

18 July 2024

Dr. Carla Natalie Barnett
Secretary-General
Caribbean Community (CARICOM) Secretariat
Railway Embankment
Turkeyen
Greater Georgetown
P.O. Box 10827
Guyana

RE: The Caribbean Community's Approach to Over-the-Top (OTT) Services and Applications

Dear Secretary-General Dr. Barnett:

ACT | The App Association (App Association) writes to share its views about the Caribbean Community's (CARICOM) future approach to over-the-top (OTT) services and applications. Given CARICOM's critical role in supporting regional Caribbean organizations such as the Caribbean Telecommunications Union (CTU) and the Eastern Caribbean Telecommunications Authority (ECTEL), we request the opportunity to engage with CARICOM to ensure that OTT innovation and competition is supported across the Caribbean.

The App Association is a global trade association for small technology companies. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. Today, the value of the ecosystem the App Association represents—which we call the app economy—is approximately US \$1.8 trillion and is responsible for 6.1 million jobs, while serving as a key driver of the US \$8 trillion internet of things (IoT) revolution.¹ Alongside the world's rapid embrace of mobile technology, our members create the innovative solutions that utilize AI to power IoT across various modalities and segments of the economy. For more information on the App Association, please visit www.actonline.org.

Today, billions of people around the world—including many Caribbeans—use internet-enabled apps for business, education, and social connection. The free flow of information across borders is crucial to the economy by providing access to international markets, decreasing operational costs through the use of global computing resources like cloud-based services, and enabling a diversity of novel and inventive business models.

Consumers benefit from OTT services—applications and services that are accessible over the internet and are accessed via telecommunications network operators' networks—in a variety of

¹ ACT | The App Association, State of the U.S. App Economy: 2020 (7th Edition) (Apr. 2020), available at <https://actonline.org/wp-content/uploads/2020-App-economy-Report.pdf>.

ways. OTT applications and services provide consumers with access to personalized and customizable services at lower costs and higher efficiency, driven by enhanced competition that allows new innovations across the array of use cases that consumers rely on for internet connectivity. Further, OTT services reduce consumer costs by stimulating telecommunications network growth by increasing demand for bandwidth, driving further investment in infrastructure, and facilitating innovation. These benefits are already seen today across numerous sectors of the global economy, such as communications, transport, retail, and entertainment. In addition, this trend will likely continue. We urge CARICOM to avoid approaching OTT as its own standalone sector or market segment.

In addition, OTT applications and services are key enablers of the digital economy and the internet of things (IoT), powering a future where an increasing number of everyday products use the internet to communicate data collected through sensors, inform decisions through data analytics, and ensure efficiencies in processes, products, and services across every sector. The global digital economy is projected to reach US \$16.5 trillion by 2028, accounting for 17% of global GDP.²

Apps are the interface for technological progression. The app industry that the App Association represents—one that is primarily OTT—has been in existence since the 2000's and has experienced incredible growth. Apps revolutionized the software industry, touching every sector of the economy that is led by startups and small businesses, many of which are across the Caribbean Community. While OTT applications and services can help meet nearly every need in a consumer's life, the app on an internet-enabled mobile device (smartphone, tablet, etc.) is likely to remain the interface for communicating with these devices. And in the enterprise context, OTTs offer the ability to realize greater efficiencies and improvements across verticals, from health to industrial control to manufacturing and other sectors. The continued rise of innovative OTT services will hinge on the app economy's continued innovation, investment, and growth; and we urge CARICOM to affirm that it shares the goal of advancing the development and uptake of innovative OTTs across the Caribbean Community.

Based on the above, we strongly discourage CARICOM from advancing a new regulation for OTT applications and services at large. Such regulation is, practically, a suggestion that the method of delivering the service (OTT) alone presents some additional risk to consumers. We completely reject this presumption, which has not been demonstrated by an evidence base. Further, the scope of such a regulation would stretch to cover the entire digital economy, which is not feasible.

The impact of such a new regulation on OTT provision, deployment, and uptake would be significant and damaging. OTT-specific regulations pose a serious threat of creating an overly burdensome regulatory environment that will hamper economic growth, not only for a locality that puts such regulations in place but also for the mobile app developer business community in that locality. The application of an OTT-specific regulatory framework in a local jurisdiction would be detrimental to the growth of OTT applications and services and to the availability of these OTT applications and services to consumers in that jurisdiction. We strongly urge CARICOM to acknowledge that these OTT application and service providers already go to great lengths to comply with general consumer protection laws in the jurisdictions they do business. Further,

² <https://www.forrester.com/blogs/the-global-digital-economy-will-reach-16-5-trillion-and-capture-17-of-global-gdp-by-2028/>.

