

MAY 22 2000

The Honorable Joanne M. S. Brown
Legislative Secretary
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Suite 200
130 Aspinal Street
Hagåtña, Guam 96910

LEGISLATIVE SECRETARY
JOANNE M. S. BROWN
Joanne M. S. Brown
May 23, 2000

Dear Legislative Secretary Brown:

Enclosed please find Substitute Bill No. 394 (LS), "AN ACT TO REPEAL AND REENACT §§ OF P.L. NO. 24-36 AND TO AMEND §6(b) OF P.L. NO. 24-36, RELATIVE TO APPROVING THE GTA PRIVATIZATION TASK FORCE'S PLAN OF ACTION AS A BASIS FOR SECURING A STRATEGIC PARTNER THROUGH A REQUEST FOR PROPOSAL", which I have **signed** into law today as **Public Law No. 25-126**.

This legislation adopts a Plan of Action for privatization of the Guam Telephone Authority. This Plan of Action represents the three years of work by the Privatization Task Force that I empowered through Executive Order No. 97-09. It sets the parameters by which the task force will develop and market a request for proposal to find an appropriate Strategic Partner or Consortium for the privatization of all or part of the Guam Telephone Authority. The Plan of Action also outlines the basis for negotiating the most advantageous position for the government of Guam and the GTA ratepayers that will:

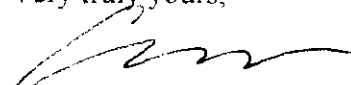
- **Address existing GTA employee issues** assuring that they will be well-positioned to negotiate as a valuable asset of GTA;
- **Contain rates and improve services** by engaging with a globally positioned and technologically advanced company or consortium that can provide our ratepayers with global services while maintaining competitive and affordable rates;
- **Retain local identification** by encouraging local participation beyond just the employees of GTA;
- **Assure GTA's future viability** by retaining a Strategic Partner with the financial strength and management expertise to compete locally and globally;
- **Sustain telecommunications growth on our island** as the telecommunications hub of the Pacific; and
- **Minimize the financial exposure to the government of Guam** as a result of drastic changes in federal laws that have exposed GTA's fundamental services to competition.

00936

This Public Law represents the first in a series of legislative steps that will be required before an agreement can be reached with a potential partner that will accomplish the goals listed above. I commend the work of Senator Carlotta Leon Guerrero and the members of her committee to date and I look forward to your continued cooperation and participation with the Task Force in the coming months as they move to get to the negotiating table before the end of the year.

I want to thank the Guam Telephone Authority Privatization Task Force members. This group included members of past and the current Legislatures, as well as members of the Executive Branch, and was chaired by Mr. Clifford Guzman of the Bureau of Planning. This group has worked diligently to come up with a Plan that is acceptable to the various sectors of the government, to the GTA employees, and which can now be implemented. I also want to thank the employees of the Guam Telephone Authority for their input and participation in this process.

Very truly yours,



Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

Attachment: copy attached for signed bill or overridden bill
original attached for vetoed bill

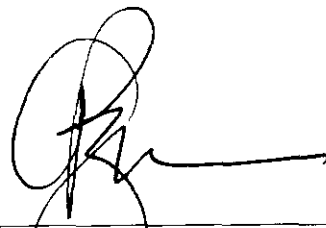
cc: The Honorable Antonio R. Unpingco
Speaker

00936

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 394 (LS) "AN ACT TO REPEAL AND REENACT §5 OF P.L. NO. 24-36 AND TO AMEND §6(b) OF P.L. NO. 24-36, RELATIVE TO APPROVING THE GTA PRIVATIZATION TASK FORCE'S PLAN OF ACTION AS A BASIS FOR SECURING A STRATEGIC PARTNER THROUGH A REQUEST FOR PROPOSAL," was on the 11th day of May 2000, duly and regularly passed.



ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

.....

This Act was received by I Maga'lahaen Guahan this 12th day of May, 2000,
at 5:50 o'clock P.M.

47 Paulino SPD
PO2 Y.F. PAULINO #467 Executive Security
Assistant Staff Officer
Maga'lahaen's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: 5-22-00

Public Law No. 25-126

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
2000 (SECOND) Regular Session

Bill No. 394 (LS)

As substituted by the Committee
on Transportation, Telecommunications
and Micronesian Affairs and amended
on the Floor.

Introduced by:

Committee on Rules,
Government Reform,
Reorganization and
Federal Affairs

by request of *I Maga'lahaen*
Guåhan in accordance with
the Organic Act of Guam

Mark Forbes

F. B. Aguon, Jr.

E. C. Bermudes

A. C. Blaz

J. M.S. Brown

E. B. Calvo

M. G. Camacho

L. F. Kasperbauer

A. C. Lamorena, V

C. A. Leon Guerrero

K. S. Moylan

V. C. Pangelinan

J. C. Salas

S. A. Sanchez, II

A. R. Unpingco

**AN ACT TO REPEAL AND REENACT §5 OF P.L. NO. 24-
36 AND TO AMEND §6(b) OF P.L. NO. 24-36, RELATIVE
TO APPROVING THE GTA PRIVATIZATION TASK
FORCE'S PLAN OF ACTION AS A BASIS FOR
SECURING A STRATEGIC PARTNER THROUGH A**

REQUEST FOR PROPOSAL.

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings.** *I Liheslaturan Guåhan* has carefully
3 examined the Plan of Action submitted by the Guam Telephone Authority
4 Privatization Task Force, and has revised the Plan of Action as indicated on
5 the attached revised Plan of Action. **Exhibit A.**

6 **Section 2. Approval.** *I Liheslaturan Guåhan* hereby approves the
7 revised attached Plan of Action, **Exhibit A**, as the basis for securing a strategic
8 partner with an Invitation for Bid or a Request for Proposal, *subject* to the
9 following conditions:

10 (a) No Invitation for Bid Request for Proposal for a sale,
11 privatization, or other disposition of the assets of the Guam Telephone
12 Authority, either through a strategic partner or any other arrangement
13 shall be issued, *unless* the rules and regulations for the issuance of such
14 an Invitation for Bid or Request for Proposal are approved by *I*
15 *Liheslaturan Guåhan* by law. This requirement is indicated in the Plan of
16 Action: Guam Telephone Authority Privatization under "Invitation for
17 Bid: GTA Privatization".

18 (b) No Invitation for Bid or Request for Proposal for a sale,
19 privatization, or other disposition of the assets of the Guam Telephone
20 Authority, either through a strategic partner or any other arrangement
21 shall be issued, *unless* the Employee Financial Advisor, as required in §7
22 of Public Law Number 24-36, has been hired, and has had sufficient

1 opportunity to review all relevant documents pertaining to the sale,
2 privatization, or other disposition of the assets of the Guam Telephone
3 Authority, and has had sufficient opportunity to review the Invitation
4 for Bid or Request for Proposal and approves its issuance.

5 (c) All funds paid to the government of Guam or the Guam
6 Telephone Authority, specified in §6(a) of the attached Plan of Action,
7 either through an Invitation to Bid or Request for Proposal for a sale,
8 privatization or other disposition of the assets of the Guam Telephone
9 Authority, from a strategic partner or any other entity shall be
10 considered General Fund revenues, *excepting* those funds escrowed with
11 regards to the "Up-Front Payment" in §6(b) in the attached Plan of
12 Action.

13 d) No money may be spent from the funds described in (c),
14 *except* through appropriation or as may be otherwise approved by *I*
15 *Liheslaturan Guåhan*.

16 **Section 3.** Section 5 of Public Law Number 24-36 is hereby *repealed and*
17 *reenacted* to read as follows:

18 "Section 5. Prior to approval of any agreements submitted
19 to *I Liheslaturan Guåhan* for the sale, privatization or other disposition of
20 the assets of the Guam Telephone Authority, a second opinion as to the
21 price and terms and conditions by a nationally recognized investment
22 banking firm shall be obtained.

23 A nationally recognized investment banking firm with proven
24 expertise in the telecommunications field shall be retained by *I*

1 *Liheslaturan Guåhan* through the Committee on Transportation,
2 Telecommunications and Micronesian Affairs as an investment banking
3 advisor to do the following:

4 (1) review all documents and agreements being
5 submitted to *I Liheslaturan Guåhan* relating to the sale,
6 privatization or other disposition of the assets of the Guam
7 Telephone Authority, including any other documents relating to
8 the sale, privatization or other disposition of the assets of the
9 Guam Telephone Authority, which in the opinion of the
10 investment banking advisor is required to properly review the
11 submitted documents and agreements;

12 (2) issue an opinion as to the fairness of the price offered
13 for the sale, privatization or other disposition of the assets of the
14 Guam Telephone Authority based on current market conditions;
15 *and*

16 (3) issue an opinion as to the fairness of the terms and
17 conditions offered for the sale, privatization or other disposition
18 of the assets of the Guam Telephone Authority based on current
19 market conditions.

20 The cost to retain a nationally recognized investment banking firm as an
21 investment advisor and perform the above actions shall be paid out of the Cost
22 Reimbursement Fund, as described in §6(a) of the Guam Telephone Authority
23 Privatization Plan of Action."

24 **Section 4.** Section 6(b) of Public Law Number 24-36 is hereby *amended*

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EXHIBIT A

Historical Perspective

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4 In his Inaugural Address on January 2, 1995, Governor Carl Gutierrez stated that he would
5 consider privatizing some government operations including the Guam Telephone Authority
6 (GTA). Subsequently, in 1996 with the changes in the federal laws regulating the
7 telecommunications industry and the development of the Vision 2001 Strategic Initiative, the
8 firm of Coopers and Lybrand (C&L) was commissioned to conduct a study on the
9 privatization of GTA. The final C&L Report was presented to the administration in January
10 1997.

11
12 In February 1997, Governor Gutierrez issued Executive Order 97-09 establishing the GTA
13 Privatization Task Force. This Task Force is comprised of 13 members representing the
14 Legislature, the Board, management and employees of GTA, representatives of the Guam
15 Civil Service Commission, the Government of Guam Retirement Fund, the Governor's
16 Office and the community. The Task Force was empowered to review the C&L report and
17 develop a plan for implementing its recommendations.

18
19 The C&L Report, titled "*Privatization Options and Valuation for the Guam Telephone*
20 *Authority*", included a valuation of GTA as well as a comprehensive review and discussion
21 of different privatization options that could be considered. The potential options assessed
22 within the study included status quo, employee ownership, management buy-out,
23 corporatization, initial public offering, and strategic partnership. These various options were
24 evaluated in a series of interviews with local business and government leaders, a sampling
25 of individual GTA employees as well as an open forum at the University of Guam for all GTA
26 employees. Each option was scored against the following six evaluation criteria:

- 27
28 a) Addressing and meeting employee concerns while effectively deploying their skills;
29 b) Commercial strength;
30 c) Generation of funds for GovGuam;
31 d) Consumer protection;
32 e) Realization of Vision 2001; and
33 f) Support from the community and the Legislature.

34
35 The C&L Report further presented a discussion of the issues that would possibly arise when
36 considering the privatization of GTA, and the different ways in which these issues might be
37 addressed. The report also presented an analysis of potential cost and management
38 flexibility comparative scenarios that could result from each option.
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1 Subsequent to the enactment of Executive Order No. 97-09, the 24th Guam Legislature
2 passed Bill No. 147 (COR) "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY
3 PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY (GTA)", which became
4 Public Law 24-36, mandating the following:

- 5
- 6 • A Plan of Action be prepared by the GTA Privatization Task Force and presented to the
7 Guam Legislature for approval;
- 8 • Final approval of any Privatization Contract by the Guam Legislature;
- 9 • The appointment of a Negotiations Observer by the Committee on Telecommunications;
- 10 • A Fairness Opinion as to the value of GTA's assets;
- 11 • The appointment of a Financial Advisor to represent GTA employees;
- 12 • The creation of a GTA Employee Coordinating Committee; and
- 13 • The creation of an "Infrastructure Improvement" account to receive any funds derived
14 from any sale of GTA assets.
- 15

16 In compliance with this Public Law, the Privatization Task Force has compiled this plan of
17 action and discussion of its findings for presentation to the Guam Legislature, the Governor
18 of Guam, and the Board of Directors of GTA and its employees.

19

20 As stated earlier and in compliance with Executive Order 97-09, the Task Force has utilized
21 the Coopers and Lybrand Report and recent activities in the telecommunications industry as
22 a basis for its deliberations. In addition, the Task Force has interviewed GTA employees
23 and conducted numerous employee forums designed to facilitate a better understanding of
24 the employee concerns and issues and educate employees on the intentions and direction
25 the Task Force will take to achieve Privatization. The results of these forums are included in
26 the appendix of this document.

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Introduction

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4 The Privatization of any government operation is a very serious issue. The investment and
5 return on public or rate payer's funds for capital improvements, overhead and maintenance,
6 employees and public services are difficult to quantify in government. Although it is
7 somewhat easier in autonomous rate-based agencies, the basic principles of supply and
8 demand are very often muddled due to policies that are outdated or more aptly designed for
9 line agencies and general fund budgeting principles.

10
11 When considering the situation of the Guam Telephone Authority, the issue becomes even
12 more serious. As an autonomous agency of the government, it has long enjoyed the
13 exclusivity of being the only local exchange carrier on Guam supported by our local and
14 federal governments. Through the years since its inception, GTA has blossomed into a state
15 of the art telecommunications center in the Pacific connecting Guam to the world through a
16 fiber optics network that is the envy of various countries. Its employees have benefited from
17 the myriad of opportunities for training and education that GTA has been able to provide
18 them.

19
20 Where once GTA enjoyed exclusivity in these and other areas, recent changes in federal
21 laws and telecommunications technologies have forced drastic changes that threaten the
22 very existence of the Authority by exposing its fundamental services to competition with the
23 private sector. Unfortunately, GTA is not positioned to compete with the private sector
24 effectively for a variety of reasons including its rate basis, restrictive local and federal
25 regulations and policies, its level of efficiency as a government entity, and its financial
26 condition, to name a few.

27
28 Change is being forced upon GTA and a long-term perspective is required if the Authority is
29 to survive. The welfare of the over four hundred GTA employees, their families and the rate
30 payers is at stake. The ability of GTA to continue to provide effective services to its rate
31 payers efficiently is threatened. Finally, and most importantly, Guam's future as a
32 telecommunications hub in the Pacific will be placed at risk if nothing is done.

33
34 The privatization of the Guam Telephone Authority has long been debated time and time
35 again. Proponents for its privatization have been voted down and although legislation for its
36 privatization has been promulgated and passed, privatization has never been deemed
37 "politically correct" or timely to implement. Now we are faced with a dilemma of immense
38 proportions.

39
40 "Doing nothing" is no longer an option. Doing nothing will place all GTA's assets at risk,
41 threaten the livelihood of its employees and compromise the ability of the government of
42 Guam to provide other public services effectively. GTA is well positioned at this time to

1 transition into a privatized entity, based on the strengths of its infrastructure, technological
2 advances and trained workforce. However, as each day goes by, its value diminishes in the
3 face of increased competition resulting from the Telecommunications Act of 1996 (TA'96).

4
5 The members of the GTA Privatization Task Force firmly believe that the challenges that are
6 brought about by the Telecommunications Act of 1996 can be overcome. With a well
7 thought out plan, a privatized Guam Telephone Authority will be a **win** for the employees of
8 GTA, a **win** for the government of Guam, and a **win** for our entire island community.

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What is driving the Need to Consider Privatization?

There are a number of very substantial factors that are forcing change on the Guam Telephone Authority and creating the need to consider alternatives to its status quo. These factors include the following:

The Telecommunications Act of 1996

The Federal Telecommunications Act of 1996 (TA'96) has fundamentally changed the laws governing the activities of telecommunications companies. This law swept away regulatory distinctions between communications carriers, changed the basis for regulatory compliance to one that is competition based, and created openings for companies to enter or expand their businesses into local, long distance, and cable markets. It removed the distinctions previously made between local and long distance carriers and cable system operators, allowing companies in one market sector to compete for business in other sectors. This law restructured the entire U.S. telecommunications industry, and has had a significant impact on the way GTA is doing business, now, and in the future.

Some key impacts of TA'96 include:

- Full service companies will increasingly provide communications services as the distinctions between local and long distance carriers and cable system operators disappears.
- Incumbent telephone carriers and cable system operators will lose part of their traditional markets and must look into other segments of the industry for growth potentials.
- Non-traditional players, such as electric utilities, owners of high density real estate (e.g. apartment complexes and office buildings) and others, will be attracted by the opportunity to create economies of scale in combining local telephone company facilities with their operations.
- Customers will be able to freely select from among different full service communications providers: customer retention will focus on service quality, convenience, promotions and competitive pricing.
- The role of the federal and state regulatory bodies as protectors of the consumer against unreasonable prices and practice will be reduced and replaced by regulatory compliance that is competition based.

- 1 • Price and regulatory concerns will focus more on eliminating illegal switching of
2 customers without their permission by local, toll, cellular, and video companies.
3
- 4 • Aggressive competition has already manifested itself in the local service market segment
5 challenging the monopoly once enjoyed by GTA. Higher local service charges will make
6 this market segment more attractive to potential competitors.
7

8 Further complicating the situation, GTA has been required to institute usage-based access
9 charges in place of the revenue-driven fees it previously charged under a 1993 Show Cause
10 Order. Because the revenues from the new access charges are significantly lower than the
11 fee-based income it had been receiving, GTA has moved to find a new balance in its local
12 service charges.
13

14 Technological change is driving the merging of telephone and computer technologies,
15 resulting in the emergence of a new era in communications technology known as "Network
16 Tele-computing". While GTA continues to invest in new technology to the best of its ability,
17 the Task Force believes much higher levels of investment in new systems technology and
18 expanded services to customers will be required in order to remain competitive.
19
20

21 **Government Ownership**

22

23 These rapid changes in markets and technologies and the loss of the exclusive franchise as
24 a provider of local telephone services fundamentally undermine GTA's viability, particularly
25 in light of its ownership by the government. There is the very real likelihood that the
26 government will be faced with subsidizing GTA's operations within 3 to 5 years or less if
27 nothing is done. Because the TA'96 requires that all competitors be treated equally, it would
28 be difficult for the government to justify, on an equity argument basis, any subsidies to GTA
29 operations, even if the government were in a position to subsidize GTA in the first place.
30

31 Competition from the private sector will result in downward pressure on prices and upward
32 pressure on service requirements in all of GTA's markets. As an autonomous agency of the
33 government, GTA is faced with severe restrictions limiting its potential ability to respond to
34 market conditions in an effective or efficient manner.
35

36 GTA's current financial position and policies relating to depreciation, debt repayment and
37 revenue enhancement are limiting its ability to reinvest in its operations. In general, private
38 sector companies have better access than government to capital for investment, and fewer
39 restrictions in accessing capital markets.
40
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1 Government ownership imposes further restrictions on management, human resources,
2 procurement, and investment policies, including changes in pricing, performance-based
3 compensation, employee deployment, and the protection of strategic information.
4

5 6 **Government Policies** 7

8 While changes in the regulatory environment pose significant competitive challenges to
9 GTA, government ownership ties the hands of GTA management and its employees in
10 responding to these challenges. It is a widely accepted policy that government should not
11 compete with the private sector. Government policies are generally designed to encourage
12 private sector growth, which in turn provides the tax revenue base by which government can
13 provide services to the general public.
14

15 Because GTA does not pay taxes, any of its activities that is competitive with private sector
16 firms is seen by many to be "unfair". This means that while private sector firms are
17 permitted under TA'96 to compete with GTA in the local telephone service market, GTA is
18 not permitted to compete with private sector companies in other markets, which is equally
19 "unfair" to GTA. The result is that GTA is restricted from expanding its business base in
20 many ways including:
21

- 22 • Aggressively marketing its cellular services (because of unfair competition with the
23 private sector);
24
- 25 • Aggressively developing and implementing its Personal Communications Services
26 (PCS) network;
27
- 28 • Aggressively investing in system improvements (because of limitations on access to
29 capital from the government or other sources);
30
- 31 • Paying performance based compensation to employees;
32
- 33 • Deploying its personnel as needed to meet the demands of a rapidly changing
34 marketplace;
35
- 36 • Providing new services which are already being provided by the private sector;
37
- 38 • Procuring goods and services outside of restrictive and cumbersome government
39 procurement regulations; and
40
- 41 • Protecting valuable business information due to open government laws (Sunshine
42 Reform Act)

1 Implications for GTA

2
3 The implications for GTA - given the Telecommunications Act of 1996, the usage-based
4 access charges, its inability to respond to rapidly changing markets or technology and the
5 restrictions of government policies and ownership - place the viability of GTA at great risk.

6
7 The future of telecommunications in Guam is becoming abundantly clear. Some of the
8 indicators include:

9
10 *Communications services will increasingly be provided and dominated by large, full service*
11 *companies.*

12
13 Mergers and acquisitions between long distance companies and specialty
14 communications service or technology providers are in place or are being promulgated
15 worldwide. The most recent example is the merger of GTE and Bell Atlantic, MCI World
16 Com and Sprint and ATT and Media One, creating conglomerates worth in excess of
17 \$100 billion in assets. Other indicators include the increasing interest in Guam by other
18 globally positioned private conglomerates such as StarTec* PCI, Guam Cell and GTE
19 Pacifica.

20
21 *Guam-based firms fully intend to provide local exchange services in the near future.*

22
23 The recent acquisition of Guam Cable Systems by Marianas Cable Vision has now
24 combined subscribers. With the new technologies available, MCV can also provide
25 Internet, telephone signaling and universal services to its customers in the same cable
26 with little comparative investment. Other private entities are now effectively competing
27 with GTA. For example:

- 28
29
- 30 • System maintenance contracts at all major hotels which were once the exclusive
31 market of GTA, have now been taken over by private firms.
 - 32 • Additional revenues have been lost to private firms offering "bundled deals" providing
33 long distance, Internet services, cellular, paging, Calling Cards, marketing incentives,
34 PCS, and
 - 35 • Several firms are now competing with GTA for inside wiring maintenance contracts.

36 *Because of government ownership and policies, GTA cannot respond effectively to market*
37 *driven challenges.*

38
39 Because GTA's fees are usage-based and not revenue driven, GTA cannot raise the
40 capital or make the investments necessary to compete against private entities.
41 Government policies and restrictions on procurement, personnel deployment and

1 competition are just a few of the obstacles GTA faces in light of the changes brought
2 about by the Telecommunications Act of 1996.

3
4 Based on its review and discussion of these and other issues, the GTA Privatization Task
5 Force believes that some form of privatization is necessary if GTA is to remain viable.
6 A privatization effort would serve to meet the objectives of the government in protecting the
7 long-term interests of GTA employees and would certainly assist in the development of
8 Guam into a telecommunications hub of the pacific.

9
10 The privatization of GTA is both a great challenge and a great opportunity. Privatization will
11 provide GTA with access to private capital as well as enhance its existing technical and
12 leadership resources, allowing it to compete effectively in a rapidly changing market.
13 Through privatization, GTA will be able to aggressively seek business opportunities in new
14 market segments, such as long distance, cable, and Internet services, and become a full
15 service communications provider to the people of Guam. The new GTA could further
16 expand overseas, and GTA employees will be afforded the opportunity and resources to
17 improve their individual quality of life and expand their career opportunities in the exciting
18 field of telecommunications. Through privatization, the Task Force believes that the future
19 for GTA looks very bright indeed.

Reviewing the Options

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4 In deciding what options are available to GTA in light of the decision to privatize, the
5 Privatization Task Force agreed that any decision must be based on the following
6 objectives:

7
8 Objective #1: Addressing GTA Employee Issues:

9
10 Without a doubt, the true value of the Guam Telephone Authority lies in its employees.
11 Although the work force is relatively young, investments in training, organization and
12 technology have paid off for the Authority, creating a state of the art facility, increasing its
13 ability to service its customers, and increasing its value over the years. The GTA
14 Privatization Task Force is sensitive to the employees' concerns about how privatization or
15 any similar change in the ownership or management structure at GTA will ultimately affect
16 them.

17
18 The principle issues arising from a change in the ownership of GTA for its employees
19 include:

- 20
21 • The possibility that the successful bidder may arbitrarily reduce the number of
22 employees, resulting in personal hardship for families that rely on GTA for employment;
23
24 • In a privatized scenario, employment benefits such as annual or sick leave, holidays and
25 other benefits may not be as attractive as now offered in the government of Guam;
26
27 • GTA employees would no longer be eligible to participate in the Government of Guam
28 Retirement Fund. Employees are concerned that they may also lose the benefits that
29 they have accrued over many years of service with GTA and other agencies of the
30 government such as sick leave and annual leave;
31
32 • Concerns over the level of participation by the employees throughout the process of
33 privatization; and
34
35 • The ability to transfer into other government agencies or departments, if they choose to
36 remain in government, rather than transition into a privatized GTA.
37

38 These are but a few of the concerns that have been expressed by the employees of GTA in
39 several forums, including the most recent held in November 1999. A full transcription of their
40 concerns and the Task Force's responses are included in Appendix A.
41
42

1 The safeguards and incentives recommended by the GTA Privatization Task Force to
2 protect the interests of GTA employees are set out in the Recommended Terms and
3 Conditions for Privatization section of this report, starting on page 18.

4
5
6 Objective #2: Contain Rates and Improve Services:

7
8 GTA operates in a regulatory framework that has been historically governed to different
9 degrees by the Federal Communications Commission (FCC), the Rural Utilities Service
10 (RUS), the Guam Public Utilities Commission (GPUUC), and the government of Guam.

11
12 The Telecommunications Act of 1996 was designed to further de-regulate the industry,
13 remove distinctions between local and long distance carriers and generally facilitate more
14 competition between carriers, which in turn would result in lower rates and improved service
15 for the consumer. As stated earlier in this report, we have already seen aggressive
16 competition locally along these lines. As a result of its status as a government entity, its
17 current debt service and its inability to respond to market forces, GTA is limited in the types
18 of services it can provide or invest in, severely restricting its ability to contain rates and
19 improve services.

20
21
22 Objective #3: Retain Local Identification:

23
24 The Task Force agrees that local identification is a very important consideration to any form
25 of privatization. Sensitivity to our community's needs and the commitment to provide GTA
26 and its employees with the capital, technical skills and leadership skills it needs to prosper in
27 a highly competitive field is foremost in this plan. This can be accomplished by negotiating
28 incentives and encouraging local participation through possible joint ventures with local
29 companies, equity participation for Guam residents and ensuring that local skilled workers
30 are given priority in hiring at all levels. Most importantly, the Task Force believes that any
31 privatization effort should be focused on growing the telecommunications industry locally,
32 creating more jobs, services and revenues.

33
34
35 Objective #4: Assure GTA's Future Viability:

36
37 There are a number of economic and financial factors that have the potential to affect the
38 future financial performance and viability of GTA. These factors include:

- 39
40 • Anticipated growth rate of the telecommunications industry;
41 • Tariff and access charges;

- 1 • Market access lines;
- 2 • The nature of competition;
- 3 • Changes in market share and market segmentation;
- 4 • Cellular (or mobile) subscribers and revenues;
- 5 • Overhead and maintenance costs;
- 6 • Other revenues and expenses; and
- 7 • Capital expenditure programs.

8
9 If GTA were privatized, restrictions associated with Government of Guam ownership would
10 no longer apply. Other changes, such as the following, would most likely be required in
11 order to make GTA viable as a privatized entity:

- 12
13 • Impose measures to monitor prices on non-competitive services until competition exists
14 (such as in local exchange services) and provide the necessary regulatory framework for
15 fair competition.
- 16
17 • Changes to the GPUC law regarding communications providers to bring local law in
18 accordance with the provisions and intent of the TA'96;
- 19
20 • As required by the TA'96, remove from GPUC the right to review the new GTA's
21 investment plans and allowing it to protect commercially sensitive and proprietary
22 information;
- 23
24 • Establish regulatory procedures to comply with TA96; and
- 25
26 • Address all existing covenants and agreements with RUS, vendors and other entities as
27 necessary.
- 28
- 29

30 Objective #5: Sustain Telecommunications Growth:

31
32 The Guam Telephone Authority has invested heavily in order to ensure that Guam is
33 positioned to be a leader in telecommunications in the Pacific arena. With fiber optics cables
34 stretching across the Pacific and Guam's ideal position for satellite transmission, there is no
35 doubt why global communications companies have shown extreme interest in our island.
36 Any privatization partner that is to be considered must have a global view of Guam as a
37 telecommunications hub. The future of Guam's economic expansion into the next
38 millennium depends on it.

1 Objective #6: Minimize the financial exposure of the government:
2
3 As suggested earlier in this report, the government of Guam will most likely be forced to
4 begin subsidizing GTA within 3 to 5 years, or less, if nothing is done. The continued erosion
5 of GTA's revenues as a result of forced competition places its ability to service its debts at
6 risk and increases the potential for a negative credit rating and possible loss of government-
7 owned assets.
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Privatization Options

The Coopers and Lybrand Report included a comprehensive review and discussion of the following privatization options available to GTA:

Continued Government Ownership:

- Status Quo: No change to the current structure.
- Corporatization: GTA would convert to a corporation and be allowed to operate, manage and pay taxes, fees and charges in a commercial fashion.

Government Retains Ownership of GTA's Assets Only:

- Management Contract: Allow a leading telecommunications company to manage GTA.
- Long Term Lease: Lease the assets of GTA to a leading telecommunications company.

Ownership by Subscribers, Employees or Management:

- Employee Ownership: Allow the employees to purchase and operate GTA.
- Cooperative: Allow the subscribers to purchase and operate GTA.
- Management Buy Out: Allow the managers to purchase and operate GTA.

Private Sector Ownership:

- Initial Public Offering: List GTA on the stock market and allow widespread private ownership.
- Break Up Sale: Split GTA into its most salable units, and sell them off to the highest bidder.
- Strategic Partnership: The merger with or sale of GTA to a leading telecommunications company or consortium.

Using the specific evaluation criteria outlined earlier in this report, the following potential future options for GTA were scored according to their ability to meet the 6 overall objectives adopted by the Task Force.

1 The results presented in the C&L Report were as follows:

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Strategic Partnership:	23
Initial Public Offering:	18
Management Contract:	16
Long-term Lease:	15
Break-Up Sale:	15
Cooperative:	14
Employee Ownership:	14
Management Buy-Out:	14
Corporatization:	13
Status Quo:	11

After evaluation and discussion of these results, the Task Force endorsed the conclusion reached in the C&L Report that a "Strategic Partnership" is the option most likely to meet both the objectives of the government and protect the long-term interests of GTA employees.

This option will bring with it the management flexibility to address the challenges of a rapidly changing market place, and the necessary infusion of capital investment to ensure that GTA is well placed to compete in new and existing market segments. This option will provide the task force with the flexibility to consider other options such as "The Golden Share Co-operative: A Cooperative effort consisting of privately-tendered publicly tendered and an equity share vote by the government to insure its presence and ownership. Task Force members also noted that in certain circumstances a bidder might be able to satisfy the major objectives of the GTA Privatization Task Force under an ownership structure other than "Strategic Partnership". The Task Force recommends that all eligible offers must contain a detailed methodology by which the 6 major objectives and the terms and conditions included in this plan of action will be met.

The Value of GTA

Three different approaches were used in the C&L Report to estimate the value of the assets and the business of GTA, as follows:

- Discounted Cash Flow Valuation - This technique projects the future cash flow of GTA, then discounts the cash flow at an investment earnings rate that reflects the risk attached to the realization of this cash flow. This approach generally results in a higher relative value than other methods, but also tends to be more realistic. The discounted cash flow valuation methodology is the principal methodology for valuing mature companies in most cases.
- Comparative Based Valuation - This methodology looks at the stock prices of similar, publicly traded companies, as well as recent sales of similar companies, as available, deduces a value based on a benchmark (such as price to earnings ratio), and adjusts for scale. The accuracy of this measure of value depends largely on the similarity of the operations and activities of the comparable company with the company being valued.
- Asset Based Valuation - This fundamentally represents the value of a company's assets. The value of the company using this measure depends largely on the accounting policies of the company, and the method of valuing the assets of the company (for example, book value or replacement value). Given that most companies account for their assets on a cost less depreciation basis, this methodology tends to undervalue the company.

Each of these methodologies, and the ultimate value of GTA, is in turn affected by the economic and financial assumptions employed, which include:

- Economic assumptions (economy, customers, employees, etc.);
- Financial assumptions (working capital, depreciation, loans, retirement fund, taxation, discount rate, market growth rate);
- Operational and strategic fit with the purchaser; and
- Sensitivity analysis (with respect to employees, the government stake, tariff increases, lease or purchase of the assets or land, and taxation).

The C&L Report concludes that the equity value of GTA (after subtracting debt and other liabilities) is in the range of \$20 to \$60 million. (Based on the range of outcomes using the three different valuation approaches, and after taking into account different economic and financial assumptions, and sensitivity analysis of different assumptions).

Recommended Terms and Conditions for Privatization

The GTA Privatization Task Force recommends that the terms and conditions for the privatization of GTA be developed to facilitate, to the greatest extent possible, the realization of the 6 major objectives previously identified in this report. The following terms and conditions recommended by the Task Force, therefore, are grouped according to their support of each major objective. Each of the terms and conditions recommended in this Plan of Action must be addressed in good faith by all bidders, and to the satisfaction of Task Force members.

1) Addressing GTA Employee Issues

The GTA Privatization Task Force believes that addressing and meeting employee concerns is a major objective to be considered under any privatization proposal received by the government. The following terms and conditions are recommended by the Task Force to provide safeguards and incentives that will protect the interests of GTA employees. The Task Force also recommends that these terms and conditions should be an underlying basis for negotiation with a potential investor in GTA, unless specifically stated otherwise.

The Task Force believes that the combination of benefits and options that is recommended in this section is fair and reasonable. Task Force members further point out that GTA employees with different family situations and needs will weigh each of these potential benefits and options differently, and any employment package will be negotiated with the bidders to give the employees as many options as possible. Some of these terms and conditions include:

Employment

- a) No forced lay-offs, except for cause, for a minimum period of 5 years following the date of the GTA Privatization Agreement.
- b) Comparable or better salary and benefits packages to be negotiated with GTA employees prior to the date of the GTA Privatization Agreement and be sustained for a minimum period of five years.
- c) Provide each employee with a separate employment contract including, but not limited to :

- Basic salary;
- Performance-based salary increments/bonuses;
- Education and training;
- Annual leave, sick leave and daycare benefits;
- Pension and medical disability plans;
- Health and life insurance plans.

Other potential benefits that may be considered or negotiated include profit sharing or stock option plans.

- d) Proven track record for harmonious employee relations. The successful bidder must be able to demonstrate to the Task Force that they have maintained good management - employee relations over the past 5 years and have displayed exceptional leadership in the management of their human resources.
- e) Incentive programs to induce employees to resign or retire voluntarily as a means of reducing staffing and improving efficiency and competitiveness in a phased manner.

Pension Benefits

- f) On the date of the GTA Privatization Agreement, ensure that GTA employees are credited with the full amount of contributions and/or investment earnings accrued under existing Government of Guam retirement plans up until that date. Employee contributions and interest earnings will then either be paid to the employees with less than 20 years of service by the Government of Guam Retirement Fund, or shall continue to be invested by the Fund and paid out when the employee subsequently retires.
- g) Ensure that the new pension plan allows GTA employees to rollover certain length of service towards vestation.
- h) That an attractive new pension plan be offered that is effective on the date of the GTA Privatization Agreement, and that the successful bidder be responsible for payment of employer contributions earned with the new pension plan after that date;
- i) Each year of service with GTA or with GovGuam, including all allowable service credits, shall be applied where appropriate to the new pension plan.

Other Benefits

- 1
2
3 j) To the greatest extent possible, that the successful bidder will match or
4 exceed any other benefits currently provided by GTA and GovGuam.
5

Special legislation will be required to:

- 6
7
8 k) Allow GTA employees, if they so choose, to transfer their personal
9 Government of Guam Retirement Fund contributions into a private sector
10 pension plan; to leave their accrued benefits in the government system for
11 disbursement at a later date; or to take early withdrawals from the government
12 system in special circumstances.
13
14 l) Give GTA employees priority in lateral transfers to other agencies of the
15 government, where appropriate.
16

2) Contain Rates, and Improve Services

17
18
19 The GTA Privatization Task Force recommends that the successful bidder justify its
20 ability to contain rates and improve services, while meeting the other terms and
21 conditions of the Privatization Agreement, in the following areas:
22

- 23 a) Prices to be regulated by the GPUC "until effective competition exists in the
24 industry", or for the first 5 years of the Agreement, whichever comes first.
25
26 b) Improvements in service performance levels (such as market share, service
27 response times, and repair response times) over the first 5 years of the
28 Agreement.
29
30 c) As required by TA96, that the different services to be provided by GTA
31 (including local service, cellular service, and long distance) are "unbundled",
32 and priced as though each service is provided by a separate company.
33
34 d) Commit to a capital structure for the newly formed company for the first 5
35 years which would mitigate upward pressure on rates.
36

37 The Task Force believes that these performance requirements can be effectively
38 monitored by the publication of an audited annual report addressing these three
39 criteria each year for 3 years after the date of the Privatization Agreement. Other
40 monitoring methodologies would be negotiated with the successful bidder to allow a
41 level of comfort to the government without compromising market information deemed
42 confidential to the continued competitiveness of the New GTA.
43

3) Retain Local Identification

The Privatization Task Force believes that it is the interest of the island that local business and individuals be given the opportunity to participate in the purchase or privatization of GTA. Every effort should be made to provide information on GTA and the terms and conditions for privatization to be publicly available to locally interested firms and individuals.

The GTA Privatization Task Force believes that it is in the long-term interest of the major stakeholders in GTA, that the successful company or consortium be able to provide GTA with the capital as well as technical and leadership skills that will enable the New GTA to prosper. Therefore, the successful bidder must persuade the Task Force that it can:

- a) Demonstrate a long-term commitment to Guam. This could be in the form of a business plan or a capital investment plan, providing that disclosure of the plan does not prejudice the competitive position of the New GTA.
- b) Provide opportunities for local participation in both ownership and management. This could be in the form of equity participation to Guam residents, or some form of joint venture with local companies.
- c) Demonstrate that all possible positions within the New GTA be filled from the local community workforce.

4) Assure GTA's Future Viability

The successful bidder, individually or if a group as a group must be able to show the Task Force members that it has:

- a) Proven financial success. This could be in the form of financial statements that show consistent increases in sales and profits in telecommunications over the past 5 years.
- b) A Minimum Gross Annual Sales of \$500 million¹ in telecommunications sales over the previous year. It is the intention of the Task Force that the new owner of GTA be a financially and technically competent telecommunications company or consortium that is capable of making the substantial capital investments that may be necessary to secure the future of the New GTA.
- c) Minimum Net Assets of \$100 million². Financial statements from the previous year would allow this minimum net asset value to be calculated.

5) Sustain Telecommunications Growth

- a) Prove Substantial International Telecommunications Experience. With the passage of TA96, and the globalization of the telecommunications industry, it is important that any bidder have the ability to enter or expand its presence beyond local, long distance, and cable markets. The ability of the successful bidder to demonstrate international experience will help ensure that the New GTA is not left behind by technological change or innovation and is positioned to penetrate new market segments.
- b) A track record of success in similar market situations. In order to benchmark the likely future performance of the successful bidder with the New GTA, a proven track record of success in similar markets will be required.
- c) Strong, Experienced Management. The successful bidder must demonstrate that it can provide experienced leadership to the New GTA in order for it to grow and prosper.

¹The original GTA Privatization Task Force recommendation was \$1 billion. The Committee on Telecommunications recommended a reduction on the Minimum Gross Annual Sales to \$250 million. Subsequently, the GTA Privatization Task Force has compromised its recommendation to \$500 million.

²The Committee on Telecommunications recommends a reduction of the Minimum Net Assets to \$50 million.

- 1 d) Technology Leadership. It is important that the new GTA keep abreast of new
2 technologies. This will ensure an improvement in services to every family and
3 every business in Guam.
4
- 5 e) Commitment to Invest to Maintain Technology Leadership. The successful
6 bidder must show that it has both sufficient financial resources and a
7 commitment to invest and grow the business of the New GTA.
8

9 6) Minimize the Financial Exposure of the Government

- 10
- 11 a) **“Cost Reimbursement”** - All bidders must pay for a Proposal Evaluation Fee
12 to the government, regardless of the type of offer or type of management and
13 ownership structure proposed, as a mandatory component of any Privatization
14 Agreement proposal submitted to the GTA Privatization Task Force for
15 consideration. This money would be used to reimburse the Government of
16 Guam for the costs incurred in performing a proper and thorough evaluation of
17 a bidder’s proposal. The cost to retain a nationally recognized investment
18 banking firm to perform the actions required by Section 5 of PL 24-36 as
19 amended shall be paid out of the “Cost Reimbursement” fund.
20

- 21 b) **“Up-Front Payment”** - The successful bidder will be required to make a
22 minimum up-front, non-refundable payment to the government, regardless of
23 the type of offer or type of management and ownership structure proposed,
24 upon execution of the Privatization Agreement.
25

26 This money would demonstrate a long-term commitment to the GTA
27 enterprise, and should represent 10% of the bid price.
28

- 29 c) **Assignability of Agreement** - The GTA Privatization Task Force
30 recommends that the ownership or management rights established in the
31 Privatization Agreement be restricted from being assigned or sold to another
32 entity for a period of 5 years after the date of the Privatization Agreement. Any
33 assignment must have the prior written approval of both the Governor of
34 Guam and the Guam Legislature.
35

- 36 d) **GTA’s Land and related Assets** - The GTA Privatization Task Force
37 recommends that the land and related right of way assets of GTA be
38 specifically addressed in separate agreements to be approved by the
39 Legislature along with any privatization agreement. The government of Guam
40 desires to retain ownership of the land to preserve the long-term interests of
41 the people of Guam.
42

1 The Task Force therefore recommends that separate formal real estate
2 agreements be prepared for approval by the Legislature and to be executed at
3 the same time as the Privatization Agreement. One agreement would be
4 through lease of the land underlying GTA's buildings, work areas, and
5 equipment (excepting rights of way) to the purchaser of GTA. Another
6 agreement would state the terms and conditions allowing the purchaser of
7 GTA access to the Government owned rights of way.
8

9 (e) All Funds 2specified in subsection 6.A paid to the government of Guam or the
10 Guam Telephone Authority either through an Invitation to Bid or Request for
11 Proposal for a sale, privatization, or other disposition of the assets of the
12 Guam Telephone Authority, form a strategic partner or any other entity shall
13 be considered General Fund Revenues.
14

15 (f) No money may be spent from the funs described in (e) except
16 through appropriation or as may be otherwise approved by the Legislature.
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Recommended Methodology for Privatization

The GTA Privatization Task Force recommends the following approach to the solicitation of offers for a Privatization Agreement for GTA. The approach advocated by the Task Force seeks to meet the conditions for privatization set out in Public Law 24-36, and is conditional on approval of this Plan of Action by the Guam Legislature.

Objective Second Opinion on the sale or privatization of GTA

In accordance with Public Law 24-36, the final privatization agreement will be reviewed and approved by a second party hired by the Guam Legislature to ensure fair and proper terms and conditions of the agreement are met.

Employee and Public Education Forums.

The Task Force will continue to conduct forums for GTA employees. These forums are designed to answer the concerns of the GTA employees regarding privatization and keep them informed of the progress. Additional public education forums will be conducted pending approval of this Plan of Action.

Employee Coordinating Committee *

(This requirement of Public Law # 24-36 has been complied with and the Employee Coordinating Committee have been integrated into the Privatization Task Force as of August 1999.)

Employee Financial Advisor

In order to ensure that the employees of GTA can make informed and knowledgeable decisions regarding the effects of privatization, GTA shall provide the funding necessary to hire a Financial Advisor on their behalf in accordance with the intent of P.L. No. 24-36.

* Revised April 12, 2000 by Committee on Telecommunications, Transportation and Micronesian Affairs

1 Seek Regulatory Approvals

2
3 An analysis of the legal issues associated with the potential privatization of GTA was
4 undertaken by the law firm of Verner, Lipfert, Bernhart, McPherson, and Hand in
5 January 1997, and was included as an attachment to the C&L Report.

6
7 This legal review points out that approvals from the following regulatory agencies are
8 required:

- 9
10 a) **Federal Communications Commission (FCC)** - Under the provisions of
11 TA96, the FCC is overseeing the implementation of a competition-based
12 regulatory regime covering the communications industry generally. Currently,
13 GTA is operating under a Show Cause Order issued by the FCC in relation to
14 the pricing of access charges to its network, and GTA is operating under an
15 Integrated Compliance Plan in response to this Show Cause Order. Any
16 changes in the ownership or management of GTA which may affect its
17 responsibility under TA96 and the Show Cause Order may result in
18 intervention by the FCC.
19
- 20 b) **Rural Utilities Service (RUS)/ Rural Telephone Bank (RTB)** - Under the
21 Rural Electrification Act of 1936, the RTB has historically provided low interest
22 loans to many U.S. telephone and power authorities. The bulk of GTA's debt
23 has been issued by the RTB, which is regulated by the RUS. Under the RTB
24 loan indentures, any change in the ownership or management of GTA which
25 may affect the standing of this debt or potentially impair GTA's ability to repay
26 this debt, without prior permission of the RUS, may cause this debt to become
27 immediately payable.
28
- 29 c) **Guam Public Utilities Commission (GPUC)** - The GPUC regulates the
30 rates and charges of the government-owned power, water and telephone
31 utilities in Guam. The privatization of GTA, and increased competition in the
32 telecommunications field, will mandate changes in the role of the GPUC.
33
- 34 d) **U.S. Department of Justice (USDOJ)** - The USDJ has a role in the
35 regulation of the communications industry in relation to mergers and
36 acquisitions under the Hart-Scott-Rodino Antitrust Improvement Act of 1976.
37 While the role of the USDOJ does not at first appear to cover privatization of
38 government owned utilities, the Task Force recommends that approval be
39 sought as a safeguard.
40
41
42

1 The Task Force has initiated preliminary discussions with the necessary regulatory
2 agencies and will formally request their assistance and approval pending the
3 Legislative approval of this Plan of Action.

4
5 Request for Information: Establishment of a List of Qualified Firms (Investment
6 Advisor)

7
8 In order to expedite the process, the GTA will issue a Request for Information (RFI)
9 for an investment advisor shortly after the transmittal of the Plan of Action to the
10 Legislature. The RFI will seek information from firms with the appropriate
11 qualifications and experience to assist the government of Guam in the negotiation of
12 some form of privatization agreement for GTA. This process will enable the
13 establishment of a list of qualified firms.

14
15 Request for Proposal: Investment Advisor

16
17 Subject to approval of the Plan of Action by the Guam Legislature, a Request for
18 Proposal (RFP) process will commence to contract an Investment Advisor to assist
19 the government in the negotiation of a GTA Privatization Agreement. The qualified
20 Investment Advisors identified in the RFI process will be asked to submit proposals.

21
22 Invitation for Bid: GTA Privatization *

23
24 Upon completion of investment documentation by the investment advisor, the Task
25 Force proposes that the final stage of the privatization process be the subject of a
26 **specialy legislated** Invitation For Bid (IFB) process.

27
28 ***Because of the range of tangible and non-tangible assets, the current***
29 ***procurement laws of Guam do not provide appropriate language to legally***
30 ***effectuate any strategic partnering or sale of GTA. Therefore special legislation***
31 ***will be required.*** For example, while the technical proposals from two firms may be
32 very similar, it is also possible that the cost proposals may differ by many millions of
33 dollars. Typically, any minor deficiencies in a technical proposal can then be
34 negotiated to allow for a corresponding amendment to the cost proposal to reflect
35 such changes. In addition, a number of the terms and conditions recommended in
36 this Plan of Action will have an impact on the value of GTA to a potential bidder.
37 There will, therefore, need to be consideration of the value for money offered under a
38 proposed Privatization Agreement in meeting these terms and conditions by different
39 bidders and under different privatization scenarios.

40
41 * Revised April 12, 2000 by Committee on Telecommunications, Transportation and Micronesian Affairs.

42
43 It needs to be made clear to potential bidders that the proposal that offers the highest
44 price to the government for GTA may not be successful if the Task Force determines

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that alternative offers better meet the overall objectives of the government. To this end, special procurement legislation is required in order to realize the objectives.

Proposed Timetable for the Implementation of the Plan of Action

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Date	Action
November 1997 March 1998 November 1999	Conduct employee education forums for review and discussion of the final Plan of Action
August 1999	Conduct elections for Employee Coordinating Committee Representatives
December 1999	Issue Request for Proposal for Employee Financial Advisor
January 2000	Submit Plan of Action final draft to GTA employees
January 2000	Engage Procurement Advisor
February 2000	Reissue Request for Proposal for Employee Financial Advisor
February 11, 2000	Submit Final Plan of Action to the 25 th Guam Legislature
February 2000	Forward copy of final Plan of Action to Regulatory Agencies (RUS, FCC, GPUC, USDJ)
February 2000	Engage Employee Financial Advisor
	Prepare RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Issue RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Begin dialogue with bidders. (Pending Legislative approval of Plan of Action)
	Based on RFP, establish a list of preferred bidders and begin dialogue. (Pending Legislative approval of Plan of Action)
	Finalize Terms and Conditions and solicit offers from bidders (Pending Legislative approval of Plan of Action)
	Select successful bidder, negotiate final contract and submit to Legislature for final review. (Pending Legislative approval of Plan of Action)
October 2000	Final approval and signature by the Governor of Guam.

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Appendix A

Results of Questions Presented at the GTA Employee Forums

- November 22-29, 1999 GTA Employee Forums
- March 10-13, 1998 GTA Employee Forums
- November 17-21, 1997 GTA Employee Forums

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**GTA Employee Forum
on the Status of GTA Privatization Task Force
Questions and Answers
(November 22 - 29, 1999)**

The following is a discussion of employee concerns and interests presented at the Employee Forum on Privatization. All retirement issues have been forwarded to the Government of Guam Retirement Fund for further clarification and verification. The Government of Guam Retirement Fund and the Actuary are currently reviewing the GTA employees concerns on retirement and will provide immediate and proper response upon thorough evaluation and analysis.

I. FINANCIAL ADVISOR

1 **1) Who is responsible for hiring the Financial Advisor and what is the time line for this**
2 **Financial Advisor?**

3
4 The Financial Advisor is funded by GTA. The selection is a joint effort by GTA and the
5 Employee Coordinating Committee (ECC) following government procurement regulations. The
6 Financial Advisor, who reports directly to the employees through the ECC, is expected to join
7 GTA's efforts by December 1999 and will remain until the closing of the contract.

8
9 **2) According to Cliff, we expect to move forward in December. We don't have a**
10 **Financial Advisor. The Financial Advisor has to identify the employees options and what we**
11 **expect from him. How are we going to the Legislature with this come December?**

12
13 Public Law 24-36 states that the Financial Advisor must be hired prior to the submission of the plan
14 of action. The ECC is concurrently planning to have the plan of action and Financial Advisor in
15 place by December 1999. Employees must understand that the Financial Advisor is not expected to
16 begin negotiations at this time. The intent is to bring the Financial Advisor on board to review the
17 plan, work with and represent the employees, and be ready to maximize employee benefits and
18 interests at the bargaining table.

19
20 **3) As employees, are we allowed a copy of the Request for Proposal (RFP) for the**
21 **Financial Advisor or allowed the opportunity to read the RFP at a designated area?**

22
23 The Request for Proposal is a public document. Every employee will be provided a copy of the
24 Request for Proposal.

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42 **II. NEGOTIATIONS**
43

1 **4) What will be the employee benefits that will be negotiated in the process of privatizing**
2 **benefits?**

3
4 The employee benefits are detailed in the Plan of Action. The Privatization Task Force will
5 negotiate above and beyond the minimum requirements stated in the Plan of Action with the
6 successful bidder.

7
8 **5) What steps are necessary for the employees to get to the negotiation table?**

9
10 All employees are encouraged to stay informed. There is much work to be done and the
11 Privatization Task Force requires the continued support of the employees.

12
13 GTA must still pursue some form of strategic partnership to carry us to the next century. During
14 this process, one of the issues we must encourage is the removal of the "non-binding negotiations"
15 clause as mandated by Public Law 24-36. Basically, it's unreasonable to go through so much time,
16 effort, and expense in finding potential partners and then to negotiate issues without commitment.

17
18 **6) As GTA employees, what do we have to do to tell the Privatization Task Force to go**
19 **with the plan of action and get to the negotiation table? Do we tell the Employee**
20 **Coordinating Committee (ECC) to do it or do we submit a survey that the employees say "Go**
21 **For It"?**

22
23 Both. GTA employees should talk to their senators to actively pursue action on the plan. The
24 Privatization Task Force can only move forward with the support of its employees. GTA
25 employees should earnestly keep in touch and stay informed with the ECC, and remain committed
26 to this effort. Also, each employee should thoroughly read and understand the information being
27 given to you by the ECC.

28
29 **7) Can other private companies be involved in the negotiations specifically for the**
30 **possibility of absorbing employees who have to be let go?**

31
32 No. A third party will not be included in the negotiations. Should employee(s) refuse to work for
33 the new company and withdraw from government service, a job placement program can be
34 established to assist these individuals in securing employment elsewhere.

35
36
37
38
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40
41 **8) Will hourly wages be brought to the negotiations table? In other words, will the new**
42 **company match or better the hourly wages, or is it totally up to the company?**

1 Our goal is to sustain existing employee benefits. The Privatization Task Force will not honor any
2 type of negotiation that will lower salaries and benefits. The Task Force seeks a company that has
3 name recognition, experience in telecommunications, and a vision for GTA. We want to secure a
4 good compensation plan and benefits package.

5
6 **9) Instead of the five year transitional contract, can we have it for twenty years?**

7
8 As a negotiating issue, that would be unreasonable and would certainly jeopardize other things we
9 would try to negotiate for the authority and the employees. Essentially, nothing is for free. It is a
10 give and take of compensation and benefits.

11
12 **10) In the negotiation, it will be a give and take situation. We know what we basically**
13 **want. Wouldn't it be wiser to see what the interested partner or buyer has to offer so that we**
14 **don't have a another flawed law passed like the recent law that was offered in reference to**
15 **priority transfer for GTA employees?**

16
17 The provisions stated in the plan of action is the minimum the Privatization Task Force is willing to
18 accept. The more the company offers the better for GTA. There may be a cost attributed to this,
19 but if the deal works out better for the GTA employees, the rate payers and taxpayers, everyone
20 wins. We are looking for the company that offers above and beyond the minimum requirements.

21
22 **11) Can we begin "non-binding negotiations" with interested parties?**

23
24 Public Law 24-36 states that "the GTA Board is authorized to begin non-binding negotiations with
25 qualified investors". This "non-binding" clause should be re-examined as it does not commit
26 parties to the agreement and can be a deterrent in bringing interested investors to the negotiating
27 table.

28
29 **12) What is going to happen to employees who require technical training and/or**
30 **certification on the job (specifically Central Office employees)? What can privatization do**
31 **for these employees? Will these employees be let go?**

32
33 In the proposed plan of action, there will be no forced layoffs except for cause for five years. The
34 proposal also stipulates that the partner will provide training to the employees to improve their
35 skills, and in effect maintain their jobs. With additional training, the employees provide better
36 customer service and remain a valued asset to the company. The goal is to increase the employee
37 workforce --- the more jobs are created, the more taxes are generated, Guam benefits and the entire
38 region. Also, given the very nature of the telecom industry, all these successes, new services, and
39 better products are a result of existing training programs.

40
41 **13) Will each employee's knowledge, skills, and abilities (KSA) be assessed prior to**
42 **privatization so the new partner would be able to evaluate each individual appropriately?**
43

1 Individual employee profiles will be performed to assess employees skills and training received.
2 This serves the best interest for both the employees and the interested partner as the employees will
3 be properly placed in positions that best meets their capabilities and potential.
4

5 **14) Can 1% or more of the sale of GTA be offered to the employees in monetary value or**
6 **some form of value (stocks, bonds, etc.)?**
7

8 No. If GTA is sold and there is a cash contribution to the people of Guam, the money will
9 deposited into the General Fund as required by public law. GTA employees will not benefit
10 directly once the contribution is placed in the General Fund. Should there be a monetary value
11 gained from the sale, and before the deal is signed, we can negotiate incentive buy outs in terms of
12 additional training on and off-island, profit sharing and stock options, annual leave and sick leave
13 benefits, etc.
14

15 **15) Is there any measure to prevent the new strategic partner from divesting GTA for**
16 **resale to make a profit?**
17

18 No. For a period of five years, the company cannot not resale GTA without prior approval (of both
19 the Governor of Guam and the Legislature).
20

21 **16) Can the PTF and our consultants reconsider the options, Employee Ownership and**
22 **Initial Public Offering, in light of the prosperity experienced by other private Telco who opt**
23 **for the option and were successful, Australia Tel and Mexico Tel?**
24

25 There are few employee owned telecommunications companies in the United States. The
26 telecommunications laws in Australia and Mexico differ to that of the United States. I don't have
27 specific answers to that but will address the matter.
28

29 **17) Will the private company continue to provide service up to the demark which is the**
30 **protector without any additional cost? If not, who will pay for Tan Maria and Tun Juan for**
31 **the job order of \$1,500 trenching?**
32

33 Currently, payment for such trenching is either subsidized through the commercial accounts or
34 absorbed in the rates. Once the private company enters into the contract, the trenching will be
35 billed to the owner or may subsidized in some other manner. We don't have the answers to that
36 question at this point. The Privatization Task Force will discuss this issue during negotiations.
37
38
39
40

41 III. LATERAL TRANSFER

42

1 **18) What is the status of request for lateral transfers and does the lateral transfer option**
2 **have an expiration date?**
3

4 The initial lateral transfer law was flawed. According to the law, employees may transfer into
5 agencies with vacant positions. However, this prevented employees within the agencies from
6 filling those positions. In its subsequent amendment, Public Law 24-150 established a priority
7 placement for GTA employees for vacant positions within the government. However, priority
8 placement expired on January 1, 1999. Presently, there is a hiring freeze on all Government of
9 Guam positions.

10
11 The Attorney General and the Civil Service Commission have been asked to address the lateral
12 transfer issue and develop new language to open the doors for GTA employees to transfer within
13 the government. The Attorney General and Civil Service Commission will also address sustaining
14 equity among employees where the vacant positions exist and the potential transfer of interested
15 GTA employees. GTA employees shall receive a copy of the proposed bill for review and
16 approval before submission into the Legislature.

17
18 **19) Can the lateral transfer mentioned in the bill during negotiations be amended to**
19 **include priority transfer to entry levels in the government for those who wish to start over**
20 **within the government?**
21

22 The Attorney General and the Civil Service Commission have been asked to address the lateral
23 transfer issue and suggest language to the Committee Chair on Transportation and
24 Telecommunications, Senator Carlotta Leon Guerrero, for inclusion with the plan of action once
25 approved. GTA employees will have the opportunity to review and approve the bill through the
26 ECC before submission to the Legislature.

27
28 **20) Concerning the lateral transfer, why was it for lower pay?**
29

30 I don't know. There may have been some basic flaws to the legislation. Also, at the time of some
31 of the transfers, there may have been no comparable positions with the same pay. However, offers
32 may have been made for similar positions at a lower pay.
33

34 **21) Why were GTA employees told from other GovGuam departments, "I don't care**
35 **where you came from" during the lateral transfer?**
36

37 I don't know why they were told that. There should have been no obstacles for lateral transfers.
38 While I can't speak for other departments and their staff, I know this entire lateral transfer process
39 was supported and encouraged by GTA and the administration.
40

41
42 **22) Why was the list at personnel concerning lateral transfer not complete?**
43

1 GTA obtained its official list from the Department of Administration.

2
3 **23) Why did lateral transfer work first for employees who were perceived as having**
4 **strong political connections?**

5
6 A huge exodus of employees was expected when the lateral transfer law was enacted. However,
7 the lateral transfer process did not work --- only four from GTA transferred into other GovGuam
8 departments. In my opinion, apparently most GTA employees chose not transfer for several
9 reasons: they don't know what is being brought to the negotiations table, GTA may offer better
10 opportunities and incentive packages to its employees, and it is not favorable to move to a line
11 agency given the current budgetary limitations.

12
13 **24) Can the priority transfer bill for GTA employees be offered again during**
14 **negotiations? If yes, can the lateral transfer be offered in priority of time in service versus**
15 **political connections? Is yes, how soon can they start?**

16
17 We can and will offer lateral transfers to the best that it can be done.

18 Employees are encouraged to consider this lateral transfer possibility during the five year transition
19 time with the incoming company and not at any time before the negotiation stage. Employees
20 should avail themselves to the many opportunities and benefits the successful bidder may offer.

21
22 **25) Why is the Government still trying to downsize the Government of Guam and will it**
23 **affect the lateral transfer?**

24
25 Presently, there is a hiring freeze on all Government of Guam positions. Because of the
26 government's social responsibility (welfare, food stamps, housing, etc.) in providing essential and
27 critical services to the people of Guam, the government must eventually reopen closed positions.
28 Employees are encouraged to partner with the new company so that once the positions are open,
29 they are given to get first priority to fill those positions.

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42 **IV. RETIREMENT/ANNUAL AND SICK LEAVE/VOLUNTARY SEPARATION**
43

1 **26) If we are privatized, what will happen to our retirement, annual, and sick leave and**
2 **our years of service with GTA?**
3

4 Regarding the retirement program, the Attorney General stated that the Defined Benefit Plan (old
5 plan) is an entitlement program, and the Defined Contribution Plan (new plan), is called a trust.
6 Under the Defined Benefit Plan, the Legislature has the authority to adjust the annuities at any time.
7 On the other hand, the Legislature has no control over retirees investment earnings in the Defined
8 Contribution Plan --- the employees contributions and the government's share are placed in a trust
9 which is invested. The government cannot alter or transfer the monies invested by employees
10 participating in the Defined Contribution Plan.

11
12 Should an employee disengage with the Government of Guam, he/she has several options:

- 13
14 a. Keep the money in the Government of Guam retirement fund (to be disbursed at a
15 future date) and enroll into a pension plan offered by the company. However, no
16 additional contributions can be made to GovGuam retirement fund;
17 b. Withdraw money from retirement and transfer it into a pension plan offered by the
18 company;
19 c. Withdraw money for use at own discretion.
20

21 GTA employees can only withdraw his/her contributions and interest earned upon separation with
22 the government.
23

24 The Financial Advisor becomes a key player in providing individualized financial counseling to
25 employees to effectively handle his/her retirement contributions and/or investment earnings.
26

27 Accrued sick and annual leave is also applied towards service credits at the time of retirement. The
28 Privatization Task Force will negotiate the transfer of annual leave, sick leave, and the retirement
29 benefits with the successful bidder.
30
31
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41

42 **27) When the purchase of GTA is consummated, what happens to**
43

1 a) **Retirement? Would our investment remain with the Fund or would we be required to**
2 **reinvest with the new company and in what ratio and type?**
3

4 As stated in the plan of action, the Privatization Task Force will negotiate the following pension
5 benefits for GTA employees: Keep employees retirement contributions in the GovGuam retirement
6 fund and join the pension plan offered by the incoming company; roll credits from the GovGuam
7 retirement fund into the new pension plan; or engage in the employee incentive buy out.
8

9 b) **Benefits? Would annual/sick leave benefits be offered and under what**
10 **conditions/situation?**
11

12 Accrued sick and annual leave is applied toward service credits in the retirement fund. The
13 Privatization Task Force will negotiate the transfer of annual leave, sick leave, and retirement
14 benefits with the successful bidder.
15

16 c) **Medical? Would it be similar to what we are being presently provided?**
17

18 GTA is in an excellent position to negotiate optimum medical benefits with the successful bidder.
19 The goal is not to retain the same medical benefits as currently offered within the government but
20 to improve the benefits at a lower cost to the employees.
21

22 **28) Can our annual and/or sick leave be paid out upon privatization?**
23

24 Annual leave may be paid out, not sick leave.
25

26 **29) If I decide to leave my retirement in the Government of Guam and start a new**
27 **retirement in the new firm, at what age can I start receiving annuity?**
28

29 To be addressed by the Government of Guam Retirement Fund.
30

31 **30) Can our retirement be transferred to our spouses or relatives in the Government?**
32 **How about our annual and sick leave?**
33

34 Presently, employees can transfer sick leave to their spouses and/or relatives but I don't believe
35 annual leave can be transferred. The employee retirement contributions cannot be transferred to
36 their spouses and/or relatives --- it is an individual contract between the employee and the
37 retirement fund. Only at the time of death can the beneficiary collect on the employee's retirement
38 benefits. GTA employees may withdraw their employee contributions or investment earnings
39 from the retirement fund and give it to their spouse or relatives.
40

41 **31) If GTA is privatized, can sick leave still be transferred to retirement even though we**
42 **are not retiring?**
43

1 Most likely, but this needs to be confirmed by the Retirement Board. We will have to examine this
2 issue.

3
4 **32) If I quit the Government of Guam and I want to pull out my retirement, do I only get
5 my contributions?**

6
7 Yes, the employee can only withdraw his/her employee contributions and interest earned but not
8 the government's share.

