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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BEFORE THE
FEDERAL COMMUNICATION COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
International Settlement Rates	)	**IB Docket No. 96-261**
	)	

To The Commission:

REPLY COMMENTS OF ATLANTIC TELE-NETWORK, INC.

ATLANTIC TELE-NETWORK, INC.

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SUMMARY

The Commission should expeditiously grant the petition filed by Atlantic Tele-Network, Inc. ("ATN") for an additional period of time to phase-in the benchmark settlement rate on the U.S.-Guyana route. The Commission stated in the *Benchmark Order* that it would grant waivers to avoid undue revenue losses and network disruption at the foreign end, and ATN has met that standard. Granting this waiver will not eviscerate the underlying rule because few other carriers in low-income countries can match the infrastructure investment track record of ATN and Guyana Telephone & Telegraph Ltd. ("GT&T") in Guyana over the past decade.

The magnitude of the ATN/GT&T achievement in Guyana is illustrated by comparing the country's wealth and local telephone rates with actual network expansion over the past decade. Guyana is one of the poorest countries in the world, with a per capita GNP of approximately $800. Further, for years the Guyana Public Utilities Commission enforced a brutal subsidization policy so that local line rates were 24 cents per month ($0.24/month) for residential subscribers and 60 cents per month ($0.60/month) for business customers. Even with modest recent increases (to $1.35/month and $5.40/month), GT&T has lost, and still loses, significant money on every local line that it installs in Guyana. Despite these adverse circumstances, ATN and GT&T installed nearly 65,000 local lines over the past decade.

ATN has prepared a Chart comparing GT&T's investment achievement against all other countries classified by the Commission as low-income countries. The Chart calculates a factor that represents the extent to which a carrier has built out its infrastructure (measured by teledensity) in excess of what would be expected based on the per capita GNP and local rates in the country. Guyana's factor is the second highest among all countries in this category, and it surpasses most other countries by several orders of magnitude. This should lay to rest any

concern that the Commission would be forced to grant similar waivers to all or most other countries in the low-income category were it to grant ATN's waiver petition.

The principal U.S. party to oppose the waiver – AT&T – has effectively taken the position that the Commission should never grant any benchmark waivers to any foreign carriers under any circumstances. This is not the Commission's policy as stated in the *Benchmark Order*. The Commission's statutory mandate requires it to promote international service quality by considering the impact of its policies on the ability of U.S. subscribers to access and use foreign telephone systems. The Commission should grant ATN's request for a limited waiver of the benchmark rate to ensure that infrastructure maintenance and expansion, as well as universal service, are not seriously and immediately eroded in Guyana. Without the waiver, GT&T's revenues will be reduced by $30 million per year, thereby virtually wiping out its net income.

Granting this waiver will facilitate the negotiation of an agreement between ATN and the Government of Guyana, which is preparing to demand that ATN relinquish its contractual monopoly rights in Guyana through 2031. Without the waiver, ATN would be unable to negotiate any meaningful modification of its monopoly rights without full and immediate rate rebalancing. With the waiver, the parties could establish a short phase-in period for fully rebalanced rates. Because the best way to ensure lower U.S. collection rates is by establishing a more open market in Guyana, granting ATN's waiver request is likely to deliver more benefits more quickly than by a mechanical imposition of the benchmark rate next January.

Lastly, the Commission should encourage U.S. companies, like ATN, to invest in the incumbent carriers serving developing countries. U.S. investment in these countries will not only benefit U.S. consumers and various business interests, it will promote democracy, law enforcement, and global political and economic stability.

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To The Commission:

REPLY COMMENTS OF ATLANTIC TELE-NETWORK, INC.

Atlantic Tele-Network, Inc. ("ATN"), by its attorneys, hereby replies to the comments filed in response to the "Petition for Waiver of the Benchmark Settlement Rate for Guyana" ["*Petition*"] filed on July 6, 2001. In that petition, ATN asked the Commission to waive the low-income country benchmark rate on the U.S.-Guyana route for a period of five years or until the level of teledensity in Guyana reaches 23, whichever occurs sooner. Further, ATN indicated that it is willing to accept proportionate annual reductions in the settlement rate so that the benchmark rate of $.23/minute is achieved at the end of the five-year waiver period. ATN also does not oppose reasonable reporting and monitoring conditions. Because the low-income country benchmark is scheduled to take effect on January 1, 2002, ATN respectfully asks that the Commission grant this petition expeditiously.