CARICOM should avoid applying legacy telecommunications service provider (TSP) regulatory requirements to OTTs; such attempts often have the effect of “locking in” older technology and stagnating innovation, harming the quality and reliability of consumer service.

OTTs also already pay local, regional/provincial, and national taxes. The imposition of further OTT-specific fees, levies, or taxes will have a negative impact on the provision of OTT services across the Caribbean Community. Additionally, these fees, levies, and taxes will be diverted from OTT application and service providers’ resources which are available to invest in both the innovation in services themselves and the means of delivery in which they already invest. Particularly, for small businesses, these fees, levies, and taxes can represent insurmountable barriers to market entry. In order for these OTT application and service providers to grow and create jobs, they must look to expand to new customers across the global digital economy. Targeted fees, levies, or taxes in a locality (along with other trade barriers) present the possibility of different legal liability concerns depending on the jurisdiction, degrading the ability to more quickly reach a global scale.

We note that OTTs provide different services from TSPs, which focus on providing the capacity to end users. It is important that CARICOM understand and acknowledge that OTT service providers already bear costs to ensure content delivery networks can provide their application or service to stay competitive and a part of the virtuous cycle of innovation that includes OTT application and service providers, telecommunications network operators, and consumers. OTT services reduce consumer costs by stimulating telecommunications network growth which in turn increases demand for uptake of data and the need for more bandwidth. This drives further investment in infrastructure by the TSP. Customer service issues and quality assurance concerns for OTTs are best addressed through free market competition; in the hyper-competitive OTT application and service provider world, customer service and/or quality assurance are key market differentiators. Failure to innovate in either area will quickly drive customers to a competing OTT application or service provider because of low switching costs. These are also assured through compliance with general consumer protection laws in place around the world today.

Further, we note our opposition to proposals that would require OTT service providers to contribute to universal service funds used for network roll-out in unserved and underserved areas. Such proposals present the danger of combining a telecommunications network operator with an OTT application or service provider. Telecommunications network operators and OTT application and service providers are fundamentally different; OTT application and service providers do not primarily engage in the business of providing broadband connectivity to an end user (instead, they offer applications or services over that broadband pipe). Further, OTT application and service providers are significantly contributing to global investment in telecommunications infrastructure (data centers, etc.).

The App Association emphasizes that new OTT regulations would damage the Caribbean startup ecosystem by imposing new market entry costs and barriers to innovation. Ultimately, such regulations would suppress innovation by small businesses that would otherwise grow and create new jobs across the Caribbean Community.

The App Association recognizes that investments in the telecom networks are required from time to time for network capacity expansions and technology upgradations. As we have discussed above, OTTs do not maintain or provide network infrastructure services and are starkly different from TSP services. We strongly urge CARICOM to acknowledge that OTT service providers already go to great

lengths to comply with general consumer protection laws in the jurisdictions in which they do business. OTTs also already pay relevant local, regional/provincial, and national taxes as applicable. Further, applying TSP regulatory requirements to OTTs would have the effect of “locking in” older technology and stagnating innovation, harming the quality and reliability of consumer service.

OTT service providers already bear costs to ensure content delivery networks can provide their application or service to stay competitive and a part of the virtuous cycle of innovation that includes OTT application and service providers, telecommunications network operators, and consumers. OTT services reduce consumer costs by stimulating telecommunications network growth which in turn increases demand for uptake of data and the need for more bandwidth. This drives further revenue and investment in infrastructure by the TSP. Customer service issues and quality assurance concerns for OTTs are best addressed through free market competition; in the hyper-competitive OTT application and service provider world, customer service and/or quality assurance are key market differentiators. Failure to innovate in either area will quickly drive customers to a competing OTT application or service provider because of low switching costs. These are also assured through compliance with general consumer protection laws in place around the world today.