9
10 **33) Since we are being privatized and we presently have no option because of the
11 telecommunications industry mandates, can we receive our retirement benefits inclusive of
12 our contribution, interest earned and the government's contribution?**

13
14 Should an employee disengage from government service and elect to withdraw his/her retirement
15 benefits, the employee is only entitled to his/her employee contributions and interest earnings. The
16 employee cannot withdraw the government's share.

17
18 **34) For all employees with 15 service years and over, there is no better retirement than the
19 Government of Guam. We all look forward to retiring under the existing retirement plan
20 and don't want to start over with the private company. Can we transfer the service credits
21 and benefits from the GovGuam Retirement Fund to the private company?**

22
23 The GovGuam Defined Benefit Retirement Plan appears to offer generous benefits. However,
24 employees enrolled with the Defined Benefit Plan retire with a fixed income; that is, income that is
25 not indexed with inflation. For example, if a retiree receives \$100 and there is 5 percent inflation,
26 the retiree requires \$105 to maintain a standard of living. With a fixed retirement income, he/she
27 can buy only \$95 worth of goods and services. Unless there are other sources of income, he/she
28 will sustain a lower standard of living. The fixed retirement income does not adjust with inflation.
29 The Privatization Task Force will consider all options and opportunities available and negotiate the
30 most suitable pension plan that best satisfies the needs to the employees.

31
32 **35) Can the Legislature pass a law at any point in time that reduces my amount of
33 retirement annuity (old retirement plan) due to the lack of money within the government?
34 What is the difference between "Defined Contribution" and the "Entitlement" on the
35 retirement fund?**

36
37 With regard to the retirement program, the Attorney General stated that the Defined Benefit Plan
38 (old plan) is an entitlement program, and the Defined Contribution Plan (new plan), is called a trust.
39 Under the Defined Benefit Plan, the Legislature has the power to modify employee annuities at any
40 time. On the other hand, the Legislature has no control over retirees investment earnings in the
41 Defined Contribution Plan --- the employees contributions and the government's share are placed in
42 a trust which is invested. The government is prohibited to alter or transfer the monies invested by
43 employees participating in the Defined Contribution Plan.

1
2 **36) If I move to the new private company and decide to return to the Government of**
3 **Guam, will I be able to stay in the old plan (Defined Benefit Plan) or do I have to enroll in the**
4 **new plan (Defined Contribution Plan)?**
5

6 Employees can remain in the Defined Benefit Plan upon return to government service in as far as
7 they do not withdraw their contributions from the retirement fund. Those employees who
8 disengage from the government and withdraw their retirement contributions, and later return to the
9 government are required to enter into the Defined Contribution Plan.

10
11 **37) Right now, I'm under the old plan (Defined Benefit Plan). Let's say, I want to enroll**
12 **into the new plan (Defined Contribution Plan). Can I withdraw my retirement and put it into**
13 **the new plan or do I have to quit my job at GTA?**
14

15 The employee must quit government service to withdraw his/her contributions under the Defined
16 Benefit Plan.

17
18 **38) If I'm participating in the old plan (Defined Benefit Plan), can I just keep my job and**
19 **start contributing into the new plan (Defined Contribution Plan)?**
20

21 I don't believe any employee can withdraw his/her retirement from the defined benefit plan and roll
22 over to the defined contribution plan without quitting government service. The employee must
23 terminate government service to withdraw his/her retirement contributions.
24

25 **39) Why do they call our retirement an entitlement when they drag that out of our**
26 **paycheck?**
27

28 It is an the employee contract--- the employee GG1 is a contract with the Government of Guam.
29 This means that the employee is hired by the Government of Guam with specified personnel rules
30 and regulations and employee benefits. The employee signs an agreement with the government to
31 deduct a portion his/her employee paycheck to contribute to the retirement fund. This entitlement
32 program grants the government can have access to the fund at any time. Monies invested in the
33 trust fund, on the other hand, whereby the employee and the government agrees to contribute a
34 certain percent to the fund cannot be moved or borrowed by the government.
35
36
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41 **40) On the retirement issue, many of us do not understand the unfunded liability and**
42 **funded liability. There is a portion that the government has to pay and take from us. Line**
43 **agencies owe the retirement fund approximately \$400 million and they are taking this money,**

1 **the unfunded liability. The government cannot pay its debt service to the Retirement Fund.**
2 **Can you explain this?**

3
4 This sets a clear distinction between the Defined Benefit Plan (DB) and the Defined Contribution
5 Plan (DC). The Defined Benefit Plan has \$1.4 billion in assets. With respect to the DB Plan, the
6 Government of Guam agrees to contribute 18.6 percent and the employee contributes his 9.6
7 percent share to the retirement fund. Over the years, the line agencies failed to contribute its share
8 of the 18.6 percent to the retirement fund. Thus, the Government created this unfunded liability.
9 At present, there is \$420 million worth of unfunded liability. A percentage of the 18.6 percent from
10 the General Fund has been used to reduce the unfunded liability --- GovGuam borrowed from the
11 employees retirement fund. In addition, military service and education credits have not been
12 funded which contributed to the unfunded liability. In essence the Government is in breach of
13 contract with its employees. The Legislature can, at any time, refuse to pay the unfunded liability.

14
15 There is no unfunded liability with a trust, or Defined Contribution Plan. The Government of
16 Guam has no authority over monies invested in the DC Plan. Should the Government of Guam fail
17 to contribute its share in the DC Plan, the employees have cause to sue the government. Should the
18 government fail to contribute its share under the entitlement or DB Plan, employees have no cause
19 to sue the government, except for the contract between the employee and the government.

20
21 **41) If the new company comes in, and the Government of Guam allows us to withdraw our**
22 **retirement, wouldn't the Government of Guam lose if it refunds every employee his/her**
23 **retirement contributions?**

24
25 Employees who discontinue government service and withdraw his/her contributions under the DB
26 Plan is deemed favorable to the retirement fund for these employee pull only their employee
27 contributions and not the government's share. To achieve personal financial gain, it is not
28 advisable to roll over the money from the DB Plan to the DC Plan for, as stated earlier, only
29 employee contributions can be withdrawn and invested.

30
31 **42) What is the Government's contribution to the Defined Contribution Plan?**

32
33 The government's contribution is 5 percent of the employee's gross earnings. The employee can
34 match or increase his/her contribution to the Defined Contribution Plan.

35
36
37
38
39
40 **43) Can I roll over my government retirement earnings into my own 401k plan with**
41 **another company I am also with?**

1 The Defined Contribution Plan acts like the government's 401k plan. With the company's
2 approval, an employee can roll over his/her Defined Contribution earnings to the 401k plan once
3 the employee discontinues government service. An employee may also consider rolling over his
4 defined contribution earnings to a rollover IRA that has more portfolio (or more options) than a
5 401k plan.

6
7 **44) Is the Legislature going to include autonomous agencies into the retirement buy out?**
8 **If so, this would allow better negotiations for benefits since the number of employees will**
9 **decrease.**

10
11 Presently, GTA employees are eligible for the early retirement incentive program. Under the early
12 retirement incentive, eligible employees may purchase up to five years of additional creditable
13 service towards retirement (Public Law 25-74 and amended by Public Law 25-90).

14
15 Public Law 25-90 also stipulates that government employees may voluntarily separate from the
16 government and receive one lump sum payment equal to fifty percent of his/her base salary. This
17 voluntary separation provision is extended to line agencies, and excludes autonomous agencies.

18
19 **45) If the law was created to reduce the fat budget of the General Fund, what do you think**
20 **of the autonomous fund? As the early retirement incentive and voluntary buy out law was**
21 **created to reduce the fat of the government, why is the voluntary separation and buy out not**
22 **applicable for autonomous agencies?**

23
24 Presently, voluntary separation does not apply to autonomous agencies (Public Law 25-90). The
25 Legislature may examine the voluntary separation issue for autonomous agencies when introduced
26 in session.

27
28 **46) Can GTA participate in the voluntary separation if we stop hiring?**

29
30 No.

31
32 **47) If the early buy out option and voluntary separation is rescinded at this time, can it be**
33 **reintroduced specifically for GTA employees once negotiation and bidding starts?**

34
35 Yes. This issue will be introduced to the Legislature with the plan of action. GTA is not locked
36 into the General Fund and the Legislature should not be concerned on how to fund the agency. The
37 Attorney General has recommended a reexamination of the Defined Contribution Plan to identify
38 ways to transfer the benefits in the Defined Benefit Plan into the Defined Contribution Plan. This
39 will have to be researched.

40
41 **V. MISCELLANEOUS**

1 **48) What are the different privatization options considered? Is full privatization the only**
2 **option considered? What other options have been explored?**

3
4 As stated in the plan of action, the following privatization options available to GTA include:

- 5
6 a) Continued Government Ownership
- 7 - Status Quo: No change to the
 - 8 current structure.
 - 9 - Corporation: GTA would convert to a corporation
 - 10 and be allowed to operate, be managed and pay taxes,
 - 11 fees and charges in a commercial fashion.
 - 12
- 13 b) Government retention of GTA's assets
- 14 - Management Contract: Allow a leading telecommunication company to
 - 15 manage GTA.
 - 16 - Long Term Lease: Lease the assets of GTA to a leading
 - 17 telecommunications company.
 - 18
- 19 c) Ownership by Subscribers, Employees or Management
- 20 - Employee Ownership: Allow the employees to purchase and run GTA.
 - 21 - Cooperative: Allow the subscribers to purchase and
 - 22 run GTA.
 - 23 - Management Buy Out: Allow the managers to buy and run GTA.
 - 24
- 25 d) Private Sector Ownership
- 26 - Initial Public Offering: List GTA on the stock market and allow widespread
 - 27 private ownership.
 - 28 - Break Up Sale: Split GTA into its most salable units, and sell
 - 29 them off to the highest bidder.
 - 30 - Strategic Partnership: The merger or sale of GTA to a leading
 - 31 telecommunications company or consortium.
 - 32

33 After evaluation and rating of the options, "Strategic Partnership" was the highest rated
34 option that best meets GTA's objectives and the interests of its employees.

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41
42 **49) How does strategic partnership work?**
43

1 Allows all parties to sit down at the table and negotiate the best interests and concerns for everyone
2 involved.

3
4 **50) How does strategic partnership affect our Government employee status?**

5
6 The goal is to negotiate the maximum benefits and protection for GTA employees to maintain job
7 security whether it be transitioning into private sector, retaining government status, or securing a
8 job elsewhere.

9
10 **51) Why aren't we addressing a joint strategic partnership?**

11
12 The Privatization Task Force supports Coopers and Lybrand recommendation of "Strategic
13 Partnership" option to best serve the objectives of government and interests of GTA employees.
14 Strategic Partnership offers best potential opportunities for employee career building and transition,
15 and places GTA in the best negotiating position possible.

16
17 **52) How did the Privatization Task Force select "strategic partnership" as the best option
18 without the employees vote on it?**

19
20 This ranking was based on the recommendation from the Coopers and Lybrand report. It was rated
21 on giving the employees maximum flexibility and giving the industry maximum growth potential
22 on Guam. The Privatization Task Force wanted to attain maximum negotiation power for its
23 employees.

24
25 **53) What is PCS service? Does GTA have a PCS license and why aren't we providing PCS
26 prior to IT&E?**

27
28 GTA obtained its PCS, or Personal Communications Systems, license approximately four years
29 ago. GTA has not launched its PCS wireless service basically for several reasons. GTA was
30 challenged in court on its authority to provide PCS service outside of Guam. This court process
31 took two years. Within this past year, the courts ruled that, with Guam's telecommunications
32 technology, GTA does have the authority to provide PCS service. However, financial and
33 cumbersome government regulations and mandates prevent GTA from competing and providing
34 timely business service. An estimated \$5 to \$6 million is needed in order to implement the PCS
35 service. GTA can secure a loan; however, this lengthy process requires legislative approval.

36
37
38
39
40
41 **54) Word is GTA going into the Internet business to service the GovGuam Internet
42 network as well as offer Internet to the public. Is the government going to allow us to do this?
43 If so, why can't we compete in other areas of the telecommunications industry?**

1
2 In its efforts to increase the band widths and provide interconnection for government agencies,
3 approximately \$400,000 from Y2K funds had been proposed to fund GTA with a new server to
4 provide Internet wide area services for all Government of Guam agencies and to allow for public
5 access to government information. However, several Internet service providers challenged the
6 Government's support of GTA's effort to enter into interconnection business. GTA would gain an
7 advantage over the private providers as GTA uses federal funds and is exempted from paying taxes
8 on income received. These providers stressed that the government should not compete as Internet
9 services are already provided to the public.

10
11 **55) What does IT&E's request for interconnection mean? Does it mean they take over**
12 **our facilities, allow collocation, lease GTA lines? What does it mean when IT&E**
13 **interconnection happens?**

14
15 This is in reference to land line interconnection, IT&E submitted an interconnection request to the
16 Public Utilities Commission. Because this was a first for IT&E to make such a request, the
17 interconnection request identified all services that most telecommunications companies can offer.
18 Technical workshops will be held with IT&E and other interested parties to determine the exact
19 details of the request. There may be some components listed that the company may or may not
20 require at the time of interconnection. Through interconnection, IT&E gains an advantage in
21 offering attractive bundled services (including basic service, e-mail, Internet, cellular, and long
22 distance) to the public which negatively results in the potential loss of GTA customers. At present,
23 the Public Utilities Commission has granted GTA a two year suspension from interconnection. A
24 competitive readiness assessment will be conducted to determine what actions GTA can take be
25 ready to compete.

26
27 **56) IT&E is asking to interconnect with GTA. Can GTA interconnect with them?**

28
29 No. GTA is considered the local exchange and ITE is a private company.

30
31 **57) Is IT&E the only one who can apply for "interconnection"?**

32
33 No. Under the Telecommunications Act of 1996, any communications company can apply.

34
35 **58) Will there be costs involved with interconnection? And if other companies come in,**
36 **will they be able to interconnect as well and at what rates (wholesale, retail)?**

37
38 Technical workshops will be held to solidify all the interconnection requests and requirements by
39 interested companies. New rates will be implemented for additional services. Depending on the
40 levels of interconnection, certainly costs will be incurred.

41 **59) If IT&E request for interconnection materializes on January 1, 2002, what happens to**
42 **the employees and GTA's facilities?**

43

1 By then, I foresee new business services for GTA as identified by the PUC through their
2 competitive readiness assessment. I foresee GTA competing in the market place or entering into
3 some form of privatization or strategic partnership.

4
5 **60) What is the impact of the \$120 million RUS loan that GTA presently has with regard
6 to privatization?**

7
8 Whenever there is a sale or partnership to take place, GTA must disclose all assets and liabilities.
9 The \$120 million RUS loan will be factored into the negotiation process. The repayment
10 component of the loan may be structured into the strategic partnership deal.

11
12 **61) What is Competitive Readiness Assessment?**

13
14 Because GTA has received a two year interconnection suspension, the PUC mandated GTA to
15 conduct a competitive readiness assessment. This plan assesses GTA's internal operations, assets
16 and liabilities, business services, market potential, and facilities network. The competitive
17 readiness assessment identifies what GTA can do within the next two years to prepare for
18 interconnection. The competitive readiness assessment covers the privatization issue and identifies
19 what steps GTA should take to prepare for competition. Anticipated completion of the Competitive
20 Readiness Assessment is February 2000.

21
22 **62) On the Plan of Action that is to be submitted to the Legislature, can we stipulate
23 that if the Legislature does not move with the Plan of Action, GTA can then comply with the
24 Competitive Readiness Assessment to be implemented immediately as noted by GPUC?**

25
26 Our goal is to continue with our timetable for submission of the Plan of Action to the Legislature.
27 However, should the Legislature not act in a timely manner, the next option would be to review the
28 possibility of implementing the Competitive Readiness Assessment recommendations provided
29 they are consistent with local laws and procurement regulations.

30
31 **63) If no change happens because of interconnection within the next two years and
32 interconnection materializes, how soon will layoffs begin? In other words, how long can GTA
33 survive after interconnection?**

34
35 Unless something critical happens, layoffs are not expected to occur. The primary goal for the
36 Privatization Task Force is to satisfy and safeguard the interests of GTA, its employees, its
37 facilities, and to ensure growth in telecommunications.

38
39 Worst case scenario, if GTA remains status quo, IT&E and others may start seizing GTA's
40 commercial customers. Telecommunications companies will actively pursue the high yield, low
41 maintenance areas (such as Tumon, Agana, Dededo, special circuits, and long distance). It is these
42 areas that GTA can expect to experience increasing loss of revenues. Should IT&E obtain
43 interconnection in January 2001, GTA can expect degradation in March 2001. We can expect

1 cutbacks in operations and outsourcing of services within sixty days after interconnection.
2 Naturally, GTA can expect cutbacks with a sizable loss of market share and no new business
3 services and revenues.
4

5 **64) If a global telecommunications company is involved, how realistic is it for us to work**
6 **outside of Guam?**

7
8 It is a good possibility based on an employee's work performance and skills.
9

10 **65) Is GTA going to be privatized in its entirety or will the private company or partner be**
11 **allowed to focus only on GTA's money making operations?**

12
13 At this point, I'm not sure if GTA will be privatized in its entirety. We won't know until
14 negotiations begin. The Privatization Task Force's goal is not to promote GTA's money making
15 operations but to negotiate the best available package for GTA and its employees. There may be
16 some services that the partner has no interest in and permit GTA to continue managing those
17 operations. GTA may privatize in some areas and partnership in others.
18

19 **66) What is the current value of GTA?**

20
21 Overall, an estimated \$250 million. The competitive ready assessment will provide a more
22 thorough assessment of GTA's value.
23

24 **67) What will happen to all the assets of GTA?**

25
26 As stated in the plan of action, the land is government owned and can be leased with specified
27 conditions. All other assets can be transferred or sold/partnered as part of the package during
28 negotiations.
29

30 **68) How much in revenues (cash) does GTA have in reserves?**

31
32 GTA averages \$7-8 million.
33

34 **69) Since individuals and/or firms have been given tours of our facilities, has a buyer been**
35 **designated?**

36
37 Absolutely not.
38

39 **70) The current plan of action that we have on the table with the target goal of submission**
40 **to the Legislature by the end of the year is seen as a conceptual plan of action, when do**
41 **anticipate having a true plan of action that outlines dates and numbers?**
42

1 The time line will not be accurate until the Legislature approves the plan of action. According to
2 Public Law 24-36, the Privatization Task Force must submit the plan of action to the Legislature for
3 approval. The Legislature must act on the plan of action before the Privatization Task Force can
4 proceed. Employees should bear in mind that the Legislature may amend the plan which in turn
5 may negate any company from showing interest in GTA or delay the bidding and negotiations
6 process. Should the plan of action be amended, the plan will have to be revisited to determine the
7 effect on the employees and potential investors. Once the Legislature approves the plan of action,
8 the GTA Board and the Privatization Task Force can begin "non-binding" negotiations with
9 qualified investors. This "Non-binding" clause as stated in the law is a critical issue that should be
10 reexamined as it can be a deterrent in bringing the parties to the negotiating table.

11
12 **71) If the common theme is that GTA is to privatize in order to compete with other**
13 **telecommunications companies and to upgrade its services, how does the Government of**
14 **Guam benefit as a whole?**

15
16 The Government of Guam benefits because GTA employees will retain their jobs; the
17 telecommunications industry will also continue to grow and this subsequently puts money back into
18 the economy; and will privatization will open the doors for new industries to invest in Guam and
19 provide additional jobs for the community.

20
21 According to Public Law 24-36, any funds arising from the sale of GTA's assets will be deposited
22 in an Infrastructure Improvement account --- that is money the employees may never see once in
23 the General Fund. The Privatization Task Force prefers to use any monies remaining to negotiate
24 for additional benefits (incentive buy outs, medical benefits, education and training, profit sharing,
25 etc.) to improve and empower its workforce.

26
27 **72) If no one wants to buy GTA after we go through the whole negotiation process, what**
28 **happens next?**

29
30 That is not expected to happen. However, should that occur, GTA will inevitably downsize
31 personnel. The Public Utilities Commission (PUC), which regulates how GTA operates, will not
32 allow GTA's revenue streams to drop. Before rates are raised to save GTA, the PUC will lower
33 cost by cutting employees and contract operations.

34
35
36
37
38 **73) Regarding no forced layoffs for five years except for cause, if the company cannot**
39 **survive because of economic conditions or other circumstances, how can the company retain**
40 **its employees when there is no money? Will the company layoff?**

41
42 As Guam is the hub for telecommunications, I don't see that happening. We don't have enough
43 employees and/or training. During negotiations, the PTF will call for additional training to

1 enhance employees skills and certification with the company. Employees should retain a positive
2 attitude and self worth in partnering with the incoming company.

3
4 **74) Can we have Senator Carlotta Leon Guerrero at the forums to answer questions?**
5 **Why isn't the Privatization Task Force, Legislature, or Governor not present at these**
6 **forums?**

7
8 Originally, five senators served on the Privatization Task Force. These senators elected to
9 withdraw from the Task Force in order to remain objective when voting on the plan. Also, for all
10 practical purposes and with the existing small forums, it may be difficult for Senator Carlotta Leon
11 Guerrero, the Governor, or all Privatization Task Force members to be available at every
12 discussion. A large scale forum may be a likely option. There are a few drawbacks, however, to
13 conducting large forums. Employees may be less responsive with policy makers present and may
14 be less likely to be straightforward and honest. The small scale forums provide employees the ease
15 to openly voice their concerns and recommendations in a smaller group setting. These small scale
16 forums also prevents shutdown and disruption of GTA operations. All GTA employees are
17 encouraged to discuss their concerns with an ECC representative and request response in writing.

18
19 **75) Why is the PTF not complete in this forum and how can we be sure that Mr.**
20 **Guzman's answers will be concurred by the missing members?**

21
22 Basically, every answer given to the employees has already been prepared and approved by the
23 members, which is the plan of action. All other answers were based on recently passed laws.
24 Employee questions and written responses are forwarded for discussion with the Privatization Task
25 Force members. Any differing opinions and additional responses will be included in the plan of
26 action. Most Privatization Task Force members represent the private sector and may not be
27 available at all forums.

28
29 **76) Since we as employees elected the ECC into office, when are you going to have your**
30 **own forum with the GTA employees where we can ask you some questions as well as**
31 **implement the plan?**

32
33 Pocket meetings have been held to address employee questions and concerns. All concerns
34 expressed during the pocket meetings have been compiled and are presented at these forums. Any
35 additional questions introduced at the forum are presented for discussion at the following sessions.
36 It is difficult to gather and maintain control of all GTA employees in one forum. We don't
37 necessarily have to have a forum --- every employee is welcome to voice his/her concerns with
38 their department representative or any other ECC member. The ECC works together as a team and
39 are ready and willing to hear all concerns and not just the concerns of the department they
40 represent. Status reports are prepared and disseminated to ensure that all employees are well
41 informed on the effects of privatization.

1 The employees are welcome to attend the Wednesdays meetings (with supervisory approval) to
2 obtain first hand information and dialog exchange between the ECC and the Privatization Task
3 Force members. I do not recommend a forum without representation from the Privatization Task
4 Force for the ECC works closely with the PTF, and the chairperson should be present at these
5 forums.
6

7 **77) We are wasting time for there are questions today that were asked two years ago.
8 How can we really get this done considering the short time we have?**
9

10 Considering the limited time we have, all we can do is to keep trying. The Privatization Task
11 Force's goal is to finalize and submit the plan of action by the end of December. Indeed there are
12 questions that were asked two years ago. However, there were in fact some delays that we had no
13 control over. Yet, if the forum did not take place and the Privatization Task Force proceeded with
14 the plan of action, employee complaints would emerge regarding management's and PTF's failure
15 to keep staff informed. Smaller group forums were established to provide for easy discussion about
16 the status of the Privatization Task Force and to maintain control and attention amongst employees.
17

18 **78) How realistically will it be for the Legislature to refuse the plan of action and why
19 would they do that anyway?**
20

21 I don't know why the Legislature would refuse it. It is important that all GTA employees be fully
22 appraised of the plan and supportive of PTF's efforts to present their concerns and
23 recommendations to the Legislature and at negotiations.
24

25 **79) Noting that GTA is a government agency and that we are operating on government
26 land, will that be a key issue from preventing us to privatize?**
27

28 No. As stated in the plan of action, the government property will be leased. The government
29 property is not for GTA to sell. GTA holds the government property in trust, as the government
30 land belongs to the people of Guam. The Government of Guam proposes to grant favorable leases
31 to the partner for the first few years of operation.
32
33
34
35
36

37 **80) If privatization goes through, will there be a clause to protect the public and the
38 employees if the new company does not meet all stipulations as noted on the privatization
39 contract or agreement?**
40

41 There will be a breach of contract should the company fail to fulfill its obligations. It is not in the
42 company's best interest to breach the contract. Should the company breach the contract, the
43 government has the right to legally sue.

1
2 **81) One of the privatization condition is that the new employer agrees to retain all GTA**
3 **employees, except those terminated for cause, for five years from the date of purchase and**
4 **would not implement any downsizing of staff. What assurance do we employees have that the**
5 **new employer would not renege from this condition? Furthermore, what happens to us or**
6 **what recourse do we have should this situation becomes a reality?**
7

8 There will be a breach of contract should the company fail to fulfill its obligations. It is not in the
9 company's best interest to breach the contract. Should the company breach the contract, the
10 government has the right to legally sue.
11

12 **82) If we as employees want the plan of action to be given to the Legislature for discussion**
13 **and the Legislature decides not to act on it, what are the alternatives?**
14

15 Recommend GTA employees to pressure the Legislature to seriously move forward with the plan
16 whether it be total approval or propose changes to the plan. Some action should be taken. Public
17 relations efforts will be in place to inform the general public about the privatization process and
18 steps to be taken.
19

20 **83) Can the PTF answer for the allege remarks made to the Water Works employees that**
21 **state GTA employees will all lose their jobs?**
22

23 GTA employees will transition their jobs with the new company. Should GTA employees quit the
24 government, they will no longer have a job with the government.
25

26 **84) How long can GTA sustain itself at its current rate if nothing happens and we are not**
27 **privatized? With existing operations including labor and administrative support, how long**
28 **can GTA operate before layoffs?**
29

30 That depends on the rate when IT&E interconnects and pulls GTA's clientele. It also depends on
31 GTA's revenue reserves to sustain the agency and its employees. Should interconnection occur and
32 GTA experiences increasing loss of revenues, one of two things will occur: GTA will begin cutting
33 back operations and force layoffs, or trigger a rate hike to the rate payers.
34
35
36

37 **85) If layoffs happen, how is management going to inform us?**
38

39 We don't foresee any lay-offs, especially with the impending departure and retirement of over 25
40 employees. If lay-offs are necessary, it will be done with a workable plan, after a thorough
41 assessment has been made, and it will recognize the effects to the authority. It certainly won't be
42 done haphazardly without regard to the welfare of the employees or the future of the authority.
43

1 **86) How could an informed decision have been made about transferring without any other**
2 **options being discussed at the negotiating table?**

3
4 Our objective is to extend potential lateral transfers throughout negotiations and transition subject
5 to legislative concurrence.
6

7 **87) What stalled the original privatization process that started a year ago? Why are we**
8 **“going around in circles”, why haven’t we done anything like submitting the Plan of Action?**
9 **What are we waiting for?**

10
11 Public Law 24-36 mandates the creation of the Employment Coordinating Committee, the hiring of
12 Financial Advisor and an Investment Advisor. Public Law 25-14 repealed and reenacted Public
13 Law 24-36 to allow for districting elections for GTA’s ECC representatives. This allows for
14 representation from each department. Your ECC representatives are now in place. Our goal now is
15 to hire the Financial Advisor and concurrently procure an Investment Advisor and Procurement
16 Advisor. The Financial Advisor must be hired prior to the submission of the privatization plan, and
17 must have sufficient time to review the plan.
18

19 **88) How is it possible that the ECC is now appointed to the Privatization Task Force and**
20 **for what purpose?**

21
22 The ECC representatives have been elected by their respective departments and appointed by the
23 Governor of Guam to serve on the Privatization Task Force. The purpose of the ECC is to
24 represent the employees and address their concerns to the Privatization Task Force. The ECC shall
25 ensure that the employees interests and concerns are met throughout the planning and negotiation
26 process.
27

28 **89) Are the members of the PTF being paid for their services on the task force?**

29
30 No.

31
32 **90) What is the legitimate purpose of government?**

33
34 To provide for the health, human services of the people that it serves.
35

36 **91) Is the legitimate purpose of government to provide for the public good what the**
37 **private sector cannot provide?**

38
39 Yes.
40

41 **92) Why can’t GTA compete as a government agency or is there any law that stops GTA**
42 **from competing? Can the Legislature pass a law that would allow us to compete?**
43

1 There is no law to prevent GTA from competing. GTA is faced with severe restrictions on
2 management and procurement policies that limits its capabilities to respond effectively to market
3 conditions. Also, it is widely accepted that government should not compete with the private sector.
4 Government is designed to encourage private sector growth, which in turn provides tax revenues by
5 which government can provide services to the general public.
6

7 **93) As employees, if we agree to submit the Plan of Action to the Legislature, does that**
8 **mean that we are already agreeing to sell GTA?**
9

10 No. The sole goal is to get to the negotiating table to explore our options.
11

12 **94) Can the Legislature allow us to compete against the IXC's?**
13

14 No.
15

16 **95) A consultant's GTA fiscal status report stated that for every \$1 of labor there is a loss**
17 **of \$11. In order to present a positive facade and to enhance our ability in attracting would be**
18 **buyers, should management begin planning or take necessary steps to reduce and streamline**
19 **our expenditures such as supplies, staffing, equipment, materials, etc.? If such activities are**
20 **ongoing, what visible effects can be identified; we must be mindful that nothing can**
21 **convincingly sway would be buyers decisions better than our track record and bottom line**
22 **called net profit.**
23

24 This sounds like a question from Senator John Salas. At the oversight hearing, Senator Salas stated
25 that GTA was losing approximately \$80 million a year. If we are losing \$80 million a year, we
26 wouldn't be here for the last two years. I recall a report stating that for every dollar in labor, we are
27 losing \$11 dollars. We are compared to regional bell operating companies which is different in all
28 respects. For the most part, regional bell operating companies contract most all services including
29 mechanic shops, installation and repair, etc. There is no outside plant as their systems are in place.
30 I don't have an assessment to why that statement was made or to what context it was referring to,
31 but it will be addressed in the competitive readiness assessment.
32
33
34

35 **96) Is the strategic partnership process similar to what the Guam Power Authority (GPA)**
36 **is going through?**
37

38 No. GPA only operates two main sections: generation, and transmission and distribution. GPA
39 contracted an independent power producer to build a power plant. The power producer operated the
40 system and the Government of Guam paid for the power generated. The plant is equipped with
41 highly sophisticated computer systems and runs efficiently with limited personnel. Most GPA
42 personnel were deployed into transmission and distribution. As GPA impacts only Guam, GTA's
43 telecommunication interests and value are worldwide.

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97) How is GPA's situation beneficial to its employees?

It's beneficial to employees learning new skills in power generation. Where employees gain the most is the GPA no longer has to concern itself with downed generators. GPA can effectively deploy its resources and use the money to improve the system. This in effect relieves the stress on its employees.

98) What is the impact of privatization on existing and new DOC Sanchez scholarship recipients or recipients who have already graduated?

There should be no impact at all. Existing legislative mandate states that the Government of Guam will appropriate funding for education with the provision that the recipient repay the Government through time in service upon graduation. Upon submittal of the plan to the Legislature, the Privatization Task Force will include proposed changes to law to address this issue and ensure that recipients are not cut off from their education. Should the legislature decide that the recipient must reimburse the government, the PTF will negotiate to have the partner repay for the recipients' funded education to the government. The cost should be absorbed by the incoming partner to GTA. Any individual pursuing an education becomes a valuable asset to the company that is to partner with GTA.

99) As part of its retention program, many large U.S. corporations offer on-site nursery facilities for parent employees with pre-school children. Could this be considered as part of the negotiating scheme?

Day care benefits are included in the plan of action. Today, there are a number of companies that offer day care, corporate loans and other benefits packages to their employees that are not provided to Government of Guam employees. GTA employees can maximize its options with the successful bidder.

100) Some employees have a pre-existing medical condition called Carpal Tunnel Syndrome. What provisions are to be made to ensure job security and continuity during the privatization process?

GTA is in an excellent position to negotiate optimum medical benefits with the successful bidder. The goal is not to retain the same medical benefits as currently offered within the government but to improve the benefits at a lower cost to the employees.

1 **101) Can the Privatization Task Force survey the employees of the Virgin Islands and**
2 **Puerto Rico to see what positive or negative impact privatization has had on them and their**
3 **government?**

4
5 Yes. Employees should take into account that the opportunities, per capita income, infrastructure
6 development and laws governing the Virgin Islands and Puerto Rico differ to Guam and should not
7 be compared in its entirety. We will examine similar problems and issues to determine the impact
8 of privatization.

9
10 **102) How soon can we be privatized? Is there a designated time line that privatization is to**
11 **happen?**

12
13 At best, a deal can be made by November 2000. We must ensure the company is well established
14 and funded, has a successful track record working with its employees, is equipped with up to date
15 technology and resources, and demonstrates a willingness to maintain a long term commitment to
16 Guam. Worst case, we can anticipate a deal in August 2001.

17
18 **103) Who has the final say in the closing of the deal?**

19
20 Before the privatization process can get underway, the Legislature must approve the plan of action,
21 with conditions as deemed necessary. The Legislature will work closely with the Privatization
22 Task Force to provide an observer during negotiations. In the end, the Privatization Task Force
23 and the GTA Board of Directors finalizes the closing of the deal. The Governor is the last
24 signatory of the deal.

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**GTA Employee Forum
on the Status of GTA Privatization Task Force**

**Questions and Answers
(March 10 - 13, 1998)**

GTA EMPLOYEE EDUCATION FORUM
March 10-13, 1998
Questions & Comments

March 10, 1998 - A.M. Session

Open Forum Questions & Comments:

- 1) What happens to the timetable if the legislature disapproves the GTA Plan of Action?
- 2) How much money will GTA need to survive? GTA manager (Vince Arriola) will make a presentation on GTA's financial condition.
- 3) Bill 450, has it been passed/approved by the legislation? Bill was introduced earlier and is anticipated to be discussed on the legislative floor March 17-18.

Survey Comments, Questions or Other Issues:

- 1) What do you have to offer for early outs? And from what years?
- 2) No comments, presentation went well.
- 3) I am concerned about our future.(Disagreed)
- 4) Majority of the employees understand that GTA basically needs to be privatized to survive, major concern - employee rights.
- 5) I didn't get any printed material on time (Disagreed)
- 6) Need more studies on privatization (Disagreed & I don't know)
- 7) GTA is the only - equipment- online with cable in place; employee must be paid and reach to prove them right or wrong. (Disagreed)
- 8) Will retirement division have all budget required to pay all retiree & early-out upon request.
- 9) Clarify more on lateral transfers.
- 9) I myself being an employee of GTA. Strongly believe in privatization.. Let's move forward.

March 10, 1998 - P.M. Session

Open Forum for Questions & Comments:

- 1) Will the special legislation proposals stated in the POA need to be passed prior to the signing of the agreement?
- 2) How will the election of new legislators in November affect the GTA Plan of Action?
- 3) How does the PTF propose to address GTA lateral transfers from within GovGuam if positions are not available at other GovGuam agencies? The Civil Service Commission will identify and provide a list of positions that will be comparable to GTA job positions. Federal funds have been identified and will be made available for training of GTA employees into their comparable job skills.
- 4) Will the PTF compromise the employees' needs if the potential owner of GTA is not able to meet the needs set forth on the original agreement?

Survey Comments, Questions or Other Issues:

- 1) Before I agree with any plan, I would like to see an approval from the legislature.
- 2) I'm glad that the task force displayed some stats & operating figures of GTA. Also, I would like to be informed as much as possible.
- 3) Need to convince Tan Maria and the public.
- 4) Push!!!

March 11, 1998 - A.M. Session

Open Forum for Questions & Comments:

- 1) The plan of action indicated 5 years retention of employees with new partnership, can it be changed to 8 years? The Task Force believes that the 5 years retention of employees is ample time for employees to establish themselves with the new company and also ample time for the company to evaluate their employees as well.
- 2) For employees opting to lateral transfer, will the probationary period be applied to the such employee? Ans. For comparable lateral transfers, probationary period does not apply; For non-comparable lateral transfers where employees undergo training into another career then the probationary period applies. Civil Service Commission will provide a list of job positions comparable to GTA positions.
- 3) The special legislation proposals stated in the POA regarding the transfer of employee contributions &/or government contributions is unclear.
- 4) What provisions can be made in the POA/agreement that will ensure hiring from our "Local community workforce"? An employee pointed out the expectation of unfair hiring practices of workforce by the new owner i.e. hiring of their own people abroad and/or newly arrivals to Guam. Suggest new employees must have establish Guam residency for a minimum of 6 months or a year.
- 5) Clifford urges GTA employees to support Senator Carlotta Leon Guerrero on her Bill 450 on the legislative floor. Suggest employees either provide written testimony or present their testimony on the floor.

Survey Comments, Questions or Other Issues:

- 1) Why don't we just sale the company and transfer to another GovGuam agency.
- 2) Issue of leave accrued , both annual & sick
- 3) Legislation for payout or compensation
- 4) Why are there so many "new hires" such as "special projects coordinator"? How many do we need?, lot's of times they don't do anything! And for what \$40,000 per annum, this is only one of the things Killing GTA!!!, furthermore, I agree with what Rosie Blas said on 3/11/98!
- 5) Need honest answers to questions asked
- 6) Non given title wage scale nor other options: union for employee, part ownership of employee
- 7) Where are the expenses going?

- 8) Stop hiring special projects coordinators(s), we don't need them!; why are we paying for employees working in another agency? (esp the Gov's Office)
- 9) The hiring of special project coordinators with \$40,000 & up have to stop or even better terminate them now! Those sent to other agencies is poor management practice using our GTA funds
- 10) Management should standby what they say - with respect to "employee living" - Hiring limited term employees @ \$40,000/year as a "special projects coordinator" is really disheartening to employees that have been with the agency for years and not able to get that kind of pay.
- 11) Financial condition was based on FY97 which is period from 10/96 - 9/97 therefore "Paka" would be in FY98. The significant decrease in net earnings is scary- will the authority have a pay less payday?
- 12) Good work lets sell tomorrow
- 13) More information about Privatization
- 14) Vote Power 98
- 15) In a special case can it be possible to transfer(vise versa) retirement benefits to our spouse also working for the GovGuam and be able to retire?
- 16) Is the task Force informing the employees of what is really going on with Privatization or are they just saying what the employees want to hear? Our future is at stake, we need answers.

March 11, 1998 - P.M. Session

Open Forum for Questions & Comments:

- 1) What happens if no company comes to the table and make an offer? What do we do then?
- 2) Are supervisory positions applicable on lateral transfers. No, Present policy dictates not applicable.

Survey Comments, Questions or Other Issues:

- 1) I don't know why our Telecommunications company (GTA) cannot & will not lift, the restrictions or competing & the freedom of Information Act (Sunshine Act) & providing vital information that may destroy the operation of the authority.
- 2) What will happen to the heavy equipment operators?
- 3) Why the hold on Capital Improvements? Can the authority better itself than, privatization, Phase, etc. toll service, enhanced residential as well as Commercial, service offerings.
- 4) Go for privatization, no further comments but to see an incentive offer to those old age employee and not enough retirement benefits earn for retiring comfortably.

March 12, 1998 - A.M. Session

Open Forum for Questions & Comments:

- 1) Would GTA be able to bring in a communications board agent who are experts in employee negotiations in the telecommunications field and represent them? Or Union representatives from abroad?
- 2) What happens if the new partnership files bankruptcy before the 5 years commitment?
- 3) Can we be provided with a good global view/financial picture of GTA?
- 4) Is there any possibility to change the laws/policies of Guam so that GTA may compete?
- 5) Can the GTA Privatization choose another direction for GTA besides privatization?
- 6) The POA stated 3 GTA employees verses 5 employees to be elected to the GTA Coordinating Committee. Why the disparity? The law states 5 employees to be elected at large by GTA employees
- 7) Is there any truth to the rumor amongst the employees that the PTF has a hidden agenda (the Administration) for GTA.
- 8) Why can't GTA continue to compete anyway?
- 9) How will GTA employees with unused sick leave be addressed?

Survey Comments, Questions or Other Issues:

- 1) I am concerned of being considered as a lateral transfer.
- 2) We need to let GTA fly free.
- 3) I know deep in my heart that you(task force) are looking for a better way to resolve this issue for the sake of our job security , benefits, and families. The only thing really that matters to me is security for my wife and our two daughters, if worst comes to worst I don't mind working for McDonald. Chamorro pride has to be put aside for families sake. "They come 1st in my life besides our Lord amen"
- 4) Need more forums to have more knowledge
- 5) Make I get another job with GovGuam
- 6) Need more information on lateral transfer and what company I qualify to transfer to.
- 7) There is no law that we cannot compete with private sector or could we GTA become ½ govt. and ½ private like GPA, etc.
- 8) I agree with privatization as long as employees will be retained.
- 9) Materials and info provided are there but personally what I feel is that employees are just concerned about their financial well being we all have bills to pay and just concerned about their jobs.
- 10) Are they any laws preventing GTA to compete? Even if TA 96 says we have to open to the private company, we could charge them & make revenue from them at the same time, still be doing what they intend to do. We can probably cover our rates.
- 11) Due to the Telecom Act I understand the need for GTA to compete w/other telecompanies. But the task force has really insure the 500 plus employees that they will be taken care of. With positive options for employees.

12) I feel the concern of GTA are addressed and presented as a whole not with individual needs. We need to know the options (guaranteed options before any decision is made.

13) Layout option of the different scenario of each employee (e.g. employees ready to retire, employees with less than 5 years experience, etc.) It will help employees understand what is being offered.

14) For more information prior to any privatization meetings, i.e. handouts, pamphlets should be distributed ahead of the meeting.

15) Cannot comment on whether or not I want to continue with privatization or lateral transfers because there isn't a buyer yet for GTA, so therefore I wouldn't know what they would have to offer the employees for me to make a decision.

March 12, 1998 - P.M. Session

Open Forum for Questions & Comments:

- 1) If there is a task force to sell GTA, then why isn't there one to save GTA from being sold?
- 2) Can GTA employees with other skills be used in applying for lateral transfer?
- 3) Distribution of the POA reading materials by top-level management is poor.

Survey Comments, Questions or Other Issues:

- 1) I clearly understand all the detail of privatization
- 2) The decreasing value of GTA is a major concern. Mr Arriola pointed out "the beast" within govt. agencies, as well as this administration's concern for GTA. Why can't GTA go to the governor (the power) and point out that GTA is in a bad financial situation. Ask for equipment from other agencies so GTA does not have to hire outside and can reduce expenditure. Tell him GTA can no longer pay for employee payrolls for people working at other agencies. GTA no longer can pay for other govt. agency junket trip. GTA cannot hire more people we don't need. If we see things like these corrected perhaps GTA employees will not feel there are hidden agendas.
- 3) Requesting for a lateral transfer to another GovGuam agency for the employees
- 4) Should have better refreshments
- 5) Start the transfer to another GovGuam agency
- 6) Those who do not understand the "Plan of Action" need to read the information given to them and stop arguing and start helping out the "Plan of Action". More involvement of the employees!
- 7) You need to talk about the employees who are being sent to school by GTA. Whether our education would continue or not.
- 8) If GTA gets privatized, what happens to the people that has a position limited to 4 employees at that certain position, dealing with the most expensive job duty to handle.

9) I agree that to change GTA's Status quo is necessary, yet being an employee I am also weary of the status of our employment. Which leaves me undecided whether or not to continue with GTA if it becomes a private co. Or moving to a different agency. Making a big change is a scary thought and being a family person it needs to be thought out carefully on which way I would move before any decision can be made.

10) If the bill 450 goes into law which Carlotta Leon Guerrero is pushing for GTA about lateral transfer to another GovGuam. How would you the task force choose or segregate those employees wanting to transfer? Would all employees be transferred or certain employees only, is it by work performance, dependability, time in services...?

11) I would benefit better if privatized.

12) I would like to attend future forums or task force meetings, without the pressure of Mr. Bob Kelly in the room.

13) As requested in the 3/12/98 morning forum, please disseminate monthly agendas of the GTA Privatization Task Force for all employees. A single Task Force member would be overwhelmed with phone calls if it was the duty of the employee to check weekly. (Lucky if his phone call was returned)

14) Would I be able to draw my retirement fund & return to work for new company? Could my sick leave be cashed in? Change of career is not the way out, I enjoy my present job & need assurance prior to sell. During these forums some individuals are here for the ride.

15) If a RIF is probable which category of the force will be targeted?

March 13, 1998 - A.M. Session

Open Forum for Questions & Comments:

- 1) Is there a FCC law/ regulation that prevents GTA to compete other than the GovGuam's policy?
- 2) Who are the companies that has formally place a request for connection with GTA? GST, PCI, GTA & IT&E. What option does GTA have to address these requests?
- 3) Will privatization of GTA affect the military communication systems?
- 4) If the PTF is saying that GTA is doing a good job, then why is GTA losing clients? (GTA is limited to service it can provide- Marketing strategy - bundling of communication services.)
- 5) What benefits in terms of leave, pay & retirement, can be offered to GTA employees who decide to seek another career through education, specifically, for the period of time they are away from work being educated.

Survey Comments, Questions or Other Issues:

- 1) Make the best deal and save our jobs at the same time. I have a house to pay for, kids to feed, and a land that I have to pay
- 2) I think we also need a task force for the employees that want to transfers, early-out & or retire. A lot of info for employees that want to stay nothing/not much for employees that want to transfer.

- 3) Can there be more positive plan of action. Still a planning stage with no positive incentives.
- 4) If the clarity of selling the authority is done. We shouldn't be prolonging the deal?
- 5) My comment is that all GTA employees are protected & that the betterment for all involved.
- 6) Can each employee get a share in the sell of GTA. (15% each)
- 7) More in the best interest of the employees should be addressed.

March 13, 1998 - P.M. Session

Open forum for Questions & Comments:

- 1) Task force will provide copies of Sunshine Law; Telecommunication Act of '96; Privacy Act.

Survey Comments, Questions or Other Issues:

- 1) I understand why the existing government policy does not allow supervisors to laterally transfer, but considering our "special" circumstances isn't this unfair. The supervisors may not know other technical fields, but they do know how to lead & supervise work and most importantly people doing the work which is actually the hardest part of supervision. Why can't these supervisors be trained on the technical area and still given a chance to transfer.
- 2) I would agree to any significant changes to better our company and to compete with other competitors. The only thing I'm really concerned about is my job.
- 3) More detailed explanation on; request for options for individual packages available. Main concern is possible training available in the event I choose to change my career for a more marketable Govt. position; Concern on pension plan options should I be granted a package to train/receive education for a different govt. position.
- 4) Contingent plan should "strategic partnership" attempt not succeed.
- 5) Give a list of all job positions currently at GTA and be honest in each of the positions value to the "new GTA" Let those people who are most likely to lose their jobs know!
- 6) I appreciate all the hard work that the task force has been doing aside from their daily jobs, etc. I strongly support GTA privatization & encourage the task force to emphasize the need for GTA employees to get involved and get project going. Once the representatives are chosen from each district there should be set dates (ex: every other Fri, etc.) For districts to meet with each representatives to be better informed.
- 7) I go for privatization
- 8) If the privatization had occur - isn't successful- would the government take it back?

**GTA Employee Forum
on the Status of GTA Privatization Task Force**

**Questions and Answers
(November 17 - 21, 1997)**

GTA Employee Education Forum – Question & Answer Sessions

November 17, 1997 Morning session

1. With reference to the election of the Employee Coordinating Committee, clarification was requested on how the election process will be conducted?

According to Ms. Lucia Perez, GTA employee representative to the Privatization Task Force, a total of 3 employees from each of the five (5) divisions within GTA can be nominated on the ballot. Once those employees have been identified, the Guam Election Commission will oversee the election process. GTA employees will elect from the three names listed, one representative from each of the divisions, to represent their interest and views to the Privatization Task Force and the selection of the Financial Advisor. This whole process will be transpiring within the next 30 days. Should an employee be unable to cast his vote, the Guam Election Commission will make available absentee ballots.

Please note that the Guam Election Commission will conduct the elections not the GTA Management, the Board, and the Privatization Task Force.

Employees in each division are encouraged to consider who will be best able to represent their interest and needs.

2. Will the GTA Privatization issue lose importance should the Administration change in 1998?

According to Mr. Clifford Guzman, Chairman of the GTA Privatization Task Force, since doing "nothing" is not an option, something has to be done regardless who is Governor or who is in the legislature. The Telecommunications Act of 1996 will mandate change. The task force encourages GTA employees to take an active participation in the negotiation process, empower themselves, and help move the negotiation process along.

3. What is the estimated time frame before a buyer is selected?

The Task Force is hoping to have interested parties to the table by June of 1998 at the latest, to start the negotiating process. Before that dateline, the Task Force would like to have all legal, legislative and employee reviews completed.

4. Will the bidding process be conducted through the government?

According to Mr. Guzman, the bidding process can be cumbersome and there may need to be some changes made by the Legislature in order to get the flexibility needed to complete the transaction. However, there will be some areas that will probably go through the Government bidding process.

5. Is there a task force created to represent those against privatization of GTA?

This task force was created to protect the interest of the employees of GTA and its assets. The task force is mandated to determine a better way for GTA to proceed into the future.

6. **Could the task force make GTA work on its own without a strategic partnership?**

GTA cannot remain at its present status quo. It has to implement the changes specified in the Telecommunications Act of 1996. There are certainly other options to consider, but we believe none of them will result in the benefits that can come about with strategic partnership.

7. **Is there a study developed that will keep GTA as a government entity?**

The study conducted by Coppers and Lybrand was used as a starting point for the task force. (The chairperson encouraged all those present to read the study in order to be fully aware and informed, especially on issues that affect the employees directly).

A comment was raised that the study was based on a whole lot of assumptions. Those assumptions were and can be used as a starting point leading to something more defined and concrete.

8. **Is there a rush to complete the Privatization issue before the election in 1998?**

If we want to maximize the full potential of GTA, completing this process is a very important issue. Every day we are losing time due to the Telecommunications Act of 1996. The privatization issue is not being pushed for election purposes, it is simply a sense of urgency.

9. **At the present time, how financially secure is the government retirement system?**

According to Mr. Gerry Perez, Chairman of the Government of Guam Retirement Fund, several years ago the unfunded liability of the retirement fund was 720 million. Today, that figure is down to about 400 million. The retirement's security ratio is 72%. The Government's retirement system is trending in the right direction. The fiduciary commitment of the Retirement Board is to see to maintaining the integrity of the fund.

Should the privatization of GTA become a reality, there are two options that will need to be considered if employees are to be transitioned into a new retirement plan:

1. Freezing all accrued benefits as of the day of transition; or
 2. Pay out accrued benefits or contributions in the fund depending on the greater of the two.
- There are dramatic improvements taking place in the retirement fund policies. Maybe, at some time in the future, the Retirement Fund could assist in the negotiation process to represent employee interests.

10. **Should an employee elect to withdraw his retirement benefits, what is the waiting period to get benefits?**

According to Mr. Gerry Perez, the purpose of the retirement fund is to protect employee benefits for the future and to protect the cash flow for those already receiving their benefits.

One of the policies of the fund is to discourage people from hastily withdrawing their money. For that reason, a 12 month waiting period is in place to determine legitimacy of the request to withdraw. However, as a rule, the 12 month waiting period has not been followed. Generally it's a "first come, first served" basis.

Further, Ms. Terry Flores emphasized that the process also depends on the disbursement schedule for each week and legitimacy of the situation. The retirement fund cannot cripple its cash flow.

11. **Over 90% of GTA expenses is overhead, is the issue of over staffing being addressed and will this affect the value of GTA once the bidding begins?**

According to Vince Arriola, GTA General Manager, he has reviewed the staffing pattern of the agency and finds that the attrition rate is very low with most employees having less than 10 years of service. He does not think the over staffing situation will be a major issue in the negotiation. With reference to positions that are vacant, those positions will not be opened unless its is absolutely crucial to the operations of GTA.

At present, the value of GTA is in its employee skills. The Task Force will ensure that employees concerns and interests are protected.

Further to this, legislation is being considered to allow those GTA employees the opportunity to transfer to different agencies should they desire to do so.

12. **Is the Retirement Fund contemplating legislation for employees to buy into their retirement or will the new company that comes in be allowed to buy out the employees retirement?**

According to Mr. Perez, due to federal guidelines in place, an employee cannot buy out his retirement in order to meet his/her term of service. Private companies are, however, allowed to buy out an employees retirement if that individual is close to retirement.

According to Mr. Carl Peterson, Task Force member, some private companies offer a "Golden Parachute" option, whereby they pay you the additional amount needed to enable you to retire.

Any company wishing to buy GTA will surely want to expand it and will therefore need more employees.

13. **What will happen to the retirement benefits of those employees who have 10 yrs. or less of service with GTA?**

According to Mr. Perez, two options can be considered:

1. Freeze the current accrued benefits and start contributing to the new plan; or Payout the value of the benefit or contribution to allow you to roll over into the new plan. This option can be negotiated in the employees benefits package. However, this is difficult to assess at the present because we have no proposals on the table.

No potential buyer will be considered if they do not want to negotiate a benefit package conducive to the needs and interests of the employees. According to Mr. Bob Kelly, one of the criteria in the selection of a potential company is its commitment to the employees and the ability to expand its services to make Guam a hub of communications.

Mr. Perez states that this could be a good opportunity for GTA employees because they will probably be getting more in terms of benefits for their future. As he explained, most GovGuam employees have only two options in terms of investing for their future needs: personal savings and their retirement benefits. With privatization, employees will have four or more options available: personal savings, social security, accrued benefits, and a new retirement plan.

14. **Has an equal amount of time been spent in determining how to protect those new employees who do not meet the years of service or training?**

The survey that was disseminated will provide an idea of those employees who fall in this category in order that ideas or options can be considered. Foremost in the negotiation is the protection of all employees, irregardless of the years of service or lack of training.

Thus, it is crucial that all GTA employees read all the materials pertaining to the privatization plan in order to be aware of what they are up against. If they are not too familiar or have not had the opportunity to thoroughly read the study provided by Coppers and Lybrand, they are encouraged to sit in other forums that will take place throughout the week or contact any of the Privatization Task Force members .

The financial advisors role will be to inform employees on how best to look at assessing their options for the future.

15. **As the employees are technically still a member of the retirement fund, even though benefits are frozen, can the employee be able to put into the plan?**

According to Mr. Perez, the employee will have to make a clean break. He cannot belong to two active contributing plans at one time. He can be a member of two retirement plans but only one can be an active contributing plan.

16. **Can an employee elect to stay with present GovGuam retirement plan even if a new company comes in?**

This is a difficult issue to address because technically, the government cannot contribute into a new plan under a private company. There are also some federal rules that may come into play. These are some of the issues that will need to be addressed in negotiating the package.

- ** Suggestion was given to have retirement possibly put together some sort of information package to inform employees how the fund works and where they are at presently with reference to their available benefits.

November 17, 1997 Afternoon session

1. **If politics is not a major factor in the privatization issue, why is the Chairperson a representative of the Governor's Office?**

A lot of people are dead set against privatization. However, because GTA is a government agency, both the Government and the Legislature has to be involved. There are government assets that need to be protected, primarily the employees.

The privatization issue is not a campaign promise. It has bipartisan support and approval. If we do not move or progress with privatization, we stand to lose our assets, resources will be lost. Consequently, employees will be affected.

Because of the Telecommunications Act of 1996, major corporations in the telecommunications business can come to Guam and take over GTA's customers.

2. Previous management of GTA or employees did not initiate the Privatization of GTA. Is the Privatization issue solely being pushed by the Governor's Office?

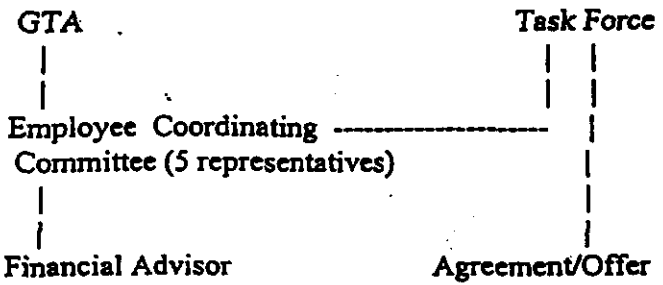
According to Vince Arriola, GTA General Manager, privatization has been around for quite some time. A bill to privatize was first passed in 1972. The issue is not a new one. GPA has a form of privatization and thus far it is working in our favor.

The emphasis for the push is the Telecommunications Act of 1996. GTA needs to move forward on this or lose assets in the future.

3. What is being done to protect employee benefits should the transition take place?

In the next thirty days, GTA employees will be going through an election process to elect representatives to sit on the Employee Coordinating Committee. This committee will have the responsibility of choosing a Financial Advisor who will represent their interests in the negotiations. The Financial Advisor will do most of the work to inform employees what their best options are.

The following is a visual of the role of the Financial Advisor:



According to Mr. Carl Peterson, GTA Privatization Task Force, many large corporations generally offer a number of retirement plans including profit sharing and stock options.

3. Is there a company being considered to buy out GTA?

At this time, no one are being considered. Solicitation will only begin when the plan has been completed.

What does the Government get out of the WIN, WIN, WIN concept?

Should the Privatization of GTA be successful, then that will be the WIN for the Government of Guam. Employee satisfaction is the number one priority. Also, the Government will collect taxes—GRT, corporate, real estate, and new employee taxes.

5. Does the Government have a say if the company brought in defaults on its contract?

Should the company breach its contract with the government, then the government has the right to bring suit against them. Should the company have a falling out with just one of the employees for a specific reason, the employee can pursue a suit on his behalf.

6. **What is just cause for an employee to be terminated?**

Just cause is that which violates any rules, regulations or policies governing the operations of an agency or company. This also applies to federal, state and local laws. Basically, all laws governing employee standards are mirrored for conformity. All rules are specified and are equal to everyone.

November 18, 1997: Morning Session

1. **Why do we have to push the Privatization issue before June?**

For all intents and purposes, we should be at the bargaining table now. Because we are not, we need to get our perspectives in order and move forward before we start to lose assets and resources.

Talks are being pushed for the following reasons: the Telecommunications Act which mandates competition, government ownership, and the rules and policies that inhibit GTA from competing.

2. **Why are the sessions being held in smaller forums rather than a one time forum whereby all employees are present to hear comments and questions?**

An overall forum was held at the University Field House last December. The type of session which took place was not as effective method of communication. Technically, it's not feasible to conduct a forum with over 500 people at one time. Employees were not satisfied with how the information was presented. For that reason, small working sessions/forums were arranged to allow all employees the opportunity to be comfortable in asking whatever questions they wanted.

3. **If a company is being considered, is it possible for arrangements to be made so we will know beforehand what the company is offering in terms of its benefits or incentive plans?**

The task forces, including your representatives, will negotiate the incentive plan to meet the needs of the employees. The highest priority goes to protecting employees, its assets and how GTA can be made better in the future.

4. **Will employees be able to see what is in the proposal?**

The Employee Coordinating Committee will be the working arm of the employees to ensure that their interests are protected. The final privatization plan will address all employee concerns and needs. Employees are encouraged to take an active role, first by being informed, and secondly, to ensure their needs are being heard.

5. **Once a company is chosen and the changeover is complete, the company can decide to sell bits and pieces of its assets. What will happen to the employees?**

The original contract that is negotiated will remain in effect despite any changeovers that might take place. A contract is enforceable by law.

6. **Is the Coopers and Lybrand study to be used as the basis for privatization?**

The Coopers and Lybrand study was used as the starting point in the process. There are other facets and areas of concern that need to be considered to meet the needs of the employees and to ensure their protection. Some of the suggestions in the study will be used and some will not be used.

7. **Once an employee agrees to accept the terms and conditions of the new company, will the employee have the opportunity to transfer back into the government or to another agency? Is there any policy being considered that would technically allow this to happen?**

Should an employee elect not to accept the benefits package offered by a potential company, legislation will be drafted to give priority to those employees who prefer to transfer to another government entity before the take-over begins. At this point of time, a measure to create a time limit on transferability has not been discussed. This is something that the Task Force will need to address and consider however, once an employee accepts the terms and conditions of the new company and signs on, then they probably will not be able to change their mind later.

8. **Under the Coopers and Lybrand study, a comparison between private and Government benefits was provided. Is this an accurate assessment?**

In this whole process a third party appraisal will be conducted on the study to determine if the assessments are accurate and comparable for purposes of analysis.

November 19, 1997 Morning Session

1. **There have been many points mentioned regarding Privatization, such as the need to go forward, and the benefits that can come about. Has there been thought given to the idea of making GTA competitive, bigger and stronger to be able to compete with the big companies who are supposedly out there?**

Technically, Governments do not compete with private companies. Its main purpose is to provide service to the public and the private sector where the private sector doesn't. Should GTA compete, large amounts of capital would be needed to meet the demands and the changes taking place all around the world. Realistically, the Government of Guam does not have the resources, the expertise and the time that multi-billion companies have at their disposal.

GTA has a good system. They have the manpower, the skills, and the technology for the time being. However, it does not have the capital resources due to its responsibilities in meeting its payment on the bonds, its current depreciation schedules and the number of employees. Further, with the Telecommunications Act of 1996, GTA is not moving fast enough to keep up with current technology that literally changes every few months. The Act paves the way for big companies to come to Guam and essentially start the process to take business and customers away from GTA. The telecommunications industry is one of the fastest growing industries in the world and it attracts big money. Should this occur, GTA will not be able to generate the resources it needs to meet its expenses and liabilities. Consequently, rates will increase or expenses must be cut. GTA is bound to make payments on its bond, thus, the only avenue where expenses can be cut are the employees. It is for this reason, that privatization is being pursued to avoid any forced lay-offs. It is the only realistic solution to meeting the changes that are occurring.

**** Discussion on this issue dominated most of the time in the open session. Secondly, the protection of retirement benefits and the options which would be available to employees was also the other issue addressed.**

In answer to employee concerns regarding their benefits, Retirement will be assisting in putting together information on their benefits to enable them to be aware of where they are at in terms of their contributions to the fund and what are the options available to them should a change-over take place.

November 19, 1997 Afternoon Session

1. **Where do we go from here?**

Task Force will take look at the questions asked in the forums and address the concerns raised. Employees, in turn will be preparing for the election of their Employee Coordinating Committee during the next 30 days. These elected representatives will bring to the Task Force employee issues and concerns in order that they will be addressed in the plan. At every phase of the work, the ECC will be working with the Task Force. Thus, input from the employees is crucial to the work of the Task Force in finalizing the proposal for privatization.

2. **With concerns repeatedly be asked with reference to retirement, competition, and industry salary standards, the Task Force will be preparing the following point papers to the employees:**

- Industry standards in Telecommunications with reference to salary and benefit packages with a comparison to GovGuam
- Retirement schedules and options
- Reasons why the Guam Telephone Authority cannot compete with major Telecommunications Companies
- Comparative review of GTA revenues and expenses in comparison to other Telecommunication companies

3. **Will the Retirement Fund be able to support a mass withdrawal of funds should employees elect to take their money out of the fund?**

The representative from Retirement indicated that this will have to be looked at closely to determine the impact on the fund. Response to this question will have to be provided at a later date until the matter can be reviewed thoroughly. It was noted that withdrawals are usually handled on a first come first serve basis and there is normally an allocation amount each month. If a strategic partnership is reached, perhaps additional legislation will be required.

4. **Should the selection come down to two companies offering the same deal, how will the decision be made?**

There are two areas of concern: our needs and our wants. Needs are those things that should absolutely be in the package. Wants, on the other hand, are those things that can be negotiated. Should it come down to which of the two to choose, it will be the one who will offer the best package in terms of development and expansion to the employees.

5. **Who makes the decision on which company will be chosen?**

The decision will be made by all those concerned: the Task Force, the employees, the Government, and the Legislature.

6. **It is a given that ultimately GTA will be sold. Are their safety nets to ensure that all decisions will be made accordingly?**

One of those safety nets is the requirement of an audit of the company(s) selected to satisfy creditors, investments, and performance.

7. **Reference to personnel training and enhancement, what will happen to those employees under the Doc Sanchez Scholarship Education Program?**

This is one of those issues that was never addressed or thought about. The Task Force will have to look into the matter and discuss with the appropriate entity handling the scholarship program. Feedback on this will be provided once the information is reviewed and discussed by the Task Force.

8. **Will there be opportunities made available to employees to enhance their skills now in order to improve performance and to make their personnel jackets look good for employability?**

GTA Management is currently working on upgrading the computer systems of the agencies to be on-line with current technology.

