

A Unique Entrepreneur

An Interview with Jeffrey J. Prosser, Owner, Chairman, President, and Chief Executive Officer, Innovative Communication Corporation (ICC), St. Croix, U.S. Virgin Islands



Jeffrey J. Prosser

EDITORS' NOTE Despite its being a telecom-and-media company headquartered on a relatively remote island, with most of its other holdings in similar outlying areas, Innovative Communication Corporation boasts "company-wide revenues" that "have grown approximately 20 percent per year," Jeffrey Prosser reports. He also asserts that it has a surprisingly abundant wealth of "long-term opportunities in the Caribbean, in all facets of communication." Indeed, the entrepreneurial owner/chairman/president/chief executive officer predicts "that, within five years, we'll double in size through internal growth and the acquisition of more telephone companies in the Caribbean and Central America." ICC already has a proven track record with acquisitions – "a reputation for turning the companies we buy – telephone, core cable, and wireless companies – into state-of-the-art operations" – but how will this "internal growth" be realized?

First, the threat of competition is relatively inconsequential, as "it's difficult and very expensive for other companies to build operations in a lot of our markets, simply because they're too far from the U.S. mainland," Prosser explains. Plus, offshore "capital is less readily available here." Second, the federal tax exemptions extended to American companies operating in the U.S. Virgin Islands, as well as to

their counterparts on the French islands of Guadeloupe and Martinique, are bolstering "a booming demand for ICC's communications services and especially for our high-speed Internet services." And then there is the little-known fact that the U.S. Virgin Islands are a major termination point for submarine fiber systems that connect the mainland United States with Europe and South America. Of course, this "puts ICC in an enviable position," Prosser understates somewhat. In actuality, his burgeoning business on a subtropical isle is blessed with the inestimable potential "to provide high-speed access to companies all around the world."

The recipient of a bachelor's degree in business administration from the University of Nebraska and a certified public accountant, Prosser purchased the Virgin Islands Telephone Corporation (now Innovative Telephone and a wholly owned subsidiary of ICC) from ITT in 1986 – when he was only 28 years old – for \$88 million. In 1997 he privatized it, founded ICC, and bought the Virgin Islands Daily News; two years later, he started the Prosser ICC Foundation, which donates more than \$1 million a year to organizations in the Virgin Islands. A past president of the Caribbean Association of National Telecommunications Organizations (CANTO) and the United Way of St. Croix, as well as a former trustee of the University of the Virgin Islands, Prosser serves on the boards of the St. Croix Country Day School, the Palm Beach (Florida) Country Day School, and the Palm Beach Zoo.

COMPANY BRIEF Headquartered on the island of St. Croix, Innovative Communication Corporation (www.iccvi.com) is a group of diverse telecommunications and media companies, with major holdings in the Virgin Islands, elsewhere in the Caribbean, and France. The largest privately owned telephone company in the United States in 2001, ICC was the first to bundle its local, long-distance, wireless, cable television, and broadband (DSL) services. The corporation further owns the Pulitzer Prize-winning Virgin Islands Daily News and TV-2, a cable-cast

station. And it is the second-largest private employer in the U.S. Virgin Islands.

Are you pleased with your company's current level of recognition in the marketplace?

I am happy with ICC's brand-name awareness today, especially in those markets where we're interested in expanding. We have a reputation for turning the companies we buy – telephone, core cable, and wireless companies – into state-of-the-art operations. We expand their telecom services greatly, which, of course, is incredibly important to the Virgin Islands and other Caribbean economies. Most of the economic growth in these places is dependent upon offshore banking, and insurance and data-services companies, so as we increase the residents' telecommunications capabilities, we help to boost the overall economies.

Our reputation also is solidly built upon the fact that we operate a successful telecommunications company from a small island that's 1,200+ miles from the mainland United States. There aren't many companies that can say that, nor are there many companies that have our experience and expertise. Furthermore, we're not a public company, and we're very important to the local populace. As such, our company is run with a different mind-set than that found in other companies.

Some telecommunications companies will terminate 5,000 employees in order to increase quarterly profits. We don't do that because we operate in island communities; our employees can't drive cross-country to find a new job. So our mind-set is more long-term in nature. We're very closely involved with our communities, their governments, and their overall economies. We're also very proud of our management teams. Whether in St. Maarten, Guadeloupe, Martinique, or the U.S. or British Virgin Islands, our top managers are from those islands. We don't bring in people from other locations to run the day-to-day operations.

We're very involved with local schools. We encourage bright, young, local adults to work in their home communities,

■

**We believe that, within five years,
we'll double in size through internal growth and
the acquisition of more telephone companies in the
Caribbean and Central America.**

■

but it can be a challenge – not unlike convincing young Americans on the mainland to return to their rural communities after college. However, we believe that we can, through our scholarships, summer internships, and comparatively high hourly wages, encourage islanders to remain here. So far, we've been very pleased with the results of our efforts.

