

Cashing in on the Caribbean

Business tycoons renew historic ties by investing in islands' utilities and telecom

By MICHAEL TUTTON The Canadian Press

Flick a light switch in the Cayman Islands, and cash flows to Fortis Inc. of St. John's, N.L.

Buy a cable Internet connection in the Bahamas, and fishing mogul John Risley of Halifax is making money from his shares in Columbus Communications.

The modern merchant princes of Atlantic Canada are quietly renewing a historic business connection with the Caribbean islands, once the region's third-largest trading partner.

At the turn of the century, ships loaded with dried fish from St. John's and Halifax arrived at the islands' harbours, ready to be refilled with rum and molasses for delivery to Canada.

Halifax-based banks followed and stayed — the Bank of Nova Scotia is a major presence across the Caribbean — but as the century wore on the shipping trade evaporated and the ties faded.

Now, the East Coast's most noted capitalists arrive by jet to oversee a series of recent investments in the islands' utilities and telecom.

Calling from Pearson airport en route to Turks and Caicos, Fortis CEO Stan Marshall says a \$90-million purchase of two electric utilities on the islands in August has paid off handsomely for the electrical utilities and real estate holding company.

Marshall was on his way to hire more staff at Turks and Caicos Utilities, and check on the diesel generation plant the firm uses to serve 7,500 islanders. He also hoped to visit the company's utility in the Cayman Islands, which services 22,000 and is still recovering from hurricane damage.

The systems may be small, but their growth rate outstrips Fortis' Canadian investments.

"It's growing very rapidly, which is a feature of the islands we're in," he said.

"In Alberta, you're seeing growth of power use of two or three per cent annually. You're looking at 25 per cent in Turks and Caicos."

The most recent quarterly report noted Fortis's Caribbean utilities — including Belize Electricity — delivered earnings of \$7.7 million, an increase of \$1.5 million from the same period in 2005.

Meanwhile, John Risley, key investor in Clearwater Seafood Income Fund and FPI Inc., has shifted some of his focus from seafood to Barbados-based Columbus Communications.

The firm holds controlling interests in Cable Bahamas Ltd., Caribbean Crossings Ltd., Merit Communications Ltd., Fibralink Jamaica Ltd. and the Cable Company of Trinidad and Tobago.

Among its key projects: an undersea fibre-optic cable serving 17 countries in the region.

Risley's involvement started as a purchase of shares — along with activist investor George Armoyan of Halifax — in Persona Communications, a Canadian cable television company.

"We liked their strategy of expanding into the Caribbean. The rest of the shareholders didn't. Persona ended up getting split up and we bought their Caribbean assets, making it the foundation for Columbus," recalled Risley.

There are now well over 200,000 subscribers on the cable network and next year's capital expenditure budget is over \$200 million.

Risley says people in the Caribbean are aware of the historic ties with Atlantic Canada, and react well to East Coasters willing to start small and grow.

"Americans see that region as a very fragmented market, while Canadians see it as a very attractive market, and see the fact it's fragmented as an opportunity rather than a problem," said Risley.

It doesn't always work out, noted Gerald Pond, a partner in Saint John, N.B.-based Mariner Partners Inc.

The former NBTel executive and his consulting firm assisted several New York investment firms bidding to operate the Bahamian Telecommunications Co.

Then, the political winds shifted, and the plans collapsed.

"We were noticing it wasn't as easy as it used to be to do business in the Caribbean being Canadian. It didn't carry as much value as it once did," said Pond.

Sure, folks are friendly, but they are also cautious of foreign investment, and sometimes jokingly refer to Canadians as "frozen Americans," he adds.

Marshall says the key is to pick your islands.

"The secret to success is to be selective where you go," he said. "We have a strong preference for former British colonies simply because of the language and legal system."

Meanwhile, the investment interest hasn't been all one way, with some signs that island nations will invest in the Maritimes.

Assisted by Nova Scotia government subsidies, five Bermuda-based financial institutions, including the Bank of N.T. Butterfield & Sons Ltd., have announced plans to create about 1,000 administrative positions in Halifax.

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