As I demit office, I leave you in the capable hands of Mr. Carl Grivner, the newly appointed Director, Western Hemisphere for Cable and Wireless plc. He brings a wide knowledge of the telecommunications industry to the chair, and I am confident that the company will grow from strength to strength under his guidance.

Mayer Matalon  
Chairman

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