ATN is the largest U.S. investor in the developing country of Guyana. Few U.S. companies have accepted the challenge of owning and operating incumbent telecommunications carriers in Third World countries. After ten years of unremitting adversity, ATN has learned first hand about the obstacles and road-blocks that will confront any U.S. company that invests in an incumbent carrier in a developing country. Guyana has been particularly challenging because the country emerged only recently from decades of destructive Communist rule, and the country's political volatility reflects its ethnic and religious diversity. Despite the compelling need for foreign investment, recent efforts to encourage such investment in Guyana have yet to bear much fruit. Moreover, major segments of the economy, such as the critical sugar industry, remain a Government-owned operation today.

In the telecommunications sector, Guyana, like other developing countries, has yet to establish a regulatory authority that is both impartial and transparent. Regulatory turmoil in Guyana was exacerbated when the Government with whom ATN negotiated the privatization contract in 1990 was removed at the next election, and the new Government was comprised of individuals who opposed foreign investment in Guyana's economy as well as the GT&T privatization. The unfortunate result was a hostile Public Utilities Commission ("PUC"), which, despite significant new investment in the Guyana telecommunications infrastructure by the newly privatized GT&T, refused to implement meaningful rate rebalancing or other necessary reforms. GT&T was twice forced to challenge the impartiality of the PUC Chairman, and the Guyana courts removed one Chairman from certain GT&T proceedings due to the appearance of bias. The Guyana courts also overturned one adverse PUC ruling due to a lack of "natural justice" (i.e., for violating GT&T's right to procedural due process). GT&T's "current" rate case was filed in 1997 and remains open to this day while the residential local service rate remains at the grossly non-compensatory level of $1.35 per month.

While ATN has not asked, and does not expect, the Commission to redress its grievances in Guyana, ATN submits that its experience as the largest U.S. investor in Guyana provides relevant context for this petition. It promotes a wide number of U.S. interests when a U.S. company owns and operates an incumbent carrier in a developing country. Particularly when the U.S. company aggressively expands the foreign infrastructure, as ATN has done in

Guyana, various U.S. constituent groups, ranging from subscribers desiring to call Guyana to equipment suppliers interested in selling equipment, are benefited. More broadly, the U.S. economy benefits when Third World countries build on-ramps to the information superhighway, and U.S. investment in developing countries promotes democracy, law enforcement, and global political and economic stability. The Commission should not be neutral when it comes to U.S. investment in incumbent operators in less-developed countries; it should do what it can to help such investments succeed in order to promote the U.S. public interest.

The Commission should carefully weigh the comments filed by the Caribbean/Latin American Action ("CLAA") and the Caribbean Association of National Telecommunication Organizations ("CANTO"). Neither association has a direct economic interest in this petition, nor are they participants in the ongoing regulatory and legal wars in Guyana. As a result, their viewpoints are clear and objective. Both organizations strongly support grant of ATN's petition. CLAA affirms that granting the petition will promote U.S. economic and trade policy in the Caribbean Region. Further, CLAA underscores (at 3) how much can be achieved simply through a limited extension of the benchmark transition period:

> "As the U.S. Government looks for ways to assist foreign countries to develop modern telecommunications networks, it is difficult to imagine an easier way to achieve that goal. ATN is not asking for any affirmative action by the U.S. Government or U.S. carriers. No laws have to be adopted, no funds appropriated; no human resources allocated; no assistance proffered. ATN seeks no more than a limited continuation of the status quo. It is hard to imagine an easier way for the U.S. Government to make a difference in helping a low-income country develop a modern telecommunications infrastructure."

Similarly, CANTO notes with approval (at 2 n.3) the recent statement by Chairman Powell that the Commission must help address "the challenge of enhancing access to information and communications technologies [while] advanc[ing] a concerted effort to help developing countries join this information era." CANTO urges (at 2) that the Commission grant ATN's petition as a way of taking "measured steps to assist those countries that sufficiently demonstrate an actual commitment to infrastructure development, as CANTO believes that ATN has for Guyana, in joining the information age by ensuring that underserved populations have access to information and communications technologies." Both CLAA and CANTO agree that immediate implementation of the benchmark rate will threaten severe and irreparable harm to the Guyanese telecommunications infrastructure.