Management will not stop training. It is still required to perform its responsibility and provide the services they are mandated to provide. Training at this point of time is absolutely important. Some employees are certifying their skills right now at GCC.

9. **With legislation being introduced to allow GTA employees priority for lateral transfer to other GovGuam agencies, will employees be able to maintain the same salary level they have now?**

According to Mr. Eloy Hara, lateral transfer is commensurate with present salary or comparable to another job specification. There are also opportunities where skilled professionals can be trained for skills that can be used elsewhere.

** Clarification would need to be made to inform people what lateral transfer is and the ramifications involved.

November 20, 1997 Morning Session

1. **Is there really a company who would want to buy GTA?**

At present, GTA is doing well and has good value because of its assets (cable lines from China, satellite disk capability to the Indian Ocean and its employees). There is a lot of good potential in GTA. For this reason, the process of privatization has to move forward to retain the value we currently have. Once the process comes to the actual selection of a company to buy GTA, the main emphasis will be which company has the most to offer in terms of development for the future as well as the protection and benefits to the employees. A large company would most probably want to leverage GTA to a much bigger organization.

2. **If there is a large number of employees wishing to go through the lateral transfer process and there are very few vacancies open with comparable job descriptions, will there be a possibility to open up job positions?**

No guarantee on this because of the government's fiscal situation. However, we have to be open to the opportunities that are available to us. Training can be provided to those with comparable skills which will enable them the opportunity to move to other agencies should openings be available. The Telecommunications Act is putting pressure on us to privatize GTA, but it also opens opportunities for potential growth in telecommunications systems in the schools, libraries, and the airport.

3. **Are there other strategic partnerships that have been negotiated that have worked, and if there are, can we get information on them?**

The Virgin Islands has gone through the process of privatizing its telecommunications services and is doing well. The Puerto Rico is currently negotiating with three prospective buyers to take over its telecommunications service. The Task Force will look into this and compile the information being requested.

4. **What guarantee is there that the company chosen will retain the employees?**

Under the contract that will be negotiated, once finalized there will be a stipulation that there will be no forced lay-offs for a period of five years. The Task Force, as mentioned earlier will be looking for a company that has a plan for future expansion and development on Guam with reference to telecommunications and a company that will provide the best in employee benefits.

5. **Can we get a listing of vacancies in the Government of Guam?**

You can get a copy at DOA at any time.

6. **What will happen to our military credits for service?**

Call Lou Brennan at Retirement, give her your name, social security number, and date of hire. She will review your personal situation.

November 20, 1997 Afternoon Session

Questions asked in the afternoon session were basically the same as those which were asked in the morning session, such as: the process for lateral transfers, job training and enhancement, retirement benefits, information on why GTA cannot compete on its own, and information on other companies who have undergone strategic partnership. One other question came up.

1. **Can we remain a member of the Government of Guam Credit Union?**

As long as you are a member now, you will continue to be a member if you wish.

November 21, 1997 Morning Session

1. **What criteria or basis will be used when several employees qualify for a position with only one vacancy open?**

There are options that can be looked at such as seniority, years of service and the amount of skills the individual has, or maybe on a first come first served basis. These are areas that will need to be addressed by the Task Force in order that the best possible decision can be made.

2. **Should strategic partnership go through and employees elect to stay with the new company, can employee rights still be protected under the government?**

This issue will have to be thoroughly examined by the Civil Service Commission. The Task Force will address this concern and inform the employees what options are available.

3. What are the guarantees that privatization will go through?

At this point in time, there are no guarantees. We do know, however, that we simply cannot remain status quo and do nothing. If we do, we stand to lose considerably in the future when big multi-billion companies decide to take over the telecommunications business on Guam from GTA. For this reason, it is vitally important that we move forward in our efforts, cover all the basis, and make critical decisions so that when a buyer is interested, we have a package ready to negotiate with.

4. Will GTA management be supportive in providing the training and education needed to enhance employee skills?

Whether or not we go through with privatization, GTA must develop a long term strategic plan for the future that will address both options. Training and education are two important assets that are necessary. If people are not trained or educated in specific areas, GTA cannot progressively move forward. GTA must be ready at all times to adapt to the changes taking place in the telecommunications world.

5. To what extent is the potential company obligated to honor the contract negotiated?

Once the contract is agreed upon it becomes a binding contract. Should the company breach the contract negotiated with the Government of Guam, the contract can be enforced in court.

Appendix B

Executive and Legislative Mandates

The following appendix includes the following:

- Executive Order No. 97-09. Relative to the Establishing a Guam Telephone Authority Privatization Task Force
- Public Law No. 24-36. An Act to Require Legislative Approval of Any Plan to Privatize the Guam Telephone Authority
- Public Law No. 24-150. An Act to Establish Priority Placement for Guam Telephone Authority ("GTA") Employees for Vacant Positions Within the Government
- Public Law No. 25-14. An Act to Repeal and Reenact §§7(a) and (c) of P.L. 24-36 Relative to the Establishment of an Employee Financial Advisor and a Guam Telephone Authority Employee Coordinating Committee



TERRITORY OF GUAM
OFFICE OF THE GOVERNOR
AGAÑA, GUAM 96910

U.S.A.
EXECUTIVE ORDER NO. 97-09

**RELATIVE TO THE ESTABLISHING A GUAM
TELEPHONE AUTHORITY PRIVATIZATION TASK
FORCE**

WHEREAS, Guam Telephone Authority must undergo changes in order to remain a viable entity in the climate of telephone and telecommunications after the passage of the recent Telecommunication Act by the United States Congress; and

WHEREAS, since Guam Telephone Authority is a government agency, the path taken by Guam Telephone Authority will ultimately affect every person living on Guam because the telecommunications industry is rapidly changing and the people of Guam have made a considerable investment in their public telephone authority; and

WHEREAS, it is desirable to thoroughly examine alternatives in order to propose a viable and acceptable plan for the future of the Guam Telephone Authority and the people of Guam; and

NOW, THEREFORE, I, CARL T. C. GUTIERREZ, Governor of Guam, by virtue of the authority vested in me by the Organic Act do order:

1. A Guam Telephone Authority Privatization Task Force is established and this Task Force supercedes every other Task Force on the same subject.
2. The Guam Telephone Authority Privatization Task Force shall consist of Thirteen (13) members, including the Governor. The Governor shall be the Chairperson of the Task Force, and in his absence may appoint an Acting Chairperson to who may or may not be a current member of the Task Force. The Governor shall select the remaining members of the Task Force from persons knowledgeable in the telecommunications industry and persons who are familiar with finance and other aspects of business and utility management.
3. The Guam Telephone Authority Privatization Task Force shall evaluate alternatives to the current government operation of the Guam Telephone Authority and shall prepare a plan relative to privatization or maximization of the resources of the Guam Telephone Authority which protects the employees of the Guam Telephone Authority and is beneficial to the people of Guam. The plan will be forwarded to the Board of Directors of the Guam Telephone Authority.

SIGNED AND PROMULGATED at Agaña, Guam this 27th day of February, 1997.


CARL T. C. GUTIERREZ
Governor of Guam

COUNTERSIGNED:


MADELEINE Z. BORDALLO
Lieutenant Governor of Guam



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM


JUN 02 1997

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

Dear Speaker Unpingco:

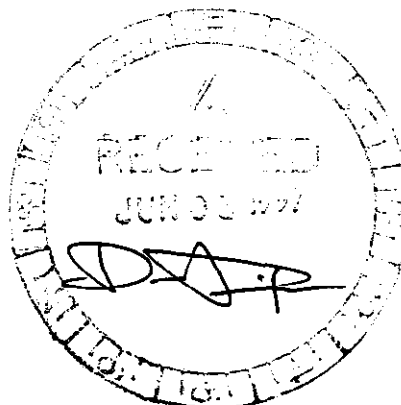
Enclosed please find Substitute Bill No. 147 (COR), "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY ('GTA').", which was vetoed and subsequently overridden by the Legislature on May 28, 1997. This legislation is now numbered **Public Law No. 24-36**.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary




Office of the Speaker
ANTONIO R. UNPINGCO
Date: 6/2/97
Time: 1045
Rec'd by: [Signature]
Print Name: Charlene Buena

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

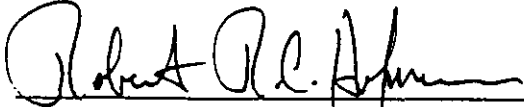
This is to certify that Substitute Bill No. 147 (COR), "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY ("GTA")," returned to the Legislature without approval of the Governor, was reconsidered by the Legislature and after such consideration, the Legislature did, on the 28th day of May, 1997, agree to pass said bill notwithstanding the objection of the Governor by a vote of eighteen (18) members.


ANTONIO R. UNPINGCO
Speaker

Attested:

JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 30th day of May, 1997, at 8:24 o'clock A.M.


Assistant Staff Officer
Governor's Office

Date: _____

Public Law No. 24-36

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

Bill No. 147 (COR)

As substituted by the Committee on Transportation,
Telecommunications and Micronesian Affairs and
as further amended on the floor.

Introduced by:

C.A. Leon Guerrero
Mark Forbes
A. C. Blaz

**AN ACT TO REQUIRE LEGISLATIVE APPROVAL
OF ANY PLAN TO PRIVATIZE THE GUAM
TELEPHONE AUTHORITY ("GTA").**

1 **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

2 **Section 1. Legislative Findings.** With the recent passage of the
3 Telecommunications Act of 1996 (the "Act"), GTA can no longer enjoy the
4 protection and competitive advantages of being a government agency and the
5 sole provider of local exchange carrier services. The Act deregulates the
6 industry and opens the telecommunications market to greater competition.
7 According to a recent privatization report commissioned by the GTA Board of
8 Directors ("GTA Board"), as a government agency GTA will not be able to
9 compete effectively in this new market. The report concludes that GTA will in
10 the near term lose market share to private companies, and likely need
11 government subsidies to continue its operations. The Guam Legislature finds
12 that privatizing GTA is a viable option that would enable the government to
13 protect its investment in GTA, and provide Guam with effective and
14 affordable telecommunication that is essential to economic growth. The
15 Governor has created a GTA Privatization Task Force ("Task Force") to come

1 up with a specific privatization plan for submission to the GTA Board.

2 **Section 2. Approval of Privatization Plan of Action.** The Task Force
3 shall submit to the Guam Legislature a specific plan of action for the
4 privatization of GTA, which shall include the terms of reference, or
5 parameters for any sale agreement. No plan of action shall be effective until
6 after compliance with the provisions of this Section and Ninety (90) calendar
7 days plus seven (7) legislative days have elapsed from the date of filing with
8 the Legislative Secretary. The Guam Legislature shall have up to ninety (90)
9 calendar days plus seven (7) legislative days after official receipt to review
10 and amend the plan as appropriate, and approve or disapprove the plan.

11 **Section 3. Approval of Privatization Contract.** In the event the
12 approved privatization plan calls for a sale or other disposition of the assets of
13 GTA, which in any way changes the government's ownership or control of
14 GTA, the GTA Board is authorized to begin non-binding negotiations with
15 qualified potential investors. The GTA Board shall submit the final agreement
16 to the Guam Legislature which shall have up to ninety (90) calendar days plus
17 seven (7) legislative days after official receipt to approve or disapprove the
18 agreement.

19 **Section 4. Negotiations Observer.** In order to facilitate Legislative
20 review of the proposed agreement, the Chairperson of the Committee on
21 Telecommunications shall appoint a person to act as an observer of the
22 negotiations. Such person shall have full and complete access to any and all
23 communications, meetings and documents related to the negotiations. This
24 person shall act only as an observer, and shall agree to the same
25 confidentiality constraints as the GTA board members, subject to the person's

1 requirement to report to the Guam Legislature.

2 **Section 5. Fairness Opinion.** As part of any agreement submitted to
3 the Guam Legislature for any sale or other disposition of the assets of GTA,
4 which in any way changes the government's ownership or control of GTA,
5 GTA shall provide funds for a fairness opinion as to the valuation of the GTA
6 assets. This opinion shall be obtained from a nationally recognized investment
7 banking firm with proven expertise in the telecommunications field and be
8 chosen from a list identified by the Guam Legislature.

9 **Section 6. Disposition of Revenues Derived from Privatization. (a)**
10 **Creation of Special Account.** Any funds arising from the sale of GTA's assets
11 shall be deposited into a fund to be known as the "Infrastructure
12 Improvement" account which shall be maintained separate and apart from
13 other funds of the government, and independent records and accounts shall
14 be maintained in connection therewith.

15 **(b) Appropriation of Funds from the "Infrastructure Improvement"**
16 **Account.** Expenditure of funds from the "Infrastructure Improvement"
17 account shall be appropriated by the Guam Legislature to fund infrastructure
18 and other capital improvements, and for other purposes.

19 **Section 7. Employee Financial Advisor ("FA"). (a) Description of**
20 **Position.** In order to ensure that the employees of GTA can make informed
21 and knowledgeable decisions regarding the effects of privatization, GTA shall
22 provide funds and other assistance for the hiring of a financial advisor for the
23 employees. The FA must be hired prior to the submission of the privatization
24 plan, and must have sufficient time to review the plan. GTA is required to
25 provide full and complete information on those privatization aspects relating

1 to the employees to the FA. The FA's fiduciary responsibility shall be solely to
2 the employees of GTA, and shall be clearly stated in any employment
3 contract.

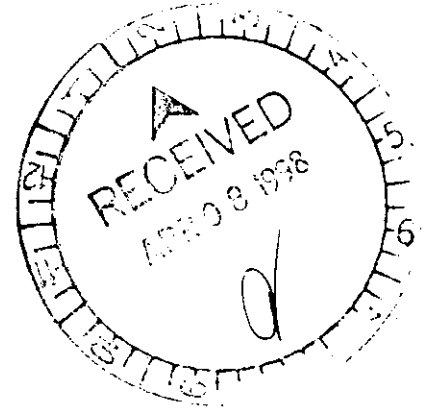
4 (b) **Qualifications of Position.** The FA shall have the following
5 qualifications: experience in the telecommunications field; experience with
6 employee compensation and pension plans; experience in Federal
7 telecommunications law, in particular the 1996 Telecommunications Act, and
8 experience with collective bargaining in the telecommunications field.

9 (c) **GTA Employee Coordinating Committee.** A GTA Employee
10 Coordinating Committee is created that shall consist of five (5) persons elected
11 from the employees of GTA. The employees shall select three (3) nominees
12 from each of the following five (5) departments: Finance; Engineering;
13 Customer Service and Marketing; Administration; and Plant. GTA is required
14 to conduct a fair and open election under the supervision of the Guam
15 Election Commission in which all current employees can select from among
16 the nominees the five (5) members of the Committee. Managers of GTA shall
17 not be members of the Committee. The Committee shall have the sole
18 responsibility for selecting the FA, and for being the contact point for the FA
19 and the employees of GTA. GTA is required to provide the necessary clerical,
20 financial and other assistance as may be needed by the Committee in its
21 search for an FA.



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

APR 08 1998



The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910


Dear Speaker Unpingco:

Enclosed please find a copy of Substitute Bill No. 450 (LS), "AN ACT TO ESTABLISH PRIORITY PLACEMENT FOR GUAM TELEPHONE AUTHORITY (GTA) EMPLOYEES FOR VACANT POSITIONS WITHIN THE GOVERNMENT", which I have signed into law today as **Public Law No. 24-150**.

This legislation provides a procedure for transfer of current employees of the Guam Telephone Authority to other government agencies when the Guam Telephone Authority responds to the mandates of recent federal law. The recent changes in federal telecommunications law, which open up the telecommunications field to wide competition, forecasts that the Guam Telephone Authority (GTA) must compete with private sector companies in the offering of a variety of telecommunications services. In order to compete effectively, our government agency, GTA, must either take on the characteristics of a private company, or become a private company.

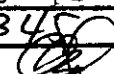
When the GTA moves to accommodate the changes in federal law, there may be employees of the GTA who do not wish to be part of these changes. Some employees may wish to work in other government of Guam agencies, instead. This legislation ensures that there is a mechanism for transferring employees who chose to transfer to other government agencies.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 4-8-98
Time: 1345
Rec'd by: 
Print Name: Charlene Duena

TWENTY-FOURTH GUAM LEGISLATURE
1998 (SECOND) Regular Session

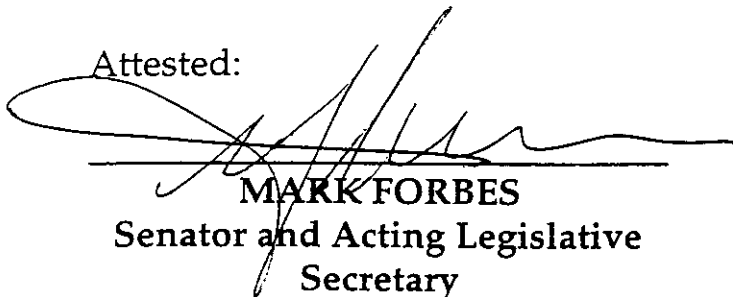
CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 450 (LS), "AN ACT TO ESTABLISH PRIORITY PLACEMENT FOR GUAM TELEPHONE AUTHORITY ("GTA") EMPLOYEES FOR VACANT POSITIONS WITHIN THE GOVERNMENT," was on the 25TH day of March, 1998, duly and regularly passed.



ANTONIO R. UNPINGCO
Speaker

Attested:



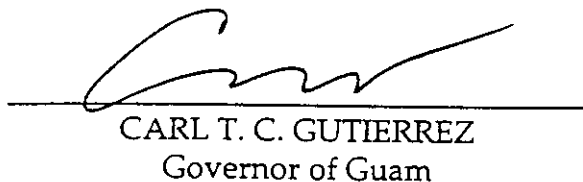
MARK FORBES
Senator and Acting Legislative
Secretary

.....
This Act was received by the Governor this 31st day of March, 1998, at
2:45 o'clock P.M.



Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: 4-8-98

Public Law No. 24-150

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

Bill No. 450 (LS)

As substituted by the Committee on
Transportation, Telecommunications
and Micronesian Affairs, and as substituted
and amended on the Floor.

Introduced by:

C. A. Leon Guerrero
T. C. Ada
F. B. Aguon, Jr.
A. C. Blaz
J. M.S. Brown
Felix P. Camacho
Francisco P. Camacho
M. C. Charfauros
E. J. Cruz
W. B.S.M. Flores
Mark Forbes
L. F. Kasperbauer
A. C. Lamorena, V
L. Leon Guerrero
V. C. Pangelinan
J. C. Salas
A. L.G. Santos
F. E. Santos
A. R. Unpingco
J. Won Pat-Borja

**AN ACT TO ESTABLISH PRIORITY PLACEMENT
FOR GUAM TELEPHONE AUTHORITY ("GTA")
EMPLOYEES FOR VACANT POSITIONS WITHIN
THE GOVERNMENT.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings.** The Guam Legislature finds that
3 according to a consultant's report on privatization options commissioned by the
4 Guam Telephone Authority ("GTA"), the most important issue to GTA
5 employees is the threat they perceive to their jobs. Many employees have
6 expressed great anxiety about their future should GTA be privatized, and believe
7 there is greater stability working for the government. Finding other employment
8 within the government would help alleviate their concerns, and establishing
9 *Priority Placement Procedures* for qualified GTA employees will assist them in
10 finding other government employment. The Guam Legislature further finds that
11 reducing GTA's workforce will have a positive effect on the value of GTA, as a
12 sensitivity model used in the privatization report also states that for every One
13 Dollar (\$1.00) of labor there is a loss of value of Eleven Dollars (\$11.00).

14 **Section 2. Establishment of Policy.** Government agencies, and the
15 Judicial Council of Guam, shall establish *Priority Placement Procedures* that give
16 qualified GTA employees who apply for a vacant position within the
17 government, priority for any positions that become available. In implementing
18 the *Priority Placement Procedures* promulgated by Executive Order Number 87-33,
19 the servicing personnel office at GTA shall forward a *Priority Placement* listing for
20 each affected employee to no more than two (2) personnel offices for placement
21 assistance. If the two (2) personnel offices are unable to place the employee
22 within their respective agencies, it would be the responsibility of the two (2)
23 personnel offices, after consultation with the employee, to forward the
24 employee's *Priority Placement* list to two (2) other personnel offices until the

1 employee is finally placed.

2 **Section 3. Notice of Vacancies.** Government agencies, and the Judicial
3 Council of Guam, shall submit to the GTA Personnel Office a copy of any
4 vacancies or job announcements no later than one (1) working day after
5 publication. The GTA Personnel Office shall post in a conspicuous place copies
6 of any vacancies or job announcements it receives on the same day it receives it.

7 **Section 4. Effective Date.** The *Priority Placement Procedures* described in
8 §2 of this Act shall become effective within thirty (30) days of the enactment of
9 this Act, and shall remain in effect until January 1, 1999.

10 **Section 5. Hiring Freeze.** Effective upon the enactment of this Act and
11 notwithstanding any other provision of law, neither GTA, its Board, management
12 or agents shall hire any new employees, or expend funds for new employees, or
13 hire temporary or limited term employees, or enter into a contract to pay for
14 services for independent contractors, or fill any job vacancy, or permit persons
15 to be temporarily assigned to GTA from any other government department or
16 agency. Exceptions to the above hiring freeze, however, may be made to fill
17 essential positions as shall be determined by the Board.

18 **Section 6. Essential Positions.**

19 (a) *Essential positions and services* shall mean those positions and
20 services which perform functions directly related to the provision of
21 telecommunication services, when the failure to effectively perform such service
22 or in such position will significantly jeopardize telecommunication services in
23 Guam, including, but not limited to, switch operators and cable splicers.

24 (b) The GTA Board of Directors shall establish and certify an
25 Essential Positions and Services List no later than forty-five (45) days after the

1 enactment of this Act.

2 **Section 7. Court Action.** Any resident of Guam may maintain an
3 action in the Superior Court of Guam for a determination by the Court as to
4 whether a position certified as an essential position is, in fact, essential. If the
5 Court determines that GTA was not substantially justified in its determination
6 that the position was essential, the Court shall:

7 (a) terminate the employment *ab initio*;

8 (b) award reasonable attorney fees to the plaintiff to be paid by
9 GTA;

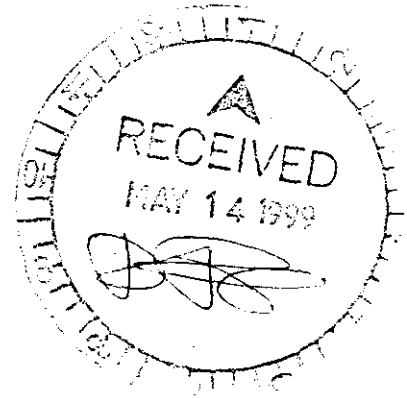
10 The terminated employee shall have no appeal to the Civil Service
11 Commission of the Court's decision. GTA shall not indemnify Board Members
12 who are ordered to repay funds.



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

MAY 14 1999

The Honorable Antonio R. Unpingco
Speaker
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Hagåtña, Guam 96910



Dear Speaker Unpingco:

Enclosed please find Substitute Bill No. 46 (COR), "AN ACT TO REPEAL AND REENACT §§7(a) AND (c) OF P. L. NO. 24-36 RELATIVE TO THE ESTABLISHMENT OF AN EMPLOYEE FINANCIAL ADVISOR AND A GUAM TELEPHONE AUTHORITY EMPLOYEE COORDINATING COMMITTEE", which I have signed into law today as Public Law No. 25-14.

This legislation amends Public Law No. 24-36, which inhibited the process of moving forward with the status of the Guam Telephone Authority.

This legislation enlarges the role of the employee Financial Advisor, relative to the process of privatization, by providing that the Financial Advisor advise employees on the full aspects of any privatization plan or other viable options, as well as merely those aspects of a plan relative to the employees.

The legislation also mandates that all 5 departments of the Guam Power Authority will have their own representative on the GTA Employee Coordinating Committee, chosen from a field of 3 nominated from each department. The prior law was defective because it allowed one department to have more than one representative, while another department theoretically could be left with no representative.

Very truly yours,

Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 5-14-99
Time: 10:54
Rec'd by:
Print Name: Charlene

Attachment: copy attached for signed bill or overridden bill
original attached for vetoed bill

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
1999 (FIRST) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 46 (COR), "AN ACT TO REPEAL AND REENACT §§7(a) AND (c) OF P. L. NO. 24-36 RELATIVE TO THE ESTABLISHMENT OF AN EMPLOYEE FINANCIAL ADVISOR AND A GUAM TELEPHONE AUTHORITY EMPLOYEE COORDINATING COMMITTEE," was on the 3rd day of May, 1999, duly and regularly passed.




ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahen Guahan* this 6th day of May, 1999,
at 4:05 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: 5-14-99

Public Law No. 25-14

MINA' BENTE SINGKO NA LIHESLATURAN GUÁHAN
1999 (FIRST) Regular Session

Bill No. 46 (COR)

As substituted by the
Committee on Transportation,
Telecommunications and
Micronesian Affairs and amended
on the Floor.

Introduced by:

C.A. Leon Guerrero

S.A. Sanchez, II

K.S. Moylan

F. B. Aguon, Jr.

E. C. Bermudes

A. C. Blaz

J. M.S. Brown

E. B. Calvo

M. G. Camacho

Mark Forbes

L. F. Kasperbauer

A.C. Lamorena, V

V. C. Pangelinan

J. C. Salas

A. R. Unpingco

**AN ACT TO REPEAL AND REENACT §§7(a) AND
(c) OF P. L. NO. 24-36 RELATIVE TO THE
ESTABLISHMENT OF AN EMPLOYEE FINANCIAL
ADVISOR AND A GUAM TELEPHONE
AUTHORITY EMPLOYEE COORDINATING
COMMITTEE.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 Section 1. Section 7(a) of Public Law Number 24-36 is hereby *repealed and*

1 *reenacted to read as follows:*

2 “(a) **Description of position.** In order to ensure that the
3 employees of the Guam Telephone Authority (“GTA”) can make informed
4 and knowledgeable decisions regarding the effects of privatization, GTA
5 shall provide funds and other assistance for the hiring of a Financial
6 Advisor (“FA”) for the employees. GTA shall provide full and complete
7 information to the Financial Advisor regarding the privatization plan, in
8 particular those aspects relating to the employees of GTA, and the FA must
9 have sufficient time to review the privatization plan prior to its approval
10 by *I Liheslaturan Guahan*. The FA shall advise the employees regarding the
11 privatization plan and may also advise employees on other viable
12 privatization options.”

13 **Section 2.** Section 7(c) of Public Law Number 24-36 is hereby
14 *repealed and reenacted to read as follows:*

15 “(c) **GTA Employee Coordinating Committee.** A *GTA Employee*
16 *Coordinating Committee* (“Committee”) is hereby created that shall consist
17 of five (5) elected members. One (1) member shall be elected from each of
18 the following five (5) GTA departments: Finance; Engineering; Customer
19 Service and Marketing; Administration; and Plant. The employees within
20 each of the five (5) respective departments shall select three (3) nominees
21 from within each of their respective departments. Thereafter, the
22 employees within each department shall select from the three (3) nominees
23 a single representative to be one (1) of the five (5) members of the
24 Committee. The selection of the members of the Committee shall be

1 conducted in a fair and open election under the supervision of the Guam
2 Election Commission. Unclassified employees of GTA shall *not* be
3 members of the Committee.

4 The Committee shall have the sole responsibility for selecting, with
5 the assistance of the Department of Administration, and being the contact
6 point for the Financial Advisor and the employees of GTA. GTA is
7 required to provide the needed clerical, and other assistance as may be
8 needed by the Committee in the performance of its duties herein."

9 **Section 3. Severability.** If any provision of this Law or its application
10 to any person or circumstance is found to be invalid or contrary to law, such
11 invalidity shall not affect other provisions or applications of this Law which can
12 be given effect without the invalid provisions or application, and to this end the
13 provisions of this Law are severable.



April 26, 2000

The Honorable Antonio R. Unpingco, Speaker
Mina' Bente Singko Na Liheslaturan Guahan
155 Hesler Street
Hagatna, Guam 96910

Dear Mr. Speaker,

The Committee on Transportation, Telecommunications and Micronesia Affairs, to which **Bill No. 394, "An act relative to approving the Guam Telephone Authority Privatization Task Force's Plan of Action as a basis for securing a Strategic Partner through a request for proposal jointly developed by the Legislature's Committee on Transportation, Telecommunications and the Privatization Task Force"**, has had the same under consideration and now wishes to report back with the recommendation; **To Pass as substituted by the committee.**

The Committee votes are as follows:

To Pass	<u>8</u>
Not to Pass	_____
Abstain	_____
Inactive File	_____

A Copy of the Committee Report and all pertinent documents are attached for your information and file.

Sincerely,

Carlotta A. Leon Guerrero
Chairperson

attachments:




Committee on Transportation, Telecommunications and Micronesia Affairs

Mina'Bente Singko Na Ligeslaturan Guahan

Voting Record

"An act relative to approving the Guam Telephone Authority Privatization Task Force's Plan of Action as a basis for securing a Strategic Partner through a Request for Proposal jointly developed by the Legislature's Committee on Transportation, Telecommunications and Micronesia Affairs and the Privatization Task Force"

**TO NOT TO INACTIVE
PASS PASS ABSTAIN FILE**


CARLOTTA A. LEON GUERRERO, Chair

✓



ANTONIO R. UNPINGCO, Ex-Officio

ANTHONY C. BLAZ, Member

JOANNE M. S. BROWN, Member

EDUARDO F. CALVO, Member

MARK FORBES, Member

ALBERTO A. C. LAMORENA, Member

KALEO S. MOYLAN, Member

VICENTE C. FANGELINAN, Member

JOHN C. SALAS, Member

SIMON A. SANCHEZ, Member

✓

✓

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**COMMITTEE OF TRANSPORTATION, TELECOMMUNICATIONS
AND MICRONESIAN AFFAIRS**

**I Mina' Bente Singko na Liheslaturan Guahan
Twenty-fifth Guam Legislature
155 Hesler Street, Hagatna, Guam 96910**

COMMITTEE REPORT

ON

Bill no. 394

“An act relative to approving the Guam Telephone Authority Privatization Task Force’s Plan of Action as a basis for securing a Strategic Partner through a Request for Proposal jointly developed by the Legislature’s Committee on Transportation and Telecommunications and the Privatization Task Force.”

COMMITTEE MEMBERS

Chairman: Sen Carlotta A. Leon Guerrero
Ex-Officio member: Speaker Antonio R. Unpingco
Sen. Anthony C. Blas Sen. Joanne M. S. Brown
Sen. Eduardo B. Calvo Sen. Mark Forbes
Sen. Alberto C. Lamorena V Sen. Kaleo S. Moylan
Sen. Vicente C. Pangelinan Sen. Simon A. Sanchez II
Sen. John C. Salas

PUBLIC HEARING SCHEDULE

The Committee on Transportation, Telecommunications and Micronesia Affairs conducted Hearings on Feb. 28, 2000, at the Dededo Mayor's Office, Mar. 1, 2000, at the Public Hearing/Gallery room of the I Mina' Bente Singko na Liheslaturan Guahan, March 2, 2000, at the Southern High School Cafeteria and a Public Hearing on Bill 394 on Mar. 8, 2000, at the Public Hearing/Gallery room 304 at the *I Mina' Bente Singko na Liheslaturan Guahan*.

**Committee Members present at the
Wednesday, Mar. 8, 2000, Public
Hearing on Bill No. 394
Location: Public Hearing/Gallery
Room 304**

: Sen. Carlotta A. Leon Guerrero

**Committee Members present at
the Public Information Hearing
of Monday, Feb. 28, 2000
Location: Dededo Mayor's
Office.**

: Sen. Carlotta A. Leon Guerrero, Chair.

Sen. Joanne M. S. Brown, Member
Sen. Vicente C. Pangelinan, Member
Sen. Kaleo S. Moylan, Member
Sen. John C. Salas, Member
Sen. Lawrence F. Kasperbauer

**Committee Members present at
the Public Information Hearing
of Wednesday, Mar. 1, 2000
Location: Public Hearing/Gallery
Room 304**

: Sen. Carlotta A. Leon Guerrero, Chair.

Sen. Joanne M. S. Brown, Member
Sen. Vicente C. Pangelinan, Member
Sen. Alberto C. Lamorena V, Member

**Committee Members present at
the Public Information Hearing
of Thursday, Mar. 2, 2000
Location: Southern High School,
Cafeteria.**

: Sen. Carlotta A. Leon Guerrero, Chair

Sen. Joanne M. S. Brown, Member

SUMMARY OF TESTIMONY

JOSE F. BLAS Jr.

Mr. Jose F. Blas Jr. an employee of GTA, testified in favor of the bill. Mr. Blas Jr. said that he is mostly concerned with he employee benefit program and would like to know what the prospective buyers have to offer as to; retirement, group benefit programs, and other programs for the employees, and the only way to know that is to get to the negotiation table.

CLIFFORD GUZMAN:

Mr. Guzman, Chairman of the GTA Privatization Task Force (PTF), thanked the Chair and members of the Committee on Telecommunications for the opportunity to testify on Bill 394.

He gave a brief history of the Federal Communications Commission's Telecommunications Act of 1996 (TA96) and its effects on the future of the Guam Telephone Authority.

According to Mr. Guzman, one local long distance provider has already applied and been granted the authority to interconnect with GTA by January 2002. He stressed that the Privatization Task Force can go no further without the approval of the Plan of Action as the due diligence required will involve further commitments of time and money on the part of GTA and the Task Force.

He summed up his testimony by saying that the approval of the Plan of Action by the Legislature is only the first in a series of steps that must be taken before any potential partner or purchaser can be solicited. There would be considerable due diligence that would have to be done by the Task Force and GTA before any type of solicitation could be undertaken.

Mr. Guzman estimated that even with the approval of the Plan of Action, it will take an additional six to seven months before a qualified potential partner or purchaser can be brought to the table for consideration. This would take us into October or November, leaving only fourteen (14) months for the partner or purchaser to prepare for competition before interconnection occurs.

VINCE ARRIOLA:

General Manager of Guam Telephone Authority and member of the PTF also testified in favor of the passage of Bill 394. Mr. Aerially's major concern in his testimony is that if GTA is to remain solvent and competitive and able to meet its current loan obligation,, GTA must change its current structural status; i.e., government ownership to some form of private structuring.

Vince commented that with the passage of TA-96, which enabled interconnect phone services and

companies to hook into GTA and provide additional telecommunication services for GTA's customer base with no legal liability to outstanding loans; one can see the loss in revenue to GTA. Currently, GTA is restricted to local area telecommunication services and is unable to enter competitive markets under its present structure and legal restrictions.

ROSIE BLAS:

Chairperson, GTA Employee Coordinating Committee (ECC), created by PL 24-36 comprising of five members representing employees' concerns. Ms. Blas and her fellow committee members all voiced the same concerns as to employee benefit package, retirement, future financial securities, whether it is with the future owner or continued government services; of which remains unknown until a favorable passage of Bill 394 is given which is the ECC's tools to get to the negotiating table to see what the options are.

Additional concerns of the 415 employees are as follows: 1) frustration in the progress of any development as to the status of the Plan of Action; 2) knowing that time is running out for a definitive decision and direction; 3) the additional workload brought about by employees leaving either due to buy out, early retirement and relocating to better job opportunities elsewhere.

THOMAS ADA, (former Senator):

Testified and presented oral testimony as a private citizen in favor of the passage of Bill 394, but cautioned that constant vigilance and due diligence should be the order of the day. Mr. Ada further cautioned against the Legislature working with the PTF in the drafting of there RFP. Mr. Ada feels the legislature must remain a part from that process and concentrate instead on moving legislation that paves the way for GTA privatization.

Mr. Ada further commented that the need for government to provide telephone services are no longer required and feasible; telephone service was provided at a time when it was needed and private sector entry was cost-prohibitive. However, as time and technology moved on, government continued to provide and expanded telephone services. At the same time, it was becoming more obvious that the private sector could provide expanded and enhanced services much quicker and at a greater savings to all customers.

The Guam Telephone Authority, has enjoyed certain protection as enacted by local laws and regulations over the past years. Not all were good, but most protected GTA's revenue stream. However, with the passage of TA96, all that has changed. Telecommunication companies are now able to hook into the local telecom and access their customer base for added telecommunication services without legal liability to loans to build the infrastructure of the local telecom. This is soon to happed here on Guam, and unless GTA changes its current charter status that would allow it to become more competitive, it will be a sad day for the people of Guam;

GTA's revenue will continue to decline while it's loan obligation remains outstanding.

MOUHANAD KHUJA

Mr. Mouhanad Khuja, of Futuristic Systems, testified in favor of the bill. Mr. Khuja, said that by privatization of GTA, it would place GTA in a better position for additional capital and expanded services at competitive rates to the communities. However, he did express concerns as to what protections on rates are in place for current resellers.

WRITTEN TESTIMONIES SUBMITTED BY:

Carl Peterson, CFP, Money Resources Inc and Vice Chairman, PTF
Eloise R. Baza, President, Guam Chamber of Commerce

COMMITTEE FINDINGS

Bill 394 and the Proposed Plan of Action is the by-product of Public Law 24-36. It has been a long and most difficult road. The Plan of Action sets into motion the methodology or guideline in which GTA is to move forward in securing a strategic partnership.

With the dynamics of technologies in the telecommunications business environment, GTA's present structure as a government-owned agency will find it extremely difficult to compete and maintain its market share in the very near future; this environment was created by the enactment of the Telecommunications Act of 1996 (TA-96).

TA-96 triggered the process that removed GTA to monopolize local exchange services. At the same time, TA-96 removed barriers and allowed other telecommunication providers to hook into the GTA system and access their customer base without sharing in the legal liability of loans to create the infrastructures put in place by GTA.

It is quite obvious with the enactment of TA-96 and the dynamics of the business environment, GTA will find itself unable to compete and maintain its loan obligations with RUS as a government agency under the current status.

COMMITTEE RECOMMENDATION

The Committee on Transportation, Telecommunications and Micronesia Affairs hereby reports Bill No. 394 to: *I Mina' Bente Singko na Liheslaturan Guahan* with the recommendation: **To**

To Pass as substituted by the Committee on Transportation, Telecommunications and Micronesian Affairs.

**I MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
TWENTY-FIFTH GUAM LEGISLATURE
2000 (SECOND) Regular Session**

Bill No 394 (COR)

As substituted by the Committee on Transportation,
Telecommunication and Micronesian Affairs.

Introduced by:

**by request of I Maga'Lahen Guahan
the Governor, in accordance with
the Organic Act of Guam.**

**AN ACT RELATIVE TO APPROVING THE GUAM
TELEPHONE AUTHORITY PRIVATIZATION TASK
FORCE'S PLAN OF ACTION AS A BASIS FOR
SECURING A STRATEGIC PARTNER THROUGH A
REQUEST FOR PROPOSAL JOINTLY DEVELOPED
BY THE LEGISLATURE'S COMMITTEE ON
TRANSPORTATION AND TELECOMMUNICATIONS
AND THE PRIVATIZATION TASK FORCE.**

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Legislative Findings. *I Liheslaturan Guahan*, has carefully examined the Plan of Action submitted by the Guam Telephone Authority Privatization Task Force; and has made revision to the Plan of Action as indicated on the attached revised Plan of Action, exhibit "A".

Section 2. Approval. The Legislature hereby approves the revised attached Plan of Action, exhibit "A", as the basis for securing a strategic partner with a Invitation for Bid or a Request for Proposal, subject to the following conditions:.

- a) No Invitation for Bid Request for Proposal for a sale, privatization, or other disposition of the assets of the Guam Telephone Authority, either through a strategic partner or any other arrangement shall be issued

1 unless the rules and regulations for the issuance of such a Invitation for
2 Bid or Request for Proposal are approved by the Legislature by law.
3 This requirement is indicated in the Plan of Action: Guam Telephone
4 Authority Privatization under “Invitation for Bid: GTA Privatization”
5 (page 27).

6 b) No Invitation for Bid or Request for Proposal for a sale, Privatization,
7 or other disposition of the assets of Guan Telephone Authority either
8 through a strategic partner or any other arrangement shall be issued
9 unless the Employee Financial Advisor, as required in Section 7 of PL
10 24-36, has been hired, and has had sufficient opportunity to review all
11 relevant documents pertaining to the sale, privatization, or other
12 disposition of the assets of the Guam Telephone Authority, and has
13 had sufficient opportunity to review the Invitation for Bid or Request
14 for Proposal and approves its issuance.

15 c) All funds paid to the Government of Guam or Guam Telephone
16 Authority, either through a Invitation to Bid or Request for Proposal
17 for a sale, privatization, or other disposition of the assets of Guam
18 Telephone Authority, from a strategic partner or any other entity shall
19 be considered General fund revenues excepting those funds
20 escrowed with regards to the “Up-Front Payment” page 23 (6)b) in
21 the attached Plan of Action).

22 d) No money may be spent from the funds described in (c) except
23 through appropriation or as may be otherwise approved by the
24 Legislature.

25 **Section 3. To Repeal and Reenact Section 5. of PL 23-36. Section 5.**

26 Fairness Opinion, of Public Law 24-36, is hereby repealed and reenacted to read:“Section
27 5. Prior to approval of any agreements submitted to the Legislature for and sale,

1 privatization, or other disposition of the assets of Guam Telephone Authority a second
2 opinion as to the price and terms and conditions by a nationally recognized investment
3 banking firm shall be obtained.

4 A nationally recognized investment banking firm with proven expertise in the
5 telecommunications field shall be retained by the Legislature through the Committee on
6 Transportation, Telecommunications and Micronesian Affairs as a investment banking
7 advisor to do the following:

- 8 1) Review all documents and agreements being submitted to the
9 Legislature relating to the sale, privatization, or other disposition of
10 the assets of Guam Telephone Authority including any other
11 documents relating to the sale, privatization, or other disposition of
12 the assets of Guam Telephone Authority which in the opinion of the
13 investment banking advisor is required to properly review the
14 submitted documents and agreements.
- 15 2) Issue an opinion as to the fairness of the price offered for the sale,
16 privatization, or other disposition of the assets of Guam Telephone
17 Authority based on current market conditions.
- 18 3) Issue an opinion as to the fairness of the terms and conditions
19 offered for the sale, privatization, or other disposition of the assets
20 Guam Telephone Authority based on current market conditions.

21 The cost to retain a nationally recognized investment banking firm as a investment
22 advisor and perform the above actions shall be paid out of the “Cost
23 Reimbursement” fund, as described in the Guam Telephone Authority, Privatization
24 Plan of Action.

25
26 **Section 4. Repealed and Reenact Section 6 (b) of PL 24-36.** Section 6
27 (b) Appropriation of Funds from the “Infrastructure Improvement” of PL 23-36 is hereby

1 repealed and reenacted to read “All funds deposited in the Infrastructure Improvement
2 account are reserved for the following:

- 3 a) A new high school to be built in the northern part of Guam
- 4 b) Capital improvements to the Guam Memorial Hospital
- 5 c) Guam Telephone Authority employee transfer costs resulting from
6 the sale or privatization of the Guam Telephone Authority, as
7 approved by the Legislature”.

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MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
Twenty-Fifth Guam Legislature

The Office of
Senator Carlotta A. Leon Guerrero

Chairperson
Committee on Transportation,
Telecommunications and
Micronesian Affairs

PUBLIC HEARING

BILL NO. 394

**PLAN OF ACTION: Guam Telephone
Authority (GTA) Privatization**

March 08, 2000

Time: 09:30 AM

WITNESS SIGN-IN SHEET

NAME (please print)	REPRESENTING SELF, DEPT., OR AGENCY	TELEPHONE NUMBER	MAILING ADDRESS	TESTIMONY	
				FOR	AGAINST
Jose F. ^{BIAS, JR.} Ugas, Jr.	G.T.A.				
MOUHANAD KHUJA	FUTURISTIC SYSTEMS	6351019			
CLIFF GUZMAN	PTF				
CARL PETERSON	PTF				
Ricci Ann Plus	ECC-GTA - PTF				
Ricci Ann Plus					
RICK PEREZ	ECC-GTA - PTF	646-1973			
RICK TYGUENCO	ECC-GTA - PTF	6357542		✓	
JUAN FINONA	ECC-GTA - PTF	646-7313			

TESTIMONY ON THE BILL TO PRIVATIZE GTA
March 8, 2000

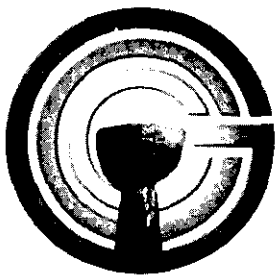
Good morning. My name is Carl Peterson. I'm a Certified Financial Planner. My company's name is Money Resources Inc. and I'm a 35 year resident of Guam. I am Vice Chairman of the GTA Privatization Task Force.

My perspective of this process may have been a bit different than many others involved. Coming from the private sector and an occupation that must try to find opportunities to enhance the financial well being of individuals, this process was also an opportunity to share a wide range of ideas, concepts and expectations other people employ to reach their life goals.

The first element of success in a private company is to have productive organization from top to bottom, including knowledgeable, motivated, and skilled employees. Over the last two years I've come to believe that, by and large, GTA has competent, ambitious employees. The system, from procurement to all the other rules and regulations, just does not optimize productivity.

An excellent company has highly trained employees, always looking for ways that they can learn a new skill for self-fulfillment and advancement. The GTA employees are chomping at the bit to absorb as much training as possible but there is very little money for that at GTA. I haven't talked to a single employee who wasn't interested in getting as much training as possible. They appreciate what industry pays for various skills. Training is like money in the bank. They also know that in the private sector there is potentially a huge cross-section of employee benefits, most of which can be customized to each employee's needs.

A company with upward mobility is one that is very fluid – it is very flexible and able to make changes quickly in order keep up with the global, country, and local dynamics. If a company does not or cannot change rapidly, the world just keeps turning and you it will soon be out of business, especially so in the communications business. Two years ago the employees, and rightly so, were very apprehensive about change. But as they concentrated on what is happening around the world, they soon come to appreciate that doing nothing would be fatal. Services are increasing rapidly, revenues for those services are decreasing and the competition is getting larger and more aggressive. Having or raising the capital to stay in the game is a very high priority.



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

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March 8, 2000

SENATOR CARLOTTA A. LEON GUERRERO
Chairwoman
Committee on Transportation, Telecommunications,
& Micronesian Affairs
I Mina'Bente Singko Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

**RE: BILL NO. 394 - PROPOSED APPROVAL OF GTA PRIVATIZATION TASK FORCE'S
PLAN OF ACTION**

Dear Chairwoman Leon Guerrero and Members of the Committee:

As a long-time advocate for the privatization of the Guam Telephone Authority (GTA), the Guam Chamber of Commerce welcomes the opportunity to participate in today's public hearing on Bill No. 394, a measure we consider a milestone for private enterprise.

Twenty years ago in 1980, the Chamber spearheaded an effort to privatize our local telephone company. Over 6,000 registered voters signed a petition calling for the privatization of GTA. While our phones are much better today than in those days, we fully concur with the GTA Privatization Task Force that the key to ensuring that we have a telephone and telecommunications infrastructure we need for the 21st Century is to privatize GTA.

On behalf of the Chamber's Board of Directors, I would like to state our strong support of enactment of Bill No. 394. We have come a long way from the efforts in 1980 and I must thank our leaders in the Executive and Legislative Branches for the progress we have attained to date towards privatization. Most importantly, we note this would not have been possible without the substantial involvement of GTA employees.

We seek the Committee's vote in support of passage of Bill No. 394 because it will hasten the privatization process that will enable Guam to quickly respond to the fast-paced changes in telecommunications technology. Our community wants and deserves a communications system which meets up to its standards of quality. Communication is a crucial factor in defining Guam's role in the development of the Asia-Pacific realm. As a leader in Guam's private sector, it is gratifying for the business community to finally join others in the community publicly stating support of privatizing GTA.

Senators, please let us know what we can do to assist you in enlisting the support of all your colleagues to vote to pass Bill No. 394.

Sincerely,

ELOISE R. BAZA
President

Pacific Daily News, Thursday, March 2, 2000

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BUSINESS

PUBLIC HEARING

The Legislative Committee on Transportation, Telecommunications and Microwaves Affairs will conduct a Public Hearing at 9:30 a.m. Wednesday, March 8, in the Public Hearing Room of I Mina Bente Singko na Liheslaturan Guahan Temporary Building in Hagatna on:



Bill 394: An act relative to approving the Guam Telephone Authority Privatization Task Force's Plan of Action as a basis for securing a strategic partner through a request for proposal.

ADA Coordinator: Manny Calvo. The public is welcome to attend. For additional information please call the Office of Senator Carolina A. Leon Guerrero at 472-3416. You may fax your testimony to 477-1323.

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- Acts as Publisher and operating committee to develop and implement human resources initiatives.

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The Legislative Committee on Telecommunications, Transportation and Microneisan Affairs

invites the public to
hearings on GTA's proposed plan to
privatize

Guam Telephone Authority

- 6:30 p.m. Monday, February 28
Dededo Mayor's Office
- 6:30 p.m. Wednesday, March 1
I Liheslaturan Guahan,
Public Hearing Room
- 6:30 p.m. Thursday, March 2
Southern High School, Cafeteria

Advance copies are available
upon request at the
Office of Senator Carlotta Leon Guerrero
located on the
3rd Floor of the Union Bank Building in
Hagatana. Telephone: 472-3416-8

Pacific Daily News, Tuesday, February 22, 2000

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PUBLIC HEARING ON BILL NO. 394
Wednesday, March 8, 2000

**COMMITTEE ON TRANSPORTATION,
TELECOMMUNICATIONS AND MICRONESIAN AFFAIRS**
Senator Carlotta A. Leon Guerrero, Chairperson
25th GUAM LEGISLATURE

Transcript of Public Hearing on Bill 394, 3/08/00

Sen. LG: --394 and included with that 394 is the proposed Plan of Action of the Privatization Task Force. And I understand from our AV guys that we are going to also be on -- live on TV. Did they... did they start?

Unknown: You're on.

Sen. LG: Okay. They can control it from there?

Unknown: Yes.

Sen. LG: Oh, ok. We're going to be live on ... we're going to be live on TV and this is another... oh ... (laughter) --. This is another opportunity for us to expand our ... our reach so that the public, the people that are watching will have an understanding. I know that there is another hearing going on right now, and so I expect colleagues will come, you know, dribbling in as ... as we proceed.

So, this is our fourth hearing on the Proposed Plan of Action and we've kind of got ourselves down to routine, so I'd like to stick with that routine. Once again, I ... I know that many of the people here are ... are aware of what we're about, but we're also trying to educate the public, so...via the television, so I'd like to have Clifford Guzman --. Where's Vince? Tai gue si Vince? And... the members of the Employee Coordinating Council to please come forth. Si Carl -- Peterson. Can you come ... can you come up here? Mr. Finona

and Carl, I mean, Clifford.

Unknown: Where's Vince?

Sen. LG: Vince will probably be arriving... and we'll stick Vince up here when he gets here. But I think we can begin with --. Can we have the members of the Employee Coordinating Council up here also? This is just like the ... that night in Dededo... (laughter) ... Rick. Okay. (Pause)

And if there is anybody from the general public that would like to testify, we have a sign up sheet right over. (Pause) Thank you. Okay, oh, that's ... that's for Vince?

Unknown: Uh-huh.

Sen. LG: Okay. So, Clifford Guzman, in your -- the hat you're wearing today is chairman of the Privatization Task Force. I won't even ask you how many hats you wear because we don't have that much time this morning. So, if you could begin your presentation here today, and I think that what's beneficial is for the folks at home that are watching this to get an understanding of what the Telecommunications Act of '96 is about, and why that is driving this proposed change of status for the Guam Telephone Authority.

Clifford: Good morning, Madame Chair, and thank you for this opportunity to... to testify on behalf of and in favor of the proposed bill to move ahead with the strategic partnership, looking at it from a perspective as to what could be done. I think there's no question... at least in my mind, for sure, that the Telecommunications Act of 1996 placed

some onerous burdens on ... on government-owned municipal ... or municipal telephone companies. What it did, basically, was it took away all the regulatory distinctions between private and government, if you will, and it said everybody had to compete with each other. In essence what that meant was local exchange carriers were subject to being interconnected into... in other words, any private company could come in and interconnect with a... a local exchange carrier and, in essence, once they paid their fees and their tariffs, they had open season on any of the existing clientele that...that local exchange carrier had. But I think even more importantly, I think the issue of telecommunications in general, how fast it's moving, how quickly new things are being promulgated, new kinds of concepts and ideas, the Internet, the super information highway, exchange opportunities, all of that is also a big piece of business that we have to pay attention to when we look at some sort of a strategic partnership, if you will, for a ... a ... Guam Telephone Authority. And that's really what we're looking for. We're looking to see what kind of strategic partnership we might be able to pull out of this. In our estimation and in our research in our view of what's going on with this is that-the bottom line is that GTA, as a government entity, has a very difficult time, if not impossible, competing appropriately with private companies. Moreover, because GTA is still a government entity, its employees are subject to civil service and all the other rules and regulations that govern government entities and such, and so it... it doesn't provide the employees and/or GTA and the ratepayers with

opportunities to see ... to expand the horizons, if you will, in telecommunications. It's no longer about land lines. Land lines are basically going by the wayside; wireless, all those other opportunities are coming to being and you can make a call through the internet; you don't have to use telephone lines. You know, you don't have to do all of that, the stuff that we normally depend on. And so, now is the opportunity for us to take a look at options and that's really what we're here for today. This whole plan of action that we've put together was designed to get us to the negotiating table so we could see what kind of options were available for GTA employees and for the ratepayers and for all the stakeholders in GTA. Whether those employees remain employees of the government or whether they decide ... elect to...to move into the private sector, the goal is to find out what kind of options they have.. The fact of the matter is, as of January, 2002, the first interconnection is going to occur. That interconnection is going to provide that company the opportunity to go after GTA's main-stay of clientele that's supporting all of the ... the rural areas. It's going to provide that interconnecting company the opportunity to go after the large hotels, the large clients that GTA has, and we do not think that GTA is going to be able to supply and to provide the services that it needs to provide, not only to them because they're not going to be able to compete with that, but moreover, they're not going to ... we're going to have to wind up subsidizing the rural areas as a government. And we firmly believe that that's on the horizon now. We don't think there's any way that we can

avoid that. I think this first company that's coming in is only one of four that have made request or have ... have looked into interconnection with GTA. But I think their ... even bigger than that is the opportunity that expanding the telecommunications industry out of Guam has for everyone. It's creation of jobs, creation of revenue, it's creation of opportunities that we never had before. The fact of the matter is we are a gateway, we're epicenter to the Asia and... and the entire Pacific Rim area, including the United States. And there are companies out here who are looking to ... to interconnect, use Guam as an interconnect zone for Asia and the United States, and I think we should seize that opportunity and make the best of it that we can.

Our estimations and our review of... of... including in 1996 a survey that was done on occupation and wage shows that GTA is at or below what standard operating wage scales are for companies similar to GTA across ... across the United States - and that was done in 1996, comparing to today, GTA's ... to GTA's wage scale today. So we think there's more opportunities for the employees.

Another question that has come up and has been another concern that's been out there has been that these companies are going to be looking for efficiency and effectiveness. Well, that's true, and that's something we should all be looking for, regardless of whether or not we're public or private. Most particularly if we're ... if we're public because we have... we owe our ratepayers, we owe our taxpayers that... that opportunity to

get the best and most efficient service that they can. However, our view is opposite. Any company that's going to come in here is not going to purchase or partner with GTA and this government just to take care of GTA. They're looking to use GTA as an opportunity to expand into the Asian theatre or to expand to the U.S. theatre. That's really what the key is. And so there, we think that there's more opportunities for more jobs, better jobs, better training, better opportunities, and more service opportunities for other private companies out... outside of GTA here locally, and more opportunity for local businesses and local people to get engaged and be a part of this growing... growing field of telecommunications. I can't... I ... you know, I can't tell you how many mergers are going on. I can tell you that just in this last two and a half years, there have been eight major mergers, the largest being with the Bell and GTE, which, I think was 64 billion dollar worth of merger.

I think that there's a large interest in GTA's potential and if we don't seize the opportunity now, we're not going to have this opportunity again. We firmly believe in the Privatization Task Force that this is the last opportunity that we have to do this. It's the last opportunity that we have to get to the negotiating table and have something to negotiate with. That's the important thing. It does us no good to go to a negotiating table if we're there for a fire sale. We need to go while we have something there. That does not necessarily mean that we're going to walk away from that table satisfied or that we're going to walk away from that table with any kind of a deal. But if we don't try, then we have not done ourselves, our

island, the employees, the ratepayers, we have not done ourselves any justice whatsoever. We have to see what's out there and we have the opportunity to do that today.

So, in closing, I ... I'm very pleased with the work that the Privatization Task Force ... I'm very pleased with the work of the Employee Coordinating Committee. I think they've done a heck of a job working with the employees. It's not to say that all of the employees agree a hundred percent and ... and that's alright. You know, we don't agree a hundred percent among ourselves either, but we all agree on one thing: we have to get to the table; we have to find out what our options are, and from there, we'll make a decision, a conscious, well-informed, educated decision as to what steps we want to take. But until we get out there and find out what's out there and who's interested, I believe that all we're going to do is continue to have meetings and not get anywhere and the value of GTA is going to continue to erode.

So, once again, I'd like to thank you for your help throughout all of this and your participation. I think you've been ... you show great leadership in your committee in trying to drive this thing. We're here to support that effort and we look forward to your continued commitment to this. A lot can happen in eight months and, hopefully, it'll all be for the better. Thank you very much.

Sen. LG: Thank you very much, Clifford. I'd like to hear from Vince Arriola, GTA General Manager, and if you could please give us GTA

management and board perspective on this proposed Plan of Action and the road that we are now on.

Vince Arriola: Thank you very much, Madame Chair.

On behalf of the board of directors of GTA, the management and staff, I'm real pleased to be here before you once again to talk about GTA privatization and where we've been and where we hope to go in the next few years.

As ... as you know, the ... at the onset, the board has approved the ... the plan. We've worked with it over the last couple of years with the Privatization Task Force and then, of course, we ... we came to a stand-still where we needed the Employee Coordinating Committee and... and, thankfully, to you, you ... you got the laws amended so that we can get them elected and everything. It's been... it's been a pleasure to work with them and I ... and I...I believe it's going to continue to be a pleasure working with them as well as your staff; you know, Carl Taitano and..and Joe Torres, who've been very...very helpful in moving this ... this plan along. You know, as... as ... as Cliff said, we...we all know what's out there. We have some idea what's out there. We have ... we have a pretty good handle on where we want GTA to go. The ... the ... the basic fact of the matter is, Madame Chair, is that your ... your standard telephone lines, your land lines for residential and commercial, while they were wonderful ten years ago, while we've up-graded them from a party-line system and... to... to...from an analog to digital system, that's ... that... that just doesn't cut

the mustard anymore. Telecommunications includes, you know, the wireless side of it; the internet side of it; it ... it's involved in entertainment, it's involved in music, it's involved with e-commerce; it's not like ... like a water system or power system that's ... that's controlled and it's...it's well defined. Telecommunications ... it's a global industry and we want to participate in it. I ... I think the only... the only way that we ... we've seen- we've cranked our heads, we've knocked our heads on the walls and there's just no ... we don't see any other alternative, you know, that's going to help support this island, the ratepayers and the residents, as well ... as well as the commercial sector. GTA needs additional capital to expand and we can't just continue to be a... a provider of local service and wireless service. That's just not... that's not in the cards for any local ... (indiscernible). We want to be a main player in the mainstream of telecommunications and ... and the way to do that is to get some form of privatization, additional investments, more training for the employees, better opportunities for the employees, better ... better growth for the employees and... and the ... and the industry, as well. You know, we've done as much as we can to the greatest extent possible in ... in controlling costs over the last two years. I know you ... you've been ... you've been right, not along side me, you've been ... you've been right behind me ... (laughter) ... making sure that ... making sure that...(laughter) ... Yes, and... and ... and actually, it's been ... it's been... it's been a pleasure to work with you ... (laughter) ... although there have been some tough times, but, you

know, I ... I think we all see what ... what we want at the end, and that's some form of privatization for GTA. There's ... there's been a lot of talk, there's been a lot of saying that, you know, GTA is totally devalued now; there's no one out there that's interested in... in GTA. I-I ... I totally beg to differ and I ... I think we'll prove ... we'll prove everyone totally wrong on that point once we get the ... once we get the approval from the Legislature, once we set up the plan for GTA, once we start to market... And we're not just going to market GTA; we've got to market Guam and this entire area out here for telecommunications. And that's ... that's ... that's the way we're going.. We're ... we're basically going for the big fish. Are we overly optimistic, I don't believe so. You know, because like Cliff said, if we don't give it our best shot, and this is the best time to do it, we won't do justice to ourselves, to the residents, to the employees, to ... to the hundred fifty million dollars worth of facilities that we've put in over the last ten, twelve years. So we're really excited at GTA; I know I'm really excited. Perhaps, as everyone has said, we're not ... we may not get one hundred percent employee support, that's fine. You know, there ... there are some individuals that... that just ... their...their comfort level is I want to stay as ... as a government employee and that's it. There are some individuals, on the other side of the equation, that say, hey, sky is the limit; I want to go there. And so, I ... I think this committee and the Legislature has got to weigh both of those, but more importantly, they want... I think the Legislature needs to weigh where do they see

telecommunications here on Guam and where do they see this huge asset called Guam Telephone Authority, where do they see it in the next three years, five years, and ten years, and we head for that.

Sen. LG: It's definitely where we don't see it as being subsidized and, Vince, I just ... I just like to say that I know that not one hundred percent of the employees are ... are behind it. I know the bulk of the employees, but I know that there is a strong desire among a number of employees to stay within the government, and I think we're going to talk -- I've got all my little tabs here; we'll talk later on about making stronger language on another effort for lateral transfer and priority placement, so we'll go there again later on.

Vince: Sure.

Sen. LG: I'd like to hear from the employees in just a moment, but if you don't mind, Vice Chairman of the Privatization Task Force. I think Carl Peterson's reputation in the financial planning of our community, our business community, is well known and so I'm very pleased that you've taken on public service to volunteer to be on this Privatization Task Force, so if you could give us some comments, from a financial perspective, of how you see the situation that GTA finds themselves in right now.

Carl Peterson: Thank you very much, Madame Chair. My perspective, obviously, is a little bit different than many that were on the committee. I'm

not an expert on telecommunications, don't pretend to be, but I am in the business of helping people achieve their financial goals and, along that line, many things need to be discussed. And in the process, first it looked like, for most people, that the idea of remaining a government worker, or under the government, would be a better scenario for them, but as things evolved and the mergers and the acquisitions and the changes in services and the lowering of costs, etcetera, many, many things have happened in the last two years that helped a lot of people, I think, realize that maybe your greatest security could be your greatest insecurity. It's kind of like a prison. You know, you've removed some of your ... your freedoms, too, and so they start looking at the opportunities and I think many of them see that there's a great number of opportunities associating with a private sector company. In my business, we look at lots of employee handbooks, a lot of employee benefit programs, and some of them are ... there's a platera of benefits available. I've ... I've looked at some books that are a hundred and fifty pages long and have all kinds of different of health care benefits. For instance, if they want an HMO or an insurance or PPP, there's many ways to go about that. And if you had the option to choose what's best for your family, well, then, you have a better ... better option. Many of these benefits can be customized by the employee so that they can have exactly what they need because no one benefit can be the same for every employee because of different ages, many, many, many variables in this process. And I think over ... over this

two year process that we've seen that come to fruition and that many employees are looking at the opportunity. In addition, some of the employees have worked on the mainland, have seen the possible ... advancement possibilities through training and GTA just doesn't have the funds for the training, yet we see employee after employee that would be dying to take another course or another program that would enhance their skills. Everybody wants upward mobility, but if there's not funds for training and there's some type of imposition that keeps them from advancing, that's kind of a dis-incentive. So I think a lot of things have evolved over the last couple of years. Just as a side note, last Friday, a person called our house and was talking to my wife, and... talked to me and I say, hey, this is your dime and he says, huh, it doesn't cost me anything to call you. And I say, how so and he ... well, I'm just talking to you over my Internet and I don't need a phone. Then he explained how UHF was the biggest thing and, actually, that was the reason for the call. How to use UHF's antennas rather than using what we're ... all the many mediums we're using now in order to communicate. The cost is much, much cheaper, you don't need as many hard... as much hardware or as many facilities, and so he says, this is going to be the way of the future. And all of that led me to believe we haven't got a whole lot of time. And so we need to see what the opportunities are. One last comment. I think this bill for...what people must understand is that this bill doesn't privatize anything. All it does is get people to the table to see what opportunities are available for the island, the

economy, as well as the employees. And I think that's all they're ... they're looking, the employees are looking forward to seeing because every vendor in town would like to see a good deal for the employees because the employees buy things in local economy.

Sen. LG: Thank you very much, Mr. Peterson. Clifford, could you... I see Rosie is not here, but could you introduce the members of the Employee Coordinating Council? And I don't know if there's a vice chairman among them or not, but if you could --.

Clifford: Why don't we let them introduce themselves.

