

PROJECT ABSTRACT
OCEANIC DIGITAL JAMAICA
(JA-0128)

Project Description

The project consists of the design, development, deployment, operation and maintenance of a digital mobile telecommunications network covering the country of Jamaica (the “Project”). Oceanic Digital Jamaica Ltd. (“ODJ” or the “Project Company”) has recently completed the first phase (“Phase I”) of a two-phased build-out plan and is currently providing services in and around the Kingston area serving in excess of 57,000 subscribers and has recently embarked on the second phase (“Phase II”) of the Project.

ODJ initiated commercial wireless operations in November 2001 and is one of two private mobile operators that were licensed to compete with the incumbent Cable & Wireless Jamaica. Following an international bid launched in December 1999 for the award of a GSM license and a CDMA license, in early 2000 ODJ was declared the winner of the CDMA license.

ODJ is owned 100 percent by Oceanic Digital Communications, Inc., a Bahamas company. Oceanic Digital Communications, Inc. (“Oceanic”) is backed by a financially robust institutional investor, S.A.C. Capital Associates, LLC, an investment fund with gross assets under management of approximately US\$3.6 billion. Oceanic builds, operates and provides technologically advanced wireless communications services in underserved markets in the Central American and Caribbean region. As of August 2003, Oceanic had established operations in Jamaica, St. Martin/San Martin and Bonaire. Oceanic’s business strategy involves establishing independent operating companies in each country within which it has secured an operating license. Oceanic provides funding for license acquisition costs, project development costs, start-up investments and operations. Oceanic also staffs each operating company with a highly qualified team comprising expertise in operations management, telecommunications technologies, network design, and marketing, among other areas. Oceanic’s strategy also includes training and technology and skills transfer to the local labor force.

Total costs related to the implementation of ODJ’s network, excluding the cost of the license and operating losses that are borne by equity, are estimated at US\$85.2 million. Debt financing from the Bank is anticipated through an A-loan of up to US\$30 million.

Project Benefits

This Project will provide widespread, high quality, affordable telephony services throughout Jamaica. Such services include basic voice services as well as advanced services including access to the Internet. Thus, not only will lower income households have a reasonable, high quality alternative to services currently available, those who desire more advanced services will be able to access such services of excellent quality also at competitive rates.

A large body of research has been developing over recent years pertaining to the impact of information technologies on development. Research suggests that communication technologies play a very large role in development and the adoption of information technology should be a priority for developing countries. Moreover, the Internet also facilitates greater dissemination of ideas and technology that will provide developing countries easier access to the skills and techniques required to take advantage of globalization. It is important to note that the availability, quality, and cost of telephone service appear to be major factors in determining Internet use. Thus, Internet use is very dependent on the extent of the telephony system in a country. Therefore, research suggests that developing countries have the need for high quality extensive telephone systems, both as a development tool in their own right and as a necessary infrastructural investment to make access to the Internet possible.

IDB Participation

Financing for telecommunications projects even in the United States and other developed countries has become very difficult to obtain as a result of the U.S. economic downturn, previous over-investment in telecommunications infrastructure and the bursting of the “dot.com” bubble. These developments have also had a substantial effect on the balance sheets and share price of telecommunications equipment vendors. Previously, equipment vendors were significant sources of financing to operators. However, vendor financing does not appear to be available at present. In Latin America, the situation had always been more difficult with access to long-term financing basically limited to privatized incumbents or companies with backing/ownership from major foreign telecommunications companies. This situation has been exacerbated for this Project in context of the negative view that recent economic difficulties in Jamaica have cast on the country for new lending. Commercial bank financing is currently not available for this important Project. As such, Bank participation in this Project is needed to bring this Project to fruition.

This Project is consistent with the strategy articulated in the Country Paper for Jamaica to increase Bank support to private sector investment and increased use of the Bank’s private sector instruments. Moreover, this Project is consistent with the Bank’s strategy as investment in infrastructure, including telecommunications infrastructure, is an important determinant of productivity and growth, because it expands the scope of the market and facilitates the dissemination of information and knowledge. This Project supports the development of information and communications technologies in Jamaica both through voice telephony as well as through advanced services including the Internet. As such, this Project is complementary to the Bank’s public sector programming in Jamaica.

Environmental and Social Management Report

The Project’s Environmental and Social Impact Report (“ESIR”) was approved by the Bank’s Committee on Environment and Social Impact (“CESI”) on November 7, 2003.

Given the limited environmental and social impacts associated with the construction and operation of the wireless network, no Environmental Impact Assessment or similar document is required by the National Environment and Planning Agency (“NEPA”) nor was required by the

Bank. The Bank required an assessment of Project impacts and risks. The principal in-country environmental, social and health and safety requirements are set forth in the Telecommunication Planning Guidelines (2001) published by the Town and Country Planning Authority (“TCPA”).

The Telecommunication Planning Guidelines (the “Guidelines”) refer the applicable regulations and standards for construction of cellular stations and include requirements for siting, design, technical specifications and safety considerations. The Guidelines restrict the installation of cellular stations in or near wetlands, near known bird concentration areas or in habitat of listed or threatened or endangered species or in migratory routes. Particular security, safety and information considerations are to be given when locating a site at educational institutions, health facilities, residential areas and other sensitive areas. Approval and recommendations from the Jamaica National Heritage Trust are required when locating a cellular station in heritage sites and conservation areas. The Guidelines were prepared by NEPA in collaboration with TCPA and is based on a comprehensive review of existing international standards. NEPA assess compliance with the Guidelines prior to providing the environmental authorization required by TCPA for granting an installation permit.