ATN has deliberately framed its waiver request as a modest extension of the benchmark transition period with a mandatory phase-down to the benchmark rate over a five-year period (or earlier if teledensity rises to 23, the average CARICOM level). While significant for a developing country like Guyana, the amount of money at stake is no more than a razor-thin slice of the U.S. telecommunications pie. This waiver is cut from the same cloth as the previous policies adopted by the Commission in response to concerns about the impact on foreign countries, and it neither compromises the Commission's commitment to achieving benchmark rates for all countries nor opens the door for all other carriers in low-income countries to obtain similar waivers. Few other carriers in developing countries have a record to match ATN's, where teledensity in a poor country with non-compensatory local rates has risen by 500% over the past decade.

I. ATN HAS DEMONSTRATED SPECIAL CIRCUMSTANCES JUSTIFYING A WAIVER OF THE BENCHMARK SETTLEMENT RATE

A. The FCC's Statutory Mandate.

ATN is not surprised that the major U.S. international carriers – AT&T, Sprint and WorldCom – oppose the waiver petition because implementing the benchmark rate immediately would reduce the costs they incur to terminate calls in Guyana. Their positions reflect their economic interests. However, the Commission's mandate is to promote the public interest, which requires balancing potential cost reductions against broader public policy objectives. In the *Benchmark Order*, the Commission recognized a broader U.S. policy interest to forestall undue disruption of foreign telecommunications networks. *See International Settlement Rates*, 12 FCC Rcd 19806, ¶ 166 (1997) ["*Benchmark Order*"].[1] Among the Commission's statutory responsibilities is ensuring that U.S. callers have "adequate facilities" to make "world-wide" telephone calls. 47 U.S.C. § 151. Simply put, the Commission has a statutory responsibility to promote high-quality international communications services. That responsibility requires the Commission to consider the impact of its policies on the ability of U.S. subscribers to access and use the foreign telecommunications network.

While paying lip-service to the Commission's policy that foreign carriers may seek to forestall an undue disruption through a waiver of the benchmark policy, AT&T in effect asks the Commission to adopt a new policy that it will never grant a waiver of its benchmark rules to a foreign carrier under any circumstances. In AT&T's view, the Commission's sole objective in the *Benchmark Order* was to bring settlement rates to cost-based levels immediately to ensure that revenues from U.S. subscribers would never be used to assist infrastructure expansion and universal service in other countries. *See* AT&T Comments at 9. AT&T does not identify any set of circumstances that a foreign carrier in a low-income country could demonstrate to justify a waiver of the benchmark policy. In fact, the Commission rejected AT&T's one-sided view by balancing the benefits of cost-based settlement rates with the interests of U.S. subscribers in avoiding undue disruption of the foreign regime. Numerous

1 WorldCom (at 3) takes the position that ATN may receive a waiver only if it shows that the current settlement rate is cost-justified under an incremental cost methodology. As even AT&T concedes, WorldCom's position is incorrect. *See* AT&T Comments at 19.

Commission policies in the *Benchmark Order* – ranging from graduated benchmark rates to staggered transition periods based upon a country's income and teledensity levels – show that the *Benchmark Order* reflects a balancing of those competing policy objectives. And the Commission expressly stated that it would consider extending the transition period to avoid an undue revenue impact at the foreign end, which is precisely what ATN is seeking in this petition. *Benchmark Order*, 12 FCC Rcd at ¶ 174.

On the merits of ATN's waiver petition, none of the U.S. carriers disputes ATN's showing that implementing the benchmark rate on January 1, 2002 will cause a significant loss of revenues for GT&T, estimated today at upwards from $30 million per year.[2] Nor do they submit any evidence to dispute that this loss of revenues will have a detrimental impact upon network expansion and universal service in Guyana. Without the waiver, GT&T will lose approximately $30 million per year and its net income will be virtually wiped out. The reality is that implementing the benchmark now will stop GT&T's ongoing expansion program dead in its tracks. Equally distressing, GT&T's ability to maintain, repair and operate the existing infrastructure will be compromised. GT&T will lack the funds necessary to keep in place the current infrastructure, with the ultimate result that past expansion efforts may have to be rolled back. The impact on U.S. callers will be immediate and substantial. They will have fewer businesses and people in Guyana to call, and the quality of their calls (*e.g.*, call completion ratios) will decline substantially.