Sen. L.G: Okay. Mr. Finona? (Pause) I know, Clifford.. Clifford wants to take a rest break. You can call it what you want. (Laughter) ... He's saying let the employees get closer together. You guys speak as he's moving towards the door. I can name this tune in two notes, Clifford. (Laughter). Now, I shamed him, he's not going to go. Okay, Mr. Finona.

Juan Finona: My name is Juan Finona. I work for the Mechanic Shop at GTA and I represent the Plant and Engineering. To my left is Rick Tyquiengco; also represents the Plant and Engineering, Ray Sayes, District Cellular; Rick Perez, Administration; and Rosie Blas is not here for Finance.

Sen. LG: Okay. If we could begin with Mr. Finona. If you could tell us exactly what the Employee Coordinating Council does and then I would ask each of you individually to share your thoughts on this road that we're on, the path that we are on, and what your job has been like talking with the ... the other folks in your shop, and what the objections are,

and what your sense is of how the employees feel about this path that we find ourselves on.

Mr. Finona, please?

J. Finona: Yes, ma'am. our goal and our responsibility is to inform the employees of GTA what has been going on in the Task Force Meetings and public hearings as such. I believe that our main concern here is to see our options in the future and benefits and welfare for the employees. We don't all agree of privatization, as stated, but if it enhance the telecommunication employees' training and future, we will like to get to that table. The only thing that we are telling our employees are update informations of the Plan of Action, but without the negotiating on the table, we can't decide where we're going, what options we're going to take as GTA employees.

Sen. LG: Can you... can you tell me how the folks in your shop feel?

J. Finona: Right now, they're in limbo because they don't know the whole package. Like I said, the only thing that they know is what is being said, decided, planned for that negotiation table. What they don't know is what other companies or what the government agency will give us in our future. We have to get to that table in order for us to finalize what we should do as GTA employees.

Sen. LG: Thank you very much, Mr. Finona. Mr. Tyquiengco?

Mr. Tyquiengco: I believe we're ... we're all just repeating the ... the sentiments of

the employees and, that is, staying idle or not knowing where they're going and what ... what they're going to be doing in the next couple of years is ... is really bad for them. We all understand that we need to get somewhere with privatization, somewhere in ... on the grounds of being sold or knowing what their future is. And in all the meetings that we have, we're simply just informing them of..of what's going on. And they all understand that we need to get somewhere; we need to either be sold or know if we could transfer laterally to other government agencies or stuff like that and we're ... we're all keeping them informed of situations like that.

Sen. LG: Mr. Tyquengco, if I could just ask you a question right now. Do you ... do you have a sense of what interconnect ... if another company wants to go head to head with GTA on interconnect on local exchange, could you share what ... what your thoughts are on that; what that would do to the Guam Telephone Authority? 'Cuz it seems to me is if that IT & E requests to interconnect was like... like a fire that was lit under the feet of a lot of people in... in... in their awareness of what would be down the road for GTA.

Mr. Tyquiengco: What it does...does, obviously, is it opens up grounds for other companies to come in and share what we own ourselves and ... and make money off it, and... and what happens then is that we lose customer base or..or we give us customer base on this and... and, therefore, brings down the, I guess --.

Sen. LG: --Revenue.

Mr. Tyquiengco: --Revenue, basically, is what we're talking about.

Sen. LG: Right.

Mr. Tyquiengco: Yeah.

Sen. LG: So ... so do you think this was something that was like a catalyst? Something that... an eye opener for a lot of folks?

Mr. Tyquiengco: I think it really-it helped in... in opening the eyes of everybody and saying, hey, wait a minute, you know

Sen. LG: Hmm-hmm.

Mr. Tyquiengco: --What we used to own is not basically ours anymore.

Sen. LG: Hmm-hmm.

Mr. Tyquiengco: It's open to ... to everybody and anybody who wants it.

Sen. LG: That's ... that's my feeling, too, that that's ... that that was a big eye opener to a lot of my colleagues. And I always tell them, my visualization is of a pac man, you know, going along and just, you know, gobbling up customers, and how quickly that would be and what that would do to the ... the revenue base. My ... my big fear, as oversight chair, is that they would be such a loss of revenue, but then there's still that huge debt, a hundred and twenty million dollars, and that debt is ultimately the responsibility of the General Fund. So the fear that I would have... I have many fears in this, but one of them is that... that a debt that is now being paid by the ratepayers and... and through your

revenue streams would be so eroded away that now a big chunk of that... or all of that annual seven million dollar debt payment would be transferred over to the General Fund. And then the General Fund is struggling right now, so the thought of carving out another seven million annually to pay for a debt is, for me, would be a huge failure on all of our part is ... if something like this were to happen. So that to me is something that I just wanted to throw out there.

Thank you very much, Mr. Tyquiengco. Mr. Sayes?

Mr. Sayes: Okay. That the fact that we're here now, I believe represents quite an accomplishment. Going back to 1996, 1997, there was a couple of years of stagnation, and that was one of the sentiments that the employees had expressed. You know, why was this ... why was there a lag. It's policy issue, obviously, and with the election of the Employee Coordinating Council, we're ... we're here pretty much to represent the employees. And we've gone through great pains to hold pocket meetings for the employees and keep them informed as...as things progressed with the Task Force and ... but... As mentioned earlier, we're ... we're here pretty much to seek what options are available as part of the privatization. Telecommunication is a highly competitive field. We should take advantage of that. There's ... there's a lot of revenue to be made, you know, and all that stuff. But ... but pretty much, it's ... our objective is to get to the table and see what... see what options are available to the employees and what benefits that we can gain as part of

island as well as off island, skills can be improved. okay, as far as management position, I mean, why not, you know. We're see that now with some of the ... the restructuring of GTA and it can only be for the better, as far as the benefits are concerned.

Sen. LG: Thank you very much, Mr. Sayes. Mr. Perez, if you can share your thoughts with us on what you're going through in educating your ... your colleagues, what their fears are, and ... and what are some of the hurdles that you think that we need to still tackle.

Mr. Perez: Thank you, Madame Chair. After these three people got through, my constituents, I don't think there's much else for me to add. However, there are ... there are issues and concerns like, for instance, in... in our area ... my area, the security, job security, the survival of.. of being employees, whether it be private or public. The apprehension and the ... the stagnation of -- that we have not really moved since 1986 ... 1996. I'm a new employee, but I've ... listening to the people that my... my employee ... co-workers discuss these things and their biggest -- their biggest concern, like I say, is their survival, their salary, the wages, benefits and they would like to get to that table and ... and further discuss these things and to find out for sure just what we have, what ... what these people have for... for us as employees. The growth, development, the training, and stuff like that that's involved --that could be involved, and that's about it.

Sen. LG: Thank you very much, Mr. Perez. Do you feel that... that there have been

... do you feel-and... and when you talk with the employees, do you feel that they feel constrained by their --. I know that technically there's nothing there that keeps GTA from competing, but I know just recently you guys dropped some of your prices in order to be competitive. I think it lasted like eight hours before so much private sector pressure was brought to bear, and then you had to..to, you know, go back to status quo. You weren't able to drop prices in order to compete. Do you --what do you ... what did the employees say about that-that... that shackle?

Mr. Perez: Well, being a government agency, there... there are so many obstacles that... that's not really existing in the private area. I ... I used to work in the private industry. I was, you know, for a good many years, and there's no constraints whatsoever. I drop my prices as long as they don't go below that cost price or ... or something like that. Not ... nothing is ... there's no constraints. Here there's so many things like, for instance, when we're looking for something to buy, stuff, the bidding procedure has got to be, you know... the mandate has to be observed and these things, I guess they felt that their hands are tied. They can't really start -- you know, like ... unlike the private sector. We ... we ... they're free to get --. If we've got something, a promo, a promotion, we go out there, go all out, but here we just can't. There's just too many constraints.

Sen. LG: I know that there have been different board meetings and at times different hearings and...and even in meetings that I have with members of

your management and your board, Ronnie (indiscernible) and your FCC legal counsel, where they talked about wanting to go into long distance. I've never come out with legislation or done anything that would prevent GTA from going into long distance, but I can tell you that I've pretty much beat them to a pulp, you know, every time the ... the topic comes up because there are all these other companies that are in long distance. And so just knowing what that would do if GTA, you know, used its revenue and everything... started gearing up to go after, you know, go into the long distance market. And I can tell you I'm one of these people that, you know, just gets them in a head lock and hammers them; that has been an obstacle, you know, not ... not legislatively, but I have been an obstacle preventing them from going into that. So I ... I ... I've been part of that shackling group. I have to..I have to ... I'm admitting it right now.

Thank you very much, Mr. Perez. We have the chairman of the Employee Coordinating Council with us. Rosie Blas, would you please give us your thoughts on what you're going through, what it has been like dealing with the employees in your division, what their fears and what their hopes are, and any hurdles that you want us to hit.

Rosie Blas: I represent the Finance Department. Through the election, each of us represents our respective departments, but it was the consensus between the group that the five (5) of us represent the 412 employees of the Authority, irregardless of which area of the Authority that they are at.

Based on the ... the ground work that the ECC has put together in coordination with the employees, the ECC is just the voice for the employees.

The employees have issues relative to various types of concerns. The number one concern the employees are concerned about that... that I repeatedly heard from the vast majority in the different areas of the Authority, is job security. Job security is an issue, retirement is an issue, what is going to happen with our annual leave and sick leave is ... is an issue. The biggest issue that the employees are at right now and feel stagnated is our inability to move forward to see what, if any, are the options that the employees will have to review. We have nothing to review now because we have not gotten to the table. The ECC has ... we have stumbling blocks because a lot of the questions that the employees are asking is retirement going to be transferred, is sick leave going to be cashed out, is annual leave going to be transferrable, what --. We cannot, as ECC members, relative to any type of research that we have conducted, are able to answer those questions at all. Some questions require legislative mandate, legislative changes. We cannot even do that. You know, I mean, the hardest thing is- to have to go back and... I mean, I get hit --. Rosie, you said that already; you said that again, you know. And... and our position is we have to keep inform... informing the employees. If no decision has been decided, if we go back and tell them nothing's happening --. If any ... lateral transfers; they have issues of lateral transfers. They have issues of civil service concerns. They have issues of the years of

service within the government of Guam. We cannot answer that; I know I cannot answer that question when that question is posed to me, because I do not know the answer. And we've been sitting in front of the Legislature ... this is our fourth time and there's a lot of tough questions that are posed to the ECC, but the tougher questions are the questions imposed by the employees. Sometimes I'm walking down the hallway, I'm like somebody's going to ask me a question and I don't have an answer. And the only way you can get the answer, Madame Chair, is to get us to the table. Let us know what our options are. When we are at the table, we can determine if it's yes or no based on what. And if it is yes or no, then other options are going come up; they are going to have to come up. But we need to know. We need to know are we going to be bought. You know ... what... is a local company going to offer us something for ... for GTA. And the number one asset in GTA is the employees. The DMS 100 switch is not going to work without employees and all these back hold cable locators that we call within the industry that break our cables are not going to be repaired without the employees. The number one asset within GTA is the employees. And the employees are saying let's get to the table. So, I am hoping that the Legislature will move forward and give us a positive answer so that we can move to the Plan of Action to see who's out there, if anyone is out there.

Sen. LG: Thank you very much, Rosie. And for all the GTA employees that ... that are here, I just ... I just want to give you an idea of the time-line. And I ... I appreciate what

it's like for you, as you said, to walk down the hallway and they're going when, when, when, when, when, so I just wanted to let you know that, logistically where we are right now, this bill and this proposed Plan of Action, I will issue a committee report on. I would like to keep it open for the rest of the week for anybody that would like to submit written testimony. If you think of something afterwards and you'd like to submit something to the committee to get it included in the committee report, I'll accept it for the rest of this week. And then what I'd like to is, after the committee report is issued, then I will get this on the agenda for our next session. We thought we were going to be in session -- it's either going to be -but we ran over --. This last session, we went a little longer than we thought. So we thought we were going to be in session the last week of March, but it looks like it'll probably be like the first week of April. So the next session that we have -- we're in session because of the budget crisis that we are in and because of the ... you know, dealing with hiring freezes and all of these different issues that we're in -we have been in session... about every five to six weeks we go in. So every month and a half, we're in session. So the next session, I will have this bill on the agenda so that we can get that vote so that... so we can move forward. So that... for the time line, I just wanted to let everybody know that's what my commitment is.

So I'd like to say thank you very much to the Council. And if I could have Vince and Clifford and Carl to come back up. I have some technical questions. And

once again, I'd just like to point out that we have the sign up sheet here.

Is there anybody that signed up?

(No audible response)

Sen. L.G: Okay. You'll ... you'll have an opportunity... if... if you would like to sign up to offer testimony, you're welcomed to do that. And as I said, if you would like to submit written testimony to me, we ... we'll be taking it for the rest of the week.

I've been color-coding this so that every hearing I would have different colors. I think we are on green today.

Clifford: Madame Chair, if I may--.

Sen. LG: Yes.

Clifford: --I also requested Civil Service Commission--.

Sen. LG: Yes.

Clifford: --Mr. Louie Baza is here also--.

Sen. LG: Oh, is he?

Clifford: --As well as--.

Sen. LG: Can we call him up?

Clifford: --Terry... Terry Flores from Retirement and --.

Sen. LG: Yes.

Clifford: --And so they're-they're available if there's any questions,

Sen. LG: Why don't we just have them come up right now. Let's just go to that one on ... which tab is that? Thanks. Lateral transfers is what we're --.

Unknown: --Page.

Sen. LG: Page 20. (Laughter) I know, page 20, on L). Mr. Baza? Special legislation will be required to give and then it says L), give GTA employees priority lateral transfers to other agencies of the government where appropriate. Now, I ... I did this before, priority placement for GTA employees who ... to go within the government of Guam and I understand there were only four people that took advantage of that. But I also understand that we had some problems in... in making that fix easy. I was hoping to get some information back from the Civil Service Commission so that I could amend it during that time, but that was not forthcoming to me, and then by that time, the hiring freeze came down and all ... all of that kind of came to a screeching halt. But, can you give me an idea here of some of the problems that we encountered with lateral transfer and if...if we can fix it?

Luis Baza: Good morning, Madame Chair. We submitted a draft, actually, before you, you know, to really address some of the concerns, and I believe -- I can give you --.

Sen. LG: Yes, if you can give me a copy of it. Do you have a copy... can you get a copy of this ... the draft here? (Pause) Thanks. I saw this the other night. So you believe this can be fixed?

Mr. Baza: Yes. We've addressed some of the concerns and I ... I think what we need to do is, first, we need to require legislative approval regarding the transfers. And this will only apply to employees transferring during the period of this Act.

Sen. LG: Hmm-hmm.

Mr. Baza: You know, if you're going to do it prior to -. Right now there's a hiring freeze, so we don't know what's going to happen. But the... the way we drafted this it's going to be in effect once ... once, you know, this ... this ... this Act is approved.

Sen. LG: (Indiscernible) ... The -.

Mr. Baza: --And --.

Sen. LG: --The way I did it before is I gave them priority placement -.

Mr. Baza: Right.

Sen. LG: --So that this does not have a priority placement. So they'd have to come head to head, so if there's-. The problem that we had is like, as an example, if there was a position for Buyer I at the Port, so if somebody might have been waiting for three years for that position to become vacant at the Port --.

Mr. Baza: Hmm-hmm.

Sen. LG: --So, the way I had it written before is that GTA employees would come in

ahead of the Port employees. So I understand that that created... created a whole of dis ... you know, I mean --.

Mr. Baza: Sure.

Clifford: Animosity.

Sen. LG: --Dissatisfaction, animosity among the people that I was trying to get the ... that priority placement in there. But, you know, it took me a lot of hard work to get that thing passed because all the other senators said why should a GTA employee get better advantage over vacant position at GPA instead of my GPA guys. But I just explained this was, you know, a different situation, so --.

Mr. Baza: Yeah, and then at the same time, too, I believe that the Board of Trustees at Guam Telephone Authority identified that every FTE is critical. So, you know, it wouldn't make sense ... every time you transfer people out or give priority placement to a Buyer I to move to Port, they have to recruit that FTE because FTE or every position is critical. So it's kind of like a give and take thing. You know, autonomous agencies or other agencies are thinking, are we going to be on priority placement forever and forever because every time you ... you ... every time you ... you vacate an FTE and you transfer them somewhere else, they have to recruit because it's already identified as critical.

Sen. LG: Hmm-hmm.

Mr. Baza: That's one ... one problem. But, anyhow, with respect to the lateral transfer proposal that we have before you would address those issues regarding employees that want to transfer to comparable positions within the government of Guam; within the government of Guam, not just the Executive Branch. So you're talking about even the Judicial Branch. Alright, we ... we ... we wrote it in that respect so that it's -.

(Beginning of new tape)

Mr. Baza: --every branches in the government. Okay, and what we're doing is this is just for classified positions, though. These are not unclassified positions. So all unclassified jobs over at Guam Power, I mean, Guam Telephone Authority will not be laterally transferred. This is only intended and designed for classified employees.

Sen. LG: "Funding for training and transfer of funds to respective agencies", Section 4. "From the proceeds of the sale or privatization of Guam Telephone Authority, funds shall be transferred to the receiving agency to do the following: to train employees for their new position--.

Mr. Baza: Correct.

Sen. LG: --and to make up the difference in salary..."

Mr. Baza: Correct.

Sen. LG: --Etcetera. So, this the ... we envision that there is going to be a significant

chunk of money left over on the table at the end... at the end of the day, and so this would take a portion of it--.

Mr. Baza: Right.

Sen. LG: --But this would happen after the fact. I mean, somebody could transfer, you know, five or six months before --.

Mr. Baza: And the Governor does not have that transfer authority right now, pursuant to 25-98, where he can transfer people from one agency --.

Sen. LG: Hmm-hmm.

Mr. Baza: --Pursuant to that law. Isn't that authorization based on organizational and operational effectiveness.

Sen. LG: Hmm-hmm.

Mr. Baza: He can do that. But with this ... this provision, we're saying that ... that once you effectuate, once you put it on the this is what's going to happen; this is what we're going to do once you ...once you design this.

Sen. LG: So, are you proposing that this be added to Bill 394, or do you see this as -- because I see this as separate legislation. I don't think we can add this to 394.

Mr. Baza: Well, make it a separate legislation.

Sen. LG: Yeah. So, let's get this introduced. We'll get it introduced today --.

Mr. Baza: And this is..again --.

Sen. LG: --And we'll get a number on it and --.

Mr. Baza: --This is only restrictive for Guam Telephone Authority.

This is just restricted just for them. It's not going to be designed for anybody else. We've talked about this; we've addressed actually these ... these issues with the EEC, so they know what's going on. They have copies of this. We've talked t them about it and this is one solution to --.

Sen. LG: I really appreciate this work, Mr. Baza. This is ... this is something that had us wrapped around the axle for... for a while and I know that this would ease a lot of people's minds. Not everybody is... is gung-ho. Let's...let's --.

Mr. Baza: Right.

Sen. LG: --Let's go be entrepreneurs and ... and there are some people that are very close to retirement and they... they're unsure about their retirement packages, so they want that safety now.

Mr. Baza: Right. And I think pay ... pay plays a big role. Because, you know, when you're moving from one agency to another, that agency may be budgeted only for step 1.

Sen. LG: Hmm-hmm.

Mr. Baza: So if you're moving somebody at step 15 --.

Sen. LG: Hmm-hmm.

Mr. Baza: --To move into this agency, then GTA should -- that's why we put that

clause in here that... should come up with that additional fund to ... to give to that respective agency so that they can take care of that employee.

Sen. LG: I ... I thank you very much for this, Mr. Baza, and I hope that you'll be ... when we have the public hearing --.

Mr. Baza: I'll be --.

Sen. LG: --on this, you'll be backing me --.

Mr. Baza: Well, we ... we --.

Sen. LG: --Helping me on it.

Mr. Baza: --We help... my staff -- I cleared this with my lawyer and my ... my people, so we're good to go.

Sen. LG: Oh, this is great. Are you ... I remember the make-up of the Privatization Task Force. You ... are you a member on the Privatization---

Mr. Baza: Yes, yes.

Sen. LG: --Task Force to deal with--.

Mr. Baza: I'm... I'm taking over for Mr. Hara.

Sen. LG: Okay. So, do you... since you're here, is there any other issues that you are looking into that you can give us the heads up on and any other legislation down the pipe? I'm very interested in what legislation I ave to ... to be working on as we're going along. And so, I mean, I'm going to get this introduced today so that we can it along.

Mr. Baza: I've been brainstorming with my people and

Sen. LG: Uh-huh.

Mr. Baza: --if something comes up, I will definitely let you know. Thus far, though, I think we're good to go with what we have right now. Yeah.

Sen. LG: Thank you very much, Mr. Baza. And from the Retirement? Sheila?

Teresita Flores: Terry.

Sen. LG: Terry, I'm sorry. Terry, I ... I was ... I've got here, on page 30, Vince --- the Government of Guam Retirement Fund and the Actuary are currently reviewing the GTA employees' concerns on retirement, and we'll provide immediate and proper response upon evaluation and analysis. How close are you guys to that?

Ms. Flores: You know what--. Good morning, Madame Chair. Right now, that's going to be --. It's not possible, simply because we don't know what route certain employees are going to take. It's either they're going to go with the privatization, stick with the...whoever, you know, purchase GTA, or laterally transfer to other agencies, retire. So, until time that we know the numbers--.

Sen. LG: Hmm-hmm.

Ms. Flores: --Are we really able to give you a true number.

Sen. LG: Well, I guess ... there was something that was brought up the other night

at the Dededo hearing by Sen. Pangelinan and... saying that there was a federal ruling from the IRS about the transfer of retirement packages to -- I'm not exactly sure the wording on that Do you ... do you guys remember what that was? On Sen. Pangelinan's information, new information, he says it's a new IRS ruling affecting the transfer of retirement benefit?

Unidentified speaker: What is does ... it's mostly defined contribution type of plan where you can transfer to ... where you can be (indiscernible) ...

Second unidentified voice: --Member.

1st unidentified speaker: ... government pension plan, retain the benefits and stuff because you pay into it. But that... that's an easy, defined contribution. Defined benefits groups that are ... that are a problem.

Sen. LG: So, I...this ... this section, the retirement section is one that's most troubling. I mean, it's got a lot of anxiety from the employees and, I guess, there's just some uncertainty. It's hard for me to imagine that we're not going to have more concrete answers for them until we get to the table. I mean, they want to know can they transfer sick leave, can they transfer annual leave, what ... what can be ... what are the options with the retirement packages and... and -. I ... I just guess ... it's hard for me to not be able ... to be told that, you know, you can't give us, you know, some options here, some -- until we get there?

Clifford: Yes. If I may, Madame Chair.

Sen. LG: I mean, can't you say if... if we are sold, this is what your options are; if we are not, this is what your options are; if we're part sold or whatever --.

Clifford: What ... what we did was we talked to the Retirement Fund. We asked them if there was a way if we could break up, say a percentage of the employees, whether it be ten or twenty percent -- pick up a number, any number --.

Sen. LG: Hmm-hmm.

Clifford: --Would go towards this --.

Sen. LG: Right.

Clifford: --This direction. And that's ... that's what she's working out with the actuary. The difference was that --.

Sen. LG: Hypotheticals?

Clifford: Hypotheticals. But she was relating ... to ... directly to the employees' questions that were here, and that was the thing. There were some specific questions that couldn't be answered until such time as negotiations were begun. Because, again, the ... we don't know how many employees will transfer or how many would want to keep their retirement fund and not want to pull it out.

Sen. LG: Uh-huh.

Clifford: And we've had some pretty good questions from the employees, you

know --.

Sen. LG: (Indiscernible).

Clifford: Really-- If you read through this--.

Sen. LG: Yes, I have.

Clifford: --You'll see that they're ... they're very concerned about that. And by the same token, the Privatization Task Force doesn't want to lead anybody down the road, either. You know, we're not ... we want to be as straight forward about this as possible and, so, I think the You know, she's been in contact with her actuary already and she's reported back to us and we've given the information we have to this date --.

Sen. LG: Hmm-hmm.

Clifford: --To the Employee Coordinating Committee. And that's, you know, as we move forward --. We just talked about this last week, wasn't it, Terry, when we talked about using a hypothetical, to take a look at that? Only as it relates as to what the effect on the Retirement Fund would be. Because you can't, other than to say that employee X is going to be able to pull out X amount of dollars and cash; that's about the best that you can do. And that depends on each individual employee and how many years they had and, you know, so to be able to --.

Sen. LG: Well, are you close to putting together some hypotheticals? That can give them a... you know, an idea?

Ms. Flores: Not right now. What we really have to look at the ... everything. Like he had mentioned, years of service, which plan they're under --

Sen. LG: Well, it just seems to me like you could say, okay, defined benefit, 13 years; defined contribution, 5 years at this level, at that level and, just, you know, just crank out a few possibilities. I mean, in... in ... maybe because ... and not be so fine-tuned. Sometimes if you wait to be just right on the money, it could take so long and their anxiety levels go up, up the roof. If you... if you just give them a hypothetical saying, this is my best guess at this time, this is the ball park

Ms. Flores: We can do that.

Sen. LG: --Just get them into the ball park. Sometimes that'll, you know, lower the anxiety levels and take some of the pressure off the Employee Coordinating Council - Rose ... (laughter). If you can just get them into the ball park --.

Ms. Flores: Okay.

Sen. LG: --And... and just ... with the ... with the caveat that I'm just getting you into the ball park.

Ms. Flores: Okay.

Sen. LG: Okay, thank you very much. Yes, Mr. Peterson?

Mr. Peterson: In... of course, we do need hypotheticals, you know, and if I was in the employee's shoes, I'd like to have a general idea also.

Sen. LG: Right.

Mr. Peterson: But by the time you come to the table, all of this boils down to a number, that's all. And if there are certain things you wish to achieve, it amounts to a number. It's kind of like buying a house. If you bought a house that a hundred thousand dollars but you end up paying a hundred and ten thousand, so that's what you amortize -a hundred and ten thousand, not the hundred. It's a hundred and ten or vice-versa. Instead of the government getting X amount of dollars, they get X amount less. It's just the number. And you...you negotiate based on the real facts when the situation presents itself. Alternatively, for instance, using the house example again, let's say that somebody said, well, but I don't want to pay interest on this loan. Okay, we'll increase the price, so that you're paying directly to cash on cash for the house, but you don't pay any interest on the outstanding balance. There are a million ways to structure a deal in order to achieve what is satisfactory for both sides. And all we need to do is -.

Sen. LG: Get to the table.

Mr. Peterson: --To find out the number. And we can do that once we know what options are available. And if we're talking to a global player, the cost of GTA is microscopic to their ... their total budget.

Sen. LG: As the Governor pointed out to me in his State of the Territory Address so eloquently. if I...I'd ... I'd like ... I have some

very specific questions. I ... I have gone through this Plan and I'd like to put everybody through their paces a bit, so page 7 --. Vince.

GTA has been, further complicating this situation, GTA has been required to institute usage based access charges in place of the revenue driven fees. Please explain how this change affected GTA's strength, moving from usage based ... going from revenue based to usage based.

V. Arriola: Yeah, basically, Senator, that was when GTA switched over entire island generally... switched over to Feature Group D and went into new ... new system of charging for it. We ... as expected, we ... we knew we were going to lose some money; we didn't know it was going to be that great, and GTA, at the first year, lost, I think, a little over seven million dollars in long distance revenues. Slowly the ... the minutes have been going up; they're not back at the ... at the rate that we used... GTA used to enjoy. But in a nutshell, it's ... it's a different way of calculating. I ... I ... I believe the ... the next result, though, was certainly the island of Guam benefitted; GTA didn't. So that... the bottom line is we lost a significant amount of revenue there.

Sen. LG: You ... you're saying, also a little further down, you're saying that there's a very real likelihood that the government will be faced with subsidizing GTA's operations within three to five years. This is my fear, you know --.

V. Arriola: Absolutely.

Sen. LG: --of ... of subsidy. How did you arrive at the figure; how did Coopers & Lybrand, working with GTA, how did you come to the figure of three to five years?

V. Arriola: Well, I ... I...I think we were just looking at... at status quo operations, minimal capital improvements, and actually it's ... it's ... we've been looking it over the last two ... over the last two fiscal years. For all practical purposes, we basically have been breaking even for FY 98 and FY 99. That can't continue because what we're putting in, capital ... into our capital improvement and upgrade of facilities, we're putting in, say over the last two years, we self-financed about 36, 37 million dollars. But that was just through GTA's cash. And each year, it is estimated that GTA needs anywhere from 15 to 18 million dollars a year to ... to keep the facilities upgraded, to keep up with new technology; and so on and so forth and providing Guam with ... with the latest in telecommunications. We can't continue that. When we looked at that ... that and we kind of spread it out over the next few years, you now, it's... it's a dying concern, if you will, and it just keeps going down.

Sen. LG: On ... on page 9 --.

V. Arriola: Hmm-hmm.

Sen. LG: Thank you, Vince. I'm... I'm sorry, I just want to skip around all over the place. On page 9, you say that systems maintenance

**contracts at all major hotels which were once the exclusive market of
GTA have now been taken over by private firms. Can you please explain
how GTA had one hundred percent of a market and nobody else was doing it,
but how did you lose that. How did you lose that market share?**

**V. Arriola: This is ... this is probably... this has probably taken over, I don't know
maybe the course over ten years. I ... I certainly wasn't involved with GTA, but just in my
knowledge of ... of the issues, it's probably taken over the last ten years. We have a number
... we had a number of major providers; the number one, of course, is IT&E, and then
there was also GTE that, I believe, was doing inside wire contracts for the hotel. And,
again, they... they were able to bundle it. You know, we'll ... we'll take over your entire
PBX system, put in a whole inside wire contract for you and PBX, and let's offer you some
long distance services for it; let's offer you some paging systems in addition to
that and we'll give you super corporate rates and --.**

**Sen. LG: So you're saying this as an example of how you guys couldn't move fast
enough?**

V. Arriola: Correct.

Sen. LG: And to drop your costs low enough or --.

V. Arriola: Hmm-hmm.

Sen. LG: --or to provide --.

V. Arriola: Bundle the --.

Sen. LG: --Provide the service?

V. Arriola: --Bundle, you know --.

Sen. LG: Okay. Sorry, I've got... I'm going to the green tabs today.

On page 13, you say that you have to... other changes such as ... as the (indiscernible) ... would most likely be required in order to make GTA viable as a privatized entity. And then the last one is... address all existing covenants and agreements with RUS vendors and other entities as necessary. So your deals with your ... your vendors, your contracts, all of this would ... would hold? This is part of any proposed privatization effort?

V. Arriola: Yeah, pri ... primarily --.

Sen. LG: Long term contracts or whatever, would it --.

V. Arriola: --What we were looking at there, and as we discussed at the last public hearing, I've already contacted our GTA legal counsel and she ... she'll have an opinion as to where we basically stand with ... with RUS and what ... what the covenants are if, in fact, there is either a take over, a sale, a strategic partner --.

Sen. LG: Hmm-hmm.

V. Arriola: --Or ... or some ... some form specifically with regard to RUS.

With ...with vendors, I don't believe it's going to be that...that critical

would be in the employees' best interest for them to wait till after the deal was cut and then go in and try to work with this strategic partner or the new owner, whoever. I think the key is to get in there right now and be a part of the, you know, this is how we are going from the get...from the very first day and we want to take a look at what kind of incentive programs you're going to be able to offer. If they believe - and we're not, you know - if they believe GTA is indeed overstaffed --.

Sen. LG: Hmm-hmm.

Clifford: --Or needs to be re-shaped. We're not convinced that it does, and so there may not be a need for that. But if there is a need for it, if the company coming in as a partner perceives there to be a need, it needs to be negotiated up front.

Sen. LG: At--.

V. Arriola: I think also, Senator, that would fall in line with what the Retirement was --.

Clifford: Right.

V. Arriola: You know, once...once...once...once the...some of the plans are laid out., i.e., anybody over 25 years --.

Sen. LG: Hmm-hmm.

Vince Arriola: --You...you can retire early. We'll buy you out at a cash price of twenty five, ten thousand dollars or whatever, then...then the Retirement Fund can start crunching their...their numbers. But I...I know...I know they can still do it theoretically, but...but certainly we...we want...we want to ensure that this...this plan or this incentive program is part of the overall plan.

Sen. LG: Okay. Yes, Carl?

Carl Peterson: When...when reality really hits the...the road, they will have a general...general plan for such things as buy- out, early buy- outs, etcetera, if...if there is going to be any. But then the next step is --. Well, I tell you what, Senator, if you will just stay with this one more year, we will pay you an extra amount just that you can help us in this transition. There will be...there will be constant changes to that mono-a-mono. If somebody actually wants to leave and...and they will negotiate a package to transition.

Sen. LG: Only once in my life did I find myself essential and I was in that particular driving seat and...and it was a pleasure. (Laughter).

C. Peterson: It was an (indiscernible; laughter).

Sen. LG: It was. And it was four months of --.

C. Peterson: Yeah.

Sen. LG: You know, I was the only person on the planet that could do it.

On page 20, at the very bottom, "...monitoring methodologies would be negotiated with the successful bidder to allow a level of comfort to the government without comprising market information..." How do you keep a...a...a...an eye on a...on a private company, and by monitoring methodology, I think we need something stronger in there. If, in monitoring them, if...if they don't live up to their obligations, if they, you know, don't live up to the obligations to the employees, they don't live up to the obligations that we're going to put in there to keep the rates down, I...I think that -. Would this be something that would be put into the RFP? How tough this would be?

and acquisitions typically, whether they're banks coming together or communications companies coming together, they utilize a lot of what they call independent third party groups and their whole job is --. They're paid for by both groups to make sure that the contract is...is adhered to on both sides because there may be some provisions in there that the Government of Guam has to live up to, as well.

Sen. LG: So, we might have to --.

C. Guzman: And so --.

Sen. LG: --From the proceeds --.

C. Guzman: Agree to a third party to...to monitor. This compliance group might be a separate group.

Sen. LG: That would be part of the...part of...separate legislation --. See, I'm always wondering is this something I would have to do --.

C. Guzman: It could be --.

Sen. LG: --Separate legislation or would it be something when everybody signs on the bottom line...that would be --.

C. Guzman: It could be...it could be a contract agreement that says that both parties agree to...to hire a third party — could be Deloitte & Touche; it could be any...any of the big accounting firms just to make sure. Now, the other thing to that is before going into this, one of the recommendations that we're making in here is they have to come up with a business plan that we all agree on that makes sense. And that business plan is also going to be tied to the five-year issues that we have in here for making sure that, you know, no employees are laid off except for cause and that they're going to do what they're supposed to do, etcetera, etcetera, etcetera. And so the five year business plan is something we also use as a benchmark and the monitoring. We're asking them for it; they're the ones who came up with it; okay, now is the time to put your feet to the fire. Are you going in --. In year one, you say you're going to do this. If they don't reach that --.

Sen. LG: Right.

C. Guzman: --Then we...then they have to come back and explain why they haven't reached that point and...and what is it that's stopping them.

C. Peterson: All good contracts have both responsibilities and opportunities in them; otherwise, it's a one...one sided contract so we want to have them meet their responsibilities. But a good contract is going to give them the opportunity and incentive to do even more which will benefit them and us. So, we've got to be careful about these --. And that's why a third party contract will have that --. They're very experienced at writing that so that it meets both sides' objectives and gives them incentives to do more than what the contract initially specifies.

Sen. LG: I'd like to take a five-minute recess and give everybody a chance to walk around a little bit and --. Once again, I'd like to announce that if anybody would like to sign up and --. I have just maybe about four or five more questions, and then if anybody would like to offer their thoughts at the end of this? Employees, you're more than welcomed to. So, we're in recess just for five minutes. Just go stretch.

(Public Hearing in Recess)

(Back on the Record)

Sen. LG: --"Sustain Telecommunications Growth." On number a), you say that, ... "it is important that any bidder have the ability to enter or expand its presence beyond local, long distance, and cable markets." And this is something that you mentioned earlier, Clifford, that, you know --. But I'd...I'd like you to justify why do we have to go after such a superman, superwoman type of global company. Why not just have somebody that's just going to come in here and just want to do local exchange and --. Why does it have to be such a big, super-duper company.

C. Guzman: Well, let me reverse the question. Why would anybody come in just to do local exchange, if you've got --.

Sen. LG: Could it be just a — one of the local companies here that would want to come in and partner and invest some capital and then --.

C. Guzman: Well, that --.

Sen. LG: --Maintain the system and the lines and everything and --.

C. Guzman: That's entirely possible, but it's going to go back again— and that's not an option we shouldn't explore. The problem with that is that if you're worried about the taxpayers taking over, you know --.

Sen. LG: Yes.

C. Guzman: --You know, that's an issue that you have to look at. You're talking about a hundred and twenty million dollar debt in GTA and if you're going to bring any company in that's just going to do local exchange, be a local exchange carrier, and you have under the Federal Telecommunications Act of 1996, anybody can come in and plug into that system and take away even...even the rural area exchanges - you know, the rural area telephone lines - you're going to have to look at that very seriously. And we're going to have to make a decision as a people as to whether or not we're prepared to subsidize GTA down the road. Whether it's five years, three, five, ten, whatever.

So, what you want is you want growth in the industry. It's not only just for GTA, but for the island. Because there's a lot of...there's a lot of other opportunities, not just for GTA, but the service providers are going to provide services to whatever company comes in. Whether it's just Xerox paper or Xerox machines or something like that. It creates more money in the economy and that'll help the General Fund; that'll help everybody here. So, again, the idea of somebody coming in and saying, look, all I'm interested in is an LEC. If that were the case, then Guam wouldn't be the last LEC that's municipally-owned. There...it should...it just doesn't work and the Telecommunications Act is the thing that stopped that from happening. And so it's something that, I think, when you look at the bigger picture, you want somebody in here that's going to provide growth opportunities for

this industry because land lines is not where it's at. Long distance is not where it's at anymore. Long distance is a thing of the past already. In the next five years, if you read anything, if you look at any...any kind of telecommunications trends today, long distance is...is just a by-product. That's not where the fun money is anymore. It's in the Internet, and that requires a lot of capital.

C. Peterson: We live in an age of globalization; I mean that...that covers everything. From your personal investments, it will be globalized. You should have international investments as part of your portfolio. Many of them do and don't even realize it. But, everything is globalized today and to try to remain just a local carrier is obsolescence.

Sen. LG: Thank you very much. On page 23 --. And I was just explaining to some of the employees - and they're going, Senator, you're skipping all over the place. It's...it's...I have...I've color-coded this for all the different hearings because I just really feel that hitting different questions on every different hearing so that these guys never know where I'm coming from. And so I just want to make sure if... I just want to make sure that they...they put...they go through their paces. And also it's an education campaign for me because when I get on the floor, I'm going to be all by myself and my colleagues are going to be coming at me from everywhere. So this is an education campaign, plus, let's see how --.

C. Guzman: Pop...pop quiz.

Sen. LG: Yeah, it's like a pop quiz. Okay, on page 23. The cost of...cost of the bond for the...number a), "Cost Reimbursement. All bidders must pay for a performance bond to the government regardless of the type of offer or type of management..." And then it said, "This money would be used to reimburse the Government of Guam for the costs incurred in performing a proper and thorough evaluation of a bidder's proposal."

What would be the approximate cost to this, to any company that would be interested in looking at the Guam Telephone Authority? How would ...how would this be

structured? What would the dollar figure of it be because --.

C. Guzman: Cost side --.

Sen. LG: That's all I've got right now and --.

C. Guzman: --Cost side on the...on the private companies or cost side of the Government of Guam?

Sen. LG: On them...to them. What would be the cost --. How would that --. It just said a performance bond, so I don't know how you structured that, what that cost would be. How much would they have to come to the table with just to even, you know, be considered?

C. Guzman: Well, let me...let me kind of --. I was in...in the development and acquisitions game for about 18 years prior to coming into government. Generally, what you would do is...is put aside anywhere from one to three percent of the entire cost of the project aside for due diligence. What we call due diligence? And that's the time when you come out, you bring all your experts out, you take a look. You bring in your accountants, you bring in your financial advisors. You go to the banks, you take a look at the project and you...you put your efforts in finding out if the project is feasible to begin with.

Sen. LG: Hmm-hmm.

C. Guzman: That means you go out. You touch...you know, you go out and you investigate. You do...you send your teams out. That costs. That's a lot of costs. If you're...you don't want to just send anybody out; you send the best that you have. And so, in terms of say, a hundred million dollar project, you know, one to three percent is a substantial amount of money. When you're talking about --.

Sen. LG: One to three million --.

C. Guzman: --One to three million dollars and that's what it costs you. A good example of that was the Agana Marina which you know very well. I was involved in that. That was a hundred and twenty million dollars. We invested into that one point five

million dollars just to bring it to that point --.

Sen. LG: Ouch.

C. Guzman: --Of personal money. And that's the kind of...that's -. But that's what you have to do, because you also are showing if you're that serious. You're also showing everybody you're serious enough to put that kind of money into it.

Sen. LG: Well, I guess I...I want to, you know --. Excuse my bluntness, but I just also want to make sure that we don't create this huge, you know, pot of money from all these different companies where, all of a sudden, there is going to be a feeding frenzy from the consultants. How exactly would that work at that time? Would it be, you know, one team? We would have one group of our financial advisors and consultants that's going to be evaluating each one of them. We wouldn't have to bring on separate groups to evaluate each one. Because the way it's written right now is we would reimburse our costs from each one of those evaluations. So, how would that be? If we've got one to three million or...or probably more like two to six million from each group on the table. How much of it do we gobble up from each one or is it going to be the same team that's going to be doing the evaluations? It's a mechanical, logistical type of question.

C. Guzman: Logistical --. Yeah, right now the way we see this --.

Sen. LG: Hmm-hmm.

C. Guzman: --Is that it would be one team that would do the evaluations. And that team would be the same team because they...you'd have to take a look at it from the same perspective. So you wouldn't...if you... six potential partners --.

Sen. LG: Right.

C. Guzman: --You wouldn't have six different teams there because they're all going to have a different take on how each one, you know, what's their basis; what's the benchmark that they're going to use. And so there's...there's a lot of work that has to come between now and when we get to the table.

Sen. LG: Right.

C. Guzman: And that work is going to be...also include these consultants that we're going to have to bring in, who are going to have to lay the ground work with us and also guide us through this based on their experience on mergers and acquisitions and kind of lay out the path for us to go and the basis for evaluation of each individual proposal. If there is additional costs that would have to be, say, in here we say, we want to prove that they have management skills and they've protected their employees in other acquisitions --.

Sen. LG: Hmm-hmm.

C. Guzman: --That they have. That may mean that... that team is going to have to go to their...their headquarters or wherever it is, do interviews with their employees to make sure that these people are...take care of their work. But that cost is inconsequential to the value of GTA in the end. And so as far as we're concerned, it's just a drop in the bucket. Yes, it's going to cost them some money, but as long as they know that up front, and they know that we're not going to be onerous in this, that we're not going to...and feed our consultants that--.

Sen. LG: That's what I wanted to hear.

C. Guzman: Yeah, that's --.

Sen. LG: I wanted to hear that we're not going to be onerous in this and I wanted to hear that we're not going to have separate evaluation teams for every single bid --.

C. Guzman: No, we cannot --.

Sen. LG: --And that we're not going to gobble up --.

C. Guzman: Yeah, yeah. It would take us another two years to do this if we can.

Sen. LG: Okay. On "Employee Financial Advisor", what's the hold up here?

A voice: Vince?

Vince Arriola: Well, the first hold up was that nobody came to the table, unfortunately, Senator.

Sen. LG: Hmm-hmm.

V. Arriola: What we did is...is...so we went back to our table, if you will, both the...all the employees and...and our procurement staff and we...we rewrote it. We sat down and we said, okay, how are we going to get this thing out because, obviously, just a public notice just...just doesn't do it. So we've got ads set to run in the Wall Street Journal, in the USA Today. We've got the Board's consultant, Wayne Arnie; he's got...he's got the package. And just as soon as he got the package, we just got two e-mails yesterday from two companies that are interested. They...they want it and everything. But we're doing a more aggressive effort, if you will, to get that financial advisor RFP out.

Sen. LG: When do you anticipate that it's going to be out?

V. Arriola: We basically let it out for, I believe, it's a 30-day issue because we're expecting a lot of...of individuals and/or companies from the U.S. to be responding to this. We set it at that date and...and we'll...we'll see --. I believe we're going to have quite a few of proposals on the table --.

Sen. LG: Okay.

V. Arriola: --This time around.

Sen. LG: Thank you very much. That concludes my list of questions here. Is there anybody from the public that has signed in? Oh, good. (Pause) Okay, if you guys can just --. Oh, go ahead, but just stay close.

V. Arriola: We'll...we'll be here.

Sen. LG: Don't go away. Jose Blas, Jr. and Mouhamed Khuja? Could they please come up. (Pause) Mr. Blas, we'll begin with you.

Jose Blas: Thank you. My question is concerning my position and another position which would be my position as cable splicer and I & R. I don't think that lateral transfer that you're proposing won't affect me or the I & R people because --.

Sen. LG: What is an I & R?

Jose Blas: Installer repairer.

Sen. LG: Oh, oh.

Jose Blas: Okay, in other words, just like me, a cable splicer. Any other agency that you go to, they don't have cable splicer or I & R.

Sen. LG: Hmm-hmm.

Jose Blas: Regardless what government agency. The only...probably if we can get picked up is only on private firms. So that's an issue that I wanted to bring up and... and make that --. Is there a way where we can work something with, let's say, those who wants to get lateral transfer for my position? I know that training and all this, but it's going to take a while for me to go learn another position other than --. Let's say I was supposed to go into GPA. I cannot just go over there and say, yeah, I know how to splice cable which is dealing with power versus telephone.

Sen. LG: Hmm-hmm.

Jose Blas: So that will be two different type of, you know; it's two different type of cable. It's just...matter the same thing, but it just deals in --. In telephone, you're dealing DC; with Guam Power, you're dealing ACs. So that's the difference between the two.

Sen. LG: Well, I guess that I would...what I would say to that is my...my...my brothers...my father was in the military; my brother is in the military, and a couple of nieces went into the military, and they...they asked them, you know, what is your first preference, second, third, like this to try to get an idea of the areas that they were interested in. And so, obviously, your...your first interest would be cable splicer and then, I guess, you would have to do some thinking of what other areas you would like to get trained to go into to --. Because I don't think that like...like you're saying, the cable splicer is like -- it doesn't transfer as well as like an operator would or an administrative clerk. Yours is very job specific, so I...I would think that as we go along this process, that there would be a time where you would have to go through like an evaluation to find out what

are your other preferences. I...I'm finding, just in the short time that we're here, that the Civil Service Commission is way more receptive at this go-around than...than...than it had been in...in the past, as far as identifying, you know, comparable positions that you could go to with...with some skills. Maybe in your skill set, if there are eight things in your skill sets, maybe five of them are like...can be the...the basis of adding on to give you additional skills sets.

So, where's Mr. Baza? Mr. Baza, can you come and join us on this one? (Pause)

On...on a specific question like this of...of having such specialized training and-. What...what other opportunities would...would there be for him within the government and what would it take to get him into those other positions?

Luis Baza: Well, actually, Senator, you answered the question.

Sen. LG: Oh?

L. Baza: You know, it's comparable. You know, we're going to look at comparable positions within the area. Naturally, you're not going to find installer/repairer in the other government...government agency, but we will find comparable position. So something that we will be giving options, you know, and then for the employees to be thinking about. And that HR will be helping you out, too; your Human Resources, your Personnel Services will be helping you out. And that's where you get slotted into that grade and you'd be protected in pay, and then they will give you the --. They have training fund to get you up to speed in that area where ever you're going to be situated. And then if you're at Step 15, you know, pay will also be protected. So you're moving into comparable position. Maybe not exactly the position, but will be comparable. Okay, okay?

Jose Blas: Thank you (indiscernible). And another question, Senator, Chair, in regards of also retirement and all, with privatiza...Privatization Task Force, my other concern is our annual leave maybe can be worked out to be payable, but our sick leave is the question that I have in mind - which is a lot of, not only me, but I'm saying ninety

percent of the employees. Our sick leave is the one that you cannot be...it's not flexible as our annual leave. Okay, in return that we go privatized and then Retirement goes, I'm sorry, we can't reimburse you on your sick leave but, what, you're going to have to use it.

Sen. LG: Hmm-hmm.

Jose Blas: But --.

Sen. LG: So you want to know if it can be cashed out?

Jose Blas: Yeah, yeah, 'cuz according to our By-laws on annual leave and sick leave in our GTA Rules and Regulations, if they tell you to use it 'cuz they cannot pay you for it, anything after four days is required a doctor's excuse. And here you are using it to run off your sick leave, but I don't think you're going to be going every four days to go to a doctor and say, Doc, I just need excuse because I'm trying to run out my sick leave.

Sen. LG: Right. And...and we wouldn't want to put you in that --.

Jose Blas: Yeah.

Sen. LG: --Where you have to go and fudge.

Jose Blas: In other words, I'm jeopardizing myself, my doctor, you know, finding --.

Sen. LG: Let...let's see if Mr. Baza can help us on this.

Luis Baza: Well, you know, if you're transferring to a different agency, naturally, it's going to follow you.

Sen. LG: Hmm-hmm.

Luis Baza: You know, it'd just be transferrable. In terms of, you know, cashing out, I...you know, even...even with respect to the...closer to home, across the fence, you know, the Feds --.

Sen. LG: Hmm-hmm.

Luis Baza: --Ratheon. A lot of those Navy federal employees will lose their sick leave. You know, that's the bottom line. Some of them now are trying to exhaust it by continually taking leave and now their supervisors are going crazy because, you know, they

need to run the operation, but people are intentionally just taking leave so that they use it because they'll lose it.

Sen. LG: Hmm-hmm.

Luis Baza: That I know from across the fence, you know. In terms of the retirement situation, I'm not sure. I just know you can't cash it out. The only time you can use it is that you can use it for credit purposes for retirement purposes, I understand. But in terms of getting a cash out, I...I don't believe that's --.

Sen. LG: I believe that this is something that would be negotiable?

Luis Baza: (Indiscernible.)

Sen. LG: When we get to the --. But Mr. Blas, your...your efforts, if...if I understand correctly, would your efforts be on trying to make a lateral into another position within the government so --. Is that -- or are you going to wait and see what's available --.

Jose Blas: Actually, I'm going to wait and see what they have on the table --.

Sen. LG: Yeah.

Jose Blas: --For my options. And then if it does goes privatized, like I said, that would be...like what he said, I'm going to lose out on the sick leave --.

Sen. LG: Hmm-hmm.

Jose Blas: --But is there a way, you know, to kind of bend a little bit the rules on trying not to exhaust our sick leave? To use it instead of keep getting a doctor's excuse? I mean, that's only my concern is having to go to the clinic every time to go get a doctor to cover me from (indiscernible).

Sen. LG: Is it...is that...is that bendable?

Luis Baza: You know...you know what, though? And I'm...I'm going...I'm going to talk with respect to...to the rest of the government --.

Sen. LG: Uh-huh.

Luis Baza: See, I wouldn't want to create something and then create inequity.

Sen. LG: Right, right.

Luis Baza: 'Cuz you know how it is, right. You give for one and then the others will complain and --.

Sen. LG: That's --.

Luis Baza: --I...I've got 14,000 employees versus— you know, and if they're going to ask for the same --.

Sen. LG: Less a thousand. We've got over a thousand off. (Laughter).

Luis Baza: Oh, oh, right. Thirteen thousand now. Yeah, that...that's where I would have to come in and look at, you know, the domino effect or the ripple effect.

Sen. LG: Clifford?

Clifford Guzman: Yeah.

Sen. LG: He wants to join us.

C. Guzman: May I? Because I --.

Sen. LG: Sure, sure.

C. Guzman: I'd like to say that --.

Sen. LG: Don't go away, Mr. Blas.

C. Guzman: I understand where Louie is coming from. I'm not disagreeing with the Civil Service because we do have fourteen thousand other --.

Sen. LG: Thirteen thousand.

C. Guzman: Thirteen thousand, excuse me. I think the point is, though, nobody's ever done this before in government, okay, and all options are wide open. And the key I would look at here is, let's say, for instance, the Government of Guam was going to walk out with a cash out on this thing, right, which in 24-36, you said that well, we're going to put this into the infrastructure fund --.

Sen. LG: My...my -.

C. Guzman: There's nothing --.

Sen. LG: My thinking is to put it towards the hospital. Build a new wing or something.

C. Guzman: Well, well, whatever. But the point is the Government of Guam has the option also, you know, in this negotiating as well, to say that because this is a separate piece of business, it has to be treated very separately. And the proceeds could be paid for, instead of taking ten...ten million out of this thing on the government side, the government might only take five million and have the partner pay out that sick leave that he's talking about. You see how you can negotiate that back and forth --.

Sen. LG: Hmm-hmm.

C. Guzman: --Inside the deal? And so I'm not saying...and that would not compromise Civil Service because that would be on the part of the partners. It's like an incentive buy out --.

Luis Baza: That's correct.

C. Guzman: --For, you know, for...for any cable splicer who wants to --.

Sen. LG: So we could leave some on the table in order to --.

C. Guzman: Of course. Yeah.

Sen. LG: --To facilitate it.

C. Guzman: And...and then --.

Sen. LG: Okay.

C. Guzman: --And then that buyer or that partner could say as part of your incentive package, you want to go to GPA or whoever, that's fine. They're going to provide the training, they're going to do all that stuff. But I'll tell you what, you know, I'll take care of your sick leave for you and...and that's...and that's the way we could do that.

Sen. LG: And this is another example of what happens when we get to the table.

C. Guzman: Yeah, and that way it's...it doesn't require change in legislation. It

doesn't compromise Civil Service Rules and Regulations, but it puts it on that.

Sen. LG: I see his anxiety because there's parts of him that --. Mr. Blas says his part--. There is going to come a time where you're going to have to go or stay. And I guess you're trying to find out exactly when is that time when it looks good enough to stay or, you know, do you want the security and lose -- and not have the gray hair of...of going into the government. So is there...is there anything else you'd like to ask, Mr. Blas?

Jose Blas: No, thank you.

Sen. LG: Thank you very much, Mr. Blas. (Applause) Very brave man.

I'd...I'd probably slaughtered your name, did I?

Mouhamed Khuja: It's okay; no problem.

Sen. LG: Could you please --.

Mouhamed: It's Mo...Mouhamed, better known as Mo for the majority of the island, from Futuristic Systems. And I just wanted to add...thank you very much, Senator, for the time to speak out. I'll just take a few minutes. I just want to add the...to what Rose said, the number one asset for GTA is the employees and I'd like to be second to that, which is the customers. Like the employees by providing the service and customers by selling the service. For example, like us being a re-seller, we are the biggest customer to GTA. So I just wanted to see if anything is on there to protect us, as far as the rates. I know that...briefly, I was hearing that there is some rates...somewhere to protect the rates from increasing to the general public, but I want to see if anything is specific to the re-seller of the GTA services, which is cellular at this time.

Sen. LG: Let's...let's bring up Clifford and Vince and Carl.

C. Guzman: What's specific to his concern, again, any company that's going to come in and either partner or purchase or whatever, they're going to look at the assets and liabilities of GTA and they're going to make --. You know, our job is to make sure that all of the assets are...are intact --. (Start of Tape 2, Side A) --Cash flow, if you will, and so

that's something we need to protect as well. The PUC...we're proposing that the PUC remain in effect on this thing and develop price capping, price indexing, things like that to protect ratepayers, including the re-sellers 'cuz the PUC does get engaged in some of that resale, those resale issues. So I don't see any reason why or why we...we wouldn't even want to consider that as a valuable asset to GTA and why would it not be in consideration throughout the whole thing. It's not specifically addressed in here, but it's addressed in the issue of containing rates --.

Sen. LG: Hmm-hmm.

C. Guzman: --And services and I think it's...it's more of a generalized thing, as opposed to a specific thing.

Sen. LG: Yeah, I ran across --. Gosh --.

Mouhamed: -- Trying to find out.

Sen. LG: I'm tripping all over my tabs here. I ran across— here it is. On page 12 and over to 13, objective number 4.

Unidentified speaker: It's right here on 13.

Sen. LG: Yeah, 13, ...market access line and cellular, subscribers, revenues --.

C. Guzman: Hmm-hmm.

Sen. LG: --Changes in market share. Is there...we can give you a copy of this. Would you like to have a copy?

Mouhamed: Yes.

Sen. LG: So you can see... it says here that..."There are a number of economic and financial factors that have the potential to affect the future financial performance and viability of GTA." And these factors include, and then one of them here is tariff and access charges, market access lines, market shares, cellular subscribers and revenues. So there's --. I don't think it's strong enough --.

C. Guzman: Hmm-hmm.

Sen. LG: --Exactly of what you're saying, but it's...it's registered here as an objective of one of the things that we have to take care of as we move forward in developing an RFP and evaluating the company. But, I can understand that you would want to get some stronger language in there. I...I guess I hit a bit when I asked about existing covenants --.

C. Guzman: Covenants, right.

Sen. LG: --And agreements with vendors and other entities. And so I...I think you're going to want stronger language than this as we move along. I guess that's notice here.

C. Guzman: That's...that's it.

Sen. LG: Okay. Do you have any other comments or questions?

Mouhamed: The reason I brought it up, actually in the states, with out studies, a re-seller is a very high commodity. Every re-seller, I mean, every carrier, is asking, begging agents to become re-resellers.

Sen. LG: Hmm-hmm.

Mouhamed: Because they'd rather deal with one customer rather than ten thousand, twenty thousand customers. I wish we had that here, but, let's say, five thousand customers for Guam.

Sen. LG: Hmm-hmm.

Mohammed: And they would rather deal with them and they have...they do the marketing for them and they deal everything for them. So it's more revenue for a lot less work --.

Sen. LG: Headache.

Mohammed: --Being done, right. So that's...that's why actually we are --. I was approached by Aircon Cellular in Los Angeles to become a re-seller, but it was too much

for us to handle both markets at this time. So, it's actually positive point for us, but we just want to make sure we don't get somebody from some other part of the world who wants to buy this market and they're not interested in re-sellers. That's why ...that's just a protective wording in there for us.

Sen. LG: I think...I think that's an excellent concern and thank you for putting it on the radar screen for...for all of us.

Mohammed: Okay.

Sen. LG: I'll definitely be paying attention to that.

Mohammed: Thank you.

Sen. LG: Okay. One final comment that I would like to make is this Bill, as it came over to me, is an act relative to approving the GTA Privatization Task Force's Plan of Action as the basis for securing a strategic partner through RFP jointly developed by the Legislature's Committee on Transportation, Telecommunications, and the Privatization Task Force. So what happened is we got the whole --. The way it came down to us is the Proposed Plan of Action came down with this. We've been having our public hearings and gather public input and an education campaign on the Proposed Plan of Action. This part right here of coming down with...to have a joint RFP prepared by my committee and the Privatization Task Force, I personally like that. I just feel that many of the members of the Legislature have a lot to bring to the table. There is some concern from my colleagues who feel that this is purely an executive function and that we need to stand back from it and evaluate it. They feel that by helping to draft and prepare an RFP, that would make us unduly committed to it and...and so in the approval process. So, I see the pros and cons of ...of both, but I just really feel that this is something that's never been done before. The people...we've never done it before and I...I think that...I don't know, I...I've kind of been accused maybe of micro-managing a bit at times and maybe that label is true and that's

why this appeals to me. (Laughter).

But this...that's...I...I don't have a gauge yet on whether or not I have the vote for it, but I don't feel that...I feel that this...if...if that...if I don't have the vote for it and that has to drop off when I get on the floor, and I...I think we will definitely proceed. I don't...I don't see that as being so problematic because I do have Carl Taitano - who's the Committee's financial advisor; he's the negotiations observer; Joe Torres - were involved in all aspects of this. So...it...to me, it's great if it goes forward, but if it doesn't, I feel that we still have an in.. in knowing what's going on.

So, Carl, I could see you wanted to add to this?

Carl Peterson: Yes. I was just going to add, before you adjourn, that I was at a Chamber of Commerce meeting this morning and I was told that they were going to be present today; that they had written testimony and it was unanimous approval for the Bill. But something must have come up and that's why Eloise is not --.

Sen. LG: We'll take their --.

C. Peterson: --Here, so I will ask her to submit the written testimony.

Sen. LG: That would be great; that would be great. We'll take it 'till the...'till the end of the week. And I want to just get it all put into a committee report form quickly so --. Sometimes a session can be called in ten days, who knows. I want to have it ready for the possibility.

C. Guzman: If I might add. The ...the Chamber is also on the Privatization Task Force and they bring a lot of experience to the table and in mergers and acquisitions and things like that. So we hope to benefit from them, from their participation. And in writing that RFP, I think they can really help us a lot.

Sen. LG: Okay. Is there anybody from the general public and GTA workforce that would like to come and offer testimony?

(No Audible Response)

Sen. LG: Okay. If not, this hearing is adjourned and thank you very much everyone.

(Conclusion of Public Hearing on Bill 394)



**Plan of Action:
Guam Telephone Authority (GTA)
Privatization**

Prepared by
Guam Telephone Authority
Privatization Task Force

February 11, 2000

(Revised April 12, 2000 by the Committee on Telecommunications,
Transportation and Micronesian Affairs)

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Historical Perspective

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4 In his Inaugural Address on January 2, 1995, Governor Carl Gutierrez stated that he would
5 consider privatizing some government operations including the Guam Telephone Authority
6 (GTA). Subsequently, in 1996 with the changes in the federal laws regulating the
7 telecommunications industry and the development of the Vision 2001 Strategic Initiative, the
8 firm of Coopers and Lybrand (C&L) was commissioned to conduct a study on the
9 privatization of GTA. The final C&L Report was presented to the administration in January
10 1997.

11
12 In February 1997, Governor Gutierrez issued Executive Order 97-09 establishing the GTA
13 Privatization Task Force. This Task Force is comprised of 13 members representing the
14 Legislature, the Board, management and employees of GTA, representatives of the Guam
15 Civil Service Commission, the Government of Guam Retirement Fund, the Governor's
16 Office and the community. The Task Force was empowered to review the C&L report and
17 develop a plan for implementing its recommendations.

18
19 The C&L Report, titled "*Privatization Options and Valuation for the Guam Telephone*
20 *Authority*", included a valuation of GTA as well as a comprehensive review and discussion
21 of different privatization options that could be considered. The potential options assessed
22 within the study included status quo, employee ownership, management buy-out,
23 corporatization, initial public offering, and strategic partnership. These various options were
24 evaluated in a series of interviews with local business and government leaders, a sampling
25 of individual GTA employees as well as an open forum at the University of Guam for all GTA
26 employees. Each option was scored against the following six evaluation criteria:

- 27
28 a) Addressing and meeting employee concerns while effectively deploying their skills;
29 b) Commercial strength;
30 c) Generation of funds for GovGuam;
31 d) Consumer protection;
32 e) Realization of Vision 2001; and
33 f) Support from the community and the Legislature.

34
35 The C&L Report further presented a discussion of the issues that would possibly arise when
36 considering the privatization of GTA, and the different ways in which these issues might be
37 addressed. The report also presented an analysis of potential cost and management
38 flexibility comparative scenarios that could result from each option.
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1 Subsequent to the enactment of Executive Order No. 97-09, the 25th Guam Legislature
2 passed Bill No. 147 (COR) "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY
3 PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY (GTA)", which became
4 Public Law 24-36, mandating the following:
5

- 6 • A Plan of Action be prepared by the GTA Privatization Task Force and presented to the
7 Guam Legislature for approval;
- 8 • Final approval of any Privatization Contract by the Guam Legislature;
- 9 • The appointment of a Negotiations Observer by the Committee on Telecommunications;
- 10 • A Fairness Opinion as to the value of GTA's assets;
- 11 • The appointment of a Financial Advisor to represent GTA employees;
- 12 • The creation of a GTA Employee Coordinating Committee; and
- 13 • The creation of an "Infrastructure Improvement" account to receive any funds derived
14 from any sale of GTA assets.

15
16 In compliance with this Public Law, the Privatization Task Force has compiled this plan of
17 action and discussion of its findings for presentation to the Guam Legislature, the Governor
18 of Guam, and the Board of Directors of GTA and its employees.
19

20 As stated earlier and in compliance with Executive Order 97-09, the Task Force has utilized
21 the Coopers and Lybrand Report and recent activities in the telecommunications industry as
22 a basis for its deliberations. In addition, the Task Force has interviewed GTA employees
23 and conducted numerous employee forums designed to facilitate a better understanding of
24 the employee concerns and issues and educate employees on the intentions and direction
25 the Task Force will take to achieve Privatization. The results of these forums are included in
26 the appendix of this document.
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Introduction

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4 The Privatization of any government operation is a very serious issue. The investment and
5 return on public or rate payer's funds for capital improvements, overhead and maintenance,
6 employees and public services are difficult to quantify in government. Although it is
7 somewhat easier in autonomous rate-based agencies, the basic principles of supply and
8 demand are very often muddled due to policies that are outdated or more aptly designed for
9 line agencies and general fund budgeting principles.