Do you plan to expand beyond your existing markets in the Caribbean and France?

We're primarily interested in expansion in the Caribbean basin, with our secondary focus being France. We believe that there are tremendous long-term opportunities in the Caribbean, in all facets of communication. At the moment, it's difficult and very expensive for other companies to build operations in a lot of our markets, simply because they're too far from the U.S. mainland. Also, capital is less readily available here than in most markets on the mainland.

Will you provide a brief overview of the products and services that ICC offers today?

Well, in the U.S. Virgin Islands, we're the local exchange carrier, the telephone company. We own all the cable-TV operations and the largest private broadcast-TV channel; we have the largest wireless system; and we own the largest daily newspaper. In addition, our long-distance operation, which we started from scratch, now has a market share of 35 to 40 percent, plus we provide high-speed DSL Internet service.

In the British Virgin Islands, we have the cable-TV operations, and we'll ultimately have long-distance phone service. Our cable-TV company in St. Maarten is a monopoly; we have the largest wireless operation there; and we've been granted the licenses to provide long-distance and Internet service. Then, we have monopoly cable-TV operations on Guadeloupe and Martinique, as well as the license to develop our own long-distance and Internet operations, which we will.

The telecom industry was hit particularly hard over the course of the recent recession. Did you experi-

ence growth even during those tough times, and are you optimistic about ICC's future?

Innovative Telephone, which operates in the Virgin Islands of St. Croix, St. Thomas, and St. John, has grown at an annual average rate of 6 percent in access lines. That's unheard of in the mainland United States. ICC's company-wide revenues have grown approximately 20 percent per year, and we believe our markets will continue to expand. We believe that, within five years, we'll double in size through internal growth and the acquisition of more telephone companies in the Caribbean and Central America.

The U.S. Virgin Islands have a very favorable tax program for U.S. corporations. It has been especially attractive to financial-services companies, which can come here, set up operations, hire a minimum of 10 people, and meet only a few other requirements. They then receive exemption from federal income tax. The rationale behind the program here and in other U.S. territories is to build up the local economies. This takes the financial burden off the U.S. government. Over the long term, the territories, their citizens and residents, and the federal government all will benefit. Because of this tax-exemption program, we're seeing astronomical corporate growth in the Virgin Islands. These companies rely heavily on telecommunication services to operate their businesses; as such, there has been a booming demand for ICC's communications services and especially for our high-speed Internet services. Similarly, Martinique and Guadeloupe, as French states, are like the U.S. Virgin Islands in that their economies are being supported, with comparable tax benefits being offered to French companies that locate there.

Another advantage of the U.S. Virgin Islands is that we're at a major global telecommunications crossing. Huge undersea fibers hit St. Croix as they connect the U.S. mainland with Europe and South America, and this obviously puts ICC in an enviable position. We've signed long-term leases on a large portion of the fibers that connect the United States and

Europe. So, we're uniquely placed to provide high-speed access to companies all around the world, which is highly unusual for a company in a location as comparatively remote as ours.

Clearly, we have a huge growth market in the U.S. Virgin Islands, thanks to the intercontinental fibers, and the same is true for the British Virgin Islands, but to a much smaller extent. And soon, we'll have the only fiber coming off St. Maarten, Guadeloupe, and Martinique.

All things considered, ICC is poised in all its markets for the growth of all its services. So, while we may experience some growing pains over the short term, we're going to reap tremendous returns over the long term. In fact, we're already seeing results.

In your opinion, does the Federal Communications Commission do an effective job?

Quite honestly, I think the FCC has done a relatively ineffective job of regulating the telecom industry. I also think that ours must be the only private industry that the U.S. government has changed. It doesn't matter how much you spend on your networks: The government will force you to lease those systems to somebody who wants to compete with – and undercut – you. I don't know of any other industry or business in the United States that would believe that possible.

The impact on larger enterprises, such as the Bell operating companies, is significantly different than it is on small, rural, independent phone companies, such as ICC. Take voice-over-Internet protocol, for instance. Internet providers basically are offering long-distance telephone service for free, and they don't pay the telephone companies a penny for using their networks. If the FCC doesn't change this situation over the long term, a lot of rural phone companies are going to go bankrupt. In essence, we'll be told, "It was nice of you to spend \$400 million to build your network" – and that's what ICC spent in the U.S. Virgin Islands – "but we've decided that we want other companies to use it for free."

You mentioned that ICC plans to make additional acquisitions in the

Caribbean and Central America. In general, do you foresee grand-scale mergers and acquisitions in your industry? And is partnering also a major option for your company?

I believe that, at the level where ICC is involved and interested, there will continue to be a lot of mergers and acquisitions over the next two to three years. However, these will not be billion-dollar transactions. I'm not even sure that they'll draw Wall Street's attention.