AT&T argues (at 16) that implementing the benchmark will result in lower collection rates for U.S. callers. (AT&T's credibility in making this argument would have been enhanced had it promised to flow through any cost decreases to the benefit of its U.S.

subscribers.) Even assuming that implementing the benchmark will result in cheaper calls to Guyana at some point in the future, the possibility of lower rates must be balanced against the higher quality of services the requested waiver will deliver. What is the point of lower rates if the desired call recipient does not have a telephone, or if call completion ratios are so bad that the U.S. subscriber cannot complete the call?

Further, it is pure speculation for AT&T to posit that implementing the benchmark on January 1, 2002 will deliver more benefits more quickly to U.S. subscribers than ATN's proposed five-year phase-down. Particularly given that only one U.S. carrier today serves Guyana directly on a facilities basis (WorldCom), the U.S. consumer benefits from immediate implementation of the benchmark rate are far from certain. ATN submits that granting its waiver petition will deliver lower collection rates more quickly to U.S. consumers than a mechanical imposition of the benchmark rate on January 1, 2002. The key to lower U.S. collection rates is a more open environment in Guyana with operating agreements for multiple U.S. carriers to serve Guyana on a facilities basis. That objective will not be achieved just by implementing the benchmark in four months, but it will be promoted through the introduction of a more competitive telecommunications market in Guyana. As ATN shows below, granting the instant waiver petition will facilitate the negotiation of an agreement between GT&T and the Government of Guyana for a more open market sector, thereby setting in place the market forces necessary to produce lower U.S. collection rates.

(...continued)

2 ATN wishes to correct an inadvertent error in the *Petition*, which listed the likely impact as $25 million rather than $30 million as stated in the attached affidavit.

B. Special Circumstances.

AT&T argues that ATN's petition should be denied because it has not shown the requisite "special circumstances" to justify a waiver of the benchmark. In AT&T's view, any foreign carrier who desires to avoid the benchmark rates can make the same showing that ATN made in its petition. In fact, the opposite is true. Granting ATN's petition would establish a precedent that at most a few other foreign carriers could satisfy. As a result, ATN submits that granting this petition would show that the Commission has in good faith implemented its policy to grant waivers in appropriate circumstances, while setting the bar high enough to ensure that only a select few carriers can qualify for a waiver.

ATN has engineered a remarkable achievement in Guyana over the past ten years. Guyana is one of the poorest countries in the world, with per capital gross national product ("GNP") of approximately $800. For much of the past decade, the local line rate in Guyana was the equivalent of 24 cents ($0.24) per month for residential subscribers and 60 cents ($0.60) per month for business subscribers. It was only in 1998 that the PUC permitted modest increases in these rates to $1.35/month per line for residential subscribers and $5.40/month per line for business subscribers. Needless to say, none of these rates even comes close to covering the costs incurred by GT&T to provide a line and local service to subscribers.[3] In effect, GT&T has lost substantial money every day of every week of every month of every year for each local line that it added to the network. Despite this harsh subsidization policy imposed by the Guyana PUC,

3 One commenting party estimated that the cost of installing a new local loop to a subscriber is approximately $1,500 (U.S.). ATN would note that at the current local residential line rate, it would take GT&T more than 1,100 months (or over 92 years) just to recover its investment.

GT&T has added nearly 65,000 lines since 1990.[4] Given the poverty of the country and the Guyana PUC's ludicrous pricing policies, this is a remarkable achievement.

That achievement is reflected in a recent *Consultation Paper* (copy attached) – entitled "Reform of the Telecommunications Sector in Guyana" – released last month under the auspices of the Office of the Prime Minister and Minister of Public Works and Communications in Guyana. The *Consultation Paper* concedes that local line rates in Guyana have been far below economic costs, and in fact are the lowest rates in the entire Caribbean Region "by a large margin." *Consultation Paper* at 2, 9 Fig.1, 24, 25, 53, Annex 2. Further, the Consultation Paper recognizes that the teledensity level in Guyana is "quite high" compared to other countries with a similar economic profile. *Id.* at 22-23. Annex 1 of the Consultation Paper estimates that teledensity in Guyana is "about double" what could be expected based on per capita GNP.