10
11 When considering the situation of the Guam Telephone Authority, the issue becomes even
12 more serious. As an autonomous agency of the government, it has long enjoyed the
13 exclusivity of being the only local exchange carrier on Guam supported by our local and
14 federal governments. Through the years since its inception, GTA has blossomed into a state
15 of the art telecommunications center in the Pacific connecting Guam to the world through a
16 fiber optics network that is the envy of various countries. Its employees have benefited from
17 the myriad of opportunities for training and education that GTA has been able to provide
18 them.

19
20 Where once GTA enjoyed exclusivity in these and other areas, recent changes in federal
21 laws and telecommunications technologies have forced drastic changes that threaten the
22 very existence of the Authority by exposing its fundamental services to competition with the
23 private sector. Unfortunately, GTA is not positioned to compete with the private sector
24 effectively for a variety of reasons including its rate basis, restrictive local and federal
25 regulations and policies, its level of efficiency as a government entity, and its financial
26 condition, to name a few.

27
28 Change is being forced upon GTA and a long-term perspective is required if the Authority is
29 to survive. The welfare of the over four hundred GTA employees, their families and the rate
30 payers is at stake. The ability of GTA to continue to provide effective services to its rate
31 payers efficiently is threatened. Finally, and most importantly, Guam's future as a
32 telecommunications hub in the Pacific will be placed at risk if nothing is done.

33
34 The privatization of the Guam Telephone Authority has long been debated time and time
35 again. Proponents for its privatization have been voted down and although legislation for its
36 privatization has been promulgated and passed, privatization has never been deemed
37 "politically correct" or timely to implement. Now we are faced with a dilemma of immense
38 proportions.

39
40 "Doing nothing" is no longer an option. Doing nothing will place all GTA's assets at risk,
41 threaten the livelihood of its employees and compromise the ability of the government of
42 Guam to provide other public services effectively. GTA is well positioned at this time to

1 transition into a privatized entity, based on the strengths of its infrastructure, technological
2 advances and trained workforce. However, as each day goes by, its value diminishes in the
3 face of increased competition resulting from the Telecommunications Act of 1996 (TA'96).
4
5 The members of the GTA Privatization Task Force firmly believe that the challenges that are
6 brought about by the Telecommunications Act of 1996 can be overcome. With a well
7 thought out plan, a privatized Guam Telephone Authority will be a **win** for the employees of
8 GTA, a **win** for the government of Guam, and a **win** for our entire island community.

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What is driving the Need to Consider Privatization?

There are a number of very substantial factors that are forcing change on the Guam Telephone Authority and creating the need to consider alternatives to its status quo. These factors include the following:

The Telecommunications Act of 1996

The Federal Telecommunications Act of 1996 (TA'96) has fundamentally changed the laws governing the activities of telecommunications companies. This law swept away regulatory distinctions between communications carriers, changed the basis for regulatory compliance to one that is competition based, and created openings for companies to enter or expand their businesses into local, long distance, and cable markets. It removed the distinctions previously made between local and long distance carriers and cable system operators, allowing companies in one market sector to compete for business in other sectors. This law restructured the entire U.S. telecommunications industry, and has had a significant impact on the way GTA is doing business, now, and in the future.

Some key impacts of TA'96 include:

- Full service companies will increasingly provide communications services as the distinctions between local and long distance carriers and cable system operators disappears.
- Incumbent telephone carriers and cable system operators will lose part of their traditional markets and must look into other segments of the industry for growth potentials.
- Non-traditional players, such as electric utilities, owners of high density real estate (e.g. apartment complexes and office buildings) and others, will be attracted by the opportunity to create economies of scale in combining local telephone company facilities with their operations.
- Customers will be able to freely select from among different full service communications providers: customer retention will focus on service quality, convenience, promotions and competitive pricing.
- The role of the federal and state regulatory bodies as protectors of the consumer against unreasonable prices and practice will be reduced and replaced by regulatory compliance that is competition based.

- 1 • Price and regulatory concerns will focus more on eliminating illegal switching of
2 customers without their permission by local, toll, cellular, and video companies.
3
- 4 • Aggressive competition has already manifested itself in the local service market segment
5 challenging the monopoly once enjoyed by GTA. Higher local service charges will make
6 this market segment more attractive to potential competitors.
7

8 Further complicating the situation, GTA has been required to institute usage-based access
9 charges in place of the revenue-driven fees it previously charged under a 1993 Show Cause
10 Order. Because the revenues from the new access charges are significantly lower than the
11 fee-based income it had been receiving, GTA has moved to find a new balance in its local
12 service charges.
13

14 Technological change is driving the merging of telephone and computer technologies,
15 resulting in the emergence of a new era in communications technology known as "Network
16 Tele-computing". While GTA continues to invest in new technology to the best of its ability,
17 the Task Force believes much higher levels of investment in new systems technology and
18 expanded services to customers will be required in order to remain competitive.
19

20 21 **Government Ownership**

22
23 These rapid changes in markets and technologies and the loss of the exclusive franchise as
24 a provider of local telephone services fundamentally undermine GTA's viability, particularly
25 in light of its ownership by the government. There is the very real likelihood that the
26 government will be faced with subsidizing GTA's operations within 3 to 5 years or less if
27 nothing is done. Because the TA'96 requires that all competitors be treated equally, it would
28 be difficult for the government to justify, on an equity argument basis, any subsidies to GTA
29 operations, even if the government were in a position to subsidize GTA in the first place.
30

31 Competition from the private sector will result in downward pressure on prices and upward
32 pressure on service requirements in all of GTA's markets. As an autonomous agency of the
33 government, GTA is faced with severe restrictions limiting its potential ability to respond to
34 market conditions in an effective or efficient manner.
35

36 GTA's current financial position and policies relating to depreciation, debt repayment and
37 revenue enhancement are limiting its ability to reinvest in its operations. In general, private
38 sector companies have better access than government to capital for investment, and fewer
39 restrictions in accessing capital markets.
40
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1 Government ownership imposes further restrictions on management, human resources,
2 procurement, and investment policies, including changes in pricing, performance-based
3 compensation, employee deployment, and the protection of strategic information.
4
5

6 **Government Policies**

7

8 While changes in the regulatory environment pose significant competitive challenges to
9 GTA, government ownership ties the hands of GTA management and its employees in
10 responding to these challenges. It is a widely accepted policy that government should not
11 compete with the private sector. Government policies are generally designed to encourage
12 private sector growth, which in turn provides the tax revenue base by which government can
13 provide services to the general public.
14

15 Because GTA does not pay taxes, any of its activities that is competitive with private sector
16 firms is seen by many to be "unfair". This means that while private sector firms are
17 permitted under TA'96 to compete with GTA in the local telephone service market, GTA is
18 not permitted to compete with private sector companies in other markets, which is equally
19 "unfair" to GTA. The result is that GTA is restricted from expanding its business base in
20 many ways including:
21

- 22 • Aggressively marketing its cellular services (because of unfair competition with the
23 private sector);
- 24
- 25 • Aggressively developing and implementing its Personal Communications Services
26 (PCS) network;
- 27
- 28 • Aggressively investing in system improvements (because of limitations on access to
29 capital from the government or other sources);
- 30
- 31 • Paying performance based compensation to employees;
- 32
- 33 • Deploying its personnel as needed to meet the demands of a rapidly changing
34 marketplace;
- 35
- 36 • Providing new services which are already being provided by the private sector;
- 37
- 38 • Procuring goods and services outside of restrictive and cumbersome government
39 procurement regulations; and
- 40
- 41 • Protecting valuable business information due to open government laws (Sunshine
42 Reform Act)

1 **Implications for GTA**

2
3 The implications for GTA - given the Telecommunications Act of 1996, the usage-based
4 access charges, its inability to respond to rapidly changing markets or technology and the
5 restrictions of government policies and ownership - place the viability of GTA at great risk.

6
7 The future of telecommunications in Guam is becoming abundantly clear. Some of the
8 indicators include:

9
10 *Communications services will increasingly be provided and dominated by large, full service*
11 *companies.*

12
13 Mergers and acquisitions between long distance companies and specialty
14 communications service or technology providers are in place or are being promulgated
15 worldwide. The most recent example is the merger of GTE and Bell Atlantic, MCI World
16 Com and Sprint and ATT and Media One, creating conglomerates worth in excess of
17 \$100 billion in assets. Other indicators include the increasing interest in Guam by other
18 globally positioned private conglomerates such as StarTec* PCI, Guam Cell and GTE
19 Pacifica.

20
21 *Guam-based firms fully intend to provide local exchange services in the near future.*

22
23 The recent acquisition of Guam Cable Systems by Marianas Cable Vision has now
24 combined subscribers. With the new technologies available, MCV can also provide
25 Internet, telephone signaling and universal services to its customers in the same cable
26 with little comparative investment. Other private entities are now effectively competing
27 with GTA. For example:

- 28
29
- 30 • System maintenance contracts at all major hotels which were once the exclusive
31 market of GTA, have now been taken over by private firms.
 - 32 • Additional revenues have been lost to private firms offering "bundled deals" providing
33 long distance, Internet services, cellular, paging, Calling Cards, marketing incentives,
34 PCS, and
 - 35 • Several firms are now competing with GTA for inside wiring maintenance contracts.

36 *Because of government ownership and policies, GTA cannot respond effectively to market*
37 *driven challenges.*

38
39 Because GTA's fees are usage-based and not revenue driven, GTA cannot raise the
40 capital or make the investments necessary to compete against private entities.
41 Government policies and restrictions on procurement, personnel deployment and

1 competition are just a few of the obstacles GTA faces in light of the changes brought
2 about by the Telecommunications Act of 1996.

3
4 Based on its review and discussion of these and other issues, the GTA Privatization Task
5 Force believes that some form of privatization is necessary if GTA is to remain viable.
6 A privatization effort would serve to meet the objectives of the government in protecting the
7 long-term interests of GTA employees and would certainly assist in the development of
8 Guam into a telecommunications hub of the Pacific.

9
10 The privatization of GTA is both a great challenge and a great opportunity. Privatization will
11 provide GTA with access to private capital as well as enhance its existing technical and
12 leadership resources, allowing it to compete effectively in a rapidly changing market.
13 Through privatization, GTA will be able to aggressively seek business opportunities in new
14 market segments, such as long distance, cable, and Internet services, and become a full
15 service communications provider to the people of Guam. The new GTA could further
16 expand overseas, and GTA employees will be afforded the opportunity and resources to
17 improve their individual quality of life and expand their career opportunities in the exciting
18 field of telecommunications. Through privatization, the Task Force believes that the future
19 for GTA looks very bright indeed.

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Reviewing the Options

In deciding what options are available to GTA in light of the decision to privatize, the Privatization Task Force agreed that any decision must be based on the following objectives:

Objective #1: Addressing GTA Employee Issues:

Without a doubt, the true value of the Guam Telephone Authority lies in its employees. Although the work force is relatively young, investments in training, organization and technology have paid off for the Authority, creating a state of the art facility, increasing its ability to service its customers, and increasing its value over the years. The GTA Privatization Task Force is sensitive to the employees' concerns about how privatization or any similar change in the ownership or management structure at GTA will ultimately affect them.

The principle issues arising from a change in the ownership of GTA for its employees include:

- The possibility that the successful bidder may arbitrarily reduce the number of employees, resulting in personal hardship for families that rely on GTA for employment;
- In a privatized scenario, employment benefits such as annual or sick leave, holidays and other benefits may not be as attractive as now offered in the government of Guam;
- GTA employees would no longer be eligible to participate in the Government of Guam Retirement Fund. Employees are concerned that they may also lose the benefits that they have accrued over many years of service with GTA and other agencies of the government;
- Concerns over the level of participation by the employees throughout the process of privatization; and
- The ability to transfer into other government agencies or departments, if they choose to remain in government, rather than transition into a privatized GTA.

These are but a few of the concerns that have been expressed by the employees of GTA in several forums, including the most recent held in November 1999. A full transcription of their concerns and the Task Force's responses are included in Appendix A.

1 The safeguards and incentives recommended by the GTA Privatization Task Force to
2 protect the interests of GTA employees are set out in the Recommended Terms and
3 Conditions for Privatization section of this report, starting on page 18.

4
5
6 Objective #2: Contain Rates and Improve Services:

7
8 GTA operates in a regulatory framework that has been historically governed to different
9 degrees by the Federal Communications Commission (FCC), the Rural Utilities Service
10 (RUS), the Guam Public Utilities Commission (GPUC), and the government of Guam.

11
12 The Telecommunications Act of 1996 was designed to further de-regulate the industry,
13 remove distinctions between local and long distance carriers and generally facilitate more
14 competition between carriers, which in turn would result in lower rates and improved service
15 for the consumer. As stated earlier in this report, we have already seen aggressive
16 competition locally along these lines. As a result of its status as a government entity, its
17 current debt service and its inability to respond to market forces, GTA is limited in the types
18 of services it can provide or invest in, severely restricting its ability to contain rates and
19 improve services.

20
21
22 Objective #3: Retain Local Identification:

23
24 The Task Force agrees that local identification is a very important consideration to any form
25 of privatization. Sensitivity to our community's needs and the commitment to provide GTA
26 and its employees with the capital, technical skills and leadership skills it needs to prosper in
27 a highly competitive field is foremost in this plan. This can be accomplished by negotiating
28 incentives and encouraging local participation through possible joint ventures with local
29 companies, equity participation for Guam residents and ensuring that local skilled workers
30 are given priority in hiring at all levels. Most importantly, the Task Force believes that any
31 privatization effort should be focused on growing the telecommunications industry locally,
32 creating more jobs, services and revenues.

33
34
35 Objective #4: Assure GTA's Future Viability:

36
37 There are a number of economic and financial factors that have the potential to affect the
38 future financial performance and viability of GTA. These factors include:

- 39
40
- Anticipated growth rate of the telecommunications industry;
 - Tariff and access charges;
- 41

- 1 • Market access lines;
- 2 • The nature of competition;
- 3 • Changes in market share and market segmentation;
- 4 • Cellular (or mobile) subscribers and revenues;
- 5 • Overhead and maintenance costs;
- 6 • Other revenues and expenses; and
- 7 • Capital expenditure programs.

8
9 If GTA were privatized, restrictions associated with Government of Guam ownership would
10 no longer apply. Other changes, such as the following, would most likely be required in
11 order to make GTA viable as a privatized entity:

- 12
13 • Impose measures to monitor prices on non-competitive services until competition exists
14 (such as in local exchange services) and provide the necessary regulatory framework for
15 fair competition.
- 16
17 • Changes to the GPUC law regarding communications providers to bring local law in
18 accordance with the provisions and intent of the TA'96;
- 19
20 • As required by the TA'96, remove from GPUC the right to review the new GTA's
21 investment plans and allowing it to protect commercially sensitive and proprietary
22 information;
- 23
24 • Establish regulatory procedures to comply with TA96; and
- 25
26 • Address all existing covenants and agreements with RUS, vendors and other entities as
27 necessary.

28
29

30 Objective #5: Sustain Telecommunications Growth:

31

32 The Guam Telephone Authority has invested heavily in order to ensure that Guam is
33 positioned to be a leader in telecommunications in the Pacific arena. With fiber optics cables
34 stretching across the Pacific and Guam's ideal position for satellite transmission, there is no
35 doubt why global communications companies have shown extreme interest in our island.
36 Any privatization partner that is to be considered must have a global view of Guam as a
37 telecommunications hub. The future of Guam's economic expansion into the next
38 millennium depends on it.

1 Objective #6: Minimize the financial exposure of the government:

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As suggested earlier in this report, the government of Guam will most likely be forced to begin subsidizing GTA within 3 to 5 years, or less, if nothing is done. The continued erosion of GTA's revenues as a result of forced competition places its ability to service its debts at risk and increases the potential for a negative credit rating and possible loss of government-owned assets.

Privatization Options

The Coopers and Lybrand Report included a comprehensive review and discussion of the following privatization options available to GTA:

Continued Government Ownership:

- Status Quo: No change to the current structure.
- Corporatization: GTA would convert to a corporation and be allowed to operate, manage and pay taxes, fees and charges in a commercial fashion.

Government Retains Ownership of GTA's Assets Only:

- Management Contract: Allow a leading telecommunications company to manage GTA.
- Long Term Lease: Lease the assets of GTA to a leading telecommunications company.

Ownership by Subscribers, Employees or Management:

- Employee Ownership: Allow the employees to purchase and operate GTA.
- Cooperative: Allow the subscribers to purchase and operate GTA.
- Management Buy Out: Allow the managers to purchase and operate GTA.

Private Sector Ownership:

- Initial Public Offering: List GTA on the stock market and allow widespread private ownership.
- Break Up Sale: Split GTA into its most salable units, and sell them off to the highest bidder.
- Strategic Partnership: The merger with or sale of GTA to a leading telecommunications company or consortium.

Using the specific evaluation criteria outlined earlier in this report, the following potential future options for GTA were scored according to their ability to meet the 6 overall objectives adopted by the Task Force.

1 The results presented in the C&L Report were as follows:

2

3	Strategic Partnership:	23
4	Initial Public Offering:	18
5	Management Contract:	16
6	Long-term Lease:	15
7	Break-Up Sale:	15
8	Cooperative:	14
9	Employee Ownership:	14
10	Management Buy-Out:	14
11	Corporatization:	13
12	Status Quo:	11

13

14 After evaluation and discussion of these results, the Task Force endorsed the conclusion
15 reached in the C&L Report that a "Strategic Partnership" is the option most likely to meet
16 both the objectives of the government and protect the long-term interests of GTA
17 employees.

18
19 This option will bring with it the management flexibility to address the challenges of a rapidly
20 changing market place, and the necessary infusion of capital investment to ensure that
21 GTA is well placed to compete in new and existing market segments. Task Force members
22 also noted that in certain circumstances a bidder might be able to satisfy the major
23 objectives of the GTA Privatization Task Force under an ownership structure other than
24 "Strategic Partnership". The Task Force recommends that all eligible offers must contain a
25 detailed methodology by which the 6 major objectives and the terms and conditions
26 included in this plan of action will be met.

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The Value of GTA

Three different approaches were used in the C&L Report to estimate the value of the assets and the business of GTA, as follows:

- Discounted Cash Flow Valuation - This technique projects the future cash flow of GTA, then discounts the cash flow at an investment earnings rate that reflects the risk attached to the realization of this cash flow. This approach generally results in a higher relative value than other methods, but also tends to be more realistic. The discounted cash flow valuation methodology is the principal methodology for valuing mature companies in most cases.
- Comparative Based Valuation - This methodology looks at the stock prices of similar, publicly traded companies, as well as recent sales of similar companies, as available, deduces a value based on a benchmark (such as price to earnings ratio), and adjusts for scale. The accuracy of this measure of value depends largely on the similarity of the operations and activities of the comparable company with the company being valued.
- Asset Based Valuation - This fundamentally represents the value of a company's assets. The value of the company using this measure depends largely on the accounting policies of the company, and the method of valuing the assets of the company (for example, book value or replacement value). Given that most companies account for their assets on a cost less depreciation basis, this methodology tends to undervalue the company.

Each of these methodologies, and the ultimate value of GTA, is in turn affected by the economic and financial assumptions employed, which include:

- Economic assumptions (economy, customers, employees, etc.);
- Financial assumptions (working capital, depreciation, loans, retirement fund, taxation, discount rate, market growth rate);
- Operational and strategic fit with the purchaser; and
- Sensitivity analysis (with respect to employees, the government stake, tariff increases, lease or purchase of the assets or land, and taxation).

The C&L Report concludes that the equity value of GTA (after subtracting debt and other liabilities) is in the range of \$20 to \$60 million. (Based on the range of outcomes using the three different valuation approaches, and after taking into account different economic and financial assumptions, and sensitivity analysis of different assumptions).

Recommended Terms and Conditions for Privatization

The GTA Privatization Task Force recommends that the terms and conditions for the privatization of GTA be developed to facilitate, to the greatest extent possible, the realization of the 6 major objectives previously identified in this report. The following terms and conditions recommended by the Task Force, therefore, are grouped according to their support of each major objective. Each of the terms and conditions recommended in this Plan of Action must be addressed in good faith by all bidders, and to the satisfaction of Task Force members.

1) Addressing GTA Employee Issues

The GTA Privatization Task Force believes that addressing and meeting employee concerns is a major objective to be considered under any privatization proposal received by the government. The following terms and conditions are recommended by the Task Force to provide safeguards and incentives that will protect the interests of GTA employees. The Task Force also recommends that these terms and conditions should be an underlying basis for negotiation with a potential investor in GTA, unless specifically stated otherwise.

The Task Force believes that the combination of benefits and options that is recommended in this section is fair and reasonable. Task Force members further point out that GTA employees with different family situations and needs will weigh each of these potential benefits and options differently, and any employment package will be negotiated with the bidders to give the employees as many options as possible. Some of these terms and conditions include:

Employment

- a) No forced lay-offs, except for cause, for a minimum period of 5 years following the date of the GTA Privatization Agreement.
- b) Comparable or better salary and benefits packages to be negotiated with GTA employees prior to the date of the GTA Privatization Agreement and be sustained for a minimum period of five years.
- c) Provide each employee with a separate employment contract including, but not limited to :

1 **Other Benefits**

- 2
3 j) To the greatest extent possible, that the successful bidder will match or
4 exceed any other benefits currently provided by GTA and GovGuam.

5
6 **Special legislation will be required to:**

- 7
8 k) Allow GTA employees, if they so choose, to transfer their personal
9 Government of Guam Retirement Fund contributions into a private sector
10 pension plan; to leave their accrued benefits in the government system for
11 disbursement at a later date; or to take early withdrawals from the government
12 system in special circumstances.
- 13
14 l) Give GTA employees priority in lateral transfers to other agencies of the
15 government, where appropriate.

16
17 2) Contain Rates, and Improve Services

18
19 The GTA Privatization Task Force recommends that the successful bidder justify its
20 ability to contain rates and improve services, while meeting the other terms and
21 conditions of the Privatization Agreement, in the following areas:

- 22
23 a) Prices to be regulated by the GPUC "until effective competition exists in the
24 industry", or for the first 5 years of the Agreement, whichever comes first.
- 25
26 b) Improvements in service performance levels (such as market share, service
27 response times, and repair response times) over the first 5 years of the
28 Agreement.
- 29
30 c) As required by TA96, that the different services to be provided by GTA
31 (including local service, cellular service, and long distance) are "unbundled",
32 and priced as though each service is provided by a separate company.
- 33
34 d) Commit to a capital structure for the newly formed company for the first 5
35 years which would mitigate upward pressure on rates.

36
37 The Task Force believes that these performance requirements can be effectively
38 monitored by the publication of an audited annual report addressing these three
39 criteria each year for 3 years after the date of the Privatization Agreement. Other
40 monitoring methodologies would be negotiated with the successful bidder to allow a
41 level of comfort to the government without compromising market information deemed
42 confidential to the continued competitiveness of the New GTA.

1 3) Retain Local Identification

2
3 The Privatization Task Force believes that it is the interest of the island that local
4 business and individuals be given the opportunity to participate in the purchase or
5 privatization of GTA. Every effort should be made to provide information on GTA and
6 the terms and conditions for privatization to be publicly available to locally interested
7 firms and individuals.

8
9 The GTA Privatization Task Force believes that it is in the long-term interest of the
10 major stakeholders in GTA, that the successful company or consortium be able to
11 provide GTA with the capital as well as technical and leadership skills that will enable
12 the New GTA to prosper. Therefore, the successful bidder must persuade the Task
13 Force that it can:

- 14
15 a) Demonstrate a long-term commitment to Guam. This could be in the form of a
16 business plan or a capital investment plan, providing that disclosure of the
17 plan does not prejudice the competitive position of the New GTA.
18
19 b) Provide opportunities for local participation in both ownership and
20 management. This could be in the form of equity participation to Guam
21 residents, or some form of joint venture with local companies.
22
23 c) Demonstrate that all possible positions within the New GTA be filled from the
24 local community workforce.
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1 4) Assure GTA's Future Viability

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3 The successful bidder, individually or if a group as a group must be able to show the
4 Task Force members that it has:

- 5
6 a) Proven financial success. This could be in the form of financial statements that
7 show consistent increases in sales and profits over the past 5 years.
8
9 b) A Minimum Gross Annual Sales of \$500 million¹ over the previous year. It is
10 the intention of the Task Force that the new owner of GTA be a financially and
11 technically competent telecommunications company or consortium that is
12 capable of making the substantial capital investments that may be necessary
13 to secure the future of the New GTA.
14
15 c) Minimum Net Assets of \$100 million². Financial statements from the previous
16 year would allow this minimum net asset value to be calculated.
17

18 5) Sustain Telecommunications Growth

- 19
20 a) Prove Substantial International Telecommunications Experience. With the
21 passage of TA96, and the globalization of the telecommunications industry, it
22 is important that any bidder have the ability to enter or expand its presence
23 beyond local, long distance, and cable markets. The ability of the successful
24 bidder to demonstrate international experience will help ensure that the New
25 GTA is not left behind by technological change or innovation and is positioned
26 to penetrate new market segments.
27
28 b) A track record of success in similar market situations. In order to benchmark
29 the likely future performance of the successful bidder with the New GTA, a
30 proven track record of success in similar markets will be required.
31
32 c) Strong, Experienced Management. The successful bidder must demonstrate
33 that it can provide experienced leadership to the New GTA in order for it to
34 grow and prosper.
35
36
37

38 ¹The original GTA Privatization Task Force recommendation was \$1 billion. The Committee
39 on Telecommunications recommended a reduction on the Minimum Gross Annual Sales to
40 \$250 million. Subsequently, the GTA Privatization Task Force has compromised its
41 recommendation to \$500 million.
42

43 ²The Committee on Telecommunications recommends a reduction of the Minimum Net Assets
44 to \$50 million.

- 1 d) Technology Leadership. It is important that the new GTA keep abreast of new
2 technologies. This will ensure an improvement in services to every family and
3 every business in Guam.
4
- 5 e) Commitment to Invest to Maintain Technology Leadership. The successful
6 bidder must show that it has both sufficient financial resources and a
7 commitment to invest and grow the business of the New GTA.
8
- 9 6) Minimize the Financial Exposure of the Government
- 10
- 11 a) **“Cost Reimbursement”** - All bidders must pay for a performance bond to the
12 government, regardless of the type of offer or type of management and
13 ownership structure proposed, as a mandatory component of any Privatization
14 Agreement proposal submitted to the GTA Privatization Task Force for
15 consideration. This money would be used to reimburse the Government of
16 Guam for the costs incurred in performing a proper and thorough evaluation of
17 a bidder's proposal.
18
- 19 b) **“Up-Front Payment”** - The successful bidder will be required to make a
20 minimum up-front, non-refundable payment to the government, regardless of
21 the type of offer or type of management and ownership structure proposed,
22 upon execution of the Privatization Agreement.
23
- 24 This money would demonstrate a long-term commitment to the GTA
25 enterprise, and should represent 10% of the bid price.
26
- 27 c) **Assignability of Agreement** - The GTA Privatization Task Force
28 recommends that the ownership or management rights established in the
29 Privatization Agreement be restricted from being assigned or sold to another
30 entity for a period of 5 years after the date of the Privatization Agreement. Any
31 assignment must have the prior written approval of both the Governor of
32 Guam and the Guam Legislature.
33
- 34 d) **GTA's Land and related Assets** - The GTA Privatization Task Force
35 recommends that the land and related right of way assets of GTA be
36 specifically addressed in separate agreements to be approved by the
37 Legislature along with any privatization agreement. The government of Guam
38 desires to retain ownership of the land to preserve the long-term interests of
39 the people of Guam. However, it must be noted that flexibility in the terms and
40 conditions of any transfer of land, either by lease or sale will be important to
41 any negotiated privatization effort.
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The Task Force therefore recommends that separate formal real estate agreements be prepared for approval by the Legislature and to be executed at the same time as the Privatization Agreement. One agreement would either through lease or sale, transfer control of the land underlying GTA's buildings, work areas, and equipment (excepting rights of way) to the purchaser of GTA. Another agreement would state the terms and conditions allowing the purchaser of GTA access to the Government owned rights of way.

Recommended Methodology for Privatization

The GTA Privatization Task Force recommends the following approach to the solicitation of offers for a Privatization Agreement for GTA. The approach advocated by the Task Force seeks to meet the conditions for privatization set out in Public Law 24-36, and is conditional on approval of this Plan of Action by the Guam Legislature.

Objective Second Opinion on the sale or privatization of GTA

In accordance with Public Law 24-36, the final privatization agreement will be reviewed and approved by a second party hired by the Guam Legislature to ensure fair and proper terms and conditions of the agreement are met.

Employee and Public Education Forums.

The Task Force will continue to conduct forums for GTA employees. These forums are designed to answer the concerns of the GTA employees regarding privatization and keep them informed of the progress. Additional public education forums will be conducted pending approval of this Plan of Action.

Employee Coordinating Committee *

(This requirement of Public Law # 24-36 has been complied with and the Employee Coordinating Committee have been integrated into the Privatization Task Force as of August 1999.)

Employee Financial Advisor

In order to ensure that the employees of GTA can make informed and knowledgeable decisions regarding the effects of privatization, GTA shall provide the funding necessary to hire a Financial Advisor on their behalf in accordance with the intent of P.L. No. 24-36.

* Revised April 12, 2000 by Committee on Telecommunications, Transportation and Micronesian Affairs

1 Seek Regulatory Approvals

2
3 An analysis of the legal issues associated with the potential privatization of GTA was
4 undertaken by the law firm of Verner, Lipfert, Bernhart, McPherson, and Hand in
5 January 1997, and was included as an attachment to the C&L Report.

6
7 This legal review points out that approvals from the following regulatory agencies are
8 required:

- 9
10 a) **Federal Communications Commission (FCC)** - Under the provisions of
11 TA96, the FCC is overseeing the implementation of a competition-based
12 regulatory regime covering the communications industry generally. Currently,
13 GTA is operating under a Show Cause Order issued by the FCC in relation to
14 the pricing of access charges to its network, and GTA is operating under an
15 Integrated Compliance Plan in response to this Show Cause Order. Any
16 changes in the ownership or management of GTA which may affect its
17 responsibility under TA96 and the Show Cause Order may result in
18 intervention by the FCC.
- 19
20 b) **Rural Utilities Service (RUS)/ Rural Telephone Bank (RTB)** - Under the
21 Rural Electrification Act of 1936, the RTB has historically provided low interest
22 loans to many U.S. telephone and power authorities. The bulk of GTA's debt
23 has been issued by the RTB, which is regulated by the RUS. Under the RTB
24 loan indentures, any change in the ownership or management of GTA which
25 may affect the standing of this debt or potentially impair GTA's ability to repay
26 this debt, without prior permission of the RUS, may cause this debt to become
27 immediately payable.
- 28
29 c) **Guam Public Utilities Commission (GPUC)** - The GPUC regulates the
30 rates and charges of the government-owned power, water and telephone
31 utilities in Guam. The privatization of GTA, and increased competition in the
32 telecommunications field, will mandate changes in the role of the GPUC.
- 33
34 d) **U.S. Department of Justice (USDOJ)** - The USDJ has a role in the
35 regulation of the communications industry in relation to mergers and
36 acquisitions under the Hart-Scott-Rodino Antitrust Improvement Act of 1976.
37 While the role of the USDOJ does not at first appear to cover privatization of
38 government owned utilities, the Task Force recommends that approval be
39 sought as a safeguard.
- 40
41
42

1 The Task Force has initiated preliminary discussions with the necessary regulatory
2 agencies and will formally request their assistance and approval pending the
3 Legislative approval of this Plan of Action.

4
5 Request for Information: Establishment of a List of Qualified Firms (Investment
6 Advisor)

7
8 In order to expedite the process, the GTA will issue a Request for Information (RFI)
9 for an investment advisor shortly after the transmittal of the Plan of Action to the
10 Legislature. The RFI will seek information from firms with the appropriate
11 qualifications and experience to assist the government of Guam in the negotiation of
12 some form of privatization agreement for GTA. This process will enable the
13 establishment of a list of qualified firms.

14
15 Request for Proposal: Investment Advisor

16
17 Subject to approval of the Plan of Action by the Guam Legislature, a Request for
18 Proposal (RFP) process will commence to contract an Investment Advisor to assist
19 the government in the negotiation of a GTA Privatization Agreement. The qualified
20 Investment Advisors identified in the RFI process will be asked to submit proposals.

21
22 Invitation for Bid: GTA Privatization *

23
24 Upon completion of investment documentation by the investment advisor, the Task
25 Force proposes that the final stage of the privatization process be the subject of a
26 **specially legislated** Invitation For Bid (IFB) process.

27
28 ***Because of the range of tangible and non-tangible assets, the current***
29 ***procurement laws of Guam do not provide appropriate language to legally***
30 ***effectuate any strategic partnering or sale of GTA. Therefore special legislation***
31 ***will be required.*** For example, while the technical proposals from two firms may be
32 very similar, it is also possible that the cost proposals may differ by many millions of
33 dollars. Typically, any minor deficiencies in a technical proposal can then be
34 negotiated to allow for a corresponding amendment to the cost proposal to reflect
35 such changes. In addition, a number of the terms and conditions recommended in
36 this Plan of Action will have an impact on the value of GTA to a potential bidder.
37 There will, therefore, need to be consideration of the value for money offered under a
38 proposed Privatization Agreement in meeting these terms and conditions by different
39 bidders and under different privatization scenarios.

40
41 * Revised April 12, 2000 by Committee on Telecommunications, Transportation and
42 Micronesian Affairs.
43

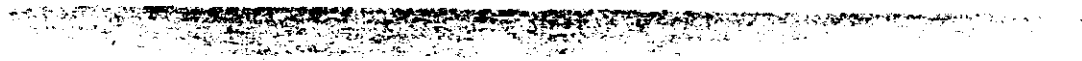
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It needs to be made clear to potential bidders that the proposal that offers the highest price to the government for GTA may not be successful if the Task Force determines that alternative offers better meet the overall objectives of the government. To this end, special procurement legislation is required in order to realize the objectives.

1 **Proposed Timetable for the Implementation of the Plan of Action**
 2

Date	Action
November 1997 March 1998 November 1999	Conduct employee education forums for review and discussion of the final Plan of Action
August 1999	Conduct elections for Employee Coordinating Committee Representatives
December 1999	Issue Request for Proposal for Employee Financial Advisor
January 2000	Submit Plan of Action final draft to GTA employees
January 2000	Engage Procurement Advisor
February 2000	Reissue Request for Proposal for Employee Financial Advisor
February 11, 2000	Submit Final Plan of Action to the 25 th Guam Legislature
February 2000	Forward copy of final Plan of Action to Regulatory Agencies (RUS, FCC, GPUC, USDJ)
February 2000	Engage Employee Financial Advisor
	Prepare RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Issue RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Begin dialogue with bidders. (Pending Legislative approval of Plan of Action)
	Based on RFP, establish a list of preferred bidders and begin dialogue. (Pending Legislative approval of Plan of Action)
	Finalize Terms and Conditions and solicit offers from bidders (Pending Legislative approval of Plan of Action)
	Select successful bidder, negotiate final contract and submit to Legislature for final review. (Pending Legislative approval of Plan of Action)
October 2000	Final approval and signature by the Governor of Guam.


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I MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
TWENTY-FIFTH GUAM LEGISLATURE
2000 (SECOND) Regular Session

Bill No. 394(rs)

Introduced by:


Chairman, Committee on Rules,
Government Reform, Reorganization
and Federal Affairs.

by request of I Maga'Lahen Guåhan,
the Governor, in accordance with
the Organic Act of Guam.

AN ACT RELATIVE TO APPROVING THE GUAM
TELEPHONE AUTHORITY PRIVATIZATION TASK FORCE'S
PLAN OF ACTION AS A BASIS FOR SECURING A
STRATEGIC PARTNER THROUGH A REQUEST FOR
PROPOSAL JOINTLY DEVELOPED BY THE LEGISLATURE'S
COMMITTEE ON TRANSPORTATION AND
TELECOMMUNICATIONS AND THE PRIVATIZATION TASK
FORCE.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 **Section 1. Approval of Guam Telephone Authority**
3 **Privatization Task Force Plan.** I Liheslatura, the Legislature, has
4 examined carefully the Plan of Action submitted to it by the Guam
5 Telephone Authority Privatization Task Force, attached to this legislation,
6 and approves of the attached Plan as the basis of securing a strategic
7 partner in a request for proposal which is to be executed within Sixty (60)
8 days of the enactment of this Section. Notwithstanding any other provision
9 of law, the request for proposal shall be jointly developed by a committee
10 comprised of those individuals who are members of i Liheslatura's, the
11 Legislature's, Committee on Transportation and Telecommunications and
12 the Guam Telephone Authority Privatization Task Force.



Plan of Action: Guam Telephone Authority (GTA) Privatization

OFFICE OF THE LEGISLATIVE SECRETARY
ACKNOWLEDGMENT RECEIPT
Received By: [Signature]
Time: 2:05 PM
Date: 14 Feb 2000

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 2-11-00
Time: 4:46 P
Rec'd by: [Signature]
Print Name: Laura

Prepared by
Guam Telephone Authority
Privatization Task Force

February 11, 2000

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Historical Perspective

In his Inaugural Address on January 2, 1995, Governor Carl Gutierrez stated that he would consider privatizing some government operations including the Guam Telephone Authority (GTA). Subsequently, in 1996 with the changes in the federal laws regulating the telecommunications industry and the development of the Vision 2001 Strategic Initiative, the firm of Coopers and Lybrand (C&L) was commissioned to conduct a study on the privatization of GTA. The final C&L Report was presented to the administration in January 1997.

In February 1997, Governor Gutierrez issued Executive Order 97-09 establishing the GTA Privatization Task Force. This Task Force is comprised of 13 members representing the Legislature, the Board, management and employees of GTA, representatives of the Guam Civil Service Commission, the Government of Guam Retirement Fund, the Governor's Office and the community. The Task Force was empowered to review the C&L report and develop a plan for implementing its recommendations.

The C&L Report, titled *"Privatization Options and Valuation for the Guam Telephone Authority"*, included a valuation of GTA as well as a comprehensive review and discussion of different privatization options that could be considered. The potential options assessed within the study included status quo, employee ownership, management buy-out, corporatization, initial public offering, and strategic partnership. These various options were evaluated in a series of interviews with local business and government leaders, a sampling of individual GTA employees as well as an open forum at the University of Guam for all GTA employees. Each option was scored against the following six evaluation criteria:

- a) Addressing and meeting employee concerns while effectively deploying their skills;
- b) Commercial strength;
- c) Generation of funds for GovGuam;
- d) Consumer protection;
- e) Realization of Vision 2001; and
- f) Support from the community and the Legislature.

The C&L Report further presented a discussion of the issues that would possibly arise when considering the privatization of GTA, and the different ways in which these issues might be addressed. The report also presented an analysis of potential cost and management flexibility comparative scenarios that could result from each option.

Subsequent to the enactment of Executive Order No. 97-09, the 25th Guam Legislature passed Bill No. 147 (COR) "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY (GTA)", which became Public Law 24-36, mandating the following:

- A Plan of Action be prepared by the GTA Privatization Task Force and presented to the Guam Legislature for approval;
- Final approval of any Privatization Contract by the Guam Legislature;
- The appointment of a Negotiations Observer by the Committee on Telecommunications;
- A Fairness Opinion as to the value of GTA's assets;
- The appointment of a Financial Advisor to represent GTA employees;
- The creation of a GTA Employee Coordinating Committee; and
- The creation of an "Infrastructure Improvement" account to receive any funds derived from any sale of GTA assets.

In compliance with this Public Law, the Privatization Task Force has compiled this plan of action and discussion of its findings for presentation to the Guam Legislature, the Governor of Guam, and the Board of Directors of GTA and its employees.

As stated earlier and in compliance with Executive Order 97-09, the Task Force has utilized the Coopers and Lybrand Report and recent activities in the telecommunications industry as a basis for its deliberations. In addition, the Task Force has interviewed GTA employees and conducted numerous employee forums designed to facilitate a better understanding of the employee concerns and issues and educate employees on the intentions and direction the Task Force will take to achieve Privatization. The results of these forums are included in the appendix of this document.

Introduction

The Privatization of any government operation is a very serious issue. The investment and return on public or rate payer's funds for capital improvements, overhead and maintenance, employees and public services are difficult to quantify in government. Although it is somewhat easier in autonomous rate-based agencies, the basic principles of supply and demand are very often muddled due to policies that are outdated or more aptly designed for line agencies and general fund budgeting principles.

When considering the situation of the Guam Telephone Authority, the issue becomes even more serious. As an autonomous agency of the government, it has long enjoyed the exclusivity of being the only local exchange carrier on Guam supported by our local and federal governments. Through the years since its inception, GTA has blossomed into a state of the art telecommunications center in the Pacific connecting Guam to the world through a fiber optics network that is the envy of various countries. Its employees have benefited from the myriad of opportunities for training and education that GTA has been able to provide them.

Where once GTA enjoyed exclusivity in these and other areas, recent changes in federal laws and telecommunications technologies have forced drastic changes that threaten the very existence of the Authority by exposing its fundamental services to competition with the private sector. Unfortunately, GTA is not positioned to compete with the private sector effectively for a variety of reasons including its rate basis, restrictive local and federal regulations and policies, its level of efficiency as a government entity, and its financial condition, to name a few.

Change is being forced upon GTA and a long-term perspective is required if the Authority is to survive. The welfare of the over four hundred GTA employees, their families and the rate payers is at stake. The ability of GTA to continue to provide effective services to its rate payers efficiently is threatened. Finally, and most importantly, Guam's future as a telecommunications hub in the Pacific will be placed at risk if nothing is done.

The privatization of the Guam Telephone Authority has long been debated time and time again. Proponents for its privatization have been voted down and although legislation for its privatization has been promulgated and passed, privatization has never been deemed "politically correct" or timely to implement. Now we are faced with a dilemma of immense proportions.

"Doing nothing" is no longer an option. Doing nothing will place all GTA's assets at risk, threaten the livelihood of its employees and compromise the ability of the government of Guam to provide other public services effectively. GTA is well positioned at this time to

What is driving the Need to Consider Privatization?

There are a number of very substantial factors that are forcing change on the Guam Telephone Authority and creating the need to consider alternatives to its status quo. These factors include the following:

The Telecommunications Act of 1996

The Federal Telecommunications Act of 1996 (TA'96) has fundamentally changed the laws governing the activities of telecommunications companies. This law swept away regulatory distinctions between communications carriers, changed the basis for regulatory compliance to one that is competition based, and created openings for companies to enter or expand their businesses into local, long distance, and cable markets. It removed the distinctions previously made between local and long distance carriers and cable system operators, allowing companies in one market sector to compete for business in other sectors. This law restructured the entire U.S. telecommunications industry, and has had a significant impact on the way GTA is doing business, now, and in the future.

Some key impacts of TA'96 include:

- Full service companies will increasingly provide communications services as the distinctions between local and long distance carriers and cable system operators disappears.
- Incumbent telephone carriers and cable system operators will lose part of their traditional markets and must look into other segments of the industry for growth potentials.
- Non-traditional players, such as electric utilities, owners of high density real estate (e.g. apartment complexes and office buildings) and others, will be attracted by the opportunity to create economies of scale in combining local telephone company facilities with their operations.
- Customers will be able to freely select from among different full service communications providers: customer retention will focus on service quality, convenience, promotions and competitive pricing.
- The role of the federal and state regulatory bodies as protectors of the consumer against unreasonable prices and practice will be reduced and replaced by regulatory compliance that is competition based.

- Price and regulatory concerns will focus more on eliminating illegal switching of customers without their permission by local, toll, cellular, and video companies.
- Aggressive competition has already manifested itself in the local service market segment challenging the monopoly once enjoyed by GTA. Higher local service charges will make this market segment more attractive to potential competitors.

Further complicating the situation, GTA has been required to institute usage-based access charges in place of the revenue-driven fees it previously charged under a 1993 Show Cause Order. Because the revenues from the new access charges are significantly lower than the fee-based income it had been receiving, GTA has moved to find a new balance in its local service charges.

Technological change is driving the merging of telephone and computer technologies, resulting in the emergence of a new era in communications technology known as "Network Tele-computing". While GTA continues to invest in new technology to the best of its ability, the Task Force believes much higher levels of investment in new systems technology and expanded services to customers will be required in order to remain competitive.

Government Ownership

These rapid changes in markets and technologies and the loss of the exclusive franchise as a provider of local telephone services fundamentally undermine GTA's viability, particularly in light of its ownership by the government. There is the very real likelihood that the government will be faced with subsidizing GTA's operations within 3 to 5 years or less if nothing is done. Because the TA'96 requires that all competitors be treated equally, it would be difficult for the government to justify, on an equity argument basis, any subsidies to GTA operations, even if the government were in a position to subsidize GTA in the first place.

Competition from the private sector will result in downward pressure on prices and upward pressure on service requirements in all of GTA's markets. As an autonomous agency of the government, GTA is faced with severe restrictions limiting its potential ability to respond to market conditions in an effective or efficient manner.

GTA's current financial position and policies relating to depreciation, debt repayment and revenue enhancement are limiting its ability to reinvest in its operations. In general, private sector companies have better access than government to capital for investment, and fewer restrictions in accessing capital markets.

Government ownership imposes further restrictions on management, human resources, procurement, and investment policies, including changes in pricing, performance-based compensation, employee deployment, and the protection of strategic information.

Government Policies

While changes in the regulatory environment pose significant competitive challenges to GTA, government ownership ties the hands of GTA management and its employees in responding to these challenges. It is a widely accepted policy that government should not compete with the private sector. Government policies are generally designed to encourage private sector growth, which in turn provides the tax revenue base by which government can provide services to the general public.

Because GTA does not pay taxes, any of its activities that is competitive with private sector firms is seen by many to be "unfair". This means that while private sector firms are permitted under TA'96 to compete with GTA in the local telephone service market, GTA is not permitted to compete with private sector companies in other markets, which is equally "unfair" to GTA. The result is that GTA is restricted from expanding its business base in many ways including:

- Aggressively marketing its cellular services (because of unfair competition with the private sector);
- Aggressively developing and implementing its Personal Communications Services (PCS) network;
- Aggressively investing in system improvements (because of limitations on access to capital from the government or other sources);
- Paying performance based compensation to employees;
- Deploying its personnel as needed to meet the demands of a rapidly changing marketplace;
- Providing new services which are already being provided by the private sector;
- Procuring goods and services outside of restrictive and cumbersome government procurement regulations; and
- Protecting valuable business information due to open government laws (Sunshine Reform Act)

Implications for GTA

The implications for GTA - given the Telecommunications Act of 1996, the usage-based access charges, its inability to respond to rapidly changing markets or technology and the restrictions of government policies and ownership - place the viability of GTA at great risk.

The future of telecommunications in Guam is becoming abundantly clear. Some of the indicators include:

Communications services will increasingly be provided and dominated by large, full service companies.

Mergers and acquisitions between long distance companies and specialty communications service or technology providers are in place or are being promulgated worldwide. The most recent example is the merger of GTE and Bell Atlantic, MCI World Com and Sprint and ATT and Media One, creating conglomerates worth in excess of \$100 billion in assets. Other indicators include the increasing interest in Guam by other globally positioned private conglomerates such as StarTec* PCI, Guam Cell and GTE Pacifica.

Guam-based firms fully intend to provide local exchange services in the near future.

The recent acquisition of Guam Cable Systems by Marianas Cable Vision has now combined subscribers. With the new technologies available, MCV can also provide Internet, telephone signaling and universal services to its customers in the same cable with little comparative investment. Other private entities are now effectively competing with GTA. For example:

- System maintenance contracts at all major hotels which were once the exclusive market of GTA, have now been taken over by private firms.
- Additional revenues have been lost to private firms offering "bundled deals" providing long distance, Internet services, cellular, paging, Calling Cards, marketing incentives, PCS, and
- Several firms are now competing with GTA for inside wiring maintenance contracts.

Because of government ownership and policies, GTA cannot respond effectively to market driven challenges.

Because GTA's fees are usage-based and not revenue driven, GTA cannot raise the capital or make the investments necessary to compete against private entities. Government policies and restrictions on procurement, personnel deployment and

competition are just a few of the obstacles GTA faces in light of the changes brought about by the Telecommunications Act of 1996.

Based on its review and discussion of these and other issues, the GTA Privatization Task Force believes that some form of privatization is necessary if GTA is to remain viable. A privatization effort would serve to meet the objectives of the government in protecting the long-term interests of GTA employees and would certainly assist in the development of Guam into a telecommunications hub of the Pacific.

The privatization of GTA is both a great challenge and a great opportunity. Privatization will provide GTA with access to private capital as well as enhance its existing technical and leadership resources, allowing it to compete effectively in a rapidly changing market. Through privatization, GTA will be able to aggressively seek business opportunities in new market segments, such as long distance, cable, and Internet services, and become a full service communications provider to the people of Guam. The new GTA could further expand overseas, and GTA employees will be afforded the opportunity and resources to improve their individual quality of life and expand their career opportunities in the exciting field of telecommunications. Through privatization, the Task Force believes that the future for GTA looks very bright indeed.

Reviewing the Options

In deciding what options are available to GTA in light of the decision to privatize, the Privatization Task Force agreed that any decision must be based on the following objectives:

Objective #1: Addressing GTA Employee Issues:

Without a doubt, the true value of the Guam Telephone Authority lies in its employees. Although the work force is relatively young, investments in training, organization and technology have paid off for the Authority, creating a state of the art facility, increasing its ability to service its customers, and increasing its value over the years. The GTA Privatization Task Force is sensitive to the employees' concerns about how privatization or any similar change in the ownership or management structure at GTA will ultimately affect them.

The principle issues arising from a change in the ownership of GTA for its employees include:

- The possibility that the successful bidder may arbitrarily reduce the number of employees, resulting in personal hardship for families that rely on GTA for employment;
- In a privatized scenario, employment benefits such as annual or sick leave, holidays and other benefits may not be as attractive as now offered in the government of Guam;
- GTA employees would no longer be eligible to participate in the Government of Guam Retirement Fund. Employees are concerned that they may also lose the benefits that they have accrued over many years of service with GTA and other agencies of the government;
- Concerns over the level of participation by the employees throughout the process privatization; and
- The ability to transfer into other government agencies or departments, if they choose remain in government, rather than transition into a privatized GTA.

These are but a few of the concerns that have been expressed by the employees of GTA at several forums, including the most recent held in November 1999. A full transcription of the concerns and the Task Force's responses are included in Appendix A.

The safeguards and incentives recommended by the GTA Privatization Task Force to protect the interests of GTA employees are set out in the Recommended Terms and Conditions for Privatization section of this report, starting on page 18.

Objective #2: Contain Rates and Improve Services:

GTA operates in a regulatory framework that has been historically governed to different degrees by the Federal Communications Commission (FCC), the Rural Utilities Service (RUS), the Guam Public Utilities Commission (GPUC), and the government of Guam.

The Telecommunications Act of 1996 was designed to further de-regulate the industry, remove distinctions between local and long distance carriers and generally facilitate more competition between carriers, which in turn would result in lower rates and improved service for the consumer. As stated earlier in this report, we have already seen aggressive competition locally along these lines. As a result of its status as a government entity, its current debt service and its inability to respond to market forces, GTA is limited in the types of services it can provide or invest in, severely restricting its ability to contain rates and improve services.

Objective #3: Retain Local Identification:

The Task Force agrees that local identification is a very important consideration to any form of privatization. Sensitivity to our community's needs and the commitment to provide GTA and its employees with the capital, technical skills and leadership skills it needs to prosper in a highly competitive field is foremost in this plan. This can be accomplished by negotiating incentives and encouraging local participation through possible joint ventures with local companies, equity participation for Guam residents and ensuring that local skilled workers are given priority in hiring at all levels. Most importantly, the Task Force believes that any privatization effort should be focused on growing the telecommunications industry locally, creating more jobs, services and revenues.

Objective #4: Assure GTA's Future Viability:

There are a number of economic and financial factors that have the potential to affect the future financial performance and viability of GTA. These factors include:

- Anticipated growth rate of the telecommunications industry;
- Tariff and access charges;

The results presented in the C&L Report were as follows:

Strategic Partnership:	23
Initial Public Offering:	18
Management Contract:	16
Long-term Lease:	15
Break-Up Sale:	15
Cooperative:	14
Employee Ownership:	14
Management Buy-Out:	14
Corporatization:	13
Status Quo:	11

After evaluation and discussion of these results, the Task Force endorsed the conclusion reached in the C&L Report that a "Strategic Partnership" is the option most likely to meet both the objectives of the government and protect the long-term interests of GTA employees.

This option will bring with it the management flexibility to address the challenges of a rapidly changing market place, and the necessary infusion of capital investment to ensure that GTA is well placed to compete in new and existing market segments. Task Force members also noted that in certain circumstances a bidder might be able to satisfy the major objectives of the GTA Privatization Task Force under an ownership structure other than "Strategic Partnership". The Task Force recommends that all eligible offers must contain a detailed methodology by which the 6 major objectives and the terms and conditions included in this plan of action will be met.

The Value of GTA

Three different approaches were used in the C&L Report to estimate the value of the assets and the business of GTA, as follows:

- **Discounted Cash Flow Valuation** - This technique projects the future cash flow of GTA, then discounts the cash flow at an investment earnings rate that reflects the risk attached to the realization of this cash flow. This approach generally results in a higher relative value than other methods, but also tends to be more realistic. The discounted cash flow valuation methodology is the principal methodology for valuing mature companies in most cases.
- **Comparative Based Valuation** - This methodology looks at the stock prices of similar, publicly traded companies, as well as recent sales of similar companies, as available, deduces a value based on a benchmark (such as price to earnings ratio), and adjusts for scale. The accuracy of this measure of value depends largely on the similarity of the operations and activities of the comparable company with the company being valued.
- **Asset Based Valuation** - This fundamentally represents the value of a company's assets. The value of the company using this measure depends largely on the accounting policies of the company, and the method of valuing the assets of the company (for example, book value or replacement value). Given that most companies account for their assets on a cost less depreciation basis, this methodology tends to undervalue the company.

Each of these methodologies, and the ultimate value of GTA, is in turn affected by the economic and financial assumptions employed, which include:

- Economic assumptions (economy, customers, employees, etc.);
- Financial assumptions (working capital, depreciation, loans, retirement fund, taxation, discount rate, market growth rate);
- Operational and strategic fit with the purchaser; and
- Sensitivity analysis (with respect to employees, the government stake, tariff increases, lease or purchase of the assets or land, and taxation).

The C&L Report concludes that the equity value of GTA (after subtracting debt and other liabilities) is in the range of \$20 to \$60 million. (Based on the range of outcomes using the three different valuation approaches, and after taking into account different economic and financial assumptions, and sensitivity analysis of different assumptions).

Recommended Terms and Conditions for Privatization

The GTA Privatization Task Force recommends that the terms and conditions for the privatization of GTA be developed to facilitate, to the greatest extent possible, the realization of the 6 major objectives previously identified in this report. The following terms and conditions recommended by the Task Force, therefore, are grouped according to their support of each major objective. Each of the terms and conditions recommended in this Plan of Action must be addressed in good faith by all bidders, and to the satisfaction of Task Force members.

1) Addressing GTA Employee Issues

The GTA Privatization Task Force believes that addressing and meeting employee concerns is a major objective to be considered under any privatization proposal received by the government. The following terms and conditions are recommended by the Task Force to provide safeguards and incentives that will protect the interests of GTA employees. The Task Force also recommends that these terms and conditions should be an underlying basis for negotiation with a potential investor in GTA, unless specifically stated otherwise.

The Task Force believes that the combination of benefits and options that is recommended in this section is fair and reasonable. Task Force members further point out that GTA employees with different family situations and needs will weigh each of these potential benefits and options differently, and any employment package will be negotiated with the bidders to give the employees as many options as possible. Some of these terms and conditions include:

Employment

- a) No forced lay-offs, except for cause, for a minimum period of 5 years following the date of the GTA Privatization Agreement.
- b) Comparable or better salary and benefits packages to be negotiated with GTA employees prior to the date of the GTA Privatization Agreement and be sustained for a minimum period of five years.
- c) Provide each employee with a separate employment contract including, but not limited to :

- Basic salary;
- Performance-based salary increments/bonuses;
- Education and training;
- Annual leave, sick leave and daycare benefits;
- Pension and medical disability plans;
- Health and life insurance plans.

Other potential benefits that may be considered or negotiated include profit sharing or stock option plans.

- d) Proven track record for harmonious employee relations. The successful bidder must be able to demonstrate to the Task Force that they have maintained good management - employee relations over the past 5 years and have displayed exceptional leadership in the management of their human resources.
- e) Incentive programs to induce employees to resign or retire voluntarily as a means of reducing staffing and improving efficiency and competitiveness in a phased manner.

Pension Benefits

- f) On the date of the GTA Privatization Agreement, ensure that GTA employees are credited with the full amount of contributions and/or investment earnings accrued under existing Government of Guam retirement plans up until that date. Employee contributions and interest earnings will then either be paid to the employees with less than 20 years of service by the Government of Guam Retirement Fund, or shall continue to be invested by the Fund and paid out when the employee subsequently retires.
- g) Ensure that the new pension plan allows GTA employees to rollover certain length of service towards vestation.
- h) That an attractive new pension plan be offered that is effective on the date of the GTA Privatization Agreement, and that the successful bidder be responsible for payment of employer contributions earned with the new pension plan after that date;
- i) Each year of service with GTA or with GovGuam, including all allowable service credits, shall be applied where appropriate to the new pension plan.

Other Benefits

- j) To the greatest extent possible, that the successful bidder will match or exceed any other benefits currently provided by GTA and GovGuam.

Special legislation will be required to:

- k) Allow GTA employees, if they so choose, to transfer their personal Government of Guam Retirement Fund contributions into a private sector pension plan; to leave their accrued benefits in the government system for disbursement at a later date; or to take early withdrawals from the government system in special circumstances.
- l) Give GTA employees priority in lateral transfers to other agencies of the government, where appropriate.

2) Contain Rates, and Improve Services

The GTA Privatization Task Force recommends that the successful bidder justify its ability to contain rates and improve services, while meeting the other terms and conditions of the Privatization Agreement, in the following areas:

- a) Prices to be regulated by the GPUC "until effective competition exists in the industry", or for the first 5 years of the Agreement, whichever comes first.
- b) Improvements in service performance levels (such as market share, service response times, and repair response times) over the first 5 years of the Agreement.
- c) As required by TA96, that the different services to be provided by GTA (including local service, cellular service, and long distance) are "unbundled", and priced as though each service is provided by a separate company.
- d) Commit to a capital structure for the newly formed company for the first 5 years which would mitigate upward pressure on rates.

The Task Force believes that these performance requirements can be effectively monitored by the publication of an audited annual report addressing these three criteria each year for 3 years after the date of the Privatization Agreement. Other monitoring methodologies would be negotiated with the successful bidder to allow a level of comfort to the government without compromising market information deemed confidential to the continued competitiveness of the New GTA.

4) Assure GTA's Future Viability

The successful bidder, individually or if a group as a group must be able to show the Task Force members that it has:

- a) Proven financial success. This could be in the form of financial statements that show consistent increases in sales and profits over the past 5 years.
- b) A Minimum Gross Annual Sales of \$500 million¹ over the previous year. It is the intention of the Task Force that the new owner of GTA be a financially and technically competent telecommunications company or consortium that is capable of making the substantial capital investments that may be necessary to secure the future of the New GTA.
- c) Minimum Net Assets of \$100 million². Financial statements from the previous year would allow this minimum net asset value to be calculated.

5) Sustain Telecommunications Growth

- a) Prove Substantial International Telecommunications Experience. With the passage of TA96, and the globalization of the telecommunications industry, it is important that any bidder have the ability to enter or expand its presence beyond local, long distance, and cable markets. The ability of the successful bidder to demonstrate international experience will help ensure that the New GTA is not left behind by technological change or innovation and is positioned to penetrate new market segments.
- b) A track record of success in similar market situations. In order to benchmark the likely future performance of the successful bidder with the New GTA, a proven track record of success in similar markets will be required.
- c) Strong, Experienced Management. The successful bidder must demonstrate that it can provide experienced leadership to the New GTA in order for it to grow and prosper.

¹The original GTA Privatization Task Force recommendation was \$1 billion. The Committee on Telecommunications recommended a reduction on the Minimum Gross Annual Sales to \$250 million. Subsequently, the GTA Privatization Task Force has compromised its recommendation to \$500 million.

²The Committee on Telecommunications recommends a reduction of the Minimum Net Assets to \$50 million.

the same time as the Privatization Agreement. One agreement would either through lease or sale, transfer control of the land underlying GTA's buildings, work areas, and equipment (excepting rights of way) to the purchaser of GTA. Another agreement would state the terms and conditions allowing the purchaser of GTA access to the Government owned rights of way.

Recommended Methodology for Privatization

The GTA Privatization Task Force recommends the following approach to the solicitation of offers for a Privatization Agreement for GTA. The approach advocated by the Task Force seeks to meet the conditions for privatization set out in Public Law 24-36, and is conditional on approval of this Plan of Action by the Guam Legislature.

Objective Second Opinion on the sale or privatization of GTA

In accordance with Public Law 24-36, the final privatization agreement will be reviewed and approved by a second party hired by the Guam Legislature to ensure fair and proper terms and conditions of the agreement are met.

Employee and Public Education Forums.

The Task Force will continue to conduct forums for GTA employees. These forums are designed to answer the concerns of the GTA employees regarding privatization and keep them informed of the progress. Additional public education forums will be conducted pending approval of this Plan of Action.

Employee Coordinating Committee

The Task Force supports the establishment of a GTA employee Coordinating Committee as outlined in P.L. No. 24-36. However, after consultation with the Guam Election Commission, the nomination and election of these representatives are deemed to be at large, which would be contrary to the intent of the law to provide for equal representation from all departments of the Authority. To this end, the Task Force recommends that P.L. No. 24-36 be revised for clarity. In the meantime, GTA will conduct an election of representatives designed to fulfill the fairness intent of the law, under the supervision of the Guam Election Commission, pending an amendment to P.L. No. 24-36.

Employee Financial Advisor

In order to ensure that the employees of GTA can make informed and knowledgeable decisions regarding the effects of privatization, GTA shall provide the funding necessary to hire a Financial Advisor on their behalf in accordance with the intent of P.L. No. 24-36.

The Task Force has initiated preliminary discussions with the necessary regulatory agencies and will formally request their assistance and approval pending the Legislative approval of this Plan of Action.

Request for Information: Establishment of a List of Qualified Firms (Investment Advisor)

In order to expedite the process, the GTA will issue a Request for Information (RFI) for an investment advisor shortly after the transmittal of the Plan of Action to the Legislature. The RFI will seek information from firms with the appropriate qualifications and experience to assist the government of Guam in the negotiation of some form of privatization agreement for GTA. This process will enable the establishment of a list of qualified firms.

Request for Proposal: Investment Advisor

Subject to approval of the Plan of Action by the Guam Legislature, a Request for Proposal (RFP) process will commence to contract an Investment Advisor to assist the government in the negotiation of a GTA Privatization Agreement. The qualified Investment Advisors identified in the RFI process will be asked to submit proposals.

Invitation for Bid: GTA Privatization

Upon completion of investment documentation by the investment advisor, the Task Force proposes that the final stage of the privatization process be the subject of an Invitation For Bid (IFB) process.

Because of the range of different offers possible for a GTA Privatization Agreement, an RFP process, which requires separate technical and cost proposals, is not appropriate. For example, while the technical proposals from two firms may be very similar, it is also possible that the cost proposals may differ by many millions of dollars. Typically, any minor deficiencies in a technical proposal can then be negotiated to allow for a corresponding amendment to the cost proposal to reflect such changes. In addition, a number of the terms and conditions recommended in this Plan of Action will have an impact on the value of GTA to a potential bidder. There will, therefore, need to be consideration of the value for money offered under a proposed Privatization Agreement in meeting these terms and conditions by different bidders and under different privatization scenarios.

It needs to be made clear to potential bidders that the proposal that offers the highest price to the government for GTA may not be successful if the Task Force determines that alternative offers better meet the overall objectives of the government. To this end, special procurement legislation is required in order to realize the objectives.

Proposed Timetable for the Implementation of the Plan of Action

Date	Action
November 1997 March 1998 November 1999	Conduct employee education forums for review and discussion of the final Plan of Action
August 1999	Conduct elections for Employee Coordinating Committee Representatives
December 1999	Issue Request for Proposal for Employee Financial Advisor
January 2000	Submit Plan of Action final draft to GTA employees
January 2000	Engage Procurement Advisor
February 2000	Reissue Request for Proposal for Employee Financial Advisor
February 11, 2000	Submit Final Plan of Action to the 25 th Guam Legislature
February 2000	Forward copy of final Plan of Action to Regulatory Agencies (RUS, FCC, GPUC, USDJ)
February 2000	Engage Employee Financial Advisor
	Prepare RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Issue RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Begin dialogue with bidders. (Pending Legislative approval of Plan of Action)
	Based on RFP, establish a list of preferred bidders and begin dialogue. (Pending Legislative approval of Plan of Action)
	Finalize Terms and Conditions and solicit offers from bidders (Pending Legislative approval of Plan of Action)
	Select successful bidder, negotiate final contract and submit to Legislature for final review. (Pending Legislative approval of Plan of Action)
October 2000	Final approval and signature by the Governor of Guam.