We underscore that requiring OTT service providers are already significantly contributing to global investment in telecommunications infrastructure (data centers, etc.), and that new regulations (e.g., to attain special licenses and/or to contribute to universal service funds used for network infrastructure buildouts) would cause damage to the entire digital ecosystem in a variety of ways:

- Such a requirement would effectively, and inappropriately, conflate a TSP with an OTT service provider. Telecommunications network operators and OTT application and service providers are fundamentally different; OTT application and service providers do not primarily engage in the business of providing broadband connectivity to an end-user (instead, they offer applications or services over that broadband pipe).
- The imposition of further OTT-specific fees, levies, or taxes will have a negative effect on the provision of OTT services across the Caribbean Community as such fees, levies, and taxes will be diverted from OTT application and service providers’ resources which are available to invest in both the innovation in services themselves, the means of delivery in which they already invest, and hiring new talent. Particularly, for small businesses, these fees, levies, and taxes can represent insurmountable barriers to market entry. In order for these OTT application and service providers to grow and create jobs, they must look to expand to new customers across the global digital economy.
- Creating such a requirement across the Caribbean Community would present barriers to the free flow of data and would create significant barriers to the international digital economy by presenting different legal liability across the Caribbean Community not present in other jurisdictions, degrading the ability to more quickly reach a global scale. Further, such a requirement would run afoul of the WTO commitment not to levy tariffs on e-commerce.

Numerous regulators evaluating OTTs have opted to avoid specific regulatory interventions and to permit market forces to assist TSPs in competing and innovating. The App Association believes

that, given there is no demonstrated market failure present (and specifically that none has been demonstrated for the Caribbean), such an approach is the most appropriate for the Caribbean.

Further, the App Association notes that interoperability between and among TSP and OTT services promotes competition and benefits end users. To date, widely used standardized approaches (e.g., Internet Protocol) provide such interoperability. Further solutions are being developed through a variety of leading standardization bodies today and uptake of their solutions will be dictated by market forces. We note that it has not been sufficiently demonstrated that interoperability issues are damaging competition or Caribbean consumers. Therefore, there is not a need for Caribbean regulators to take measures to address interoperability.

Due to the global nature of the digital economy, both for Caribbean-based OTTs as well as OTTs based elsewhere, the App Association strongly urges for Caribbean regulators' approach to lawful interception of OTT communications be taken through bilateral or multilateral agreements with foreign governments for cross-border data requests (e.g., a bilateral arrangement with the U.S. government per the CLOUD Act³).

We strongly discourage the use of data localization requirements, which seriously hinder imports and exports, reduce an economy's international competitiveness, and undermine domestic economic diversification. OTT innovators do not have the resources to build or maintain unique infrastructure in every country in which they do business, and these requirements effectively exclude them from commerce. The App Association does not believe that such requirements should be applied to TSPs nor OTTs.

We also strongly encourage CARICOM and Caribbean regulators to preserve the ability of OTTs to utilize strong encryption techniques to protect end user security and privacy. Global digital trade depends on the use of strong encryption techniques to keep users safe from harms like identity theft. However, some governments continue to demand that backdoors be built into encryption keys for the purpose of government access. These policies jeopardize the safety and security of data, as well as the trust of end users, by advancing known vulnerabilities that unauthorized parties can exploit. From a privacy and security standpoint, the viability of an OTT service provider's product depends on the trust of its end users.

We reiterate our view that OTTs which have the primary purpose of providing real-time person-to-person telecommunication voice services using the network infrastructure (utilizing a telephone number) of a TSP should be required to provide emergency services connection capabilities to align with reasonable consumer expectations. Expanding such obligations to OTTs past this category would not align with consumer expectations and would impose unreasonably high costs on OTTs, discouraging innovation and investment.

As we discuss above at length, there is not an unfair playing field between OTT providers and TSPs; rather, they operate on different playing fields that inter-relate and complement one another. Save for OTTs that have the primary purpose of providing real-time person-to-person telecommunication voice services using the network infrastructure (e.g., utilizing a telephone number) of a TSP regarding emergency services, there is no justification for extending TSP obligations to OTTs, nor is there a justification for advancing a new regulatory regime for OTTs in the Caribbean market.

³ <https://www.justice.gov/criminal-oia/page/file/1153466/download>.

Should Caribbean regulators pursue either regulatory route despite there being no demonstrable reasons for doing so, it would be detrimental to OTT service providers and startups across the Caribbean and around the world. We urge CARICOM to support a Caribbean approach that allows for market forces to address the dynamic TSP/OTT ecosystem at this time.

The App Association appreciates the opportunity to provide its views to CARICOM and welcomes the opportunity to further assist CARICOM moving forward.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Scarpelli', with a stylized flourish at the end.

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