ATN prepared the attached Chart in order to highlight the comparative significance of GT&T's network expansion achievement in Guyana over the past decade. This chart provides a quantitative estimate of the extent to which a foreign carrier has built out its infrastructure (measured by teledensity) in excess of what would be expected based on the per capita GNP and local rates in the country. A high number means that the carrier's level of teledensity exceeds what would be expected based on per capita GNP and local rates, while a low number means that the carrier's level of teledensity is more in line with what one would expect based on per capita GNP and local rates. Because this chart evaluates and compares

4 There were approximately 13,000 working local lines when ATN acquired an 80% interest in GT&T in 1990, and today there are over 77,000 working local lines. In addition, GT&T now serves over 24,000 cellular customers. The total landline and cellular working lines in Guyana today total over 101,000. Through this footnote, ATN wishes to correct and update the line counts provided in the *Petition* on page 6.

carriers based on whether and by how much they have exceeded reasonable expectations, we have termed this figure the Investment Overachievement Factor (or IOF).

As the attached Chart illustrates, GT&T has the second highest IOF of all countries classified by the Commission as low-income countries. Guyana's IOF of 65.80 is beaten only by the Kyrgyz Republic, and is higher, often by many orders of magnitude, than the other 47 countries in the category. Indeed, Guyana's IOF is nearly two times higher than all but three countries on the list.[5] This chart shows how GT&T has used settlement revenues over the past decade to build out the network infrastructure in Guyana above and beyond what would have been feasible based on the available domestic revenue stream. It has done so more reliably and to a materially greater degree than virtually all other countries in the low-income category. Hence, the Commission has a decade's worth of proof that GT&T will follow through on its promise to continue using the settlement revenues it receives under the requested waiver for the purpose of network expansion and universal service support. While there are perhaps a few other countries which might qualify for a waiver based on this standard, AT&T is plainly wrong when it asserts that all other countries in this category could make the same showing that ATN has made for Guyana.

At bottom, the question is whether the Commission is prepared, as it said it was in the *Benchmark Order*, to grant a waiver of the benchmark rate when a foreign carrier can show that it would suffer a serious revenue loss causing a halt to the expansion of universal service in

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5 Solely for illustrative purposes, ATN also included the United States in the Chart. Guyana's IOF is more than 60 times higher than the IOF for the U.S. ATN makes this point not to criticize the United States – its level of infrastructure investment is what one would reasonably expect given its per capita GNP and pricing policies – but to underscore GT&T's achievement in Guyana.

the country. If ATN does not qualify for a waiver based on this showing, is there any showing that a foreign carrier conceivably could make that would result in a waiver being granted?

II. THE GUYANA COMMENTERS HAVE NOT OFFERED ANY BASIS FOR DENYING THE WAIVER PETITION.

Three sets of comments were filed against the waiver petition by parties in Guyana. For the most part, these comments seek to re-litigate regulatory and legal issues that are pending, and in some cases that have already been decided, in Guyana. ATN submits that domestic regulatory issues in Guyana are not relevant to ATN's petition, and the Commission need not sort out the tangled mess of facts, unproven allegations, half-truths, and outright misstatements regarding a decade's worth of legal and regulatory disputes in Guyana. Should the Commission desire a fuller explication of any issue raised by these parties beyond what ATN offers below, ATN is willing to promptly provide a more detailed response.