Appendix A

Results of Questions Presented at the GTA Employee Forums

- November 22-29, 1999 GTA Employee Forums
- March 10-13, 1998 GTA Employee Forums
- November 17-21, 1997 GTA Employee Forums

**GTA Employee Forum
on the Status of GTA Privatization Task Force
Questions and Answers
(November 22 - 29, 1999)**

The following is a discussion of employee concerns and interests presented at the Employee Forum on Privatization. All retirement issues have been forwarded to the Government of Guam Retirement Fund for further clarification and verification. The Government of Guam Retirement Fund and the Actuary are currently reviewing the GTA employees concerns on retirement and will provide immediate and proper response upon thorough evaluation and analysis.

I. FINANCIAL ADVISOR**1) Who is responsible for hiring the Financial Advisor and what is the time line for this Financial Advisor?**

The Financial Advisor is funded by GTA. The selection is a joint effort by GTA and the Employee Coordinating Committee (ECC) following government procurement regulations. The Financial Advisor, who reports directly to the employees through the ECC, is expected to join GTA's efforts by December 1999 and will remain until the closing of the contract.

2) According to Cliff, we expect to move forward in December. We don't have a Financial Advisor. The Financial Advisor has to identify the employees options and what we expect from him. How are we going to the Legislature with this come December?

Public Law 24-36 states that the Financial Advisor must be hired prior to the submission of the plan of action. The ECC is concurrently planning to have the plan of action and Financial Advisor in place by December 1999. Employees must understand that the Financial Advisor is not expected to begin negotiations at this time. The intent is to bring the Financial Advisor on board to review the plan, work with and represent the employees, and be ready to maximize employee benefits and interests at the bargaining table.

3) As employees, are we allowed a copy of the Request for Proposal (RFP) for the Financial Advisor or allowed the opportunity to read the RFP at a designated area?

The Request for Proposal is a public document. Every employee will be provided a copy of the Request for Proposal.

II. NEGOTIATIONS**4) What will be the employee benefits that will be negotiated in the process of privatizing benefits?**

The employee benefits are detailed in the Plan of Action. The Privatization Task Force will negotiate above and beyond the minimum requirements stated in the Plan of Action with the successful bidder.

5) What steps are necessary for the employees to get to the negotiation table?

All employees are encouraged to stay informed. There is much work to be done and the Privatization Task Force requires the continued support of the employees.

GTA must still pursue some form of strategic partnership to carry us to the next century. During this process, one of the issues we must encourage is the removal of the "non-binding negotiations" clause as mandated by Public Law 24-36. Basically, it's unreasonable to go through so much time, effort, and expense in finding potential partners and then to negotiate issues without commitment.

6) As GTA employees, what do we have to do to tell the Privatization Task Force to go with the plan of action and get to the negotiation table? Do we tell the Employee Coordinating Committee (ECC) to do it or do we submit a survey that the employees say "Go For It"?

Both. GTA employees should talk to their senators to actively pursue action on the plan. The Privatization Task Force can only move forward with the support of its employees. GTA employees should earnestly keep in touch and stay informed with the ECC, and remain committed to this effort. Also, each employee should thoroughly read and understand the information being given to you by the ECC.

7) Can other private companies be involved in the negotiations specifically for the possibility of absorbing employees who have to be let go?

No. A third party will not be included in the negotiations. Should employee(s) refuse to work for the new company and withdraw from government service, a job placement program can be established to assist these individuals in securing employment elsewhere.

8) Will hourly wages be brought to the negotiations table? In other words, will the new company match or better the hourly wages, or is it totally up to the company?

Our goal is to sustain existing employee benefits. The Privatization Task Force will not honor any type of negotiation that will lower salaries and benefits. The Task Force seeks a company that has name recognition, experience in telecommunications, and a vision for GTA. We want to secure a good compensation plan and benefits package.

9) Instead of the five year transitional contract, can we have it for twenty years?

As a negotiating issue, that would be unreasonable and would certainly jeopardize other things we would try to negotiate for the authority and the employees. Essentially, nothing is for free. It is a give and take of compensation and benefits.

10) In the negotiation, it will be a give and take situation. We know what we basically want. Wouldn't it be wiser to see what the interested partner or buyer has to offer so that we don't have a another flawed law passed like the recent law that was offered in reference to priority transfer for GTA employees?

The provisions stated in the plan of action is the *minimum* the Privatization Task Force is willing to accept. The more the company offers the better for GTA. There may be a cost attributed to this, but if the deal works out better for the GTA employees, the rate payers and taxpayers, everyone wins. We are looking for the company that offers above and beyond the minimum requirements.

11) Can we begin "non-binding negotiations" with interested parties?

Public Law 24-36 states that "the GTA Board is authorized to begin non-binding negotiations with qualified investors". This "non-binding" clause should be re-examined as it does not commit parties to the agreement and can be a deterrent in bringing interested investors to the negotiating table.

12) What is going to happen to employees who require technical training and/or certification on the job (specifically Central Office employees)? What can privatization do for these employees? Will these employees be let go?

In the proposed plan of action, there will be no forced layoffs except for cause for five years. The proposal also stipulates that the partner will provide training to the employees to improve their skills, and in effect maintain their jobs. With additional training, the employees provide better customer service and remain a valued asset to the company. The goal is to increase the employee workforce --- the more jobs are created, the more taxes are generated, Guam benefits and the entire region. Also, given the very nature of the telecom industry, all these successes, new services, and better products are a result of existing training programs.

13) Will each employee's knowledge, skills, and abilities (KSA) be assessed prior to privatization so the new partner would be able to evaluate each individual appropriately?

Individual employee profiles will be performed to assess employees skills and training received. This serves the best interest for both the employees and the interested partner as the employees will be properly placed in positions that best meets their capabilities and potential.

14) Can 1% or more of the sale of GTA be offered to the employees in monetary value or some form of value (stocks, bonds, etc.)?

No. If GTA is sold and there is a cash contribution to the people of Guam, the money will be deposited into the General Fund as required by public law. GTA employees will not benefit directly once the contribution is placed in the General Fund. Should there be a monetary value gained from the sale, and before the deal is signed, we can negotiate incentive buy outs in terms of additional training on and off-island, profit sharing and stock options, annual leave and sick leave benefits, etc.

15) Is there any measure to prevent the new strategic partner from divesting GTA for resale to make a profit?

No. For a period of five years, the company cannot not resale GTA without prior approval (of both the Governor of Guam and the Legislature).

16) Can the PTF and our consultants reconsider the options, Employee Ownership and Initial Public Offering, in light of the prosperity experienced by other private Telco who opt for the option and were successful, Australia Tel and Mexico Tel?

There are few employee owned telecommunications companies in the United States. The telecommunications laws in Australia and Mexico differ to that of the United States. I don't have specific answers to that but will address the matter.

17) Will the private company continue to provide service up to the demark which is the protector without any additional cost? If not, who will pay for Tan Maria and Tun Juan for the job order of \$1,500 trenching?

Currently, payment for such trenching is either subsidized through the commercial accounts or absorbed in the rates. Once the private company enters into the contract, the trenching will be billed to the owner or may subsidized in some other manner. We don't have the answers to that question at this point. The Privatization Task Force will discuss this issue during negotiations.

III. LATERAL TRANSFER**18) What is the status of request for lateral transfers and does the lateral transfer option have an expiration date?**

The initial lateral transfer law was flawed. According to the law, employees may transfer into agencies with vacant positions. However, this prevented employees within the agencies from filling those positions. In its subsequent amendment, Public Law 24-150 established a priority placement for GTA employees for vacant positions within the government. However, priority placement expired on January 1, 1999. Presently, there is a hiring freeze on all Government of Guam positions.

The Attorney General and the Civil Service Commission have been asked to address the lateral transfer issue and develop new language to open the doors for GTA employees to transfer within the government. The Attorney General and Civil Service Commission will also address sustaining equity among employees where the vacant positions exist and the potential transfer of interested GTA employees. GTA employees shall receive a copy of the proposed bill for review and approval before submission into the Legislature.

19) Can the lateral transfer mentioned in the bill during negotiations be amended to include priority transfer to entry levels in the government for those who wish to start over within the government?

The Attorney General and the Civil Service Commission have been asked to address the lateral transfer issue and suggest language to the Committee Chair on Transportation and Telecommunications, Senator Carlotta Leon Guerrero, for inclusion with the plan of action once approved. GTA employees will have the opportunity to review and approve the bill through the ECC before submission to the Legislature.

20) Concerning the lateral transfer, why was it for lower pay?

I don't know. There may have been some basic flaws to the legislation. Also, at the time of some of the transfers, there may have been no comparable positions with the same pay. However, offers may have been made for similar positions at a lower pay.

21) Why were GTA employees told from other GovGuam departments, "I don't care where you came from" during the lateral transfer?

I don't know why they were told that. There should have been no obstacles for lateral transfers. While I can't speak for other departments and their staff, I know this entire lateral transfer process was supported and encouraged by GTA and the administration.

22) Why was the list of personnel concerning lateral transfer not complete?

GTA obtained its official list from the Department of Administration.

23) Why did lateral transfer work first for employees who were perceived as having strong political connections?

A huge exodus of employees was expected when the lateral transfer law was enacted. However, the lateral transfer process did not work --- only four from GTA transferred into other GovGuam departments. In my opinion, apparently most GTA employees chose not to transfer for several reasons: they don't know what is being brought to the negotiations table, GTA may offer better opportunities and incentive packages to its employees, and it is not favorable to move to a line agency given the current budgetary limitations.

24) Can the priority transfer bill for GTA employees be offered again during negotiations? If yes, can the lateral transfer be offered in priority of time in service versus political connections? Is yes, how soon can they start?

We can and will offer lateral transfers to the best that it can be done. Employees are encouraged to consider this lateral transfer possibility during the five year transition time with the incoming company and not at any time before the negotiation stage. Employees should avail themselves to the many opportunities and benefits the successful bidder may offer.

25) Why is the Government still trying to downsize the Government of Guam and will it affect the lateral transfer?

Presently, there is a hiring freeze on all Government of Guam positions. Because of the government's social responsibility (welfare, food stamps, housing, etc.) in providing essential and critical services to the people of Guam, the government must eventually reopen closed positions. Employees are encouraged to partner with the new company so that once the positions are open, they are given to get first priority to fill those positions.

IV. RETIREMENT/ANNUAL AND SICK LEAVE/VOLUNTARY SEPARATION**26) If we are privatized, what will happen to our retirement, annual, and sick leave and our years of service with GTA?**

Regarding the retirement program, the Attorney General stated that the Defined Benefit Plan (old plan) is an entitlement program, and the Defined Contribution Plan (new plan), is called a trust. Under the Defined Benefit Plan, the Legislature has the authority to adjust the annuities at any time. On the other hand, the Legislature has no control over retirees investment earnings in the Defined Contribution Plan --- the employees contributions and the government's share are placed in a trust which is invested. The government cannot alter or transfer the monies invested by employees participating in the Defined Contribution Plan.

Should an employee disengage with the Government of Guam, he/she has several options:

- a. Keep the money in the Government of Guam retirement fund (to be disbursed at a future date) and enroll into a pension plan offered by the company. However, no additional contributions can be made to GovGuam retirement fund;
- b. Withdraw money from retirement and transfer it into a pension plan offered by the company;
- c. Withdraw money for use at own discretion.

GTA employees can only withdraw his/her contributions and interest earned upon separation with the government.

The Financial Advisor becomes a key player in providing individualized financial counseling to employees to effectively handle his/her retirement contributions and/or investment earnings.

Accrued sick and annual leave is also applied towards service credits at the time of retirement. The Privatization Task Force will negotiate the transfer of annual leave, sick leave, and the retirement benefits with the successful bidder.

27) When the purchase of GTA is consummated, what happens to

a) Retirement? Would our investment remain with the Fund or would we be required to reinvest with the new company and in what ratio and type?

As stated in the plan of action, the Privatization Task Force will negotiate the following pension benefits for GTA employees: Keep employees retirement contributions in the GovGuam retirement fund and join the pension plan offered by the incoming company; roll credits from the GovGuam retirement fund into the new pension plan; or engage in the employee incentive buy out.

b) Benefits? Would annual/sick leave benefits be offered and under what conditions/situation?

Accrued sick and annual leave is applied toward service credits in the retirement fund. The Privatization Task Force will negotiate the transfer of annual leave, sick leave, and retirement benefits with the successful bidder.

c) Medical? Would it be similar to what we are being presently provided?

GTA is in an excellent position to negotiate optimum medical benefits with the successful bidder. The goal is not to retain the same medical benefits as currently offered within the government but to improve the benefits at a lower cost to the employees.

28) Can our annual and/or sick leave be paid out upon privatization?

Annual leave may be paid out, not sick leave.

29) If I decide to leave my retirement in the Government of Guam and start a new retirement in the new firm, at what age can I start receiving annuity?

To be addressed by the Government of Guam Retirement Fund.

30) Can our retirement be transferred to our spouses or relatives in the Government? How about our annual and sick leave?

Presently, employees can transfer sick leave to their spouses and/or relatives but I don't believe annual leave can be transferred. The employee retirement contributions cannot be transferred to their spouses and/or relatives --- it is an individual contract between the employee and the retirement fund. Only at the time of death can the beneficiary collect on the employee's retirement benefits. GTA employees may withdraw their employee contributions or investment earnings from the retirement fund and give it to their spouse or relatives.

31) If GTA is privatized, can sick leave still be transferred to retirement even though we are not retiring?

Most likely, but this needs to be confirmed by the Retirement Board. We will have to examine this issue.

32) If I quit the Government of Guam and I want to pull out my retirement, do I only get my contributions?

Yes, the employee can only withdraw his/her employee contributions and interest earned but not the government's share.

33) Since we are being privatized and we presently have no option because of the telecommunications industry mandates, can we receive our retirement benefits inclusive of our contribution, interest earned and the government's contribution?

Should an employee disengage from government service and elect to withdraw his/her retirement benefits, the employee is only entitled to his/her employee contributions and interest earnings. The employee cannot withdraw the government's share.

34) For all employees with 15 service years and over, there is no better retirement than the Government of Guam. We all look forward to retiring under the existing retirement plan and don't want to start over with the private company. Can we transfer the service credits and benefits from the GovGuam Retirement Fund to the private company?

The GovGuam Defined Benefit Retirement Plan appears to offer generous benefits. However, employees enrolled with the Defined Benefit Plan retire with a fixed income; that is, income that is not indexed with inflation. For example, if a retiree receives \$100 and there is 5 percent inflation, the retiree requires \$105 to maintain a standard of living. With a fixed retirement income, he/she can buy only \$95 worth of goods and services. Unless there are other sources of income, he/she will sustain a lower standard of living. The fixed retirement income does not adjust with inflation. The Privatization Task Force will consider all options and opportunities available and negotiate the most suitable pension plan that best satisfies the needs to the employees.

35) Can the Legislature pass a law at any point in time that reduces my amount of retirement annuity (old retirement plan) due to the lack of money within the government? What is the difference between "Defined Contribution" and the "Entitlement" on the retirement fund?

With regard to the retirement program, the Attorney General stated that the Defined Benefit Plan (old plan) is an entitlement program, and the Defined Contribution Plan (new plan), is called a trust. Under the Defined Benefit Plan, the Legislature has the power to modify employee annuities at any time. On the other hand, the Legislature has no control over retirees investment earnings in the

Defined Contribution Plan --- the employees contributions and the government's share are placed in a trust which is invested. The government is prohibited to alter or transfer the monies invested by employees participating in the Defined Contribution Plan.

36) If I move to the new private company and decide to return to the Government of Guam, will I be able to stay in the old plan (Defined Benefit Plan) or do I have to enroll in the new plan (Defined Contribution Plan)?

Employees can remain in the Defined Benefit Plan upon return to government service in as far as they do not withdraw their contributions from the retirement fund. Those employees who disengage from the government and withdraw their retirement contributions, and later return to the government are required to enter into the Defined Contribution Plan.

37) Right now, I'm under the old plan (Defined Benefit Plan). Let's say, I want to enroll into the new plan (Defined Contribution Plan). Can I withdraw my retirement and put it into the new plan or do I have to quit my job at GTA?

The employee must quit government service to withdraw his/her contributions under the Defined Benefit Plan.

38) If I'm participating in the old plan (Defined Benefit Plan), can I just keep my job and start contributing into the new plan (Defined Contribution Plan)?

I don't believe any employee can withdraw his/her retirement from the defined benefit plan and roll over to the defined contribution plan without quitting government service. The employee must terminate government service to withdraw his/her retirement contributions.

39) Why do they call our retirement an entitlement when they drag that out of our paycheck?

It is an the employee contract--- the employee GG1 is a contract with the Government of Guam. This means that the employee is hired by the Government of Guam with specified personnel rules and regulations and employee benefits. The employee signs an agreement with the government to deduct a portion his/her employee paycheck to contribute to the retirement fund. This entitlement program grants the government can have access to the fund at any time. Monies invested in the trust fund, on the other hand, whereby the employee and the government agrees to contribute a certain percent to the fund cannot be moved or borrowed by the government.

40) On the retirement issue, many of us do not understand the unfunded liability and funded liability. There is a portion that the government has to pay and take from us. Line agencies owe the retirement fund approximately \$400 million and they are taking this money, the unfunded liability. The government cannot pay its debt service to the Retirement Fund. Can you explain this?

This sets a clear distinction between the Defined Benefit Plan (DB) and the Defined Contribution Plan (DC). The Defined Benefit Plan has \$1.4 billion in assets. With respect to the DB Plan, the Government of Guam agrees to contribute 18.6 percent and the employee contributes his 9.6 percent share to the retirement fund. Over the years, the line agencies failed to contribute its share of the 18.6 percent to the retirement fund. Thus, the Government created this unfunded liability. At present, there is \$420 million worth of unfunded liability. A percentage of the 18.6 percent from the General Fund has been used to reduce the unfunded liability --- GovGuam borrowed from the employees retirement fund. In addition, military service and education credits have not been funded which contributed to the unfunded liability. In essence the Government is in breach of contract with its employees. The Legislature can, at any time, refuse to pay the unfunded liability.

There is no unfunded liability with a trust, or Defined Contribution Plan. The Government of Guam has no authority over monies invested in the DC Plan. Should the Government of Guam fail to contribute its share in the DC Plan, the employees have cause to sue the government. Should the government fail to contribute its share under the entitlement or DB Plan, employees have no cause to sue the government, except for the contract between the employee and the government.

41) If the new company comes in, and the Government of Guam allows us to withdraw our retirement, wouldn't the Government of Guam lose if it refunds every employee his/her retirement contributions?

Employees who discontinue government service and withdraw his/her contributions under the DB Plan is deemed favorable to the retirement fund for these employee pull only their employee contributions and not the government's share. To achieve personal financial gain, it is not advisable to roll over the money from the DB Plan to the DC Plan for, as stated earlier, only employee contributions can be withdrawn and invested.

42) What is the Government's contribution to the Defined Contribution Plan?

The government's contribution is 5 percent of the employee's gross earnings. The employee can match or increase his/her contribution to the Defined Contribution Plan.

43) Can I roll over my government retirement earnings into my own 401k plan with another company I am also with?

The Defined Contribution Plan acts like the government's 401k plan. With the company's approval, an employee can roll over his/her Defined Contribution earnings to the 401k plan once the employee discontinues government service. An employee may also consider rolling over his defined contribution earnings to a rollover IRA that has more portfolio (or more options) than a 401k plan.

44) Is the Legislature going to include autonomous agencies into the retirement buy out? If so, this would allow better negotiations for benefits since the number of employees will decrease.

Presently, GTA employees are eligible for the early retirement incentive program. Under the early retirement incentive, eligible employees may purchase up to five years of additional creditable service towards retirement (Public Law 25-74 and amended by Public Law 25-90).

Public Law 25-90 also stipulates that government employees may voluntarily separate from the government and receive one lump sum payment equal to fifty percent of his/her base salary. This voluntary separation provision is extended to line agencies, and excludes autonomous agencies.

45) If the law was created to reduce the fat budget of the General Fund, what do you think of the autonomous fund? As the early retirement incentive and voluntary buy out law was created to reduce the fat of the government, why is the voluntary separation and buy out not applicable for autonomous agencies?

Presently, voluntary separation does not apply to autonomous agencies (Public Law 25-90). The Legislature may examine the voluntary separation issue for autonomous agencies when introduced in session.

46) Can GTA participate in the voluntary separation if we stop hiring?

No.

47) If the early buy out option and voluntary separation is rescinded at this time, can it be reintroduced specifically for GTA employees once negotiation and bidding starts?

Yes. This issue will be introduced to the Legislature with the plan of action. GTA is not locked into the General Fund and the Legislature should not be concerned on how to fund the agency. The Attorney General has recommended a reexamination of the Defined Contribution Plan to identify ways to transfer the benefits in the Defined Benefit Plan into the Defined Contribution Plan. This will have to be researched.

V. MISCELLANEOUS

48) What are the different privatization options considered? Is full privatization the only option considered? What other options have been explored?

As stated in the plan of action, the following privatization options available to GTA include:

- a) Continued Government Ownership
 - Status Quo: No change to the current structure.
 - Corporation: GTA would convert to a corporation and be allowed to operate, be managed and pay taxes, fees and charges in a commercial fashion.
- b) Government retention of GTA's assets
 - Management Contract: Allow a leading telecommunication company to manage GTA.
 - Long Term Lease: Lease the assets of GTA to a leading telecommunications company.
- c) Ownership by Subscribers, Employees or Management
 - Employee Ownership: Allow the employees to purchase and run GTA.
 - Cooperative: Allow the subscribers to purchase and run GTA.
 - Management Buy Out: Allow the managers to buy and run GTA.
- d) Private Sector Ownership
 - Initial Public Offering: List GTA on the stock market and allow widespread private ownership.
 - Break Up Sale: Split GTA into its most salable units, and sell them off to the highest bidder.
 - Strategic Partnership: The merger or sale of GTA to a leading telecommunications company or consortium.

After evaluation and rating of the options, "Strategic Partnership" was the highest rated option that best meets GTA's objectives and the interests of its employees.

49) How does strategic partnership work?

Allows all parties to sit down at the table and negotiate the best interests and concerns for everyone involved.

50) How does strategic partnership affect our Government employee status?

The goal is to negotiate the maximum benefits and protection for GTA employees to maintain job security whether it be transitioning into private sector, retaining government status, or securing a job elsewhere.

51) Why aren't we addressing a joint strategic partnership?

The Privatization Task Force supports Coopers and Lybrand recommendation of "Strategic Partnership" option to best serve the objectives of government and interests of GTA employees. Strategic Partnership offers best potential opportunities for employee career building and transition, and places GTA in the best negotiating position possible.

52) How did the Privatization Task Force select "strategic partnership" as the best option without the employees vote on it?

This ranking was based on the recommendation from the Coopers and Lybrand report. It was rated on giving the employees maximum flexibility and giving the industry maximum growth potential on Guam. The Privatization Task Force wanted to attain maximum negotiation power for its employees.

53) What is PCS service? Does GTA have a PCS license and why aren't we providing PCS prior to IT&E?

GTA obtained its PCS, or Personal Communications Systems, license approximately four years ago. GTA has not launched its PCS wireless service basically for several reasons. GTA was challenged in court on its authority to provide PCS service outside of Guam. This court process took two years. Within this past year, the courts ruled that, with Guam's telecommunications technology, GTA does have the authority to provide PCS service. However, financial and cumbersome government regulations and mandates prevent GTA from competing and providing timely business service. An estimated \$5 to \$6 million is needed in order to implement the PCS service. GTA can secure a loan; however, this lengthy process requires legislative approval.

54) Word is GTA going into the Internet business to service the GovGuam Internet network as well as offer Internet to the public. Is the government going to allow us to do this? If so, why can't we compete in other areas of the telecommunications industry?

In its efforts to increase the band widths and provide interconnection for government agencies, approximately \$400,000 from Y2K funds had been proposed to fund GTA with a new server to provide Internet wide area services for all Government of Guam agencies and to allow for public access to government information. However, several Internet service providers challenged the Government's support of GTA's effort to enter into interconnection business. GTA would gain an advantage over the private providers as GTA uses federal funds and is exempted from paying taxes on income received. These providers stressed that the government should not compete as Internet services are already provided to the public.

55) What does IT&E's request for interconnection mean? Does it mean they take over our facilities, allow collocation, lease GTA lines? What does it mean when IT&E interconnection happens?

This is in reference to land line interconnection, IT&E submitted an interconnection request to the Public Utilities Commission. Because this was a first for IT&E to make such a request, the interconnection request identified all services that most telecommunications companies can offer. Technical workshops will be held with IT&E and other interested parties to determine the exact details of the request. There may be some components listed that the company may or may not require at the time of interconnection. Through interconnection, IT&E gains an advantage in offering attractive bundled services (including basic service, e-mail, Internet, cellular, and long distance) to the public which negatively results in the potential loss of GTA customers. At present, the Public Utilities Commission has granted GTA a two year suspension from interconnection. A competitive readiness assessment will be conducted to determine what actions GTA can take be ready to compete.

56) IT&E is asking to interconnect with GTA. Can GTA interconnect with them?

No. GTA is considered the local exchange and ITE is a private company.

57) Is IT&E the only one who can apply for "interconnection"?

No. Under the Telecommunications Act of 1996, any communications company can apply.

58) Will there be costs involved with interconnection? And if other companies come in, will they be able to interconnect as well and at what rates (wholesale, retail)?

Technical workshops will be held to solidify all the interconnection requests and requirements by interested companies. New rates will be implemented for additional services. Depending on the levels of interconnection, certainly costs will be incurred.

59) If IT&E request for interconnection materializes on January 1, 2002, what happens to the employees and GTA's facilities?

By then, I foresee new business services for GTA as identified by the PUC through their competitive readiness assessment. I foresee GTA competing in the market place or entering into some form of privatization or strategic partnership.

60) What is the impact of the \$120 million RUS loan that GTA presently has with regard to privatization?

Whenever there is a sale or partnership to take place, GTA must disclose all assets and liabilities. The \$120 million RUS loan will be factored into the negotiation process. The repayment component of the loan may be structured into the strategic partnership deal.

61) What is Competitive Readiness Assessment?

Because GTA has received a two year interconnection suspension, the PUC mandated GTA to conduct a competitive readiness assessment. This plan assesses GTA's internal operations, assets and liabilities, business services, market potential, and facilities network. The competitive readiness assessment identifies what GTA can do within the next two years to prepare for interconnection. The competitive readiness assessment covers the privatization issue and identifies what steps GTA should take to prepare for competition. Anticipated completion of the Competitive Readiness Assessment is February 2000.

62) On the Plan of Action that is to be submitted to the Legislature, can we stipulate that if the Legislature does not move with the Plan of Action, GTA can then comply with the Competitive Readiness Assessment to be implemented immediately as noted by GPUC?

Our goal is to continue with our timetable for submission of the Plan of Action to the Legislature. However, should the Legislature not act in a timely manner, the next option would be to review the possibility of implementing the Competitive Readiness Assessment recommendations provided they are consistent with local laws and procurement regulations.

63) If no change happens because of interconnection within the next two years and interconnection materializes, how soon will layoffs begin? In other words, how long can GTA survive after interconnection?

Unless something critical happens, layoffs are not expected to occur. The primary goal for the Privatization Task Force is to satisfy and safeguard the interests of GTA, its employees, its facilities, and to ensure growth in telecommunications.

Worst case scenario, if GTA remains status quo, IT&E and others may start seizing GTA's commercial customers. Telecommunications companies will actively pursue the high yield, low

maintenance areas (such as Tumon, Agana, Dededo, special circuits, and long distance). It is these areas that GTA can expect to experience increasing loss of revenues. Should IT&E obtain interconnection in January 2001, GTA can expect degradation in March 2001. We can expect cutbacks in operations and outsourcing of services within sixty days after interconnection. Naturally, GTA can expect cutbacks with a sizable loss of market share and no new business services and revenues.

64) If a global telecommunications company is involved, how realistic is it for us to work outside of Guam?

It is a good possibility based on an employee's work performance and skills.

65) Is GTA going to be privatized in its entirety or will the private company or partner be allowed to focus only on GTA's money making operations?

At this point, I'm not sure if GTA will be privatized in its entirety. We won't know until negotiations begin. The Privatization Task Force's goal is not to promote GTA's money making operations but to negotiate the best available package for GTA and its employees. There may be some services that the partner has no interest in and permit GTA to continue managing those operations. GTA may privatize in some areas and partnership in others.

66) What is the current value of GTA?

Overall, an estimated \$250 million. The competitive ready assessment will provide a more thorough assessment of GTA's value.

67) What will happen to all the assets of GTA?

As stated in the plan of action, the land is government owned and can be leased with specified conditions. All other assets can be transferred or sold/partnered as part of the package during negotiations.

68) How much in revenues (cash) does GTA have in reserves?

GTA averages \$7-8 million.

69) Since individuals and/or firms have been given tours of our facilities, has a buyer been designated?

Absolutely not.

70) The current plan of action that we have on the table with the target goal of submission to the Legislature by the end of the year is seen as a conceptual plan of action, when do anticipate having a true plan of action that outlines dates and numbers?

The time line will not be accurate until the Legislature approves the plan of action. According to Public Law 24-36, the Privatization Task Force must submit the plan of action to the Legislature for approval. The Legislature must act on the plan of action before the Privatization Task Force can proceed. Employees should bear in mind that the Legislature may amend the plan which in turn may negate any company from showing interest in GTA or delay the bidding and negotiations process. Should the plan of action be amended, the plan will have to be revisited to determine the effect on the employees and potential investors. Once the Legislature approves the plan of action, the GTA Board and the Privatization Task Force can begin "non-binding" negotiations with qualified investors. This "Non-binding" clause as stated in the law is a critical issue that should be reexamined as it can be a deterrent in bringing the parties to the negotiating table.

71) If the common theme is that GTA is to privatize in order to compete with other telecommunications companies and to upgrade its services, how does the Government of Guam benefit as a whole?

The Government of Guam benefits because GTA employees will retain their jobs; the telecommunications industry will also continue to grow and this subsequently puts money back into the economy; and will privatization will open the doors for new industries to invest in Guam and provide additional jobs for the community.

According to Public Law 24-36, any funds arising from the sale of GTA's assets will be deposited in an Infrastructure Improvement account --- that is money the employees may never see once in the General Fund. The Privatization Task Force prefers to use any monies remaining to negotiate for additional benefits (incentive buy outs, medical benefits, education and training, profit sharing, etc.) to improve and empower its workforce.

72) If no one wants to buy GTA after we go through the whole negotiation process, what happens next?

That is not expected to happen. However, should that occur, GTA will inevitably downsize personnel. The Public Utilities Commission (PUC), which regulates how GTA operates, will not allow GTA's revenue streams to drop. Before rates are raised to save GTA, the PUC will lower cost by cutting employees and contract operations.

73) Regarding no forced layoffs for five years except for cause, if the company cannot survive because of economic conditions or other circumstances, how can the company retain its employees when there is no money? Will the company layoff?

As Guam is the hub for telecommunications, I don't see that happening. We don't have enough employees and/or training. During negotiations, the PTF will call for additional training to enhance employees skills and certification with the company. Employees should retain a positive attitude and self worth in partnering with the incoming company.

74) Can we have Senator Carlotta Leon Guerrero at the forums to answer questions? Why isn't the Privatization Task Force, Legislature, or Governor not present at these forums?

Originally, five senators served on the Privatization Task Force. These senators elected to withdraw from the Task Force in order to remain objective when voting on the plan. Also, for all practical purposes and with the existing small forums, it may be difficult for Senator Carlotta Leon Guerrero, the Governor, or all Privatization Task Force members to be available at every discussion. A large scale forum may be a likely option. There are a few drawbacks, however, to conducting large forums. Employees may be less responsive with policy makers present and may be less likely to be straightforward and honest. The small scale forums provide employees the ease to openly voice their concerns and recommendations in a smaller group setting. These small scale forums also prevents shutdown and disruption of GTA operations. All GTA employees are encouraged to discuss their concerns with an ECC representative and request response in writing.

75) Why is the PTF not complete in this forum and how can we be sure that Mr. Guzman's answers will be concurred by the missing members?

Basically, every answer given to the employees has already been prepared and approved by the members, which is the plan of action. All other answers were based on recently passed laws. Employee questions and written responses are forwarded for discussion with the Privatization Task Force members. Any differing opinions and additional responses will be included in the plan of action. Most Privatization Task Force members represent the private sector and may not be available at all forums.

76) Since we as employees elected the ECC into office, when are you going to have your own forum with the GTA employees where we can ask you some questions as well as implement the plan?

Pocket meetings have been held to address employee questions and concerns. All concerns expressed during the pocket meetings have been compiled and are presented at these forums. Any additional questions introduced at the forum are presented for discussion at the following sessions. It is difficult to gather and maintain control of all GTA employees in one forum. We don't necessarily have to have a forum --- every employee is welcome to voice his/her concerns with

their department representative or any other ECC member. The ECC works together as a team and are ready and willing to hear all concerns and not just the concerns of the department they represent. Status reports are prepared and disseminated to ensure that all employees are well informed on the effects of privatization.

The employees are welcome to attend the Wednesdays meetings (with supervisory approval) to obtain first hand information and dialog exchange between the ECC and the Privatization Task Force members. I do not recommend a forum without representation from the Privatization Task Force for the ECC works closely with the PTF, and the chairperson should be present at these forums.

77) We are wasting time for there are questions today that were asked two years ago. How can we really get this done considering the short time we have?

Considering the limited time we have, all we can do is to keep trying. The Privatization Task Force's goal is to finalize and submit the plan of action by the end of December. Indeed there are questions that were asked two years ago. However, there were in fact some delays that we had no control over. Yet, if the forum did not take place and the Privatization Task Force proceeded with the plan of action, employee complaints would emerge regarding management's and PTF's failure to keep staff informed. Smaller group forums were established to provide for easy discussion about the status of the Privatization Task Force and to maintain control and attention amongst employees.

78) How realistically will it be for the Legislature to refuse the plan of action and why would they do that anyway?

I don't know why the Legislature would refuse it. It is important that all GTA employees be fully appraised of the plan and supportive of PTF's efforts to present their concerns and recommendations to the Legislature and at negotiations.

79) Noting that GTA is a government agency and that we are operating on government land, will that be a key issue from preventing us to privatize?

No. As stated in the plan of action, the government property will be leased. The government property is not for GTA to sell. GTA holds the government property in trust, as the government land belongs to the people of Guam. The Government of Guam proposes to grant favorable leases to the partner for the first few years of operation.

80) If privatization goes through, will there be a clause to protect the public and the employees if the new company does not meet all stipulations as noted on the privatization contract or agreement?

There will be a breach of contract should the company fail to fulfill its obligations. It is not in the company's best interest to breach the contract. Should the company breach the contract, the government has the right to legally sue.

81) One of the privatization condition is that the new employer agrees to retain all GTA employees, except those terminated for cause, for five years from the date of purchase and would not implement any downsizing of staff. What assurance do we employees have that the new employer would not renege from this condition? Furthermore, what happens to us or what recourse do we have should this situation becomes a reality?

There will be a breach of contract should the company fail to fulfill its obligations. It is not in the company's best interest to breach the contract. Should the company breach the contract, the government has the right to legally sue.

82) If we as employees want the plan of action to be given to the Legislature for discussion and the Legislature decides not to act on it, what are the alternatives?

Recommend GTA employees to pressure the Legislature to seriously move forward with the plan whether it be total approval or propose changes to the plan. Some action should be taken. Public relations efforts will be in place to inform the general public about the privatization process and steps to be taken.

83) Can the PTF answer for the allege remarks made to the Water Works employees that state GTA employees will all lose their jobs?

GTA employees will transition their jobs with the new company. Should GTA employees quit the government, they will no longer have a job with the government.

84) How long can GTA sustain itself at its current rate if nothing happens and we are not privatized? With existing operations including labor and administrative support, how long can GTA operate before layoffs?

That depends on the rate when IT&E interconnects and pulls GTA's clientele. It also depends on GTA's revenue reserves to sustain the agency and its employees. Should interconnection occur and GTA experiences increasing loss of revenues, one of two things will occur: GTA will begin cutting back operations and force layoffs, or trigger a rate hike to the rate payers.

85) If layoffs happen, how is management going to inform us?

We don't foresee any lay-offs, especially with the impending departure and retirement of over 25 employees. If lay-offs are necessary, it will be done with a workable plan, after a thorough assessment has been made, and it will recognize the effects to the authority. It certainly won't be done haphazardly without regard to the welfare of the employees or the future of the authority.

86) How could an informed decision have been made about transferring without any other options being discussed at the negotiating table?

Our objective is to extend potential lateral transfers throughout negotiations and transition subject to legislative concurrence.

87) What stalled the original privatization process that started a year ago? Why are we "going around in circles", why haven't we done anything like submitting the Plan of Action? What are we waiting for?

Public Law 24-36 mandates the creation of the Employment Coordinating Committee, the hiring of Financial Advisor and an Investment Advisor. Public Law 25-14 repealed and reenacted Public Law 24-36 to allow for districting elections for GTA's ECC representatives. This allows for representation from each department. Your ECC representatives are now in place. Our goal now is to hire the Financial Advisor and concurrently procure an Investment Advisor and Procurement Advisor. The Financial Advisor must be hired prior to the submission of the privatization plan, and must have sufficient time to review the plan.

88) How is it possible that the ECC is now appointed to the Privatization Task Force and for what purpose?

The ECC representatives have been elected by their respective departments and appointed by the Governor of Guam to serve on the Privatization Task Force. The purpose of the ECC is to represent the employees and address their concerns to the Privatization Task Force. The ECC shall ensure that the employees interests and concerns are met throughout the planning and negotiation process.

89) Are the members of the PTF being paid for their services on the task force?

No.

90) What is the legitimate purpose of government?

To provide for the health, human services of the people that it serves.

91) Is the legitimate purpose of government to provide for the public good what the private sector cannot provide?

Yes.

92) Why can't GTA compete as a government agency or is there any law that stops GTA from competing? Can the Legislature pass a law that would allow us to compete?

There is no law to prevent GTA from competing. GTA is faced with severe restrictions on management and procurement policies that limits its capabilities to respond effectively to market conditions. Also, it is widely accepted that government should not compete with the private sector. Government is designed to encourage private sector growth, which in turn provides tax revenues by which government can provide services to the general public.

93) As employees, if we agree to submit the Plan of Action to the Legislature, does that mean that we are already agreeing to sell GTA?

No. The sole goal is to get to the negotiating table to explore our options.

94) Can the Legislature allow us to compete against the IXC's?

No.

95) A consultant's GTA fiscal status report stated that for every \$1 of labor there is a loss of \$11. In order to present a positive facade and to enhance our ability in attracting would be buyers, should management begin planning or take necessary steps to reduce and streamline our expenditures such as supplies, staffing, equipment, materials, etc.? If such activities are ongoing, what visible effects can be identified; we must be mindful that nothing can convincingly sway would be buyers decisions better than our track record and bottom line called net profit.

This sounds like a question from Senator John Salas. At the oversight hearing, Senator Salas stated that GTA was losing approximately \$80 million a year. If we are losing \$80 million a year, we wouldn't be here for the last two years. I recall a report stating that for every dollar in labor, we are losing \$11 dollars. We are compared to regional bell operating companies which is different in all respects. For the most part, regional bell operating companies contract most all services including mechanic shops, installation and repair, etc. There is no outside plant as their systems are in place. I don't have an assessment to why that statement was made or to what context it was referring to, but it will be addressed in the competitive readiness assessment.

96) Is the strategic partnership process similar to what the Guam Power Authority (GPA) is going through?

No. GPA only operates two main sections: generation, and transmission and distribution. GPA contracted an independent power producer to build a power plant. The power producer operated the system and the Government of Guam paid for the power generated. The plant is equipped with highly sophisticated computer systems and runs efficiently with limited personnel. Most GPA personnel were deployed into transmission and distribution. As GPA impacts only Guam, GTA's telecommunication interests and value are worldwide.

97) How is GPA's situation beneficial to its employees?

It's beneficial to employees learning new skills in power generation. Where employees gain the most is the GPA no longer has to concern itself with downed generators. GPA can effectively deploy its resources and use the money to improve the system. This in effect relieves the stress on its employees.

98) What is the impact of privatization on existing and new DOC Sanchez scholarship recipients or recipients who have already graduated?

There should be no impact at all. Existing legislative mandate states that the Government of Guam will appropriate funding for education with the provision that the recipient repay the Government through time in service upon graduation. Upon submittal of the plan to the Legislature, the Privatization Task Force will include proposed changes to law to address this issue and ensure that recipients are not cut off from their education. Should the legislature decide that the recipient must reimburse the government, the PTF will negotiate to have the partner repay for the recipients' funded education to the government. The cost should be absorbed by the incoming partner to GTA. Any individual pursuing an education becomes a valuable asset to the company that is to partner with GTA.

99) As part of its retention program, many large U.S. corporations offer on-site nursery facilities for parent employees with pre-school children. Could this be considered as part of the negotiating scheme?

Day care benefits are included in the plan of action. Today, there are a number of companies that offer day care, corporate loans and other benefits packages to their employees that are not provided to Government of Guam employees. GTA employees can maximize its options with the successful bidder.

100) Some employees have a pre-existing medical condition called Carpal Tunnel Syndrome. What provisions are to be made to ensure job security and continuity during the privatization process?

GTA is in an excellent position to negotiate optimum medical benefits with the successful bidder. The goal is not to retain the same medical benefits as currently offered within the government but to improve the benefits at a lower cost to the employees.

101) Can the Privatization Task Force survey the employees of the Virgin Islands and Puerto Rico to see what positive or negative impact privatization has had on them and their government?

Yes. Employees should take into account that the opportunities, per capita income, infrastructure development and laws governing the Virgin Islands and Puerto Rico differ to Guam and should not be compared in its entirety. We will examine similar problems and issues to determine the impact of privatization.

102) How soon can we be privatized? Is there a designated time line that privatization is to happen?

At best, a deal can be made by November 2000. We must ensure the company is well established and funded, has a successful track record working with its employees, is equipped with up to date technology and resources, and demonstrates a willingness to maintain a long term commitment to Guam. Worst case, we can anticipate a deal in August 2001.

103) Who has the final say in the closing of the deal?

Before the privatization process can get underway, the Legislature must approve the plan of action, with conditions as deemed necessary. The Legislature will work closely with the Privatization Task Force to provide an observer during negotiations. In the end, the Privatization Task Force and the GTA Board of Directors finalizes the closing of the deal. The Governor is the last signatory of the deal.

**GTA Employee Forum
on the Status of GTA Privatization Task Force**

**Questions and Answers
(March 10 - 13, 1998)**

GTA EMPLOYEE EDUCATION FORUM

March 10-13, 1998

Questions & Comments

March 10, 1998 - A.M. Session

Open Forum Questions & Comments:

- 1) What happens to the timetable if the legislature disapproves the GTA Plan of Action?
- 2) How much money will GTA need to survive? GTA manager (Vince Arriola) will make a presentation on GTA's financial condition.
- 3) Bill 450, has it been passed/approved by the legislation? Bill was introduced earlier and is anticipated to be discussed on the legislative floor March 17-18.

Survey Comments, Questions or Other Issues:

- 1) What do you have to offer for early outs? And from what years?
- 2) No comments, presentation went well.
- 3) I am concerned about our future.(Disagreed)
- 4) Majority of the employees understand that GTA basically needs to be privatized to survive, major concern - employee rights.
- 5) I didn't get any printed material on time (Disagreed)
- 6) Need more studies on privatization (Disagreed & I don't know)
- 7) GTA is the only - equipment- online with cable in place; employee must be said and reach to prove them right on wrong. (Disagreed)
- 8) Will retirement division have all budget required to pay all retiree & early-out upon request.
- 9) Clarify more on lateral transfers.
- 9) I myself being an employee of GTA. Strongly believe in privatization.. Let's move forward.

March 10, 1998 - P.M. Session

Open Forum for Questions & Comments:

- 1) Will the special legislation proposals stated in the POA need to be passed prior to the signing of the agreement?
- 2) How will the election of new legislators in November affect the GTA Plan of Action?
- 3) How does the PTF propose to address GTA lateral transfers from within GovGuam if positions are not available at other GovGuam agencies? The Civil Service Commission will identify and provide a list of positions that will be comparable to GTA job positions. Federal funds have been identified and will be made available for training of GTA employees into their comparable job skills.
- 4) Will the PTF compromise the employees' needs if the potential owner of GTA is not able to meet the needs set forth on the original agreement?

Survey Comments, Questions or Other Issues:

- 1) Before I agree with any plan, I would like to see an approval from the legislature.
- 2) I'm glad that the task force displayed some stats & operating figures of GTA. Also, I would like to be informed as much as possible.
- 3) Need to convince Tan Maria and the public.
- 4) Push!!!

March 11, 1998 - A.M. Session

Open Forum for Questions & Comments:

- 1) The plan of action indicated 5 years retention of employees with new partnership, can it be changed to 8 years? The Task Force believes that the 5 years retention of employees is ample time for employees to establish themselves with the new company and also ample time for the company to evaluate their employees as well.
- 2) For employees opting to lateral transfer, will the probationary period be applied to the such employee? Ans. For comparable lateral transfers, probationary period does not apply; For non-comparable lateral transfers where employees undergo training into another career then the probationary period applies. Civil Service Commission will provide a list of job positions comparable to GTA positions.
- 3) The special legislation proposals stated in the POA regarding the transfer of employee contributions &/or government contributions is unclear.
- 4) What provisions can be made in the POA/agreement that will ensure hiring from our "Local community workforce"? An employee pointed out the expectation of unfair hiring practices of workforce by the new owner i.e. hiring of their own people abroad and/or newly arrivals to Guam. Suggest new employees must have establish Guam residency for a minimum of 6 months or a year.
- 5) Clifford urges GTA employees to support Senator Carlotta Leon Guerrero on her Bill 450 on the legislative floor. Suggest employees either provide written testimony or present their testimony on the floor.

Survey Comments, Questions or Other Issues:

- 1) Why don't we just sale the company and transfer to another GovGuam agency.
- 2) Issue of leave accrued , both annual & sick
- 3) Legislation for payout or compensation
- 4) Why are there so many "new hires" such as "special projects coordinator"? How many do we need?, lot's of times they don't do anything! And for what \$40,000 per annum, this is only one of the things Killing GTA!!!, furthermore, I agree with what Rosie Blas said on 3/11/98!
- 5) Need honest answers to questions asked
- 6) Non given title wage scale nor other options: union for employee, part ownership of employee
- 7) Where are the expenses going?

- 8) Stop hiring special projects coordinators(s), we don't need them!; why are we paying for employees working in another agency? (esp the Gov's Office)
- 9) The hiring of special project coordinators with \$40,000 & up have to stop or even better terminate them now! Those sent to other agencies is poor management practice using our GTA funds
- 10) Management should standby what they say - with respect to "employee living" - Hiring limited term employees @ \$40,000/year as a "special projects coordinator" is really disheartening to employees that have been with the agency for years and not able to get that kind of pay.
- 11) Financial condition was based on FY97 which is period from 10/96 - 9/97 therefore "Paka" would be in FY98. The significant decrease in net earnings is scary- will the authority have a pay less payday?
- 12) Good work lets sell tomorrow
- 13) More information about Privatization
- 14) Vote Power 98
- 15) In a special case can it be possible to transfer(vise versa) retirement benefits to our spouse also working for the GovGuam and be able to retire?
- 16) Is the task Force informing the employees of what is really going on with Privatization or are they just saying what the employees want to hear? Our future is at stake, we need answers.

March 11, 1998 - P.M. Session

Open Forum for Questions & Comments:

- 1) What happens if no company comes to the table and make an offer? What do we do then?
- 2) Are supervisory positions applicable on lateral transfers. No, Present policy dictates not applicable.

Survey Comments, Questions or Other Issues:

- 1) I don't know why our Telecommunications company (GTA) cannot & will not lift, the restrictions or competing & the freedom of Information Act (Sunshine Act) & providing vital information that may destroy the operation of the authority.
- 2) What will happen to the heavy equipment operators?
- 3) Why the hold on Capital Improvements? Can the authority better itself than, privatization, Phase, etc. toll service, enhanced residential as well as Commercial, service offerings.
- 4) Go for privatization, no further comments but to see an incentive offer to those old age employee and not enough retirement benefits earn for retiring comfortably.

March 12, 1998 - A.M. Session

Open Forum for Questions & Comments:

- 1) Would GTA be able to bring in a communications board agent who are experts in employee negotiations in the telecommunications field and represent them? Or Union representatives from abroad?
- 2) What happens if the new partnership files bankruptcy before the 5 years commitment?
- 3) Can we be provided with a good global view/financial picture of GTA?
- 4) Is there any possibility to change the laws/policies of Guam so that GTA may compete?
- 5) Can the GTA Privatization choose another direction for GTA besides privatization?
- 6) The POA stated 3 GTA employees verses 5 employees to be elected to the GTA Coordinating Committee. Why the disparity? The law states 5 employees to be elected at large by GTA employees
- 7) Is there any truth to the rumor amongst the employees that the PTF has a hidden agenda (the Administration) for GTA.
- 8) Why can't GTA continue to compete anyway?
- 9) How will GTA employees with unused sick leave be addressed?

Survey Comments, Questions or Other Issues:

- 1) I am concerned of being considered as a lateral transfer.
- 2) We need to let GTA fly free.
- 3) I know deep in my heart that you(task force) are looking for a better way to resolve this issue for the sake of our job security , benefits, and families. The only thing really that matters to me is security for my wife and our two daughters, if worst comes to worst I don't mind working for McDonald. Chamorro pride has to be put aside for families sake. "They come 1st in my life besides our Lord amen"
- 4) Need more forums to have more knowledge
- 5) Make I get another job with GovGuam
- 6) Need more information on lateral transfer and what company I qualify to transfer to.
- 7) There is no law that we cannot compete with private sector or could we GTA become ½ govt. and ½ private like GPA, etc.
- 8) I agree with privatization as long as employees will be retained.
- 9) Materials and info provided are there but personally what I feel is that employees are just concerned about their financial well being we all have bills to pay and just concerned about their jobs.
- 10) Are they any laws preventing GTA to compete? Even if TA 96 says we have to open to the private company, we could charge them & make revenue from them at the same time, still be doing what they intend to do. We can probably cover our rates.
- 11) Due to the Telecom Act I understand the need for GTA to compete w/other telecompanies. But the task force has really insure the 500 plus employees that they will be taken care of. With positive options for employees.

- 12) I feel the concern of GTA are addressed and presented as a whole not with individual needs. We need to know the options (guaranteed options before any decision is made.
- 13) Layout option of the different scenario of each employee (e.g. employees ready to retire, employees with less than 5 years experience, etc.) It will help employees understand what is being offered.
- 14) For more information prior to any privatization meetings, i.e. handouts, pamphlets should be distributed ahead of the meeting.
- 15) Cannot comment on whether or not I want to continue with privatization or lateral transfers because there isn't a buyer yet for GTA, so therefore I wouldn't know what they would have to offer the employees for me to make a decision.

March 12, 1998 - P.M. Session

Open Forum for Questions & Comments:

- 1) If there is a task force to sell GTA, then why isn't there one to save GTA from being sold?
- 2) Can GTA employees with other skills be used in applying for lateral transfer?
- 3) Distribution of the POA reading materials by top-level management is poor.

Survey Comments, Questions or Other Issues:

- 1) I clearly understand all the detail of privatization
- 2) The decreasing value of GTA is a major concern. Mr Arriola pointed out "the beast" within govt. agencies, as well as this administration's concern for GTA. Why can't GTA go to the governor (the power) and point out that GTA is in a bad financial situation. Ask for equipment from other agencies so GTA does not have to hire outside and can reduce expenditure. Tell him GTA can no longer pay for employee payrolls for people working at other agencies. GTA no longer can pay for other govt. agency junket trip. GTA cannot hire more people we don't need. If we see things like these corrected perhaps GTA employees will not feel there are hidden agendas.
- 3) Requesting for a lateral transfer to another GovGuam agency for the employees
- 4) Should have better refreshments
- 5) Start the transfer to another GovGuam agency
- 6) Those who do not understand the "Plan of Action" need to read the information given to them and stop arguing and start helping out the "Plan of Action". More involvement of the employees!
- 7) You need to talk about the employees who are being sent to school by GTA. Whether our education would continue or not.
- 8) If GTA gets privatized, what happens to the people that has a position limited to 4 employees at that certain position, dealing with the most expensive job duty to handle.

9) I agree that to change GTA's Status quo is necessary, yet being an employee I am also weary of the status of our employment. Which leaves me undecided whether or not to continue with GTA if it becomes a private co. Or moving to a different agency. Making a big change is a scary thought and being a family person it needs to be thought out carefully on which way I would move before any decision can be made.

10) If the bill 450 goes into law which Carlotta Leon Guerrero is pushing for GTA about lateral transfer to another GovGuam. How would you the task force choose or segregate those employees wanting to transfer? Would all employees be transferred or certain employees only, is it by work performance, dependability, time in services...?

11) I would benefit better if privatized.

12) I would like to attend future forums or task force meetings, without the pressure of Mr. Bob Kelly in the room.

13) As requested in the 3/12/98 morning forum, please disseminate monthly agendas of the GTA Privatization Task Force for all employees. A single Task Force member would be overwhelmed with phone calls if it was the duty of the employee to check weekly. (Lucky if his phone call was returned)

14) Would I be able to draw my retirement fund & return to work for new company? Could my sick leave be cashed in? Change of career is not the way out, I enjoy my present job & need assurance prior to sell. During these forums some individuals are here for the ride.

15) If a RIF is probable which category of the force will be targeted?

March 13, 1998 - A.M. Session

Open Forum for Questions & Comments:

1) Is there a FCC law/ regulation that prevents GTA to compete other than the GovGuam's policy?

2) Who are the companies that has formally place a request for connection with GTA? GST, PCI, GTA & IT&E. What option does GTA have to address these requests?

3) Will privatization of GTA affect the military communication systems?

4) If the PTF is saying that GTA is doing a good job, then why is GTA losing clients? (GTA is limited to service it can provide- Marketing strategy - bundling of communication services.)

5) What benefits in terms of leave, pay & retirement, can be offered to GTA employees who decide to seek another career through education, specifically, for the period of time they are away from work being educated.

Survey Comments, Questions or Other Issues:

1) Make the best deal and save our jobs at the same time. I have a house to pay for, kids to feed, and a land that I have to pay

2) I think we also need a task force for the employees that want to transfers, early-out & or retire. A lot of info for employees that want to stay nothing/not much for employees that want to transfer.

- 3) Can there be more positive plan of action. Still a planning stage with no positive incentives.
- 4) If the clarity of selling the authority is done. We shouldn't be prolonging the deal?
- 5) My comment is that all GTA employees are protected & that the betterment for all involved.
- 6) Can each employee get a share in the sell of GTA. (15% each)
- 7) More in the best interest of the employees should be addressed.

March 13, 1998 - P.M. Session

Open forum for Questions & Comments:

- 1) Task force will provide copies of Sunshine Law; Telecommunication Act of '96; Privacy Act.

Survey Comments, Questions or Other Issues:

- 1) I understand why the existing government policy does not allow supervisors to laterally transfer, but considering our "special" circumstances isn't this unfair. The supervisors may not know other technical fields, but they do know how to lead & supervise work and most importantly people doing the work which is actually the hardest part of supervision. Why can't these supervisors be trained on the technical area and still given a chance to transfer.
- 2) I would agree to any significant changes to better our company and to compete with other competitors. The only thing I'm really concerned about is my job.
- 3) More detailed explanation on; request for options for individual packages available. Main concern is possible training available in the event I choose to change my career for a more marketable Govt. position; Concern on pension plan options should I be granted a package to train/receive education for a different govt. position.
- 4) Contingent plan should "strategic partnership" attempt not succeed.
- 5) Give a list of all job positions currently at GTA and be honest in each of the positions value to the "new GTA" Let those people who are most likely to lose their jobs know!
- 6) I appreciate all the hard work that the task force has been doing aside from their daily jobs, etc. I strongly support GTA privatization & encourage the task force to emphasize the need for GTA employees to get involved and get project going. Once the representatives are chosen from each district there should be set dates (ex: every other Fri, etc.) For districts to meet with each representatives to be better informed.
- 7) I go for privatization
- 8) If the privatization had occur - isn't successful- would the government take it back?

**GTA Employee Forum
on the Status of GTA Privatization Task Force**

**Questions and Answers
(November 17 - 21, 1997)**

GTA Employee Education Forum – Question & Answer Sessions

November 17, 1997 Morning session

1. **With reference to the election of the Employee Coordinating Committee, clarification was requested on how the election process will be conducted?**

According to Ms. Lucia Perez, GTA employee representative to the Privatization Task Force, a total of 3 employees from each of the five (5) divisions within GTA can be nominated on the ballot. Once those employees have been identified, the Guam Election Commission will oversee the election process. GTA employees will elect from the three names listed, one representative from each of the divisions, to represent their interest and views to the Privatization Task Force and the selection of the Financial Advisor. This whole process will be transpiring within the next 30 days. Should an employee be unable to cast his vote, the Guam Election Commission will make available absentee ballots.

Please note that the Guam Election Commission will conduct the elections not the GTA Management, the Board, and the Privatization Task Force.

Employees in each division are encouraged to consider who will be best able to represent their interest and needs.

2. **Will the GTA Privatization issue lose importance should the Administration change in 1998?**

According to Mr. Clifford Guzman, Chairman of the GTA Privatization Task Force, since doing "nothing" is not an option, something has to be done regardless who is Governor or who is in the legislature. The Telecommunications Act of 1996 will mandate change. The task force encourages GTA employees to take an active participation in the negotiation process, empower themselves, and help move the negotiation process along.

3. **What is the estimated time frame before a buyer is selected?**

The Task Force is hoping to have interested parties to the table by June of 1998 at the latest, to start the negotiating process. Before that dateline, the Task Force would like to have all legal, legislative and employee reviews completed.

4. **Will the bidding process be conducted through the government?**

According to Mr. Guzman, the bidding process can be cumbersome and there may need to be some changes made by the Legislature in order to get the flexibility needed to complete the transaction. However, there will be some areas that will probably go through the Government bidding process.

5. **Is there a task force created to represent those against privatization of GTA?**

This task force was created to protect the interest of the employees of GTA and its assets. The task force is mandated to determine a better way for GTA to proceed into the future.

6. **Could the task force make GTA work on its own without a strategic partnership?**

GTA cannot remain at its present status quo. It has to implement the changes specified in the Telecommunications Act of 1996. There are certainly other options to consider, but we believe none of them will result in the benefits that can come about with strategic partnership.

7. **Is there a study developed that will keep GTA as a government entity?**

The study conducted by Coppers and Lybrand was used as a starting point for the task force. (The chairperson encouraged all those present to read the study in order to be fully aware and informed, especially on issues that affect the employees directly).

A comment was raised that the study was based on a whole lot of assumptions. Those assumptions were and can be used as a starting point leading to something more defined and concrete.

8. **Is there a rush to complete the Privatization issue before the election in 1998?**

If we want to maximize the full potential of GTA, completing this process is a very important issue. Every day we are losing time due to the Telecommunications Act of 1996. The privatization issue is not being pushed for election purposes, it is simply a sense of urgency.

9. **At the present time, how financially secure is the government retirement system?**

According to Mr. Gerry Perez, Chairman of the Government of Guam Retirement Fund, several years ago the unfunded liability of the retirement fund was 720 million. Today, that figure is down to about 400 million. The retirement's security ratio is 72%. The Government's retirement system is trending in the right direction. The fiduciary commitment of the Retirement Board is to see to maintaining the integrity of the fund.

Should the privatization of GTA become a reality, there are two options that will need to be considered if employees are to be transitioned into a new retirement plan:

1. Freezing all accrued benefits as of the day of transition; or
 2. Pay out accrued benefits or contributions in the fund depending on the greater of the two.
- There are dramatic improvements taking place in the retirement fund policies. Maybe, at some time in the future, the Retirement Fund could assist in the negotiation process to represent employee interests.

10. **Should an employee elect to withdraw his retirement benefits, what is the waiting period to get benefits?**

According to Mr. Gerry Perez, the purpose of the retirement fund is to protect employee benefits for the future and to protect the cash flow for those already receiving their benefits.

One of the policies of the fund is to discourage people from hastily withdrawing their money. For that reason, a 12 month waiting period is in place to determine legitimacy of the request to withdraw. However, as a rule, the 12 month waiting period has not been followed. Generally it's a "first come, first served" basis.

Further, Ms. Terry Flores emphasized that the process also depends on the disbursement schedule for each week and legitimacy of the situation. The retirement fund cannot cripple its cash flow.

11. **Over 90% of GTA expenses is overhead, is the issue of over staffing being addressed and will this affect the value of GTA once the bidding begins?**

According to Vince Arriola, GTA General Manager, he has reviewed the staffing pattern of the agency and finds that the attrition rate is very low with most employees having less than 10 years of service. He does not think the over staffing situation will be a major issue in the negotiation. With reference to positions that are vacant, those positions will not be opened unless its is absolutely crucial to the operations of GTA.

At present, the value of GTA is in its employee skills. The Task Force will ensure that employees concerns and interests are protected.

Further to this, legislation is being considered to allow those GTA employees the opportunity to transfer to different agencies should they desire to do so.

12. **Is the Retirement Fund contemplating legislation for employees to buy into their retirement or will the new company that comes in be allowed to buy out the employees retirement?**

According to Mr. Perez, due to federal guidelines in place, an employee cannot buy out his retirement in order to meet his/her term of service. Private companies are, however, allowed to buy out an employees retirement if that individual is close to retirement.

According to Mr. Carl Peterson, Task Force member, some private companies offer a "Golden Parachute" option, whereby they pay you the additional amount needed to enable you to retire.

Any company wishing to buy GTA will surely want to expand it and will therefore need more employees.

13. **What will happen to the retirement benefits of those employees who have 10 yrs. or less of service with GTA?**

According to Mr. Perez, two options can be considered:

1. Freeze the current accrued benefits and start contributing to the new plan; or Payout the value of the benefit or contribution to allow you to roll over into the new plan. This option can be negotiated in the employees benefits package. However, this is difficult to assess at the present because we have no proposals on the table.

No potential buyer will be considered if they do not want to negotiate a benefit package conducive to the needs and interests of the employees. According to Mr. Bob Kelly, one of the criteria in the selection of a potential company is its commitment to the employees and the ability to expand its services to make Guam a hub of communications.

Mr. Perez states that this could be a good opportunity for GTA employees because they will probably be getting more in terms of benefits for their future. As he explained, most GovGuam employees have only two options in terms of investing for their future needs: personal savings and their retirement benefits. With privatization, employees will have four or more options available: personal savings, social security, accrued benefits, and a new retirement plan.

14. **Has an equal amount of time been spent in determining how to protect those new employees who do not meet the years of service or training?**

The survey that was disseminated will provide an idea of those employees who fall in this category in order that ideas or options can be considered. Foremost in the negotiation is the protection of all employees, irregardless of the years of service or lack of training.

Thus, it is crucial that all GTA employees read all the materials pertaining to the privatization plan in order to be aware of what they are up against. If they are not too familiar or have not had the opportunity to thoroughly read the study provided by Coppers and Lybrand, they are encouraged to sit in other forums that will take place throughout the week or contact any of the Privatization Task Force members .

The financial advisors role will be to inform employees on how best to look at assessing their options for the future.

15. **As the employees are technically still a member of the retirement fund, even though benefits are frozen, can the employee be able to put into the plan?**

According to Mr. Perez, the employee will have to make a clean break. He cannot belong to two active contributing plans at one time. He can be a member of two retirement plans but only one can be an active contributing plan.

16. **Can an employee elect to stay with present GovGuam retirement plan even if a new company comes in?**

This is a difficult issue to address because technically, the government cannot contribute into a new plan under a private company. There are also some federal rules that may come into play. These are some of the issues that will need to be addressed in negotiating the package.

- ** Suggestion was given to have retirement possibly put together some sort of information package to inform employees how the fund works and where they are at presently with reference to their available benefits.

November 17, 1997 Afternoon session

1. **If politics is not a major factor in the privatization issue, why is the Chairperson a representative of the Governor's Office?**

A lot of people are dead set against privatization. However, because GTA is a government agency, both the Government and the Legislature has to be involved. There are government assets that need to be protected, primarily the employees.

The privatization issue is not a campaign promise. It has bipartisan support and approval. If we do not move or progress with privatization, we stand to lose our assets, resources will be lost. Consequently, employees will be affected.

Because of the Telecommunications Act of 1996, major corporations in the telecommunications business can come to Guam and take over GTA's customers.