I'm not a big believer in partnerships, particularly for ICC. If we're going to enter a new market, I think we should purchase the incumbent company, rather than try to forge a partnership. Of course, at the same time, we'd be forming a partnership with the local government, which ultimately will control the associated regulations and our rate of return. This cannot be avoided. Otherwise, we prefer not to be involved in transactions that include nongovernmental partners.

Does ICC have its eye on Cuba?

Oh yes. Cuba should prove to be a fabulous market over the long term. The one big drawback right now is that the major European phone companies are already there. They're the ones building out the Cuban system because there's no U.S. involvement there yet. Over time, though, I think the Cuban market will be large enough to accommodate additional companies. It could very well be a great opportunity for ICC.

As a result of all the recent business failures, some of which involved telecom companies, the public's perception of the corporate world has soured. How much does this concern you? And are you optimistic that individual companies and sectors will be able to demonstrate that they're rooted in honesty and integrity?

Because ICC is privately owned, we've been more fortunate. Our reputation is driven more by personal relationships, whether those are with governments, suppliers, bankers, or other parties. Still, there's no question that the public's perception of big business in general – which, unfortunately, has tarred every company with one brush – doesn't help any of us. And it certainly doesn't help us to be an American company when we go into some jurisdictions. People look at us skeptically and make snide comments, such as, "How do we know that your financial statements are true and accurate?"

What occurred with these many companies was detrimental to us all, but it was probably something that was needed, especially considering some of the revelations at MCI and Enron. It was clear that some companies had their own, unique accounting systems – to which the rest of us did not subscribe. In the long run, we'll all be better off with these matters now out in the open and corrected. I believe the public's perception of everyone eventually will improve.

Despite whatever occurred, the communications industry – whether that means telephone, cable television, Internet service, or whatever – is very solid. These may not be the most glamorous businesses in the world, but when they're run properly, they're relatively immune to huge downturns. Very few industries can make this claim.



**We
operate a successful
telecommunications
company from a small island
that's 1,200+ miles
from the mainland
United States.**



You've been in a leadership position for more than 20 years. How would you define the role of the chairman and chief executive officer? And have these roles changed over time?

Ultimately, the chairman and chief executive officer should be responsible for the actions of the corporation. Certainly during the '90s, with the tremendous emphasis on stock prices, options, and quarterly results, the roles evolved and were altered to some degree. However, I still think that the CEO and chairman are there to provide the overall direction in which the company should go; to set the standards by which the company should operate; and to make sure that they're surrounded by people who'll maintain the company's integrity and financial results. In all honesty, I think most corporations' CEOs and chairmen do these things, but it's always the ones who don't who make headlines.

If some of the people who have worked for you were asked about your management style, what do you think they'd say?

I think they'd say that I'm obviously somebody who's very driven toward growth and expansion. I'm not afraid to make mistakes, I'm not afraid to try new ideas, and I'm a very loyal person. I believe it's very easy to agree to disagree with people and then move on. And hopefully, in the end, I'm somebody they'd view as very fair.

At ICC we have a lot of fun with what

we do. Certainly for me, if something isn't enjoyable and fun, I'm generally not interested in doing it, so we try to instill that feeling in our employees. Of course, there are times that are very intense, such as when we're in the middle of an acquisition, but these are followed by periods when everyone can just lay back.

You've achieved much success throughout your career. As the chairman, president, and chief executive officer of a fast-growing enterprise, can you ever take the time to step back, reflect, and enjoy some of that success?

I certainly try to take the time, and I believe that, more and more, I do. One benefit I have over most people in my position is that the operations we own are fairly straightforward to run. This probably makes it easier for me to savor some of the success we've enjoyed.

You mentioned earlier your company's involvement in the communities where it operates. What do you see as a firm's responsibility to its community? And how important has this been to ICC's culture?

At ICC we view community involvement as one of this company's two most important responsibilities – and community involvement, for us, also includes our employees. Take the U.S. Virgin Islands, for example, where we're the second-largest private employer. If the Virgin Islands community and our employees aren't succeeding and aren't growing, neither will our companies. And as I stated earlier, we don't have the luxury of being able to make our companies more profitable by substituting the newest technology for human labor. Now, this is not to say that we don't have and use these new technologies; we have the same technologies as those companies that have implemented drastic layoffs to reduce their number of employees. However, we've taken a different attitude, and used retirement and attrition as ways to reduce our overall workforce.

As far as reinvesting in the communities where we operate, all of our contributions to charities, schools and universities, and organizations are made through the Prosser ICC Foundation in the U.S. Virgin Islands, which my wife, Dawn, and I established in 1999. And I doubt that there's any other corporation in the Virgin Islands that comes close to giving what we give back. Ultimately, we believe that we'll be rewarded over the long term by having bettered the community.

I said earlier that ICC is highly unusual for the number of local people it employs in top management positions. Well, we're also highly unusual for having a tremendous number of women in senior positions in our various companies. This is something we actively promote throughout our operations, and I'm very pleased to say that we're already enjoying a lot of benefits from our policy. ●