A. Audiotext Traffic.

Several of the Guyana parties have addressed GT&T's involvement in the audiotext services industry throughout much of the 1990s.[6] While the relevance of this issue to the waiver petition is unclear, ATN wishes to clarify for the record that GT&T no longer has a significant involvement in this industry. Based on data through August of this year, GT&T estimates that its total audiotext traffic from the United States will be less than 1.2 million minutes. As such, U.S. audiotext traffic represents a mere 1.5% of GT&T's total inbound international traffic and substantially less than 1% of GT&T's revenue stream from inbound international traffic. Based on multi-year trends, GT&T estimates that U.S. audiotext traffic for

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6 ATN addressed these issues in Appendix A (at 18-19) to the waiver petition, which is a booklet prepared by GT&T on the 10th Anniversary of privatization entitled "The Story of GT&T – A Decade in the Development of an Industry."

next year will be significantly lower than for 2001.[7] International audiotext is a minuscule and declining part of GT&T's business, and any assertion that ATN filed the waiver petition to protect its audiotext business is false.[8]

It is worth emphasizing that however unappealing some parties may find audiotext services to be, they have played a vital role in saving GT&T from financial insolvency during the 1990s. In the early years after privatization, Guyana suffered a massive devaluation of the Guyana dollar, which had the effect of reducing to almost nothing (in hard currency terms) the rates that GT&T charged for local and long distance services. GT&T's effort to increase its rates to make up for the devaluation were stone-walled for years by the Guyana PUC,[9] with the result that ATN's investment and GT&T's financial solvency were nearly ruined. The introduction of audiotext services saved GT&T by providing the revenues that the Guyana PUC failed to authorize through cost-based rates. Hence, while certain Guyana commenting parties appear to delight in rubbing ATN's nose in GT&T's history of terminating international audiotext traffic (even though they know full well that GT&T is no longer a significant participant in that industry segment), the settlement revenues that GT&T earned from terminating audiotext traffic played a crucial role in its ability to survive while expanding the Guyana infrastructure from 13,000 lines to more than 77,000 lines today.

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7 As a point of comparison, GT&T terminated approximately 57 million minutes of international audiotext traffic from the United States in 1996, representing more than 35% of GT&T's total inbound international traffic.

8 *See Consultation Paper* at 53 ("It appears that the era of significant 'audiotext' revenue contributions is over.").

9 One of the commenting parties, Mr. Joseph Tyndall, was Chairman of the Guyana PUC during this period.

B. Reliance on Settlement Rates.

Several Guyana parties question ATN's estimate that it has invested $140 million in the Guyana infrastructure over the past ten years, or that GT&T needs settlement revenues to fund infrastructure development. The $140 million figure represents the audited book value of GT&T's total plant in service as of December 31, 2000. Given that the company's infrastructure was in a shambles when ATN acquired a controlling interest in GT&T in 1990, this amount is a reasonable proxy for total infrastructure investment during the 1990s. In any event, ATN's waiver petition does not hinge upon the exact amount of this investment. The key point, which no party disputes, is that ATN and GT&T have invested many tens of millions of dollars in infrastructure development over the past ten years in Guyana despite a grossly non-compensatory local rate structure.

One party has suggested that GT&T should use the profits it earns from cellular radio service to replace lost settlement revenues. Comments of Caribbean Telecommunications Ltd at 14. (Oddly enough, this is the same party who, *id.* at 8, alleges without support that GT&T is engaging in predatory pricing for cellular services, which presumably would mean, if true, that GT&T earns no profits at all in this market segment.) In fact, the profits which GT&T expects to earn on cellular service in Guyana would be substantially less than 10% of the revenues it will lose from the imposition of the benchmark rate as of January 1, 2002. As a result, GT&T's cellular services cannot come close to making up for the revenue loss that it will suffer if the benchmark rate is implemented as of January 1, 2002. Nor are there any other revenue sources available to GT&T today that could make up for the lost settlement revenues.

The reality is that, as the *Consultation Report* recognizes (at 53), "GT&T could experience a serious cash flow problem by early January, 2002" if the benchmark rate is implemented on that date. That cash flow problem will have severe negative implications for infrastructure maintenance and expansion in Guyana. By granting ATN's proposal for a five-year phase-in of the benchmark rate, the Commission will enable GT&T to transition to a more competitive environment without sacrificing infrastructure development in Guyana.

C. Transition to Competitive Environment.

This is a critical time for the telecommunications sector in Guyana. While not representing formal Government policy, the *Consultation Paper* proffers a conceptual framework for transforming the telecommunications sector into a more competitive environment characterized by open entry. Negotiations with the Government of Guyana for the relinquishment of GT&T's contractual monopoly rights are in the early stages. Despite a contractual commitment from the Government of Guyana to ensure that GT&T earns at least 15% per year, GT&T has earned substantially less, including returns of 9.8% in 1999 and 11.1% in 2000. As a result, ATN is ready and willing to explore options for liberalizing the telecommunications sector, although given the Government's past unwillingness to rebalance rates or undertake other reforms necessary to establish a competitive environment, it is not certain that the negotiations with the Government will soon be completed or successful.