2. **Previous management of GTA or employees did not initiate the privatization of GTA. Is the Privatization issue solely being pushed by the Governor's Office?**

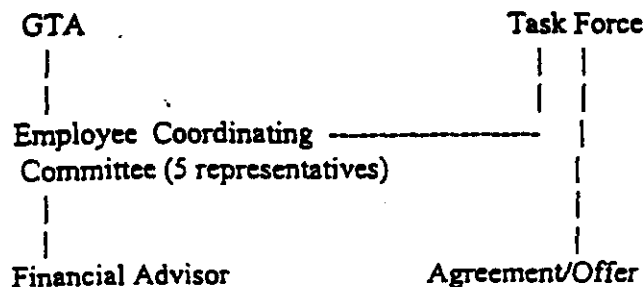
According to Vince Arriola, GTA General Manager, privatization has been around for quite some time. A bill to privatize was first passed in 1972. The issue is not a new one. GPA has a form of privatization and thus far it is working in our favor.

The emphasis for the push is the Telecommunications Act of 1996. GTA needs to move forward on this or lose assets in the future.

3. **What is being done to protect employee benefits should the transition take place?**

In the next thirty days, GTA employees will be going through an election process to elect representatives to sit on the Employee Coordinating Committee. This committee will have the responsibility of choosing a Financial Advisor who will represent their interests in the negotiations. The Financial Advisor will do most of the work to inform employees what their best options are.

The following is a visual of the role of the Financial Advisor:



According to Mr. Carl Peterson, GTA Privatization Task Force, many large corporations generally offer a number of retirement plans including profit sharing and stock options.

3. **Is there a company being considered to buy out GTA?**

At this time, no one are being considered. Solicitation will only begin when the plan has been completed.

4. **What does the Government get out of the WIN, WIN, WIN concept?**

Should the Privatization of GTA be successful, then that will be the WIN for the Government of Guam. Employee satisfaction is the number one priority. Also, the Government will collect taxes—GRT, corporate, real estate, and new employee taxes.

5. **Does the Government have a say if the company brought in defaults on its contract?**

Should the company breach its contract with the government, then the government has the right to bring suit against them. Should the company have a falling out with just one of the employees for a specific reason, the employee can pursue a suit on his behalf.

6. **What is just cause for an employee to be terminated?**

Just cause is that which violates any rules, regulations or policies governing the operations of an agency or company. This also applies to federal, state and local laws. Basically, all laws governing employee standards are mirrored for conformity. All rules are specified and are equal to everyone.

November 18, 1997: Morning Session

1. **Why do we have to push the Privatization issue before June?**

For all intents and purposes, we should be at the bargaining table now. Because we are not, we need to get our perspectives in order and move forward before we start to lose assets and resources.

Talks are being pushed for the following reasons: the Telecommunications Act which mandates competition, government ownership, and the rules and policies that inhibit GTA from competing.

2. **Why are the sessions being held in smaller forums rather than a one time forum whereby all employees are present to hear comments and questions?**

An overall forum was held at the University Field House last December. The type of session which took place was not as effective method of communication. Technically, it's not feasible to conduct a forum with over 500 people at one time. Employees were not satisfied with how the information was presented. For that reason, small working sessions/forums were arranged to allow all employees the opportunity to be comfortable in asking whatever questions they wanted.

3. **If a company is being considered, is it possible for arrangements to be made so we will know beforehand what the company is offering in terms of its benefits or incentive plans?**

The task forces, including your representatives, will negotiate the incentive plan to meet the needs of the employees. The highest priority goes to protecting employees, its assets and how GTA can be made better in the future.

4. **Will employees be able to see what is in the proposal?**

The Employee Coordinating Committee will be the working arm of the employees to ensure that their interests are protected. The final privatization plan will address all employee concerns and needs. Employees are encouraged to take an active role, first by being informed, and secondly, to ensure their needs are being heard.

5. **Once a company is chosen and the changeover is complete, the company can decide to sell bits and pieces of its assets. What will happen to the employees?**

The original contract that is negotiated will remain in effect despite any changeovers that might take place. A contract is enforceable by law.

6. **Is the Coopers and Lybrand study to be used as the basis for privatization?**

The Coopers and Lybrand study was used as the starting point in the process. There are other facets and areas of concern that need to be considered to meet the needs of the employees and to ensure their protection. Some of the suggestions in the study will be used and some will not be used.

7. **Once an employee agrees to accept the terms and conditions of the new company, will the employee have the opportunity to transfer back into the government or to another agency? Is there any policy being considered that would technically allow this to happen?**

Should an employee elect not to accept the benefits package offered by a potential company, legislation will be drafted to give priority to those employees who prefer to transfer to another government entity before the take-over begins. At this point of time, a measure to create a time limit on transferability has not been discussed. This is something that the Task Force will need to address and consider however, once an employee accepts the terms and conditions of the new company and signs on, then they probably will not be able to change their mind later.

8. **Under the Coopers and Lybrand study, a comparison between private and Government benefits was provided. Is this an accurate assessment?**

In this whole process a third party appraisal will be conducted on the study to determine if the assessments are accurate and comparable for purposes of analysis.

November 19, 1997 Morning Session

1. **There have been many points mentioned regarding Privatization, such as the need to go forward, and the benefits that can come about. Has there been thought given to the idea of making GTA competitive, bigger and stronger to be able to compete with the big companies who are supposedly out there?**

Technically, Governments do not compete with private companies. Its main purpose is to provide service to the public and the private sector where the private sector doesn't. Should GTA compete, large amounts of capital would be needed to meet the demands and the changes taking place all around the world. Realistically, the Government of Guam does not have the resources, the expertise and the time that multi-billion companies have at their disposal.

GTA has a good system. They have the manpower, the skills, and the technology for the time being. However, it does not have the capital resources due to its responsibilities in meeting its payment on the bonds, its current depreciation schedules and the number of employees. Further, with the Telecommunications Act of 1996, GTA is not moving fast enough to keep up with current technology that literally changes every few months. The Act paves the way for big companies to come to Guam and essentially start the process to take business and customers away from GTA. The telecommunications industry is one of the fastest growing industries in the world and it attracts big money. Should this occur, GTA will not be able to generate the resources it needs to meet its expenses and liabilities. Consequently, rates will increase or expenses must be cut. GTA is bound to make payments on its bond, thus, the only avenue where expenses can be cut are the employees. It is for this reason, that privatization is being pursued to avoid any forced lay-offs. It is the only realistic solution to meeting the changes that are occurring.

**** Discussion on this issue dominated most of the time in the open session. Secondly, the protection of retirement benefits and the options which would be available to employees was also the other issue addressed.**

In answer to employee concerns regarding their benefits, Retirement will be assisting in putting together information on their benefits to enable them to be aware of where they are at in terms of their contributions to the fund and what are the options available to them should a change-over take place.

November 19, 1997 Afternoon Session

1. Where do we go from here?

Task Force will take look at the questions asked in the forums and address the concerns raised. Employees, in turn will be preparing for the election of their Employee Coordinating Committee during the next 30 days. These elected representatives will bring to the Task Force employee issues and concerns in order that they will be addressed in the plan. At every phase of the work, the ECC will be working with the Task Force. Thus, input from the employees is crucial to the work of the Task Force in finalizing the proposal for privatization.

2. With concerns repeatedly be asked with reference to retirement, competition, and industry salary standards, the Task Force will be preparing the following point papers to the employees:

- Industry standards in Telecommunications with reference to salary and benefit packages with a comparison to GovGuam
- Retirement schedules and options
- Reasons why the Guam Telephone Authority cannot compete with major Telecommunications Companies
- Comparative review of GTA revenues and expenses in comparison to other Telecommunication companies

3. Will the Retirement Fund be able to support a mass withdrawal of funds should employees elect to take their money out of the fund?

The representative from Retirement indicated that this will have to be looked at closely to determine the impact on the fund. Response to this question will have to be provided at a later date until the matter can be reviewed thoroughly. It was noted that withdrawals are usually handled on a first come first serve basis and there is normally an allocation amount each month. If a strategic partnership is reached, perhaps additional legislation will be required.

4. Should the selection come down to two companies offering the same deal, how will the decision be made?

There are two areas of concern: our needs and our wants. Needs are those things that should absolutely be in the package. Wants, on the other hand, are those things that can be negotiated. Should it come down to which of the two to choose, it will be the one who will offer the best package in terms of development and expansion to the employees.

5. Who makes the decision on which company will be chosen?

The decision will be made by all those concerned: the Task Force, the employees, the Government, and the Legislature.

6. It is a given that ultimately GTA will be sold. Are their safety nets to ensure that all decisions will be made accordingly?

One of those safety nets is the requirement of an audit of the company(s) selected to satisfy creditors, investments, and performance.

7. **Reference to person. training and enhancement, what will be open to those employees under the Doc Sanchez Scholarship Education Program?**

This is one of those issues that was never addressed or thought about. The Task Force will have to look into the matter and discuss with the appropriate entity handling the scholarship program. Feedback on this will be provided once the information is reviewed and discussed by the Task Force.

8. **Will there be opportunities made available to employees to enhance their skills now in order to improve performance and to make their personnel jackets look good for employability?**

GTA Management is currently working on upgrading the computer systems of the agencies to be on-line with current technology.

Management will not stop training. It is still required to perform its responsibility and provide the services they are mandated to provide. Training at this point of time is absolutely important. Some employees are certifying their skills right now at GCC.

9. **With legislation being introduced to allow GTA employees priority for lateral transfer to other GovGuam agencies, will employees be able to maintain the same salary level they have now?**

According to Mr. Eloy Hara, lateral transfer is commensurate with present salary or comparable to another job specification. There are also opportunities where skilled professionals can be trained for skills that can be used elsewhere.

** Clarification would need to be made to inform people what lateral transfer is and the ramifications involved.

November 20, 1997 Morning Session

1. **Is there really a company who would want to buy GTA?**

At present, GTA is doing well and has good value because of its assets (cable lines from China, satellite disk capability to the Indian Ocean and its employees). There is a lot of good potential in GTA. For this reason, the process of privatization has to move forward to retain the value we currently have. Once the process comes to the actual selection of a company to buy GTA, the main emphasis will be which company has the most to offer in terms of development for the future as well as the protection and benefits to the employees. A large company would most probably want to leverage GTA to a much bigger organization.

2. **If there is a large number of employees wishing to go through the lateral transfer process and there are very few vacancies open with comparable job descriptions, will there be a possibility to open up job positions?**

No guarantee on this because of the government's fiscal situation. However, we have to be open to the opportunities that are available to us. Training can be provided to those with comparable skills which will enable them the opportunity to move to other agencies should openings be available. The Telecommunications Act is putting pressure on us to privatize GTA, but it also opens opportunities for potential growth in telecommunications systems in the schools, libraries, and the airport.

3. **Are there other strategic partnerships that have been negotiated that have worked, and if there are, can we get information on them?**

The Virgin Islands has gone through the process of privatizing its telecommunications services and is doing well. The Puerto Rico is currently negotiating with three prospective buyers to take over its telecommunications service. The Task Force will look into this and compile the information being requested.

4. **What guarantee is there that the company chosen will retain the employees?**

Under the contract that will be negotiated, once finalized there will be a stipulation that there will be no forced lay-offs for a period of five years. The Task Force, as mentioned earlier will be looking for a company that has a plan for future expansion and development on Guam with reference to telecommunications and a company that will provide the best in employee benefits.

5. **Can we get a listing of vacancies in the Government of Guam?**

You can get a copy at DOA at any time.

6. **What will happen to our military credits for service?**

Call Lou Brennan at Retirement, give her your name, social security number, and date of hire. She will review your personal situation.

November 20, 1997 Afternoon Session

Questions asked in the afternoon session were basically the same as those which were asked in the morning session, such as: the process for lateral transfers, job training and enhancement, retirement benefits, information on why GTA cannot compete on its own, and information on other companies who have undergone strategic partnership. One other question came up.

1. **Can we remain a member of the Government of Guam Credit Union?**

As long as you are a member now, you will continue to be a member if you wish.

November 21, 1997 Morning Session

1. **What criteria or basis will be used when several employees qualify for a position with only one vacancy open?**

There are options that can be looked at such as seniority, years of service and the amount of skills the individual has, or maybe on a first come first served basis. These are areas that will need to be addressed by the Task Force in order that the best possible decision can be made.

2. **Should strategic partnership go through and employees elect to stay with the new company, can employee rights still be protected under the government?**

This issue will have to be thoroughly examined by the Civil Service Commission. The Task Force will address this concern and inform the employees what options are available.

3. What are the guarantees that privatization will go through?

At this point in time, there are no guarantees. We do know, however, that we simply cannot remain status quo and do nothing. If we do, we stand to lose considerably in the future when big multi-billion companies decide to take over the telecommunications business on Guam from GTA. For this reason, it is vitally important that we move forward in our efforts, cover all the bases, and make critical decisions so that when a buyer is interested, we have a package ready to negotiate with.

4. Will GTA management be supportive in providing the training and education needed to enhance employee skills?

Whether or not we go through with privatization, GTA must develop a long term strategic plan for the future that will address both options. Training and education are two important assets that are necessary. If people are not trained or educated in specific areas, GTA cannot progressively move forward. GTA must be ready at all times to adapt to the changes taking place in the telecommunications world.

5. To what extent is the potential company obligated to honor the contract negotiated?

Once the contract is agreed upon it becomes a binding contract. Should the company breach the contract negotiated with the Government of Guam, the contract can be enforced in court.

Appendix B

Executive and Legislative Mandates

The following appendix includes the following:

- Executive Order No. 97-09. Relative to the Establishing a Guam Telephone Authority Privatization Task Force
- Public Law No. 24-36. An Act to Require Legislative Approval of Any Plan to Privatize the Guam Telephone Authority
- Public Law No. 24-150. An Act to Establish Priority Placement for Guam Telephone Authority ("GTA") Employees for Vacant Positions Within the Government
- Public Law No. 25-14. An Act to Repeal and Reenact §§7(a) and (c) of P.L. 24-36 Relative to the Establishment of an Employee Financial Advisor and a Guam Telephone Authority Employee Coordinating Committee



TERRITORY OF GUAM
OFFICE OF THE GOVERNOR
AGAÑA, GUAM 96910

U.S.A.
EXECUTIVE ORDER NO. 97-09

**RELATIVE TO THE ESTABLISHING A GUAM
TELEPHONE AUTHORITY PRIVATIZATION TASK
FORCE**

WHEREAS, Guam Telephone Authority must undergo changes in order to remain a viable entity in the climate of telephone and telecommunications after the passage of the recent Telecommunication Act by the United States Congress; and

WHEREAS, since Guam Telephone Authority is a government agency, the path taken by Guam Telephone Authority will ultimately affect every person living on Guam because the telecommunications industry is rapidly changing and the people of Guam have made a considerable investment in their public telephone authority; and

WHEREAS, it is desirable to thoroughly examine alternatives in order to propose a viable and acceptable plan for the future of the Guam Telephone Authority and the people of Guam; and

NOW, THEREFORE, I, CARL T. C. GUTIERREZ, Governor of Guam, by virtue of the authority vested in me by the Organic Act do order:

1. A Guam Telephone Authority Privatization Task Force is established and this Task Force supercedes every other Task Force on the same subject.
2. The Guam Telephone Authority Privatization Task Force shall consist of Thirteen (13) members, including the Governor. The Governor shall be the Chairperson of the Task Force, and in his absence may appoint an Acting Chairperson to who may or may not be a current member of the Task Force. The Governor shall select the remaining members of the Task Force from persons knowledgeable in the telecommunications industry and persons who are familiar with finance and other aspects of business and utility management.
3. The Guam Telephone Authority Privatization Task Force shall evaluate alternatives to the current government operation of the Guam Telephone Authority and shall prepare a plan relative to privatization or maximization of the resources of the Guam Telephone Authority which protects the employees of the Guam Telephone Authority and is beneficial to the people of Guam. The plan will be forwarded to the Board of Directors of the Guam Telephone Authority.

SIGNED AND PROMULGATED at Agana, Guam this 27th day of February, 1997.


CARL T. C. GUTIERREZ
Governor of Guam

COUNTERSIGNED:


MADELEINE Z. BORDALLO
Lieutenant Governor of Guam



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

JUN 02 1997

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

Dear Speaker Unpingco:

Enclosed please find Substitute Bill No. 147 (COR), "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY ('GTA').", which was vetoed and subsequently overridden by the Legislature on May 28, 1997. This legislation is now numbered Public Law No. 24-36.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary



Office of the Speaker
ANTONIO R. UNPINGCO
Date: 6/2/97
Time: 10:55
Rec'd by: [Signature]
Print Name: Charlene Dura

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

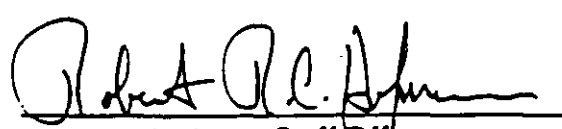
This is to certify that Substitute Bill No. 147 (COR), "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY ("GTA")," returned to the Legislature without approval of the Governor, was reconsidered by the Legislature and after such consideration, the Legislature did, on the 28th day of May, 1997, agree to pass said bill notwithstanding the objection of the Governor by a vote of eighteen (18) members.


ANTONIO R. UNPINGCO
Speaker

Attested:

JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 30th day of May, 1997, at 8:24 o'clock A.M.


Assistant Staff Officer
Governor's Office

Date: _____

Public Law No. 24-36

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

Bill No. 147 (COR)

As substituted by the Committee on Transportation,
Telecommunications and Micronesian Affairs and
as further amended on the floor.

Introduced by:

C.A. Leon Guerrero
Mark Forbes
A. C. Blaz

**AN ACT TO REQUIRE LEGISLATIVE APPROVAL
OF ANY PLAN TO PRIVATIZE THE GUAM
TELEPHONE AUTHORITY ("GTA").**

1 **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

2 **Section 1. Legislative Findings.** With the recent passage of the
3 Telecommunications Act of 1996 (the "Act"), GTA can no longer enjoy the
4 protection and competitive advantages of being a government agency and the
5 sole provider of local exchange carrier services. The Act deregulates the
6 industry and opens the telecommunications market to greater competition.
7 According to a recent privatization report commissioned by the GTA Board of
8 Directors ("GTA Board"), as a government agency GTA will not be able to
9 compete effectively in this new market. The report concludes that GTA will in
10 the near term lose market share to private companies, and likely need
11 government subsidies to continue its operations. The Guam Legislature finds
12 that privatizing GTA is a viable option that would enable the government to
13 protect its investment in GTA, and provide Guam with effective and
14 affordable telecommunication that is essential to economic growth. The
15 Governor has created a GTA Privatization Task Force ("Task Force") to com

1 up with a specific privatization plan for submission to the GTA Board.

2 **Section 2. Approval of Privatization Plan of Action.** The Task Force
3 shall submit to the Guam Legislature a specific plan of action for the
4 privatization of GTA, which shall include the terms of reference, or
5 parameters for any sale agreement. No plan of action shall be effective until
6 after compliance with the provisions of this Section and Ninety (90) calendar
7 days plus seven (7) legislative days have elapsed from the date of filing with
8 the Legislative Secretary. The Guam Legislature shall have up to ninety (90)
9 calendar days plus seven (7) legislative days after official receipt to review
10 and amend the plan as appropriate, and approve or disapprove the plan.

11 **Section 3. Approval of Privatization Contract.** In the event the
12 approved privatization plan calls for a sale or other disposition of the assets of
13 GTA, which in any way changes the government's ownership or control of
14 GTA, the GTA Board is authorized to begin non-binding negotiations with
15 qualified potential investors. The GTA Board shall submit the final agreement
16 to the Guam Legislature which shall have up to ninety (90) calendar days plus
17 seven (7) legislative days after official receipt to approve or disapprove the
18 agreement.

19 **Section 4. Negotiations Observer.** In order to facilitate Legislative
20 review of the proposed agreement, the Chairperson of the Committee on
21 Telecommunications shall appoint a person to act as an observer of the
22 negotiations. Such person shall have full and complete access to any and all
23 communications, meetings and documents related to the negotiations. This
24 person shall act only as an observer, and shall agree to the same
25 confidentiality constraints as the GTA board members, subject to the person's

1 requirement to report to the Guam Legislature.

2 **Section 5. Fairness Opinion.** As part of any agreement submitted to
3 the Guam Legislature for any sale or other disposition of the assets of GTA
4 which in any way changes the government's ownership or control of GTA
5 GTA shall provide funds for a fairness opinion as to the valuation of the GTA
6 assets. This opinion shall be obtained from a nationally recognized investment
7 banking firm with proven expertise in the telecommunications field and be
8 chosen from a list identified by the Guam Legislature.

9 **Section 6. Disposition of Revenues Derived from Privatization.** (a)
10 **Creation of Special Account.** Any funds arising from the sale of GTA's assets
11 shall be deposited into a fund to be known as the "Infrastructure
12 Improvement" account which shall be maintained separate and apart from
13 other funds of the government, and independent records and accounts shall
14 be maintained in connection therewith.

15 (b) **Appropriation of Funds from the "Infrastructure Improvement"**
16 **Account.** Expenditure of funds from the "Infrastructure Improvement
17 account shall be appropriated by the Guam Legislature to fund infrastructure
18 and other capital improvements, and for other purposes.

19 **Section 7. Employee Financial Advisor ("FA").** (a) **Description of**
20 **Position.** In order to ensure that the employees of GTA can make informed
21 and knowledgeable decisions regarding the effects of privatization, GTA shall
22 provide funds and other assistance for the hiring of a financial advisor for the
23 employees. The FA must be hired prior to the submission of the privatization
24 plan, and must have sufficient time to review the plan. GTA is required to
25 provide full and complete information on those privatization aspects relating

1 to the employees to the FA. The FA's fiduciary responsibility shall be solely t
2 the employees of GTA, and shall be clearly stated in any employmer
3 contract.

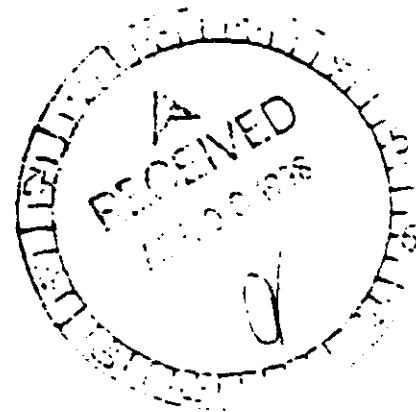
4 (b) **Qualifications of Position.** The FA shall have the followin
5 qualifications: experience in the telecommunications field; experience wit
6 employee compensation and pension plans; experience in Feder
7 telecommunications law, in particular the 1996 Telecommunications Act, an
8 experience with collective bargaining in the telecommunications field.

9 (c) **GTA Employee Coordinating Committee.** A GTA Employee
10 Coordinating Committee is created that shall consist of five (5) persons electe
11 from the employees of GTA. The employees shall select three (3) nominees
12 from each of the following five (5) departments: Finance; Engineering;
13 Customer Service and Marketing; Administration; and Plant. GTA is require
14 to conduct a fair and open election under the supervision of the Gua
15 Election Commission in which all current employees can select from amor
16 the nominees the five (5) members of the Committee. Managers of GTA sha
17 not be members of the Committee. The Committee shall have the so
18 responsibility for selecting the FA, and for being the contact point for the F
19 and the employees of GTA. GTA is required to provide the necessary cleric
20 financial and other assistance as may be needed by the Committee in
21 search for an FA.



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

APR 08 1998



The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910


Dear Speaker Unpingco:

Enclosed please find a copy of Substitute Bill No. 450 (LS), "AN ACT TO ESTABLISH PRIORITY PLACEMENT FOR GUAM TELEPHONE AUTHORITY (GTA) EMPLOYEES FOR VACANT POSITIONS WITHIN THE GOVERNMENT", which I have signed into law today as Public Law No. 24-150.

This legislation provides a procedure for transfer of current employees of the Guam Telephone Authority to other government agencies when the Guam Telephone Authority responds to the mandates of recent federal law. The recent changes in federal telecommunications law, which open up the telecommunications field to wide competition, forecasts that the Guam Telephone Authority (GTA) must compete with private sector companies in the offering of a variety of telecommunications services. In order to compete effectively, our government agency, GTA, must either take on the characteristics of a private company, or become a private company.

When the GTA moves to accommodate the changes in federal law, there may be employees of the GTA who do not wish to be part of these changes. Some employees may wish to work in other government of Guam agencies, instead. This legislation ensures that there is a mechanism for transferring employees who chose to transfer to other government agencies.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

Office of the Speaker
ANTONIO R. UNPINGCO

Date: 4-8-98

Time: 1345

Rec'd by: 

Print Name: Charlene Duena

TWENTY-FOURTH GUAM LEGISLATURE
1998 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 450 (LS), "AN ACT TO ESTABLISH PRIORITY PLACEMENT FOR GUAM TELEPHONE AUTHORITY ("GTA") EMPLOYEES FOR VACANT POSITIONS WITHIN THE GOVERNMENT," was on the 25th day of March 1998, duly and regularly passed.



ANTONIO R. UNPINGCO
Speaker

Attested:



MARK FORBES
Senator and Acting Legislative
Secretary

This Act was received by the Governor this 31st day of March, 1998, at
2:45 o'clock P.M.



Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: 4-8-98

Public Law No. 24-150

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

Bill No. 450 (LS)

As substituted by the Committee on
Transportation, Telecommunications
and Micronesian Affairs, and as substituted
and amended on the Floor.

Introduced by:

C. A. Leon Guerrero

T. C. Ada

F. B. Aguon, Jr.

A. C. Blaz

J. M.S. Brown

Felix P. Camacho

Francisco P. Camacho

M. C. Charfauros

E. J. Cruz

W. B.S.M. Flores

Mark Forbes

L. F. Kasperbauer

A. C. Lamorena, V

L. Leon Guerrero

V. C. Pangelinan

J. C. Salas

A. L.G. Santos

F. E. Santos

A. R. Unpingco

J. Won Pat-Borja

**AN ACT TO ESTABLISH PRIORITY PLACEMENT
FOR GUAM TELEPHONE AUTHORITY ("GTA")
EMPLOYEES FOR VACANT POSITIONS WITHIN
THE GOVERNMENT.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings.** The Guam Legislature finds that
3 according to a consultant's report on privatization options commissioned by the
4 Guam Telephone Authority ("GTA"), the most important issue to GTA
5 employees is the threat they perceive to their jobs. Many employees have
6 expressed great anxiety about their future should GTA be privatized, and believe
7 there is greater stability working for the government. Finding other employment
8 within the government would help alleviate their concerns, and establishing
9 *Priority Placement Procedures* for qualified GTA employees will assist them in
10 finding other government employment. The Guam Legislature further finds that
11 reducing GTA's workforce will have a positive effect on the value of GTA, as
12 sensitivity model used in the privatization report also states that for every One
13 Dollar (\$1.00) of labor there is a loss of value of Eleven Dollars (\$11.00).

14 **Section 2. Establishment of Policy.** Government agencies, and the
15 Judicial Council of Guam, shall establish *Priority Placement Procedures* that give
16 qualified GTA employees who apply for a vacant position within the
17 government, priority for any positions that become available. In implementing
18 the *Priority Placement Procedures* promulgated by Executive Order Number 87-30,
19 the servicing personnel office at GTA shall forward a *Priority Placement* listing for
20 each affected employee to no more than two (2) personnel offices for placement
21 assistance. If the two (2) personnel offices are unable to place the employee
22 within their respective agencies, it would be the responsibility of the two (2)
23 personnel offices, after consultation with the employee, to forward the
24 employee's *Priority Placement* list to two (2) other personnel offices until the

1 employee is finally placed.

2 Section 3. Notice of Vacancies. Government agencies, and the Judicial
3 Council of Guam, shall submit to the GTA Personnel Office a copy of any
4 vacancies or job announcements no later than one (1) working day after
5 publication. The GTA Personnel Office shall post in a conspicuous place copies
6 of any vacancies or job announcements it receives on the same day it receives it.

7 Section 4. Effective Date. The *Priority Placement Procedures* described in
8 §2 of this Act shall become effective within thirty (30) days of the enactment of
9 this Act, and shall remain in effect until January 1, 1999.

10 Section 5. Hiring Freeze. Effective upon the enactment of this Act and
11 notwithstanding any other provision of law, neither GTA, its Board, management
12 or agents shall hire any new employees, or expend funds for new employees, or
13 hire temporary or limited term employees, or enter into a contract to pay for
14 services for independent contractors, or fill any job vacancy, or permit persons
15 to be temporarily assigned to GTA from any other government department or
16 agency. Exceptions to the above hiring freeze, however, may be made to fill
17 essential positions as shall be determined by the Board.

18 Section 6. Essential Positions.

19 (a) *Essential positions and services* shall mean those positions and
20 services which perform functions directly related to the provision of
21 telecommunication services, when the failure to effectively perform such service
22 or in such position will significantly jeopardize telecommunication services in
23 Guam, including, but not limited to, switch operators and cable splicers.

24 (b) The GTA Board of Directors shall establish and certify a
25 Essential Positions and Services List no later than forty-five (45) days after th

1 enactment of this Act.

2 Section 7. Court Action. Any resident of Guam may maintain an
3 action in the Superior Court of Guam for a determination by the Court as to
4 whether a position certified as an essential position is, in fact, essential. If the
5 Court determines that GTA was not substantially justified in its determination
6 that the position was essential, the Court shall:

7 (a) terminate the employment *ab initio*;

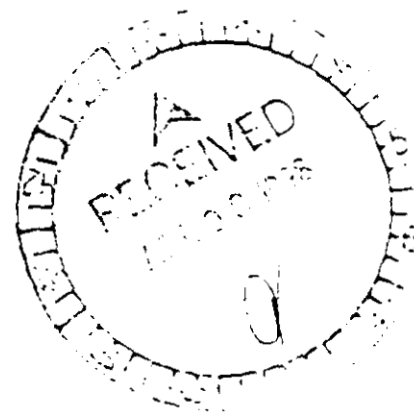
8 (b) award reasonable attorney fees to the plaintiff to be paid by
9 GTA;

10 The terminated employee shall have no appeal to the Civil Service
11 Commission of the Court's decision. GTA shall not indemnify Board Member
12 who are ordered to repay funds.



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

APR 08 1998



The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

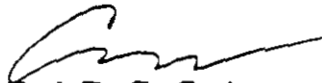
Dear Speaker Unpingco:

Enclosed please find a copy of Substitute Bill No. 450 (LS), "AN ACT TO ESTABLISH PRIORITY PLACEMENT FOR GUAM TELEPHONE AUTHORITY (GTA) EMPLOYEES FOR VACANT POSITIONS WITHIN THE GOVERNMENT", which I have signed into law today as **Public Law No. 24-150**.

This legislation provides a procedure for transfer of current employees of the Guam Telephone Authority to other government agencies when the Guam Telephone Authority responds to the mandates of recent federal law. The recent changes in federal telecommunications law, which open up the telecommunications field to wide competition, forecasts that the Guam Telephone Authority (GTA) must compete with private sector companies in the offering of a variety of telecommunications services. In order to compete effectively, our government agency, GTA, must either take on the characteristics of a private company, or become a private company.

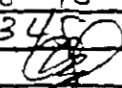
When the GTA moves to accommodate the changes in federal law, there may be employees of the GTA who do not wish to be part of these changes. Some employees may wish to work in other government of Guam agencies, instead. This legislation ensures that there is a mechanism for transferring employees who chose to transfer to other government agencies.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 4-8-98
Time: 1345
Rec'd by: 
Print Name: Charlene Duena

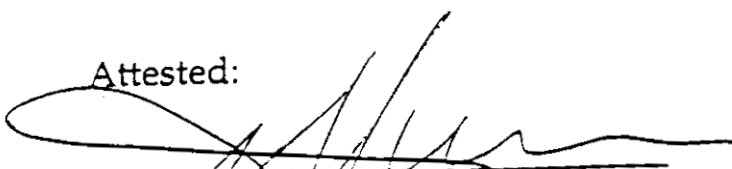
TWENTY-FOURTH GUAM LEGISLATURE
1998 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 450 (LS), "AN ACT TO ESTABLISH PRIORITY PLACEMENT FOR GUAM TELEPHONE AUTHORITY ("GTA") EMPLOYEES FOR VACANT POSITIONS WITHIN THE GOVERNMENT," was on the 25th day of March 1998, duly and regularly passed.




ANTONIO R. UNPINGCO
Speaker

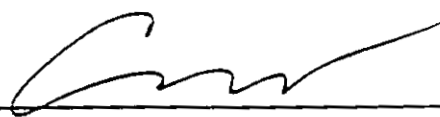
Attested:


MARK FORBES
Senator and Acting Legislative
Secretary

This Act was received by the Governor this 31st day of March, 1998, at
2:45 o'clock P.M.



Assistant Staff Officer
Governor's Office

APPROVED:


CARL T. C. GUTIERREZ
Governor of Guam

Date: 4-8-98

Public Law No. 24-150

TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

Bill No. 450 (LS)

As substituted by the Committee on
Transportation, Telecommunications
and Micronesian Affairs, and as substituted
and amended on the Floor.

Introduced by:

C. A. Leon Guerrero
T. C. Ada
F. B. Aguon, Jr.
A. C. Blaz
J. M.S. Brown
Felix P. Camacho
Francisco P. Camacho
M. C. Charfauros
E. J. Cruz
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Mark Forbes
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A. C. Lamorena, V
L. Leon Guerrero
V. C. Pangelinan
J. C. Salas
A. L.G. Santos
F. E. Santos
A. R. Unpingco
J. Won Pat-Borja

AN ACT TO ESTABLISH PRIORITY PLACEMENT
FOR GUAM TELEPHONE AUTHORITY ("GTA")
EMPLOYEES FOR VACANT POSITIONS WITHIN
THE GOVERNMENT.

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

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7 there is greater stability working for the government. Finding other employment
8 within the government would help alleviate their concerns, and establishing
9 *Priority Placement Procedures* for qualified GTA employees will assist them in
10 finding other government employment. The Guam Legislature further finds that
11 reducing GTA's workforce will have a positive effect on the value of GTA, as a
12 sensitivity model used in the privatization report also states that for every One
13 Dollar (\$1.00) of labor there is a loss of value of Eleven Dollars (\$11.00).

14 **Section 2. Establishment of Policy.** Government agencies, and the
15 Judicial Council of Guam, shall establish *Priority Placement Procedures* that give
16 qualified GTA employees who apply for a vacant position within the
17 government, priority for any positions that become available. In implementing
18 the *Priority Placement Procedures* promulgated by Executive Order Number 87-3
19 the servicing personnel office at GTA shall forward a *Priority Placement* listing for
20 each affected employee to no more than two (2) personnel offices for placement
21 assistance. If the two (2) personnel offices are unable to place the employee
22 within their respective agencies, it would be the responsibility of the two (2)
23 personnel offices, after consultation with the employee, to forward the
24 employee's *Priority Placement* list to two (2) other personnel offices until the

1 employee is finally placed.

2 **Section 3. Notice of Vacancies.** Government agencies, and the Judicial
3 Council of Guam, shall submit to the GTA Personnel Office a copy of any
4 vacancies or job announcements no later than one (1) working day after
5 publication. The GTA Personnel Office shall post in a conspicuous place copies
6 of any vacancies or job announcements it receives on the same day it receives it

7 **Section 4. Effective Date.** The *Priority Placement Procedures* described in
8 §2 of this Act shall become effective within thirty (30) days of the enactment of
9 this Act, and shall remain in effect until January 1, 1999.

10 **Section 5. Hiring Freeze.** Effective upon the enactment of this Act and
11 notwithstanding any other provision of law, neither GTA, its Board, management
12 or agents shall hire any new employees, or expend funds for new employees, or
13 hire temporary or limited term employees, or enter into a contract to pay for
14 services for independent contractors, or fill any job vacancy, or permit persons
15 to be temporarily assigned to GTA from any other government department or
16 agency. Exceptions to the above hiring freeze, however, may be made to fill
17 essential positions as shall be determined by the Board.

18 **Section 6. Essential Positions.**

19 (a) *Essential positions and services* shall mean those positions and
20 services which perform functions directly related to the provision of
21 telecommunication services, when the failure to effectively perform such service
22 or in such position will significantly jeopardize telecommunication services in
23 Guam, including, but not limited to, switch operators and cable splicers.

24 (b) The GTA Board of Directors shall establish and certify a
25 Essential Positions and Services List no later than forty-five (45) days after th

1 enactment of this Act.

2 Section 7. Court Action. Any resident of Guam may maintain a
3 action in the Superior Court of Guam for a determination by the Court as to
4 whether a position certified as an essential position is, in fact, essential. If the
5 Court determines that GTA was not substantially justified in its determination
6 that the position was essential, the Court shall:

7 (a) terminate the employment *ab initio*;

8 (b) award reasonable attorney fees to the plaintiff to be paid by
9 GTA;

10 The terminated employee shall have no appeal to the Civil Service
11 Commission of the Court's decision. GTA shall not indemnify Board Members
12 who are ordered to repay funds.



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

MAY 14 1999

The Honorable Antonio R. Unpingco
Speaker
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Hagåtña, Guam 96910



Dear Speaker Unpingco:


Enclosed please find Substitute Bill No. 46 (COR), "AN ACT TO REPEAL AND REENACT §§7(a) AND (c) OF P. L. NO. 24-36 RELATIVE TO THE ESTABLISHMENT OF AN EMPLOYEE FINANCIAL ADVISOR AND A GUAM TELEPHONE AUTHORITY EMPLOYEE COORDINATING COMMITTEE", which I have signed into law today as Public Law No. 25-14.

This legislation amends Public Law No. 24-36, which inhibited the process of moving forward with the status of the Guam Telephone Authority.

This legislation enlarges the role of the employee Financial Advisor, relative to the process of privatization, by providing that the Financial Advisor advise employees on the full aspects of any privatization plan or other viable options, as well as merely those aspects of a plan relative to the employees.

The legislation also mandates that all 5 departments of the Guam Power Authority will have their own representative on the GTA Employee Coordinating Committee, chosen from a field of 3 nominated from each department. The prior law was defective because it allowed one department to have more than one representative, while another department theoretically could be left with no representative.

Very truly yours,


Carl T. C. Gutierrez
I Maga'Laben Guåhan
Governor of Guam

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 5-14-99
Time: 12:57
Rec'd by: [Signature]
Print Name: Charlene

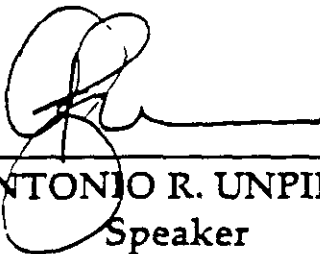
Attachment: copy attached for signed bill or overridden bill
original attached for vetoed bill

cc: The Honorable Joanne M. S. Brown
Legislative Secretary

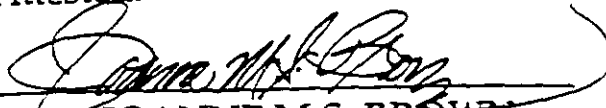
MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
1999 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN


This is to certify that Substitute Bill No. 46 (COR), "AN ACT TO REPEAL AND REENACT §§7(a) AND (c) OF P. L. NO. 24-36 RELATIVE TO THE ESTABLISHMENT OF AN EMPLOYEE FINANCIAL ADVISOR AND A GUAM TELEPHONE AUTHORITY EMPLOYEE COORDINATING COMMITTEE," was on the 3rd day of May, 1999, duly and regularly passed.


ANTONIO R. UNPINGCO
Speaker


Attested:


JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by I Maga'lahen Guahan this 6th day of May, 1999.
at 4:05 o'clock P.M.


Assistant Staff Officer
Maga'lahi's Office

APPROVED:


CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: 5-14-99

Public Law No. 25-14

MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
1999 (FIRST) Regular Session

Bill No. 46 (COR)

As substituted by the
Committee on Transportation,
Telecommunications and
Micronesian Affairs and amended
on the Floor.

Introduced by:

C.A. Leon Guerrero

S.A. Sanchez, II

K.S. Moylan

F. B. Aguon, Jr.

E. C. Bermudes

A. C. Blaz

J. M.S. Brown

E. B. Calvo

M. G. Camacho

Mark Forbes

L. F. Kasperbauer

A.C. Lamorena, V

V. C. Pangelinan

J. C. Salas

A. R. Unpingco

AN ACT TO REPEAL AND REENACT §§7(a) AND
(c) OF P. L. NO. 24-36 RELATIVE TO THE
ESTABLISHMENT OF AN EMPLOYEE FINANCIAL
ADVISOR AND A GUAM TELEPHONE
AUTHORITY EMPLOYEE COORDINATING
COMMITTEE.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 Section 1. Section 7(a) of Public Law Number 24-36 is hereby *repealed and*

1 *reenacted to read as follows:*

2 “(a) Description of position. In order to ensure that the
3 employees of the Guam Telephone Authority (“GTA”) can make informed
4 and knowledgeable decisions regarding the effects of privatization, GTA
5 shall provide funds and other assistance for the hiring of a Financial
6 Advisor (“FA”) for the employees. GTA shall provide full and complete
7 information to the Financial Advisor regarding the privatization plan, in
8 particular those aspects relating to the employees of GTA, and the FA must
9 have sufficient time to review the privatization plan prior to its approval
10 by *I Liheslaturan Guahan*. The FA shall advise the employees regarding the
11 privatization plan and may also advise employees on other viable
12 privatization options.”

13 Section 2. Section 7(c) of Public Law Number 24-36 is hereby
14 *repealed and reenacted to read as follows:*

15 “(c) GTA Employee Coordinating Committee. A *GTA Employee*
16 *Coordinating Committee* (“Committee”) is hereby created that shall consist
17 of five (5) elected members. One (1) member shall be elected from each of
18 the following five (5) GTA departments: Finance; Engineering; Customer
19 Service and Marketing; Administration; and Plant. The employees within
20 each of the five (5) respective departments shall select three (3) nominees
21 from within each of their respective departments. Thereafter, the
22 employees within each department shall select from the three (3) nominees
23 a single representative to be one (1) of the five (5) members of the
24 Committee. The selection of the members of the Committee shall be

1 conducted in a fair and open election under the supervision of the Guam
2 Election Commission. Unclassified employees of GTA shall *not* be
3 members of the Committee.

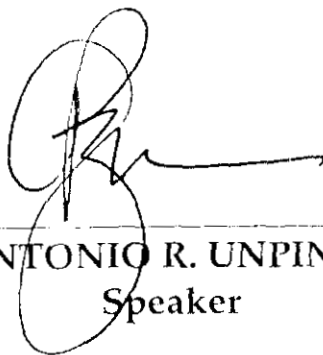
4 The Committee shall have the sole responsibility for selecting, with
5 the assistance of the Department of Administration, and being the contact
6 point for the Financial Advisor and the employees of GTA. GTA is
7 required to provide the needed clerical, and other assistance as may be
8 needed by the Committee in the performance of its duties herein."

9 **Section 3. Severability.** If any provision of this Law or its application
10 to any person or circumstance is found to be invalid or contrary to law, such
11 invalidity shall not affect other provisions or applications of this Law which can
12 be given effect without the invalid provisions or application, and to this end the
13 provisions of this Law are severable.

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 394 (LS) "AN ACT TO REPEAL AND REENACT §5 OF P.L. NO. 24-36 AND TO AMEND §6(b) OF P.L. NO. 24-36, RELATIVE TO APPROVING THE GTA PRIVATIZATION TASK FORCE'S PLAN OF ACTION AS A BASIS FOR SECURING A STRATEGIC PARTNER THROUGH A REQUEST FOR PROPOSAL," was on the 11th day of May 2000, duly and regularly passed.



ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by I Maga'lahaen Gualan this 11th day of May, 2000,
at 5:30 o'clock M.

Paulino #467 GPD
Exec. Sec *intep*
Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahaen Gualan

Date: _____

Public Law No. _____

1 opportunity to review all relevant documents pertaining to the sale,
2 privatization, or other disposition of the assets of the Guam Telephone
3 Authority, and has had sufficient opportunity to review the Invitation
4 for Bid or Request for Proposal and approves its issuance.

5 (c) All funds paid to the government of Guam or the Guam
6 Telephone Authority, specified in §6(a) of the attached Plan of Action,
7 either through an Invitation to Bid or Request for Proposal for a sale,
8 privatization or other disposition of the assets of the Guam Telephone
9 Authority, from a strategic partner or any other entity shall be
10 considered General Fund revenues, *excepting* those funds escrowed with
11 regards to the "Up-Front Payment" in §6(b) in the attached Plan of
12 Action.

13 d) No money may be spent from the funds described in (c),
14 *except* through appropriation or as may be otherwise approved by *I*
15 *Liheslaturan Guåhan*.

16 **Section 3.** Section 5 of Public Law Number 24-36 is hereby *repealed and*
17 *reenacted* to read as follows:

18 "Section 5. Prior to approval of any agreements submitted
19 to *I Liheslaturan Guåhan* for the sale, privatization or other disposition of
20 the assets of the Guam Telephone Authority, a second opinion as to the
21 price and terms and conditions by a nationally recognized investment
22 banking firm shall be obtained.

23 A nationally recognized investment banking firm with proven
24 expertise in the telecommunications field shall be retained by *I*

1 *Liheslaturan Guåhan* through the Committee on Transportation,
2 Telecommunications and Micronesian Affairs as an investment banking
3 advisor to do the following:

4 (1) review all documents and agreements being
5 submitted to *I Liheslaturan Guåhan* relating to the sale,
6 privatization or other disposition of the assets of the Guam
7 Telephone Authority, including any other documents relating to
8 the sale, privatization or other disposition of the assets of the
9 Guam Telephone Authority, which in the opinion of the
10 investment banking advisor is required to properly review the
11 submitted documents and agreements;

12 (2) issue an opinion as to the fairness of the price offered
13 for the sale, privatization or other disposition of the assets of the
14 Guam Telephone Authority based on current market conditions;
15 *and*

16 (3) issue an opinion as to the fairness of the terms and
17 conditions offered for the sale, privatization or other disposition
18 of the assets of the Guam Telephone Authority based on current
19 market conditions.

20 The cost to retain a nationally recognized investment banking firm as an
21 investment advisor and perform the above actions shall be paid out of the Cost
22 Reimbursement Fund, as described in §6(a) of the Guam Telephone Authority
23 Privatization Plan of Action."

24 **Section 4.** Section 6(b) of Public Law Number 24-36 is hereby *amended*

1 to read as follows:

2 **“(b) Appropriation of Funds from the ‘Infrastructure**
3 **Improvement’ Account.** Expenditure of funds from the
4 ‘Infrastructure Improvement’ account shall be appropriated by *I*
5 *Liheslaturan Guåhan* and may *not* be expended without an appropriation.
6 Funds from the account shall be for the construction of a new high
7 school to serve Northern Guam, estimated at a cost of Thirty-five
8 Million Dollars (\$35,000,000).”

Historical Perspective

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2
3
4 In his Inaugural Address on January 2, 1995, Governor Carl Gutierrez stated that he would
5 consider privatizing some government operations including the Guam Telephone Authority
6 (GTA). Subsequently, in 1996 with the changes in the federal laws regulating the
7 telecommunications industry and the development of the Vision 2001 Strategic Initiative, the
8 firm of Coopers and Lybrand (C&L) was commissioned to conduct a study on the
9 privatization of GTA. The final C&L Report was presented to the administration in January
10 1997.

11
12 In February 1997, Governor Gutierrez issued Executive Order 97-09 establishing the GTA
13 Privatization Task Force. This Task Force is comprised of 13 members representing the
14 Legislature, the Board, management and employees of GTA, representatives of the Guam
15 Civil Service Commission, the Government of Guam Retirement Fund, the Governor's
16 Office and the community. The Task Force was empowered to review the C&L report and
17 develop a plan for implementing its recommendations.

18
19 The C&L Report, titled "*Privatization Options and Valuation for the Guam Telephone*
20 *Authority*", included a valuation of GTA as well as a comprehensive review and discussion
21 of different privatization options that could be considered. The potential options assessed
22 within the study included status quo, employee ownership, management buy-out,
23 corporatization, initial public offering, and strategic partnership. These various options were
24 evaluated in a series of interviews with local business and government leaders, a sampling
25 of individual GTA employees as well as an open forum at the University of Guam for all GTA
26 employees. Each option was scored against the following six evaluation criteria:

- 27
28 a) Addressing and meeting employee concerns while effectively deploying their skills;
29 b) Commercial strength;
30 c) Generation of funds for GovGuam;
31 d) Consumer protection;
32 e) Realization of Vision 2001; and
33 f) Support from the community and the Legislature.

34
35 The C&L Report further presented a discussion of the issues that would possibly arise when
36 considering the privatization of GTA, and the different ways in which these issues might be
37 addressed. The report also presented an analysis of potential cost and management
38 flexibility comparative scenarios that could result from each option.
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1 Subsequent to the enactment of Executive Order No. 97-09, the 24th Guam Legislature
2 passed Bill No. 147 (COR) "AN ACT TO REQUIRE LEGISLATIVE APPROVAL OF ANY
3 PLAN TO PRIVATIZE THE GUAM TELEPHONE AUTHORITY (GTA)", which became
4 Public Law 24-36, mandating the following:

- 5
- 6 • A Plan of Action be prepared by the GTA Privatization Task Force and presented to the
- 7 Guam Legislature for approval;
- 8 • Final approval of any Privatization Contract by the Guam Legislature;
- 9 • The appointment of a Negotiations Observer by the Committee on Telecommunications;
- 10 • A Fairness Opinion as to the value of GTA's assets;
- 11 • The appointment of a Financial Advisor to represent GTA employees;
- 12 • The creation of a GTA Employee Coordinating Committee; and
- 13 • The creation of an "Infrastructure Improvement" account to receive any funds derived
- 14 from any sale of GTA assets.
- 15

16 In compliance with this Public Law, the Privatization Task Force has compiled this plan of
17 action and discussion of its findings for presentation to the Guam Legislature, the Governor
18 of Guam, and the Board of Directors of GTA and its employees.

19

20 As stated earlier and in compliance with Executive Order 97-09, the Task Force has utilized
21 the Coopers and Lybrand Report and recent activities in the telecommunications industry as
22 a basis for its deliberations. In addition, the Task Force has interviewed GTA employees
23 and conducted numerous employee forums designed to facilitate a better understanding of
24 the employee concerns and issues and educate employees on the intentions and direction
25 the Task Force will take to achieve Privatization. The results of these forums are included in
26 the appendix of this document.

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Introduction

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4 The Privatization of any government operation is a very serious issue. The investment and
5 return on public or rate payer's funds for capital improvements, overhead and maintenance,
6 employees and public services are difficult to quantify in government. Although it is
7 somewhat easier in autonomous rate-based agencies, the basic principles of supply and
8 demand are very often muddled due to policies that are outdated or more aptly designed for
9 line agencies and general fund budgeting principles.

10
11 When considering the situation of the Guam Telephone Authority, the issue becomes even
12 more serious. As an autonomous agency of the government, it has long enjoyed the
13 exclusivity of being the only local exchange carrier on Guam supported by our local and
14 federal governments. Through the years since its inception, GTA has blossomed into a state
15 of the art telecommunications center in the Pacific connecting Guam to the world through a
16 fiber optics network that is the envy of various countries. Its employees have benefited from
17 the myriad of opportunities for training and education that GTA has been able to provide
18 them.

19
20 Where once GTA enjoyed exclusivity in these and other areas, recent changes in federal
21 laws and telecommunications technologies have forced drastic changes that threaten the
22 very existence of the Authority by exposing its fundamental services to competition with the
23 private sector. Unfortunately, GTA is not positioned to compete with the private sector
24 effectively for a variety of reasons including its rate basis, restrictive local and federal
25 regulations and policies, its level of efficiency as a government entity, and its financial
26 condition, to name a few.

27
28 Change is being forced upon GTA and a long-term perspective is required if the Authority is
29 to survive. The welfare of the over four hundred GTA employees, their families and the rate
30 payers is at stake. The ability of GTA to continue to provide effective services to its rate
31 payers efficiently is threatened. Finally, and most importantly, Guam's future as a
32 telecommunications hub in the Pacific will be placed at risk if nothing is done.

33
34 The privatization of the Guam Telephone Authority has long been debated time and time
35 again. Proponents for its privatization have been voted down and although legislation for its
36 privatization has been promulgated and passed, privatization has never been deemed
37 "politically correct" or timely to implement. Now we are faced with a dilemma of immense
38 proportions.

39
40 "Doing nothing" is no longer an option. Doing nothing will place all GTA's assets at risk,
41 threaten the livelihood of its employees and compromise the ability of the government of
42 Guam to provide other public services effectively. GTA is well positioned at this time to

1 transition into a privatized entity, based on the strengths of its infrastructure, technological
2 advances and trained workforce. However, as each day goes by, its value diminishes in the
3 face of increased competition resulting from the Telecommunications Act of 1996 (TA'96).

4
5 The members of the GTA Privatization Task Force firmly believe that the challenges that are
6 brought about by the Telecommunications Act of 1996 can be overcome. With a well
7 thought out plan, a privatized Guam Telephone Authority will be a **win** for the employees of
8 GTA, a **win** for the government of Guam, and a **win** for our entire island community.

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What is driving the Need to Consider Privatization?

There are a number of very substantial factors that are forcing change on the Guam Telephone Authority and creating the need to consider alternatives to its status quo. These factors include the following:

The Telecommunications Act of 1996

The Federal Telecommunications Act of 1996 (TA'96) has fundamentally changed the laws governing the activities of telecommunications companies. This law swept away regulatory distinctions between communications carriers, changed the basis for regulatory compliance to one that is competition based, and created openings for companies to enter or expand their businesses into local, long distance, and cable markets. It removed the distinctions previously made between local and long distance carriers and cable system operators, allowing companies in one market sector to compete for business in other sectors. This law restructured the entire U.S. telecommunications industry, and has had a significant impact on the way GTA is doing business, now, and in the future.

Some key impacts of TA'96 include:

- Full service companies will increasingly provide communications services as the distinctions between local and long distance carriers and cable system operators disappears.
- Incumbent telephone carriers and cable system operators will lose part of their traditional markets and must look into other segments of the industry for growth potentials.
- Non-traditional players, such as electric utilities, owners of high density real estate (e.g. apartment complexes and office buildings) and others, will be attracted by the opportunity to create economies of scale in combining local telephone company facilities with their operations.
- Customers will be able to freely select from among different full service communications providers: customer retention will focus on service quality, convenience, promotions and competitive pricing.
- The role of the federal and state regulatory bodies as protectors of the consumer against unreasonable prices and practice will be reduced and replaced by regulatory compliance that is competition based.

- 1 • Price and regulatory concerns will focus more on eliminating illegal switching of
2 customers without their permission by local, toll, cellular, and video companies.
3
- 4 • Aggressive competition has already manifested itself in the local service market segment
5 challenging the monopoly once enjoyed by GTA. Higher local service charges will make
6 this market segment more attractive to potential competitors.
7

8 Further complicating the situation, GTA has been required to institute usage-based access
9 charges in place of the revenue-driven fees it previously charged under a 1993 Show Cause
10 Order. Because the revenues from the new access charges are significantly lower than the
11 fee-based income it had been receiving, GTA has moved to find a new balance in its local
12 service charges.
13

14 Technological change is driving the merging of telephone and computer technologies,
15 resulting in the emergence of a new era in communications technology known as "Network
16 Tele-computing". While GTA continues to invest in new technology to the best of its ability,
17 the Task Force believes much higher levels of investment in new systems technology and
18 expanded services to customers will be required in order to remain competitive.
19

20 21 **Government Ownership** 22

23 These rapid changes in markets and technologies and the loss of the exclusive franchise as
24 a provider of local telephone services fundamentally undermine GTA's viability, particularly
25 in light of its ownership by the government. There is the very real likelihood that the
26 government will be faced with subsidizing GTA's operations within 3 to 5 years or less if
27 nothing is done. Because the TA'96 requires that all competitors be treated equally, it would
28 be difficult for the government to justify, on an equity argument basis, any subsidies to GTA
29 operations, even if the government were in a position to subsidize GTA in the first place.
30

31 Competition from the private sector will result in downward pressure on prices and upward
32 pressure on service requirements in all of GTA's markets. As an autonomous agency of the
33 government, GTA is faced with severe restrictions limiting its potential ability to respond to
34 market conditions in an effective or efficient manner.
35

36 GTA's current financial position and policies relating to depreciation, debt repayment and
37 revenue enhancement are limiting its ability to reinvest in its operations. In general, private
38 sector companies have better access than government to capital for investment, and fewer
39 restrictions in accessing capital markets.
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1 Government ownership imposes further restrictions on management, human resources,
2 procurement, and investment policies, including changes in pricing, performance-based
3 compensation, employee deployment, and the protection of strategic information.
4

5 6 **Government Policies**

7
8 While changes in the regulatory environment pose significant competitive challenges to
9 GTA, government ownership ties the hands of GTA management and its employees in
10 responding to these challenges. It is a widely accepted policy that government should not
11 compete with the private sector. Government policies are generally designed to encourage
12 private sector growth, which in turn provides the tax revenue base by which government can
13 provide services to the general public.
14

15 Because GTA does not pay taxes, any of its activities that is competitive with private sector
16 firms is seen by many to be "unfair". This means that while private sector firms are
17 permitted under TA'96 to compete with GTA in the local telephone service market, GTA is
18 not permitted to compete with private sector companies in other markets, which is equally
19 "unfair" to GTA. The result is that GTA is restricted from expanding its business base in
20 many ways including:
21

- 22 • Aggressively marketing its cellular services (because of unfair competition with the
23 private sector);
24
- 25 • Aggressively developing and implementing its Personal Communications Services
26 (PCS) network;
27
- 28 • Aggressively investing in system improvements (because of limitations on access to
29 capital from the government or other sources);
30
- 31 • Paying performance based compensation to employees;
32
- 33 • Deploying its personnel as needed to meet the demands of a rapidly changing
34 marketplace;
35
- 36 • Providing new services which are already being provided by the private sector;
37
- 38 • Procuring goods and services outside of restrictive and cumbersome government
39 procurement regulations; and
40
- 41 • Protecting valuable business information due to open government laws (Sunshine
42 Reform Act)

Implications for GTA

The implications for GTA - given the Telecommunications Act of 1996, the usage-based access charges, its inability to respond to rapidly changing markets or technology and the restrictions of government policies and ownership - place the viability of GTA at great risk.

The future of telecommunications in Guam is becoming abundantly clear. Some of the indicators include:

Communications services will increasingly be provided and dominated by large, full service companies.

Mergers and acquisitions between long distance companies and specialty communications service or technology providers are in place or are being promulgated worldwide. The most recent example is the merger of GTE and Bell Atlantic, MCI World Com and Sprint and ATT and Media One, creating conglomerates worth in excess of \$100 billion in assets. Other indicators include the increasing interest in Guam by other globally positioned private conglomerates such as StarTec* PCI, Guam Cell and GTE Pacifica.

Guam-based firms fully intend to provide local exchange services in the near future.

The recent acquisition of Guam Cable Systems by Marianas Cable Vision has now combined subscribers. With the new technologies available, MCV can also provide Internet, telephone signaling and universal services to its customers in the same cable with little comparative investment. Other private entities are now effectively competing with GTA. For example:

- System maintenance contracts at all major hotels which were once the exclusive market of GTA, have now been taken over by private firms.
- Additional revenues have been lost to private firms offering "bundled deals" providing long distance, Internet services, cellular, paging, Calling Cards, marketing incentives, PCS, and
- Several firms are now competing with GTA for inside wiring maintenance contracts.

Because of government ownership and policies, GTA cannot respond effectively to market driven challenges.

Because GTA's fees are usage-based and not revenue driven, GTA cannot raise the capital or make the investments necessary to compete against private entities. Government policies and restrictions on procurement, personnel deployment and

1 competition are just a few of the obstacles GTA faces in light of the changes brought
2 about by the Telecommunications Act of 1996.

3
4 Based on its review and discussion of these and other issues, the GTA Privatization Task
5 Force believes that some form of privatization is necessary if GTA is to remain viable.
6 A privatization effort would serve to meet the objectives of the government in protecting the
7 long-term interests of GTA employees and would certainly assist in the development of
8 Guam into a telecommunications hub of the Pacific.

9
10 The privatization of GTA is both a great challenge and a great opportunity. Privatization will
11 provide GTA with access to private capital as well as enhance its existing technical and
12 leadership resources, allowing it to compete effectively in a rapidly changing market.
13 Through privatization, GTA will be able to aggressively seek business opportunities in new
14 market segments, such as long distance, cable, and Internet services, and become a full
15 service communications provider to the people of Guam. The new GTA could further
16 expand overseas, and GTA employees will be afforded the opportunity and resources to
17 improve their individual quality of life and expand their career opportunities in the exciting
18 field of telecommunications. Through privatization, the Task Force believes that the future
19 for GTA looks very bright indeed.

Reviewing the Options

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4 In deciding what options are available to GTA in light of the decision to privatize, the
5 Privatization Task Force agreed that any decision must be based on the following
6 objectives:

7
8 Objective #1: Addressing GTA Employee Issues:

9
10 Without a doubt, the true value of the Guam Telephone Authority lies in its employees.
11 Although the work force is relatively young, investments in training, organization and
12 technology have paid off for the Authority, creating a state of the art facility, increasing its
13 ability to service its customers, and increasing its value over the years. The GTA
14 Privatization Task Force is sensitive to the employees' concerns about how privatization or
15 any similar change in the ownership or management structure at GTA will ultimately affect
16 them.

17
18 The principle issues arising from a change in the ownership of GTA for its employees
19 include:

- 20
21 • The possibility that the successful bidder may arbitrarily reduce the number of
22 employees, resulting in personal hardship for families that rely on GTA for employment;
23
24 • In a privatized scenario, employment benefits such as annual or sick leave, holidays and
25 other benefits may not be as attractive as now offered in the government of Guam;
26
27 • GTA employees would no longer be eligible to participate in the Government of Guam
28 Retirement Fund. Employees are concerned that they may also lose the benefits that
29 they have accrued over many years of service with GTA and other agencies of the
30 government such as sick leave and annual leave;
31
32 • Concerns over the level of participation by the employees throughout the process of
33 privatization; and
34
35 • The ability to transfer into other government agencies or departments, if they choose to
36 remain in government, rather than transition into a privatized GTA.
37

38 These are but a few of the concerns that have been expressed by the employees of GTA in
39 several forums, including the most recent held in November 1999. A full transcription of their
40 concerns and the Task Force's responses are included in Appendix A.
41
42

1 The safeguards and incentives recommended by the GTA Privatization Task Force to
2 protect the interests of GTA employees are set out in the Recommended Terms and
3 Conditions for Privatization section of this report, starting on page 18.

4
5
6 Objective #2: Contain Rates and Improve Services:

7
8 GTA operates in a regulatory framework that has been historically governed to different
9 degrees by the Federal Communications Commission (FCC), the Rural Utilities Service
10 (RUS), the Guam Public Utilities Commission (GPUC), and the government of Guam.

11
12 The Telecommunications Act of 1996 was designed to further de-regulate the industry,
13 remove distinctions between local and long distance carriers and generally facilitate more
14 competition between carriers, which in turn would result in lower rates and improved service
15 for the consumer. As stated earlier in this report, we have already seen aggressive
16 competition locally along these lines. As a result of its status as a government entity, its
17 current debt service and its inability to respond to market forces, GTA is limited in the types
18 of services it can provide or invest in, severely restricting its ability to contain rates and
19 improve services.

20
21
22 Objective #3: Retain Local Identification:

23
24 The Task Force agrees that local identification is a very important consideration to any form
25 of privatization. Sensitivity to our community's needs and the commitment to provide GTA
26 and its employees with the capital, technical skills and leadership skills it needs to prosper in
27 a highly competitive field is foremost in this plan. This can be accomplished by negotiating
28 incentives and encouraging local participation through possible joint ventures with local
29 companies, equity participation for Guam residents and ensuring that local skilled workers
30 are given priority in hiring at all levels. Most importantly, the Task Force believes that any
31 privatization effort should be focused on growing the telecommunications industry locally,
32 creating more jobs, services and revenues.

33
34
35 Objective #4: Assure GTA's Future Viability:

36
37 There are a number of economic and financial factors that have the potential to affect the
38 future financial performance and viability of GTA. These factors include:

- 39
40 • Anticipated growth rate of the telecommunications industry;
41 • Tariff and access charges;

- 1 • Market access lines;
- 2 • The nature of competition;
- 3 • Changes in market share and market segmentation;
- 4 • Cellular (or mobile) subscribers and revenues;
- 5 • Overhead and maintenance costs;
- 6 • Other revenues and expenses; and
- 7 • Capital expenditure programs.