As of the end of October 2003, 45 cellular stations (24 in urban areas and 21 in rural areas) have been constructed and are in operation. The environmental and social impacts during construction at the cellular stations are determined by the characteristics (physical, biological) of each site. In general, the construction of the 24 cellular stations sited in urban areas caused temporary nuisances such as noise and reduced access to neighboring residents during approximately 1-week required for construction and erection of the towers. The 21 stations constructed in rural areas required the clearing of vegetation in an area of approximately 400m² per site and earth movement for installation of concrete foundations. The construction activities generated minor impacts such as dust, noise and waste. In addition, minor erosion resulted from the works associated with the refurbishment (i.e. leveling and clearing) of existing roads and footpaths. These impacts were temporary and had no lasting effects. Similar impacts will be experienced during the construction of the remaining 43 cellular stations. ODJ plans to install approximately three antennas within the confines of the Negril Protected Area in western Jamaica. However, the sites where the antennas are to be located will produce fewer disturbances because the water bodies have been drained to create artificial wetlands. A principal risk during construction of the remaining cellular stations is related to the safety of the workers while working at heights and with energized systems during the erection of the towers for the installation of the antennas. Overall, the siting of towers and antennas has experienced little opposition. However, a complaint has been filed to stop the construction of a cellular station tower in a suburban area of Kingston¹.

The principal impacts from the operation of the sites are associated with the visual impacts from the towers, which range from 25 to 60 meters in height, and the possible adverse effects on human health due to the emission of radio frequency (“RF”) signals to workers which can be exposed to higher RF signals from working near the antennas during maintenance tasks. Minor

¹ This complaint is related to perceived harmful RF waves to residents who live in proximity to the proposed tower. This matter is expected to be resolved shortly in favour of ODJ, as there is currently a Digicel cell tower in the same vicinity, for which no complaint regarding RF was raised and also because ODJ received all of the necessary approvals including from NEPA to build the tower.

and sporadic operational impacts include generation of noise and air emissions during occasional operation of back-up diesel generators and generation of waste such as batteries and wasted oil from maintenance activities.

The Bank will require ODJ to comply with all applicable Jamaican environmental, health and safety regulations, all applicable IDB specific environmental and social requirements, such as the implementation of a Corrective Action Plan (“CAP”) and Project specific environmental plans, and applicable World Bank Guidelines, in particular the guideline for General Environmental Guidelines included in the Pollution Prevention and Abatement Handbook and the Environmental, Health and Safety Guidelines for Telecommunications of the International Finance Corporation.

The CAP was prepared as a result of the Bank’s due diligence to address the deficiencies identified in the evaluation of impacts and risks. The CAP includes measures to address impacts from erosion, disposal of solid waste, control of noise, etc. In addition, health and safety requirements will be strengthened as part of the CAP, as well as the actions required to enforce and monitor the environmental, social and health and safety requirements to construction contractors. The environmental plans to be required include an Environmental and Social Management Plan, Health and Safety Plan, Contingency Plan and Spill Prevention and Counter Control Plan.

To mitigate visual operational impacts and in response to the aesthetics concerns raised by the tourism industry, ODJ installed a tower camouflaged as a palm tree in the resort town of Ocho Rios. ODJ also entered into a mutual co-location agreement with one of its competitors. Discussions with other wireless operators are being held to co-locate new antennas onto existing towers and or cluster towers to reduce the visual impacts associated with the erection of new towers. In regards to the concern of exposure to electromagnetic fields, the Telecommunication Planning Guidelines conclude that field strength and power densities associated with the frequencies used by wireless technology (700 to 1,400 MHz) does not have any proven health effects. The Guidelines set up maximum exposure levels depending on the frequency of the RF exposure. The referenced 400 microwatts per square centimeter ($\mu\text{W}/\text{cm}^2$), is hundred of times lower than the reported worst-case ground-power densities values of the order of 1 $\mu\text{W}/\text{cm}^2$ near antennas.

Additionality due to the Bank’s participation includes the mitigation of health and safety risks and environmental and social impacts through the incorporation of environmental, social and health and safety control and mitigation measures to be implemented during the construction of the remaining 43 sites and during the operation of the Project. This is especially significant as ODJ currently lacks environmental, social and health and safety plans and procedures.

The Bank will require ODJ to implement a CAP to address the deficiencies identified during the Bank’s due diligence and to develop and implement environmental plans. A final version of the CAP will be required for financial closure of the Bank’s loan. The environmental plans are to be received and must be acceptable to the Bank prior to the first disbursement. ODJ will be required to assign staff and resources to control, mitigate, supervise and monitor the environmental related aspects of the construction and operation of the network and define specific mitigation measures for the installation of cellular stations in particular for those located

in the Negril Protected Area. ODJ will submit routine Environmental and Social Compliance Reports, which will be used to assess compliance with Bank requirements. The Bank will contract an external independent environmental consultant to assist the Bank in monitoring the Project during the life of the Bank's loan.