ATN submits that granting the waiver request will significantly facilitate the negotiations with the Government of Guyana. ATN anticipates that a key battleground in the negotiations will be rate rebalancing. The unfortunate reality is that the longer a country waits to begin rate rebalancing, the more painful the process becomes when it is finally addressed. The Guyana PUC has stuck its head in the sand on this issue for over a decade, and the light could be blinding indeed when it finally decides to look up and open its eyes. (The Guyana consumer filing in opposition to the waiver petition was made by groups and individuals who have consistently sought to impede privatization and foreign investment while thwarting meaningful rate rebalancing in Guyana.) If the benchmark rate takes effect on January 1, 2002, GT&T will be strongly inclined to require a flash-cut to fully compensatory rates before it will even consider relinquishing its contractual monopoly rights in Guyana. However, if the benchmark rate is phased in over time as ATN has proposed, the settlement revenues earned by GT&T may provide some basis for the parties to compromise on a short phase-in of fully compensatory rates for Guyana subscribers.

CONCLUSION

For the foregoing reasons, ATN urges the Commission to grant its waiver petition expeditiously.

Respectfully submitted,

ATLANTIC TELE-NETWORK, INC.

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ATTACHMENT A

Country	Teledensity, 2000 (1)	GNP per capita, 2000 (2)	Cost of Monthly Service, 1999 (US$) (3)	Investment Overachievement Factor (4)
Kyrgyz Republic	8.00	270	0.57	519.82
Guyana	***8.36***	***770***	***1.65***	***65.80***
Mongolia	4.97	390	2.28	55.89
Laos	0.75	290	0.68	38.03
Zimbabwe	2.07	480	1.23	35.06
China	11.12	840	3.78	35.02
Armenia	15.53	520	10.42	28.66
Yemen	2.27	380	2.20	27.15
Gambia	2.30	330	2.62	26.60
Egypt	8.64	1,490	2.49	23.29
Nepal	1.16	220	2.84	18.57
Azerbaijan	10.36	610	9.45	17.97
Albania	3.65	1,100	1.99	16.67
Burundi	0.29	110	1.80	14.65
Ethiopia	0.37	100	2.60	14.23
Eritrea	0.79	170	3.76	12.36
Ghana	1.17	350	2.76	12.11
Sudan	1.24	320	3.54	10.95
India	3.20	460	6.49	10.72
Sierra Leone	0.39	130	2.94	10.20
Sri Lanka	4.06	870	5.20	8.97
Honduras	4.61	850	6.82	7.95
Bhutan	1.80	550	4.14	7.91
Pakistan	2.22	470	5.98	7.90
Vietnam	3.19	390	10.72	7.63
Malawi	0.44	170	4.17	6.21
Zambia	0.93	300	5.00	6.20
Nicaragua	3.04	420	12.73	5.69
Tajikistan	3.53	170	37.36	5.56
Kenya	1.01	360	6.46	4.34
Haiti	0.89	510	4.13	4.23
Senegal	2.17	500	11.37	3.82
Lesotho	1.10	540	5.61	3.63
Togo	0.92	300	8.78	3.49
Guinea-Bissau	0.70	180	12.39	3.14
Cote d'Ivoire	1.81	660	11.19	2.45
Mozambique	0.44	210	9.12	2.30
Burkina Faso	0.45	230	9.31	2.10
Guinea	0.79	450	8.88	1.98
Bangladesh	0.34	380	5.13	1.74
Mauritania	0.72	370	11.64	1.67
Benin	0.66	380	10.65	1.63
Cameroon	0.64	570	7.24	1.55
United States	69.97	34,260	19.87	1.03
Madagascar	0.36	260	16.24	0.85
Mali	0.25	240	12.23	0.85
Uganda	0.26	310	16.11	0.52
Chad	0.13	200	17.37	0.37
Tanzania	0.49	280	59.57	0.29
Central African Republic	0.26	290	39.10	0.23

(1) *Source*: Basic Indicators, International Telecommunication Union (July 6, 2001) *available at* <www.itu.int/ti/industryoverview/at_glance/basic00.pdf

(2) *Source*: 2001 World Development Indicators database, World Bank (July 16, 2001) *available at* <www.worldbank.org/data/databytopic/GNPPC.pdf

(3) *Source*: Yearbook of Statistics, Telecommunications Services 1990-1999, International Telecommunication Union (February 2001) Based on residential monthly subscription cost plus cost for 240 minutes, converted to US$

(4) The Investment Overachievement Factor is derived from the equation: ((Teledensity/(GNP per capita x Cost of Monthly Service))x10,000

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Project Execution Unit for Modernization of the Telecommunications Sector

Reform of the Telecommunications Sector in Guyana

Consultation Paper on Issues and Options for Reform of the Telecommunications Sector

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Reform of the Telecommunications Sector in Guyana

Consultation Paper on Issues and Options for Reform of the Telecommunications Sector

Executive Summary

This Consultation Paper is part of the process of developing the new National Telecommunications Policy for Guyana.

The Paper does not represent Government policy. The goal of the Paper is to provide a focus for the national discussion on the future of the telecommunications sector. It does not address outstanding issues in the broadcasting sector. The Paper sets out, for discussion purposes, possible objectives for the future of the telecommunications sector in Guyana, and issues and options for future action.

The need for development of a new telecom policy is brought about, in part, by the demands of the rapidly changing global telecommunications sector. Guyana risks falling behind if it does not recognize those changes. Key changes in global telecommunications markets include:

- Rapid growth in wireless telecommunications; far exceeding wireline growth
- Development of the Internet as the central source of global information and business
- Introduction of fibre-optic, digital and IP technologies resulting in significant cost and price cuts
- End of the 'era of accounting rates' with significant revenue losses to developing countries
- Introduction of competition in all telecommunications markets
- Rate rebalancing: move from subsidized prices to cost-based prices
- Deregulation of competitive services; transitional regulation of dominant operators
- Move away from rate base/rate of return regulation to incentive regulation of dominant operators
- Shift of focus of regulation to promotion of national ICT sectors

The Paper reviews some of these major changes in the sector around the world and in the region. It then considers a range of specific issues facing the telecommunications sector in Guyana. These issues include:

1. Improving Telecom Sector Performance
2. The Legal and Regulatory Framework
3. Market Structure and Competition
4. Licensing and Scarce Resources
5. Price Regulation and Consumer Protection
6. Universal Access
7. Interconnection

The discussion under each issue begins with proposed objectives or 'ideal policies' for dealing with the issue. Following that is a brief discussion of the current situation in Guyana with respect to the issue. Finally there is a discussion of options for reform of the sector on each issue, taking into account the objective, and the current situation.

Specific options put forward for discussion purposes are set out below:

- **Introduce a Clear National Telecommunications Policy** – The Government should clarify the state of its telecommunications policy by approving a National Telecommunications Policy.

  This document would include details of the measures described below. It would also cover other aspects of a comprehensive modem telecommunications policy. These include interconnection and licensing rules.

  The specific elements of the policy would be developed based on the options set out in this Paper.

  The National Telecommunications Policy would be enacted through a new Telecommunications Act and a set of new telecommunications sector regulations.

- **Market-based Reforms** – A series of market-based reforms should be introduced that will **promote** the supply of sufficient telecommunications services to meet real economic demand. The major reforms are discussed below.

- **Rate Rebalancing** – A rate rebalancing plan should be introduced to raise the level of local rates to real economic costs, as soon as possible. This reform will provide a financial incentive to GT&T, and to other service providers that may be licensed in the future, to expand services to all consumers and businesses that will pay the costs of such expansion.

- **Open all markets to Competition in an Orderly Fashion** – This initiative will encourage GT&T, and the new entrants that are licensed, to provide service as quickly as possible. All operators will have an incentive to expand their market share to fill unmet demand. All markets should be opened to competition, to ensure that 'monopoly profits' are not eamed in remaining monopoly markets, and that such profits are not used to provide anti-competitive cross-subsidies in newly competitive markets.