8

9 If GTA were privatized, restrictions associated with Government of Guam ownership would
10 no longer apply. Other changes, such as the following, would most likely be required in
11 order to make GTA viable as a privatized entity:

12

- 13 • Impose measures to monitor prices on non-competitive services until competition exists
14 (such as in local exchange services) and provide the necessary regulatory framework for
15 fair competition.
- 16
- 17 • Changes to the GPUC law regarding communications providers to bring local law in
18 accordance with the provisions and intent of the TA'96;
- 19
- 20 • As required by the TA'96, remove from GPUC the right to review the new GTA's
21 investment plans and allowing it to protect commercially sensitive and proprietary
22 information;
- 23
- 24 • Establish regulatory procedures to comply with TA96; and
- 25
- 26 • Address all existing covenants and agreements with RUS, vendors and other entities as
27 necessary.
- 28
- 29

30

31

30 Objective #5: Sustain Telecommunications Growth:

31

32 The Guam Telephone Authority has invested heavily in order to ensure that Guam is
33 positioned to be a leader in telecommunications in the Pacific arena. With fiber optics cables
34 stretching across the Pacific and Guam's ideal position for satellite transmission, there is no
35 doubt why global communications companies have shown extreme interest in our island.
36 Any privatization partner that is to be considered must have a global view of Guam as a
37 telecommunications hub. The future of Guam's economic expansion into the next
38 millennium depends on it.

1 Objective #6: Minimize the financial exposure of the government:

2
3 As suggested earlier in this report, the government of Guam will most likely be forced to
4 begin subsidizing GTA within 3 to 5 years, or less, if nothing is done. The continued erosion
5 of GTA's revenues as a result of forced competition places its ability to service its debts at
6 risk and increases the potential for a negative credit rating and possible loss of government-
7 owned assets.

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Privatization Options

The Coopers and Lybrand Report included a comprehensive review and discussion of the following privatization options available to GTA:

Continued Government Ownership:

- Status Quo: No change to the current structure.
- Corporatization: GTA would convert to a corporation and be allowed to operate, manage and pay taxes, fees and charges in a commercial fashion.

Government Retains Ownership of GTA's Assets Only:

- Management Contract: Allow a leading telecommunications company to manage GTA.
- Long Term Lease: Lease the assets of GTA to a leading telecommunications company.

Ownership by Subscribers, Employees or Management:

- Employee Ownership: Allow the employees to purchase and operate GTA.
- Cooperative: Allow the subscribers to purchase and operate GTA.
- Management Buy Out: Allow the managers to purchase and operate GTA.

Private Sector Ownership:

- Initial Public Offering: List GTA on the stock market and allow widespread private ownership.
- Break Up Sale: Split GTA into its most salable units, and sell them off to the highest bidder.
- Strategic Partnership: The merger with or sale of GTA to a leading telecommunications company or consortium.

Using the specific evaluation criteria outlined earlier in this report, the following potential future options for GTA were scored according to their ability to meet the 6 overall objectives adopted by the Task Force.

1 The results presented in the C&L Report were as follows:

2		
3	Strategic Partnership:	23
4	Initial Public Offering:	18
5	Management Contract:	16
6	Long-term Lease:	15
7	Break-Up Sale:	15
8	Cooperative:	14
9	Employee Ownership:	14
10	Management Buy-Out:	14
11	Corporatization:	13
12	Status Quo:	11
13		

14 After evaluation and discussion of these results, the Task Force endorsed the conclusion
15 reached in the C&L Report that a "Strategic Partnership" is the option most likely to meet
16 both the objectives of the government and protect the long-term interests of GTA
17 employees.

18
19 This option will bring with it the management flexibility to address the challenges of a rapidly
20 changing market place, and the necessary infusion of capital investment to ensure that
21 GTA is well placed to compete in new and existing market segments. This option will
22 provide the task force with the flexibility to consider other options such as "The Golden
23 Share Co-operative: A Cooperative effort consisting of privately-tendered publicly tendered
24 and an equity share vote by the government to insure its presence and ownership. Task
25 Force members also noted that in certain circumstances a bidder might be able to satisfy
26 the major objectives of the GTA Privatization Task Force under an ownership structure
27 other than "Strategic Partnership". The Task Force recommends that all eligible offers must
28 contain a detailed methodology by which the 6 major objectives and the terms and
29 conditions included in this plan of action will be met.
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The Value of GTA

Three different approaches were used in the C&L Report to estimate the value of the assets and the business of GTA, as follows:

- Discounted Cash Flow Valuation - This technique projects the future cash flow of GTA, then discounts the cash flow at an investment earnings rate that reflects the risk attached to the realization of this cash flow. This approach generally results in a higher relative value than other methods, but also tends to be more realistic. The discounted cash flow valuation methodology is the principal methodology for valuing mature companies in most cases.
- Comparative Based Valuation - This methodology looks at the stock prices of similar, publicly traded companies, as well as recent sales of similar companies, as available, deduces a value based on a benchmark (such as price to earnings ratio), and adjusts for scale. The accuracy of this measure of value depends largely on the similarity of the operations and activities of the comparable company with the company being valued.
- Asset Based Valuation - This fundamentally represents the value of a company's assets. The value of the company using this measure depends largely on the accounting policies of the company, and the method of valuing the assets of the company (for example, book value or replacement value). Given that most companies account for their assets on a cost less depreciation basis, this methodology tends to undervalue the company.

Each of these methodologies, and the ultimate value of GTA, is in turn affected by the economic and financial assumptions employed, which include:

- Economic assumptions (economy, customers, employees, etc.);
- Financial assumptions (working capital, depreciation, loans, retirement fund, taxation, discount rate, market growth rate);
- Operational and strategic fit with the purchaser; and
- Sensitivity analysis (with respect to employees, the government stake, tariff increases, lease or purchase of the assets or land, and taxation).

The C&L Report concludes that the equity value of GTA (after subtracting debt and other liabilities) is in the range of \$20 to \$60 million. (Based on the range of outcomes using the three different valuation approaches, and after taking into account different economic and financial assumptions, and sensitivity analysis of different assumptions).

Recommended Terms and Conditions for Privatization

The GTA Privatization Task Force recommends that the terms and conditions for the privatization of GTA be developed to facilitate, to the greatest extent possible, the realization of the 6 major objectives previously identified in this report. The following terms and conditions recommended by the Task Force, therefore, are grouped according to their support of each major objective. Each of the terms and conditions recommended in this Plan of Action must be addressed in good faith by all bidders, and to the satisfaction of Task Force members.

1) Addressing GTA Employee Issues

The GTA Privatization Task Force believes that addressing and meeting employee concerns is a major objective to be considered under any privatization proposal received by the government. The following terms and conditions are recommended by the Task Force to provide safeguards and incentives that will protect the interests of GTA employees. The Task Force also recommends that these terms and conditions should be an underlying basis for negotiation with a potential investor in GTA, unless specifically stated otherwise.

The Task Force believes that the combination of benefits and options that is recommended in this section is fair and reasonable. Task Force members further point out that GTA employees with different family situations and needs will weigh each of these potential benefits and options differently, and any employment package will be negotiated with the bidders to give the employees as many options as possible. Some of these terms and conditions include:

Employment

- a) No forced lay-offs, except for cause, for a minimum period of 5 years following the date of the GTA Privatization Agreement.
- b) Comparable or better salary and benefits packages to be negotiated with GTA employees prior to the date of the GTA Privatization Agreement and be sustained for a minimum period of five years.
- c) Provide each employee with a separate employment contract including, but not limited to :

- Basic salary;
- Performance-based salary increments/bonuses;
- Education and training;
- Annual leave, sick leave and daycare benefits;
- Pension and medical disability plans;
- Health and life insurance plans.

Other potential benefits that may be considered or negotiated include profit sharing or stock option plans.

- d) Proven track record for harmonious employee relations. The successful bidder must be able to demonstrate to the Task Force that they have maintained good management - employee relations over the past 5 years and have displayed exceptional leadership in the management of their human resources.
- e) Incentive programs to induce employees to resign or retire voluntarily as a means of reducing staffing and improving efficiency and competitiveness in a phased manner.

Pension Benefits

- f) On the date of the GTA Privatization Agreement, ensure that GTA employees are credited with the full amount of contributions and/or investment earnings accrued under existing Government of Guam retirement plans up until that date. Employee contributions and interest earnings will then either be paid to the employees with less than 20 years of service by the Government of Guam Retirement Fund, or shall continue to be invested by the Fund and paid out when the employee subsequently retires.
- g) Ensure that the new pension plan allows GTA employees to rollover certain length of service towards vestation.
- h) That an attractive new pension plan be offered that is effective on the date of the GTA Privatization Agreement, and that the successful bidder be responsible for payment of employer contributions earned with the new pension plan after that date;
- i) Each year of service with GTA or with GovGuam, including all allowable service credits, shall be applied where appropriate to the new pension plan.

Other Benefits

- 1
2
3 j) To the greatest extent possible, that the successful bidder will match or
4 exceed any other benefits currently provided by GTA and GovGuam.
5

Special legislation will be required to:

- 6
7
8 k) Allow GTA employees, if they so choose, to transfer their personal
9 Government of Guam Retirement Fund contributions into a private sector
10 pension plan; to leave their accrued benefits in the government system for
11 disbursement at a later date; or to take early withdrawals from the government
12 system in special circumstances.
13
14 l) Give GTA employees priority in lateral transfers to other agencies of the
15 government, where appropriate.
16

2) Contain Rates, and Improve Services

17
18
19 The GTA Privatization Task Force recommends that the successful bidder justify its
20 ability to contain rates and improve services, while meeting the other terms and
21 conditions of the Privatization Agreement, in the following areas:
22

- 23 a) Prices to be regulated by the GPUC "until effective competition exists in the
24 industry", or for the first 5 years of the Agreement, whichever comes first.
25
26 b) Improvements in service performance levels (such as market share, service
27 response times, and repair response times) over the first 5 years of the
28 Agreement.
29
30 c) As required by TA96, that the different services to be provided by GTA
31 (including local service, cellular service, and long distance) are "unbundled",
32 and priced as though each service is provided by a separate company.
33
34 d) Commit to a capital structure for the newly formed company for the first 5
35 years which would mitigate upward pressure on rates.
36

37 The Task Force believes that these performance requirements can be effectively
38 monitored by the publication of an audited annual report addressing these three
39 criteria each year for 3 years after the date of the Privatization Agreement. Other
40 monitoring methodologies would be negotiated with the successful bidder to allow a
41 level of comfort to the government without compromising market information deemed
42 confidential to the continued competitiveness of the New GTA.
43

3) Retain Local Identification

The Privatization Task Force believes that it is the interest of the island that local business and individuals be given the opportunity to participate in the purchase or privatization of GTA. Every effort should be made to provide information on GTA and the terms and conditions for privatization to be publicly available to locally interested firms and individuals.

The GTA Privatization Task Force believes that it is in the long-term interest of the major stakeholders in GTA, that the successful company or consortium be able to provide GTA with the capital as well as technical and leadership skills that will enable the New GTA to prosper. Therefore, the successful bidder must persuade the Task Force that it can:

- a) Demonstrate a long-term commitment to Guam. This could be in the form of a business plan or a capital investment plan, providing that disclosure of the plan does not prejudice the competitive position of the New GTA.
- b) Provide opportunities for local participation in both ownership and management. This could be in the form of equity participation to Guam residents, or some form of joint venture with local companies.
- c) Demonstrate that all possible positions within the New GTA be filled from the local community workforce.

4) Assure GTA's Future Viability

The successful bidder, individually or if a group as a group must be able to show the Task Force members that it has:

- a) Proven financial success. This could be in the form of financial statements that show consistent increases in sales and profits in telecommunications over the past 5 years.
- b) A Minimum Gross Annual Sales of \$500 million¹ in telecommunications sales over the previous year. It is the intention of the Task Force that the new owner of GTA be a financially and technically competent telecommunications company or consortium that is capable of making the substantial capital investments that may be necessary to secure the future of the New GTA.
- c) Minimum Net Assets of \$100 million². Financial statements from the previous year would allow this minimum net asset value to be calculated.

5) Sustain Telecommunications Growth

- a) Prove Substantial International Telecommunications Experience. With the passage of TA96, and the globalization of the telecommunications industry, it is important that any bidder have the ability to enter or expand its presence beyond local, long distance, and cable markets. The ability of the successful bidder to demonstrate international experience will help ensure that the New GTA is not left behind by technological change or innovation and is positioned to penetrate new market segments.
- b) A track record of success in similar market situations. In order to benchmark the likely future performance of the successful bidder with the New GTA, a proven track record of success in similar markets will be required.
- c) Strong, Experienced Management. The successful bidder must demonstrate that it can provide experienced leadership to the New GTA in order for it to grow and prosper.

¹The original GTA Privatization Task Force recommendation was \$1 billion. The Committee on Telecommunications recommended a reduction on the Minimum Gross Annual Sales to \$250 million. Subsequently, the GTA Privatization Task Force has compromised its recommendation to \$500 million.

²The Committee on Telecommunications recommends a reduction of the Minimum Net Assets to \$50 million.

- 1 d) Technology Leadership. It is important that the new GTA keep abreast of new
2 technologies. This will ensure an improvement in services to every family and
3 every business in Guam.
4
- 5 e) Commitment to Invest to Maintain Technology Leadership. The successful
6 bidder must show that it has both sufficient financial resources and a
7 commitment to invest and grow the business of the New GTA.
8

9 6) Minimize the Financial Exposure of the Government

- 10
11 a) **“Cost Reimbursement”** - All bidders must pay for a Proposal Evaluation Fee
12 to the government, regardless of the type of offer or type of management and
13 ownership structure proposed, as a mandatory component of any Privatization
14 Agreement proposal submitted to the GTA Privatization Task Force for
15 consideration. This money would be used to reimburse the Government of
16 Guam for the costs incurred in performing a proper and thorough evaluation of
17 a bidder’s proposal. The cost to retain a nationally recognized investment
18 banking firm to perform the actions required by section 5 of PL 24-36 as
19 amended shall be paid out of the “Cost Reimbursement” fund.
20

- 21 b) **“Up-Front Payment”** - The successful bidder will be required to make a
22 minimum up-front, non-refundable payment to the government, regardless of
23 the type of offer or type of management and ownership structure proposed,
24 upon execution of the Privatization Agreement.
25

26 This money would demonstrate a long-term commitment to the GTA
27 enterprise, and should represent 10% of the bid price.
28

- 29 c) **Assignability of Agreement** - The GTA Privatization Task Force
30 recommends that the ownership or management rights established in the
31 Privatization Agreement be restricted from being assigned or sold to another
32 entity for a period of 5 years after the date of the Privatization Agreement. Any
33 assignment must have the prior written approval of both the Governor of
34 Guam and the Guam Legislature.
35

- 36 d) **GTA’s Land and related Assets** - The GTA Privatization Task Force
37 recommends that the land and related right of way assets of GTA be
38 specifically addressed in separate agreements to be approved by the
39 Legislature along with any privatization agreement. The government of Guam
40 desires to retain ownership of the land to preserve the long-term interests of
41 the people of Guam.
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The Task Force therefore recommends that separate formal real estate agreements be prepared for approval by the Legislature and to be executed at the same time as the Privatization Agreement. One agreement would be through lease of the land underlying GTA's buildings, work areas, and equipment (excepting rights of way) to the purchaser of GTA. Another agreement would state the terms and conditions allowing the purchaser of GTA access to the Government owned rights of way.

- (e) All Funds 2specified in subsection 6.A paid to the government of Guam or the Guam Telephone Authority either through an Invitation to Bid or Request for Proposal for a sale, privatization, or other disposition of the assets of the Guam Telephone Authority, form a strategic partner or any other entity shall be considered General Fund Revenues.
- (f) No money may be spent from the funs described in (e) except throughappropriation or as may be otherwise approved by the Legislature.

Recommended Methodology for Privatization

The GTA Privatization Task Force recommends the following approach to the solicitation of offers for a Privatization Agreement for GTA. The approach advocated by the Task Force seeks to meet the conditions for privatization set out in Public Law 24-36, and is conditional on approval of this Plan of Action by the Guam Legislature.

Objective Second Opinion on the sale or privatization of GTA

In accordance with Public Law 24-36, the final privatization agreement will be reviewed and approved by a second party hired by the Guam Legislature to ensure fair and proper terms and conditions of the agreement are met.

Employee and Public Education Forums.

The Task Force will continue to conduct forums for GTA employees. These forums are designed to answer the concerns of the GTA employees regarding privatization and keep them informed of the progress. Additional public education forums will be conducted pending approval of this Plan of Action.

Employee Coordinating Committee *

(This requirement of Public Law # 24-36 has been complied with and the Employee Coordinating Committee have been integrated into the Privatization Task Force as of August 1999.)

Employee Financial Advisor

In order to ensure that the employees of GTA can make informed and knowledgeable decisions regarding the effects of privatization, GTA shall provide the funding necessary to hire a Financial Advisor on their behalf in accordance with the intent of P.L. No. 24-36.

* Revised April 12, 2000 by Committee on Telecommunications, Transportation and Micronesian Affairs

1 Seek Regulatory Approvals

2
3 An analysis of the legal issues associated with the potential privatization of GTA was
4 undertaken by the law firm of Verner, Lipfert, Bernhart, McPherson, and Hand in
5 January 1997, and was included as an attachment to the C&L Report.

6
7 This legal review points out that approvals from the following regulatory agencies are
8 required:

- 9
10 a) **Federal Communications Commission (FCC)** - Under the provisions of
11 TA96, the FCC is overseeing the implementation of a competition-based
12 regulatory regime covering the communications industry generally. Currently,
13 GTA is operating under a Show Cause Order issued by the FCC in relation to
14 the pricing of access charges to its network, and GTA is operating under an
15 Integrated Compliance Plan in response to this Show Cause Order. Any
16 changes in the ownership or management of GTA which may affect its
17 responsibility under TA96 and the Show Cause Order may result in
18 intervention by the FCC.
19
- 20 b) **Rural Utilities Service (RUS)/ Rural Telephone Bank (RTB)** - Under the
21 Rural Electrification Act of 1936, the RTB has historically provided low interest
22 loans to many U.S. telephone and power authorities. The bulk of GTA's debt
23 has been issued by the RTB, which is regulated by the RUS. Under the RTB
24 loan indentures, any change in the ownership or management of GTA which
25 may affect the standing of this debt or potentially impair GTA's ability to repay
26 this debt, without prior permission of the RUS, may cause this debt to become
27 immediately payable.
28
- 29 c) **Guam Public Utilities Commission (GPUC)** - The GPUC regulates the
30 rates and charges of the government-owned power, water and telephone
31 utilities in Guam. The privatization of GTA, and increased competition in the
32 telecommunications field, will mandate changes in the role of the GPUC.
33
- 34 d) **U.S. Department of Justice (USDOJ)** - The USDJ has a role in the
35 regulation of the communications industry in relation to mergers and
36 acquisitions under the Hart-Scott-Rodino Antitrust Improvement Act of 1976.
37 While the role of the USDOJ does not at first appear to cover privatization of
38 government owned utilities, the Task Force recommends that approval be
39 sought as a safeguard.
40
41
42

1 The Task Force has initiated preliminary discussions with the necessary regulatory
2 agencies and will formally request their assistance and approval pending the
3 Legislative approval of this Plan of Action.

4
5 Request for Information: Establishment of a List of Qualified Firms (Investment
6 Advisor)

7
8 In order to expedite the process, the GTA will issue a Request for Information (RFI)
9 for an investment advisor shortly after the transmittal of the Plan of Action to the
10 Legislature. The RFI will seek information from firms with the appropriate
11 qualifications and experience to assist the government of Guam in the negotiation of
12 some form of privatization agreement for GTA. This process will enable the
13 establishment of a list of qualified firms.

14
15 Request for Proposal: Investment Advisor

16
17 Subject to approval of the Plan of Action by the Guam Legislature, a Request for
18 Proposal (RFP) process will commence to contract an Investment Advisor to assist
19 the government in the negotiation of a GTA Privatization Agreement. The qualified
20 Investment Advisors identified in the RFI process will be asked to submit proposals.

21
22 Invitation for Bid: GTA Privatization *

23
24 Upon completion of investment documentation by the investment advisor, the Task
25 Force proposes that the final stage of the privatization process be the subject of a
26 **specialy legislated** Invitation For Bid (IFB) process.

27
28 ***Because of the range of tangible and non-tangible assets, the current***
29 ***procurement laws of Guam do not provide appropriate language to legally***
30 ***effectuate any strategic partnering or sale of GTA. Therefore special legislation***
31 ***will be required.*** For example, while the technical proposals from two firms may be
32 very similar, it is also possible that the cost proposals may differ by many millions of
33 dollars. Typically, any minor deficiencies in a technical proposal can then be
34 negotiated to allow for a corresponding amendment to the cost proposal to reflect
35 such changes. In addition, a number of the terms and conditions recommended in
36 this Plan of Action will have an impact on the value of GTA to a potential bidder.
37 There will, therefore, need to be consideration of the value for money offered under a
38 proposed Privatization Agreement in meeting these terms and conditions by different
39 bidders and under different privatization scenarios.

40
41 * Revised April 12, 2000 by Committee on Telecommunications, Transportation and Micronesian Affairs.

42
43 It needs to be made clear to potential bidders that the proposal that offers the highest
44 price to the government for GTA may not be successful if the Task Force determines

1 that alternative offers better meet the overall objectives of the government. To this
2 end, special procurement legislation is required in order to realize the objectives.
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1 **Proposed Timetable for the Implementation of the Plan of Action**
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Date	Action
November 1997 March 1998 November 1999	Conduct employee education forums for review and discussion of the final Plan of Action
August 1999	Conduct elections for Employee Coordinating Committee Representatives
December 1999	Issue Request for Proposal for Employee Financial Advisor
January 2000	Submit Plan of Action final draft to GTA employees
January 2000	Engage Procurement Advisor
February 2000	Reissue Request for Proposal for Employee Financial Advisor
February 11, 2000	Submit Final Plan of Action to the 25 th Guam Legislature
February 2000	Forward copy of final Plan of Action to Regulatory Agencies (RUS, FCC, GPUC, USDJ)
February 2000	Engage Employee Financial Advisor
	Prepare RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Issue RFP for GTA Privatization (Pending Legislative approval of Plan of Action)
	Begin dialogue with bidders. (Pending Legislative approval of Plan of Action)
	Based on RFP, establish a list of preferred bidders and begin dialogue. (Pending Legislative approval of Plan of Action)
	Finalize Terms and Conditions and solicit offers from bidders (Pending Legislative approval of Plan of Action)
	Select successful bidder, negotiate final contract and submit to Legislature for final review. (Pending Legislative approval of Plan of Action)
October 2000	Final approval and signature by the Governor of Guam.

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Appendix A

Results of Questions Presented at the GTA Employee Forums

- November 22-29, 1999 GTA Employee Forums
- March 10-13, 1998 GTA Employee Forums
- November 17-21, 1997 GTA Employee Forums

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**GTA Employee Forum
on the Status of GTA Privatization Task Force**

**Questions and Answers
(November 22 - 29, 1999)**

The following is a discussion of employee concerns and interests presented at the Employee Forum on Privatization. All retirement issues have been forwarded to the Government of Guam Retirement Fund for further clarification and verification. The Government of Guam Retirement Fund and the Actuary are currently reviewing the GTA employees concerns on retirement and will provide immediate and proper response upon thorough evaluation and analysis.

I. FINANCIAL ADVISOR

1 **1) Who is responsible for hiring the Financial Advisor and what is the time line for this**
2 **Financial Advisor?**

3
4 The Financial Advisor is funded by GTA. The selection is a joint effort by GTA and the
5 Employee Coordinating Committee (ECC) following government procurement regulations. The
6 Financial Advisor, who reports directly to the employees through the ECC, is expected to join
7 GTA's efforts by December 1999 and will remain until the closing of the contract.

8
9 **2) According to Cliff, we expect to move forward in December. We don't have a**
10 **Financial Advisor. The Financial Advisor has to identify the employees options and what we**
11 **expect from him. How are we going to the Legislature with this come December?**

12
13 Public Law 24-36 states that the Financial Advisor must be hired prior to the submission of the plan
14 of action. The ECC is concurrently planning to have the plan of action and Financial Advisor in
15 place by December 1999. Employees must understand that the Financial Advisor is not expected to
16 begin negotiations at this time. The intent is to bring the Financial Advisor on board to review the
17 plan, work with and represent the employees, and be ready to maximize employee benefits and
18 interests at the bargaining table.

19
20 **3) As employees, are we allowed a copy of the Request for Proposal (RFP) for the**
21 **Financial Advisor or allowed the opportunity to read the RFP at a designated area?**

22
23 The Request for Proposal is a public document. Every employee will be provided a copy of the
24 Request for Proposal.

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42 **II. NEGOTIATIONS**
43

1 **4) What will be the employee benefits that will be negotiated in the process of privatizing**
2 **benefits?**

3
4 The employee benefits are detailed in the Plan of Action. The Privatization Task Force will
5 negotiate above and beyond the minimum requirements stated in the Plan of Action with the
6 successful bidder.

7
8 **5) What steps are necessary for the employees to get to the negotiation table?**

9
10 All employees are encouraged to stay informed. There is much work to be done and the
11 Privatization Task Force requires the continued support of the employees.

12
13 GTA must still pursue some form of strategic partnership to carry us to the next century. During
14 this process, one of the issues we must encourage is the removal of the "non-binding negotiations"
15 clause as mandated by Public Law 24-36. Basically, it's unreasonable to go through so much time,
16 effort, and expense in finding potential partners and then to negotiate issues without commitment.

17
18 **6) As GTA employees, what do we have to do to tell the Privatization Task Force to go**
19 **with the plan of action and get to the negotiation table? Do we tell the Employee**
20 **Coordinating Committee (ECC) to do it or do we submit a survey that the employees say "Go**
21 **For It"?**

22
23 Both. GTA employees should talk to their senators to actively pursue action on the plan. The
24 Privatization Task Force can only move forward with the support of its employees. GTA
25 employees should earnestly keep in touch and stay informed with the ECC, and remain committed
26 to this effort. Also, each employee should thoroughly read and understand the information being
27 given to you by the ECC.

28
29 **7) Can other private companies be involved in the negotiations specifically for the**
30 **possibility of absorbing employees who have to be let go?**

31
32 No. A third party will not be included in the negotiations. Should employee(s) refuse to work for
33 the new company and withdraw from government service, a job placement program can be
34 established to assist these individuals in securing employment elsewhere.

35
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41 **8) Will hourly wages be brought to the negotiations table? In other words, will the new**
42 **company match or better the hourly wages, or is it totally up to the company?**
43

1 Our goal is to sustain existing employee benefits. The Privatization Task Force will not honor any
2 type of negotiation that will lower salaries and benefits. The Task Force seeks a company that has
3 name recognition, experience in telecommunications, and a vision for GTA. We want to secure a
4 good compensation plan and benefits package.

5
6 **9) Instead of the five year transitional contract, can we have it for twenty years?**

7
8 As a negotiating issue, that would be unreasonable and would certainly jeopardize other things we
9 would try to negotiate for the authority and the employees. Essentially, nothing is for free. It is a
10 give and take of compensation and benefits.

11
12 **10) In the negotiation, it will be a give and take situation. We know what we basically
13 want. Wouldn't it be wiser to see what the interested partner or buyer has to offer so that we
14 don't have a another flawed law passed like the recent law that was offered in reference to
15 priority transfer for GTA employees?**

16
17 The provisions stated in the plan of action is the minimum the Privatization Task Force is willing to
18 accept. The more the company offers the better for GTA. There may be a cost attributed to this.
19 but if the deal works out better for the GTA employees, the rate payers and taxpayers, everyone
20 wins. We are looking for the company that offers above and beyond the minimum requirements.

21
22 **11) Can we begin "non-binding negotiations" with interested parties?**

23
24 Public Law 24-36 states that "the GTA Board is authorized to begin non-binding negotiations with
25 qualified investors". This "non-binding" clause should be re-examined as it does not commit
26 parties to the agreement and can be a deterrent in bringing interested investors to the negotiating
27 table.

28
29 **12) What is going to happen to employees who require technical training and/or
30 certification on the job (specifically Central Office employees)? What can privatization do
31 for these employees? Will these employees be let go?**

32
33 In the proposed plan of action, there will be no forced layoffs except for cause for five years. The
34 proposal also stipulates that the partner will provide training to the employees to improve their
35 skills, and in effect maintain their jobs. With additional training, the employees provide better
36 customer service and remain a valued asset to the company. The goal is to increase the employee
37 workforce --- the more jobs are created, the more taxes are generated, Guam benefits and the entire
38 region. Also, given the very nature of the telecom industry, all these successes, new services, and
39 better products are a result of existing training programs.

40
41 **13) Will each employee's knowledge, skills, and abilities (KSA) be assessed prior to
42 privatization so the new partner would be able to evaluate each individual appropriately?**
43

1 Individual employee profiles will be performed to assess employees skills and training received.
2 This serves the best interest for both the employees and the interested partner as the employees will
3 be properly placed in positions that best meets their capabilities and potential.
4

5 **14) Can 1% or more of the sale of GTA be offered to the employees in monetary value or**
6 **some form of value (stocks, bonds, etc.)?**
7

8 No. If GTA is sold and there is a cash contribution to the people of Guam, the money will
9 deposited into the General Fund as required by public law. GTA employees will not benefit
10 directly once the contribution is placed in the General Fund. Should there be a monetary value
11 gained from the sale, and before the deal is signed, we can negotiate incentive buy outs in terms of
12 additional training on and off-island, profit sharing and stock options, annual leave and sick leave
13 benefits, etc.
14

15 **15) Is there any measure to prevent the new strategic partner from divesting GTA for**
16 **resale to make a profit?**
17

18 No. For a period of five years, the company cannot not resale GTA without prior approval (of both
19 the Governor of Guam and the Legislature).
20

21 **16) Can the PTF and our consultants reconsider the options, Employee Ownership and**
22 **Initial Public Offering, in light of the prosperity experienced by other private Telco who opt**
23 **for the option and were successful, Australia Tel and Mexico Tel?**
24

25 There are few employee owned telecommunications companies in the United States. The
26 telecommunications laws in Australia and Mexico differ to that of the United States. I don't have
27 specific answers to that but will address the matter.
28

29 **17) Will the private company continue to provide service up to the demark which is the**
30 **protector without any additional cost? If not, who will pay for Tan Maria and Tun Juan for**
31 **the job order of \$1,500 trenching?**
32

33 Currently, payment for such trenching is either subsidized through the commercial accounts or
34 absorbed in the rates. Once the private company enters into the contract, the trenching will be
35 billed to the owner or may subsidized in some other manner. We don't have the answers to that
36 question at this point. The Privatization Task Force will discuss this issue during negotiations.
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41 **III. LATERAL TRANSFER**

42

1 **18) What is the status of request for lateral transfers and does the lateral transfer option**
2 **have an expiration date?**
3

4 The initial lateral transfer law was flawed. According to the law, employees may transfer into
5 agencies with vacant positions. However, this prevented employees within the agencies from
6 filling those positions. In its subsequent amendment, Public Law 24-150 established a priority
7 placement for GTA employees for vacant positions within the government. However, priority
8 placement expired on January 1, 1999. Presently, there is a hiring freeze on all Government of
9 Guam positions.
10

11 The Attorney General and the Civil Service Commission have been asked to address the lateral
12 transfer issue and develop new language to open the doors for GTA employees to transfer within
13 the government. The Attorney General and Civil Service Commission will also address sustaining
14 equity among employees where the vacant positions exist and the potential transfer of interested
15 GTA employees. GTA employees shall receive a copy of the proposed bill for review and
16 approval before submission into the Legislature.
17

18 **19) Can the lateral transfer mentioned in the bill during negotiations be amended to**
19 **include priority transfer to entry levels in the government for those who wish to start over**
20 **within the government?**
21

22 The Attorney General and the Civil Service Commission have been asked to address the lateral
23 transfer issue and suggest language to the Committee Chair on Transportation and
24 Telecommunications, Senator Carlotta Leon Guerrero, for inclusion with the plan of action once
25 approved. GTA employees will have the opportunity to review and approve the bill through the
26 ECC before submission to the Legislature.
27

28 **20) Concerning the lateral transfer, why was it for lower pay?**
29

30 I don't know. There may have been some basic flaws to the legislation. Also, at the time of some
31 of the transfers, there may have been no comparable positions with the same pay. However, offers
32 may have been made for similar positions at a lower pay.
33

34 **21) Why were GTA employees told from other GovGuam departments, "I don't care**
35 **where you came from" during the lateral transfer?**
36

37 I don't know why they were told that. There should have been no obstacles for lateral transfers.
38 While I can't speak for other departments and their staff, I know this entire lateral transfer process
39 was supported and encouraged by GTA and the administration.
40
41

42 **22) Why was the list at personnel concerning lateral transfer not complete?**
43

1 GTA obtained its official list from the Department of Administration.

2
3 **23) Why did lateral transfer work first for employees who were perceived as having**
4 **strong political connections?**
5

6 A huge exodus of employees was expected when the lateral transfer law was enacted. However,
7 the lateral transfer process did not work --- only four from GTA transferred into other GovGuam
8 departments. In my opinion, apparently most GTA employees chose not transfer for several
9 reasons: they don't know what is being brought to the negotiations table, GTA may offer better
10 opportunities and incentive packages to its employees, and it is not favorable to move to a line
11 agency given the current budgetary limitations.
12

13 **24) Can the priority transfer bill for GTA employees be offered again during**
14 **negotiations? If yes, can the lateral transfer be offered in priority of time in service versus**
15 **political connections? Is yes, how soon can they start?**
16

17 We can and will offer lateral transfers to the best that it can be done.
18 Employees are encouraged to consider this lateral transfer possibility during the five year transition
19 time with the incoming company and not at any time before the negotiation stage. Employees
20 should avail themselves to the many opportunities and benefits the successful bidder may offer.
21

22 **25) Why is the Government still trying to downsize the Government of Guam and will it**
23 **affect the lateral transfer?**
24

25 Presently, there is a hiring freeze on all Government of Guam positions. Because of the
26 government's social responsibility (welfare, food stamps, housing, etc.) in providing essential and
27 critical services to the people of Guam, the government must eventually reopen closed positions.
28 Employees are encouraged to partner with the new company so that once the positions are open,
29 they are given to get first priority to fill those positions.
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42 **IV. RETIREMENT/ANNUAL AND SICK LEAVE/VOLUNTARY SEPARATION**
43

1 **26) If we are privatized, what will happen to our retirement, annual, and sick leave and**
2 **our years of service with GTA?**
3

4 Regarding the retirement program, the Attorney General stated that the Defined Benefit Plan (old
5 plan) is an entitlement program, and the Defined Contribution Plan (new plan), is called a trust.
6 Under the Defined Benefit Plan, the Legislature has the authority to adjust the annuities at any time.
7 On the other hand, the Legislature has no control over retirees investment earnings in the Defined
8 Contribution Plan --- the employees contributions and the government's share are placed in a trust
9 which is invested. The government cannot alter or transfer the monies invested by employees
10 participating in the Defined Contribution Plan.
11

12 Should an employee disengage with the Government of Guam, he/she has several options:
13

- 14 a. Keep the money in the Government of Guam retirement fund (to be disbursed at a
15 future date) and enroll into a pension plan offered by the company. However, no
16 additional contributions can be made to GovGuam retirement fund;
17 b. Withdraw money from retirement and transfer it into a pension plan offered by the
18 company;
19 c. Withdraw money for use at own discretion.
20

21 GTA employees can only withdraw his/her contributions and interest earned upon separation with
22 the government.
23

24 The Financial Advisor becomes a key player in providing individualized financial counseling to
25 employees to effectively handle his/her retirement contributions and/or investment earnings.
26

27 Accrued sick and annual leave is also applied towards service credits at the time of retirement. The
28 Privatization Task Force will negotiate the transfer of annual leave, sick leave, and the retirement
29 benefits with the successful bidder.
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42 **27) When the purchase of GTA is consummated, what happens to**
43

1 **a) Retirement? Would our investment remain with the Fund or would we be required to**
2 **reinvest with the new company and in what ratio and type?**
3

4 As stated in the plan of action, the Privatization Task Force will negotiate the following pension
5 benefits for GTA employees: Keep employees retirement contributions in the GovGuam retirement
6 fund and join the pension plan offered by the incoming company; roll credits from the GovGuam
7 retirement fund into the new pension plan; or engage in the employee incentive buy out.
8

9 **b) Benefits? Would annual/sick leave benefits be offered and under what**
10 **conditions/situation?**
11

12 Accrued sick and annual leave is applied toward service credits in the retirement fund. The
13 Privatization Task Force will negotiate the transfer of annual leave, sick leave, and retirement
14 benefits with the successful bidder.
15

16 **c) Medical? Would it be similar to what we are being presently provided?**
17

18 GTA is in an excellent position to negotiate optimum medical benefits with the successful bidder.
19 The goal is not to retain the same medical benefits as currently offered within the government but
20 to improve the benefits at a lower cost to the employees.
21

22 **28) Can our annual and/or sick leave be paid out upon privatization?**
23

24 Annual leave may be paid out. not sick leave.
25

26 **29) If I decide to leave my retirement in the Government of Guam and start a new**
27 **retirement in the new firm, at what age can I start receiving annuity?**
28

29 To be addressed by the Government of Guam Retirement Fund.
30

31 **30) Can our retirement be transferred to our spouses or relatives in the Government?**
32 **How about our annual and sick leave?**
33

34 Presently, employees can transfer sick leave to their spouses and/or relatives but I don't believe
35 annual leave can be transferred. The employee retirement contributions cannot be transferred to
36 their spouses and/or relatives --- it is an individual contract between the employee and the
37 retirement fund. Only at the time of death can the beneficiary collect on the employee's retirement
38 benefits. GTA employees may withdraw their employee contributions or investment earnings
39 from the retirement fund and give it to their spouse or relatives.
40

41 **31) If GTA is privatized, can sick leave still be transferred to retirement even though we**
42 **are not retiring?**
43

1 Most likely, but this needs to be confirmed by the Retirement Board. We will have to examine this
2 issue.

3
4 **32) If I quit the Government of Guam and I want to pull out my retirement, do I only get
5 my contributions?**

6
7 Yes, the employee can only withdraw his/her employee contributions and interest earned but not
8 the government's share.

9
10 **33) Since we are being privatized and we presently have no option because of the
11 telecommunications industry mandates, can we receive our retirement benefits inclusive of
12 our contribution, interest earned and the government's contribution?**

13
14 Should an employee disengage from government service and elect to withdraw his/her retirement
15 benefits, the employee is only entitled to his/her employee contributions and interest earnings. The
16 employee cannot withdraw the government's share.

17
18 **34) For all employees with 15 service years and over, there is no better retirement than the
19 Government of Guam. We all look forward to retiring under the existing retirement plan
20 and don't want to start over with the private company. Can we transfer the service credits
21 and benefits from the GovGuam Retirement Fund to the private company?**

22
23 The GovGuam Defined Benefit Retirement Plan appears to offer generous benefits. However,
24 employees enrolled with the Defined Benefit Plan retire with a fixed income; that is, income that is
25 not indexed with inflation. For example, if a retiree receives \$100 and there is 5 percent inflation,
26 the retiree requires \$105 to maintain a standard of living. With a fixed retirement income, he/she
27 can buy only \$95 worth of goods and services. Unless there are other sources of income, he/she
28 will sustain a lower standard of living. The fixed retirement income does not adjust with inflation.
29 The Privatization Task Force will consider all options and opportunities available and negotiate the
30 most suitable pension plan that best satisfies the needs to the employees.

31
32 **35) Can the Legislature pass a law at any point in time that reduces my amount of
33 retirement annuity (old retirement plan) due to the lack of money within the government?
34 What is the difference between "Defined Contribution" and the "Entitlement" on the
35 retirement fund?**

36
37 With regard to the retirement program, the Attorney General stated that the Defined Benefit Plan
38 (old plan) is an entitlement program, and the Defined Contribution Plan (new plan), is called a trust.
39 Under the Defined Benefit Plan, the Legislature has the power to modify employee annuities at any
40 time. On the other hand, the Legislature has no control over retirees investment earnings in the
41 Defined Contribution Plan --- the employees contributions and the government's share are placed in
42 a trust which is invested. The government is prohibited to alter or transfer the monies invested by
43 employees participating in the Defined Contribution Plan.

1
2 **36) If I move to the new private company and decide to return to the Government of**
3 **Guam, will I be able to stay in the old plan (Defined Benefit Plan) or do I have to enroll in the**
4 **new plan (Defined Contribution Plan)?**
5

6 Employees can remain in the Defined Benefit Plan upon return to government service in as far as
7 they do not withdraw their contributions from the retirement fund. Those employees who
8 disengage from the government and withdraw their retirement contributions, and later return to the
9 government are required to enter into the Defined Contribution Plan.
10

11 **37) Right now, I'm under the old plan (Defined Benefit Plan). Let's say, I want to enroll**
12 **into the new plan (Defined Contribution Plan). Can I withdraw my retirement and put it into**
13 **the new plan or do I have to quit my job at GTA?**
14

15 The employee must quit government service to withdraw his/her contributions under the Defined
16 Benefit Plan.
17

18 **38) If I'm participating in the old plan (Defined Benefit Plan), can I just keep my job and**
19 **start contributing into the new plan (Defined Contribution Plan)?**
20

21 I don't believe any employee can withdraw his/her retirement from the defined benefit plan and roll
22 over to the defined contribution plan without quitting government service. The employee must
23 terminate government service to withdraw his/her retirement contributions.
24

25 **39) Why do they call our retirement an entitlement when they drag that out of our**
26 **paycheck?**
27

28 It is in the employee contract--- the employee GGI is a contract with the Government of Guam.
29 This means that the employee is hired by the Government of Guam with specified personnel rules
30 and regulations and employee benefits. The employee signs an agreement with the government to
31 deduct a portion his/her employee paycheck to contribute to the retirement fund. This entitlement
32 program grants the government can have access to the fund at any time. Monies invested in the
33 trust fund, on the other hand, whereby the employee and the government agrees to contribute a
34 certain percent to the fund cannot be moved or borrowed by the government.
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41 **40) On the retirement issue, many of us do not understand the unfunded liability and**
42 **funded liability. There is a portion that the government has to pay and take from us. Line**
43 **agencies owe the retirement fund approximately \$400 million and they are taking this money,**

1 **the unfunded liability. The government cannot pay its debt service to the Retirement Fund.**
2 **Can you explain this?**

3
4 This sets a clear distinction between the Defined Benefit Plan (DB) and the Defined Contribution
5 Plan (DC). The Defined Benefit Plan has \$1.4 billion in assets. With respect to the DB Plan, the
6 Government of Guam agrees to contribute 18.6 percent and the employee contributes his 9.6
7 percent share to the retirement fund. Over the years, the line agencies failed to contribute its share
8 of the 18.6 percent to the retirement fund. Thus, the Government created this unfunded liability.
9 At present, there is \$420 million worth of unfunded liability. A percentage of the 18.6 percent from
10 the General Fund has been used to reduce the unfunded liability --- GovGuam borrowed from the
11 employees retirement fund. In addition, military service and education credits have not been
12 funded which contributed to the unfunded liability. In essence the Government is in breach of
13 contract with its employees. The Legislature can, at any time, refuse to pay the unfunded liability.

14
15 There is no unfunded liability with a trust, or Defined Contribution Plan. The Government of
16 Guam has no authority over monies invested in the DC Plan. Should the Government of Guam fail
17 to contribute its share in the DC Plan, the employees have cause to sue the government. Should the
18 government fail to contribute its share under the entitlement or DB Plan, employees have no cause
19 to sue the government, except for the contract between the employee and the government.

20
21 **41) If the new company comes in, and the Government of Guam allows us to withdraw our**
22 **retirement, wouldn't the Government of Guam lose if it refunds every employee his/her**
23 **retirement contributions?**

24
25 Employees who discontinue government service and withdraw his/her contributions under the DB
26 Plan is deemed favorable to the retirement fund for these employee pull only their employee
27 contributions and not the government's share. To achieve personal financial gain, it is not
28 advisable to roll over the money from the DB Plan to the DC Plan for, as stated earlier, only
29 employee contributions can be withdrawn and invested.

30
31 **42) What is the Government's contribution to the Defined Contribution Plan?**

32
33 The government's contribution is 5 percent of the employee's gross earnings. The employee can
34 match or increase his/her contribution to the Defined Contribution Plan.

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40 **43) Can I roll over my government retirement earnings into my own 401k plan with**
41 **another company I am also with?**
42

1 The Defined Contribution Plan acts like the government's 401k plan. With the company's
2 approval, an employee can roll over his/her Defined Contribution earnings to the 401k plan once
3 the employee discontinues government service. An employee may also consider rolling over his
4 defined contribution earnings to a rollover IRA that has more portfolio (or more options) than a
5 401k plan.

6
7 **44) Is the Legislature going to include autonomous agencies into the retirement buy out?**
8 **If so, this would allow better negotiations for benefits since the number of employees will**
9 **decrease.**

10
11 Presently, GTA employees are eligible for the early retirement incentive program. Under the early
12 retirement incentive, eligible employees may purchase up to five years of additional creditable
13 service towards retirement (Public Law 25-74 and amended by Public Law 25-90).

14
15 Public Law 25-90 also stipulates that government employees may voluntarily separate from the
16 government and receive one lump sum payment equal to fifty percent of his/her base salary. This
17 voluntary separation provision is extended to line agencies, and excludes autonomous agencies.

18
19 **45) If the law was created to reduce the fat budget of the General Fund, what do you think**
20 **of the autonomous fund? As the early retirement incentive and voluntary buy out law was**
21 **created to reduce the fat of the government, why is the voluntary separation and buy out not**
22 **applicable for autonomous agencies?**

23
24 Presently, voluntary separation does not apply to autonomous agencies (Public Law 25-90). The
25 Legislature may examine the voluntary separation issue for autonomous agencies when introduced
26 in session.

27
28 **46) Can GTA participate in the voluntary separation if we stop hiring?**

29
30 No.

31
32 **47) If the early buy out option and voluntary separation is rescinded at this time, can it be**
33 **reintroduced specifically for GTA employees once negotiation and bidding starts?**

34
35 Yes. This issue will be introduced to the Legislature with the plan of action. GTA is not locked
36 into the General Fund and the Legislature should not be concerned on how to fund the agency. The
37 Attorney General has recommended a reexamination of the Defined Contribution Plan to identify
38 ways to transfer the benefits in the Defined Benefit Plan into the Defined Contribution Plan. This
39 will have to be researched.

40
41 **V. MISCELLANEOUS**

1 **48) What are the different privatization options considered? Is full privatization the only**
 2 **option considered? What other options have been explored?**

3
 4 As stated in the plan of action, the following privatization options available to GTA include:

- 5
 6 a) Continued Government Ownership
 7 - Status Quo: No change to the
 8 current structure.
 9 - Corporation: GTA would convert to a corporation
 10 and be allowed to operate, be managed and pay taxes,
 11 fees and charges in a commercial fashion.
 12
 13 b) Government retention of GTA's assets
 14 - Management Contract: Allow a leading telecommunication company to
 15 manage GTA.
 16 - Long Term Lease: Lease the assets of GTA to a leading
 17 telecommunications company.
 18
 19 c) Ownership by Subscribers, Employees or Management
 20 - Employee Ownership: Allow the employees to purchase and run GTA.
 21 - Cooperative: Allow the subscribers to purchase and
 22 run GTA.
 23 - Management Buy Out: Allow the managers to buy and run GTA.
 24
 25 d) Private Sector Ownership
 26 - Initial Public Offering: List GTA on the stock market and allow widespread
 27 private ownership.
 28 - Break Up Sale: Split GTA into its most salable units, and sell
 29 them off to the highest bidder.
 30 - Strategic Partnership: The merger or sale of GTA to a leading
 31 telecommunications company or consortium.
 32

33 After evaluation and rating of the options, "Strategic Partnership" was the highest rated
 34 option that best meets GTA's objectives and the interests of its employees.
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42 **49) How does strategic partnership work?**
 43

1 Allows all parties to sit down at the table and negotiate the best interests and concerns for everyone
2 involved.

3
4 **50) How does strategic partnership affect our Government employee status?**

5
6 The goal is to negotiate the maximum benefits and protection for GTA employees to maintain job
7 security whether it be transitioning into private sector, retaining government status, or securing a
8 job elsewhere.

9
10 **51) Why aren't we addressing a joint strategic partnership?**

11
12 The Privatization Task Force supports Coopers and Lybrand recommendation of "Strategic
13 Partnership" option to best serve the objectives of government and interests of GTA employees.
14 Strategic Partnership offers best potential opportunities for employee career building and transition,
15 and places GTA in the best negotiating position possible.

16
17 **52) How did the Privatization Task Force select "strategic partnership" as the best option
18 without the employees vote on it?**

19
20 This ranking was based on the recommendation from the Coopers and Lybrand report. It was rated
21 on giving the employees maximum flexibility and giving the industry maximum growth potential
22 on Guam. The Privatization Task Force wanted to attain maximum negotiation power for its
23 employees.

24
25 **53) What is PCS service? Does GTA have a PCS license and why aren't we providing PCS
26 prior to IT&E?**

27
28 GTA obtained its PCS, or Personal Communications Systems, license approximately four years
29 ago. GTA has not launched its PCS wireless service basically for several reasons. GTA was
30 challenged in court on its authority to provide PCS service outside of Guam. This court process
31 took two years. Within this past year, the courts ruled that, with Guam's telecommunications
32 technology, GTA does have the authority to provide PCS service. However, financial and
33 cumbersome government regulations and mandates prevent GTA from competing and providing
34 timely business service. An estimated \$5 to \$6 million is needed in order to implement the PCS
35 service. GTA can secure a loan; however, this lengthy process requires legislative approval.

36
37
38
39
40
41 **54) Word is GTA going into the Internet business to service the GovGuam Internet
42 network as well as offer Internet to the public. Is the government going to allow us to do this?
43 If so, why can't we compete in other areas of the telecommunications industry?**

1
2 In its efforts to increase the band widths and provide interconnection for government agencies,
3 approximately \$400,000 from Y2K funds had been proposed to fund GTA with a new server to
4 provide Internet wide area services for all Government of Guam agencies and to allow for public
5 access to government information. However, several Internet service providers challenged the
6 Government's support of GTA's effort to enter into interconnection business. GTA would gain an
7 advantage over the private providers as GTA uses federal funds and is exempted from paying taxes
8 on income received. These providers stressed that the government should not compete as Internet
9 services are already provided to the public.

10
11 **55) What does IT&E's request for interconnection mean? Does it mean they take over**
12 **our facilities, allow collocation, lease GTA lines? What does it mean when IT&E**
13 **interconnection happens?**

14
15 This is in reference to land line interconnection, IT&E submitted an interconnection request to the
16 Public Utilities Commission. Because this was a first for IT&E to make such a request, the
17 interconnection request identified all services that most telecommunications companies can offer.
18 Technical workshops will be held with IT&E and other interested parties to determine the exact
19 details of the request. There may be some components listed that the company may or may not
20 require at the time of interconnection. Through interconnection, IT&E gains an advantage in
21 offering attractive bundled services (including basic service, e-mail, Internet, cellular, and long
22 distance) to the public which negatively results in the potential loss of GTA customers. At present,
23 the Public Utilities Commission has granted GTA a two year suspension from interconnection. A
24 competitive readiness assessment will be conducted to determine what actions GTA can take be
25 ready to compete.

26
27 **56) IT&E is asking to interconnect with GTA. Can GTA interconnect with them?**

28
29 No. GTA is considered the local exchange and ITE is a private company.

30
31 **57) Is IT&E the only one who can apply for "interconnection"?**

32
33 No. Under the Telecommunications Act of 1996, any communications company can apply.

34
35 **58) Will there be costs involved with interconnection? And if other companies come in,**
36 **will they be able to interconnect as well and at what rates (wholesale, retail)?**

37
38 Technical workshops will be held to solidify all the interconnection requests and requirements by
39 interested companies. New rates will be implemented for additional services. Depending on the
40 levels of interconnection, certainly costs will be incurred.

41 **59) If IT&E request for interconnection materializes on January 1, 2002, what happens to**
42 **the employees and GTA's facilities?**

1 By then, I foresee new business services for GTA as identified by the PUC through their
2 competitive readiness assessment. I foresee GTA competing in the market place or entering into
3 some form of privatization or strategic partnership.
4

5 **60) What is the impact of the \$120 million RUS loan that GTA presently has with regard
6 to privatization?**
7

8 Whenever there is a sale or partnership to take place, GTA must disclose all assets and liabilities.
9 The \$120 million RUS loan will be factored into the negotiation process. The repayment
10 component of the loan may be structured into the strategic partnership deal.
11

12 **61) What is Competitive Readiness Assessment?**
13

14 Because GTA has received a two year interconnection suspension, the PUC mandated GTA to
15 conduct a competitive readiness assessment. This plan assesses GTA's internal operations, assets
16 and liabilities, business services, market potential, and facilities network. The competitive
17 readiness assessment identifies what GTA can do within the next two years to prepare for
18 interconnection. The competitive readiness assessment covers the privatization issue and identifies
19 what steps GTA should take to prepare for competition. Anticipated completion of the Competitive
20 Readiness Assessment is February 2000.
21

22 **62) On the Plan of Action that is to be submitted to the Legislature, can we stipulate
23 that if the Legislature does not move with the Plan of Action, GTA can then comply with the
24 Competitive Readiness Assessment to be implemented immediately as noted by GPUC?**
25

26 Our goal is to continue with our timetable for submission of the Plan of Action to the Legislature.
27 However, should the Legislature not act in a timely manner, the next option would be to review the
28 possibility of implementing the Competitive Readiness Assessment recommendations provided
29 they are consistent with local laws and procurement regulations.
30

31 **63) If no change happens because of interconnection within the next two years and
32 interconnection materializes, how soon will layoffs begin? In other words, how long can GTA
33 survive after interconnection?**
34

35 Unless something critical happens, layoffs are not expected to occur. The primary goal for the
36 Privatization Task Force is to satisfy and safeguard the interests of GTA, it's employees, its
37 facilities, and to ensure growth in telecommunications.
38

39 Worst case scenario, if GTA remains status quo, IT&E and others may start seizing GTA's
40 commercial customers. Telecommunications companies will actively pursue the high yield, low
41 maintenance areas (such as Tumon, Agana, Dededo, special circuits, and long distance). It is these
42 areas that GTA can expect to experience increasing loss of revenues. Should IT&E obtain
43 interconnection in January 2001, GTA can expect degradation in March 2001. We can expect

1 cutbacks in operations and outsourcing of services within sixty days after interconnection.
2 Naturally, GTA can expect cutbacks with a sizable loss of market share and no new business
3 services and revenues.
4

5 **64) If a global telecommunications company is involved, how realistic is it for us to work**
6 **outside of Guam?**
7

8 It is a good possibility based on an employee's work performance and skills.
9

10 **65) Is GTA going to be privatized in its entirety or will the private company or partner be**
11 **allowed to focus only on GTA's money making operations?**
12

13 At this point, I'm not sure if GTA will be privatized in its entirety. We won't know until
14 negotiations begin. The Privatization Task Force's goal is not to promote GTA's money making
15 operations but to negotiate the best available package for GTA and its employees. There may be
16 some services that the partner has no interest in and permit GTA to continue managing those
17 operations. GTA may privatize in some areas and partnership in others.
18

19 **66) What is the current value of GTA?**
20

21 Overall, an estimated \$250 million. The competitive ready assessment will provide a more
22 thorough assessment of GTA's value.
23

24 **67) What will happen to all the assets of GTA?**
25

26 As stated in the plan of action, the land is government owned and can be leased with specified
27 conditions. All other assets can be transferred or sold/partnered as part of the package during
28 negotiations.
29

30 **68) How much in revenues (cash) does GTA have in reserves?**
31

32 GTA averages \$7-8 million.
33

34 **69) Since individuals and/or firms have been given tours of our facilities, has a buyer been**
35 **designated?**
36

37 Absolutely not.
38

39 **70) The current plan of action that we have on the table with the target goal of submission**
40 **to the Legislature by the end of the year is seen as a conceptual plan of action, when do**
41 **anticipate having a true plan of action that outlines dates and numbers?**
42

1 The time line will not be accurate until the Legislature approves the plan of action. According to
2 Public Law 24-36, the Privatization Task Force must submit the plan of action to the Legislature for
3 approval. The Legislature must act on the plan of action before the Privatization Task Force can
4 proceed. Employees should bear in mind that the Legislature may amend the plan which in turn
5 may negate any company from showing interest in GTA or delay the bidding and negotiations
6 process. Should the plan of action be amended, the plan will have to be revisited to determine the
7 effect on the employees and potential investors. Once the Legislature approves the plan of action,
8 the GTA Board and the Privatization Task Force can begin "non-binding" negotiations with
9 qualified investors. This "Non-binding" clause as stated in the law is a critical issue that should be
10 reexamined as it can be a deterrent in bringing the parties to the negotiating table.

11
12 **71) If the common theme is that GTA is to privatize in order to compete with other**
13 **telecommunications companies and to upgrade its services, how does the Government of**
14 **Guam benefit as a whole?**

15
16 The Government of Guam benefits because GTA employees will retain their jobs; the
17 telecommunications industry will also continue to grow and this subsequently puts money back into
18 the economy; and will privatization will open the doors for new industries to invest in Guam and
19 provide additional jobs for the community.

20
21 According to Public Law 24-36, any funds arising from the sale of GTA's assets will be deposited
22 in an Infrastructure Improvement account --- that is money the employees may never see once in
23 the General Fund. The Privatization Task Force prefers to use any monies remaining to negotiate
24 for additional benefits (incentive buy outs, medical benefits, education and training, profit sharing,
25 etc.) to improve and empower its workforce.

26
27 **72) If no one wants to buy GTA after we go through the whole negotiation process, what**
28 **happens next?**

29
30 That is not expected to happen. However, should that occur, GTA will inevitably downsize
31 personnel. The Public Utilities Commission (PUC), which regulates how GTA operates, will not
32 allow GTA's revenue streams to drop. Before rates are raised to save GTA, the PUC will lower
33 cost by cutting employees and contract operations.

34
35
36
37
38 **73) Regarding no forced layoffs for five years except for cause, if the company cannot**
39 **survive because of economic conditions or other circumstances, how can the company retain**
40 **its employees when there is no money? Will the company layoff?**

41
42 As Guam is the hub for telecommunications, I don't see that happening. We don't have enough
43 employees and/or training. During negotiations, the PTF will call for additional training to

1 enhance employees skills and certification with the company. Employees should retain a positive
2 attitude and self worth in partnering with the incoming company.
3

4 **74) Can we have Senator Carlotta Leon Guerrero at the forums to answer questions?**
5 **Why isn't the Privatization Task Force, Legislature, or Governor not present at these**
6 **forums?**
7

8 Originally, five senators served on the Privatization Task Force. These senators elected to
9 withdraw from the Task Force in order to remain objective when voting on the plan. Also, for all
10 practical purposes and with the existing small forums, it may be difficult for Senator Carlotta Leon
11 Guerrero, the Governor, or all Privatization Task Force members to be available at every
12 discussion. A large scale forum may be a likely option. There are a few drawbacks, however, to
13 conducting large forums. Employees may be less responsive with policy makers present and may
14 be less likely to be straightforward and honest. The small scale forums provide employees the ease
15 to openly voice their concerns and recommendations in a smaller group setting. These small scale
16 forums also prevents shutdown and disruption of GTA operations. All GTA employees are
17 encouraged to discuss their concerns with an ECC representative and request response in writing.
18

19 **75) Why is the PTF not complete in this forum and how can we be sure that Mr.**
20 **Guzman's answers will be concurred by the missing members?**
21

22 Basically, every answer given to the employees has already been prepared and approved by the
23 members, which is the plan of action. All other answers were based on recently passed laws.
24 Employee questions and written responses are forwarded for discussion with the Privatization Task
25 Force members. Any differing opinions and additional responses will be included in the plan of
26 action. Most Privatization Task Force members represent the private sector and may not be
27 available at all forums.
28

29 **76) Since we as employees elected the ECC into office, when are you going to have your**
30 **own forum with the GTA employees where we can ask you some questions as well as**
31 **implement the plan?**
32

33 Pocket meetings have been held to address employee questions and concerns. All concerns
34 expressed during the pocket meetings have been compiled and are presented at these forums. Any
35 additional questions introduced at the forum are presented for discussion at the following sessions.
36 It is difficult to gather and maintain control of all GTA employees in one forum. We don't
37 necessarily have to have a forum --- every employee is welcome to voice his/her concerns with
38 their department representative or any other ECC member. The ECC works together as a team and
39 are ready and willing to hear all concerns and not just the concerns of the department they
40 represent. Status reports are prepared and disseminated to ensure that all employees are well
41 informed on the effects of privatization.
42

1 The employees are welcome to attend the Wednesdays meetings (with supervisory approval) to
2 obtain first hand information and dialog exchange between the ECC and the Privatization Task
3 Force members. I do not recommend a forum without representation from the Privatization Task
4 Force for the ECC works closely with the PTF, and the chairperson should be present at these
5 forums.
6

7 **77) We are wasting time for there are questions today that were asked two years ago.
8 How can we really get this done considering the short time we have?**
9

10 Considering the limited time we have, all we can do is to keep trying. The Privatization Task
11 Force's goal is to finalize and submit the plan of action by the end of December. Indeed there are
12 questions that were asked two years ago. However, there were in fact some delays that we had no
13 control over. Yet, if the forum did not take place and the Privatization Task Force proceeded with
14 the plan of action, employee complaints would emerge regarding management's and PTF's failure
15 to keep staff informed. Smaller group forums were established to provide for easy discussion about
16 the status of the Privatization Task Force and to maintain control and attention amongst employees.
17

18 **78) How realistically will it be for the Legislature to refuse the plan of action and why
19 would they do that anyway?**
20

21 I don't know why the Legislature would refuse it. It is important that all GTA employees be fully
22 appraised of the plan and supportive of PTF's efforts to present their concerns and
23 recommendations to the Legislature and at negotiations.
24

25 **79) Noting that GTA is a government agency and that we are operating on government
26 land, will that be a key issue from preventing us to privatize?**
27

28 No. As stated in the plan of action, the government property will be leased. The government
29 property is not for GTA to sell. GTA holds the government property in trust, as the government
30 land belongs to the people of Guam. The Government of Guam proposes to grant favorable leases
31 to the partner for the first few years of operation.
32
33
34
35
36

37 **80) If privatization goes through, will there be a clause to protect the public and the
38 employees if the new company does not meet all stipulations as noted on the privatization
39 contract or agreement?**
40

41 There will be a breach of contract should the company fail to fulfill its obligations. It is not in the
42 company's best interest to breach the contract. Should the company breach the contract, the
43 government has the right to legally sue.

1
2 **81) One of the privatization condition is that the new employer agrees to retain all GTA**
3 **employees, except those terminated for cause, for five years from the date of purchase and**
4 **would not implement any downsizing of staff. What assurance do we employees have that the**
5 **new employer would not renege from this condition? Furthermore, what happens to us or**
6 **what recourse do we have should this situation becomes a reality?**

7
8 There will be a breach of contract should the company fail to fulfill its obligations. It is not in the
9 company's best interest to breach the contract. Should the company breach the contract, the
10 government has the right to legally sue.

11
12 **82) If we as employees want the plan of action to be given to the Legislature for discussion**
13 **and the Legislature decides not to act on it, what are the alternatives?**

14
15 Recommend GTA employees to pressure the Legislature to seriously move forward with the plan
16 whether it be total approval or propose changes to the plan. Some action should be taken. Public
17 relations efforts will be in place to inform the general public about the privatization process and
18 steps to be taken.

19
20 **83) Can the PTF answer for the allege remarks made to the Water Works employees that**
21 **state GTA employees will all lose their jobs?**

22
23 GTA employees will transition their jobs with the new company. Should GTA employees quit the
24 government, they will no longer have a job with the government.

25
26 **84) How long can GTA sustain itself at its current rate if nothing happens and we are not**
27 **privatized? With existing operations including labor and administrative support, how long**
28 **can GTA operate before layoffs?**

29
30 That depends on the rate when IT&E interconnects and pulls GTA's clientele. It also depends on
31 GTA's revenue reserves to sustain the agency and its employees. Should interconnection occur and
32 GTA experiences increasing loss of revenues, one of two things will occur: GTA will begin cutting
33 back operations and force layoffs, or trigger a rate hike to the rate payers.

34
35
36
37 **85) If layoffs happen, how is management going to inform us?**

38
39 We don't foresee any lay-offs, especially with the impending departure and retirement of over 25
40 employees. If lay-offs are necessary, it will be done with a workable plan, after a thorough
41 assessment has been made, and it will recognize the effects to the authority. It certainly won't be
42 done haphazardly without regard to the welfare of the employees or the future of the authority.
43

1 **86) How could an informed decision have been made about transferring without any other**
2 **options being discussed at the negotiating table?**

3
4 Our objective is to extend potential lateral transfers throughout negotiations and transition subject
5 to legislative concurrence.

6
7 **87) What stalled the original privatization process that started a year ago? Why are we**
8 **“going around in circles”, why haven’t we done anything like submitting the Plan of Action?**
9 **What are we waiting for?**

10
11 Public Law 24-36 mandates the creation of the Employment Coordinating Committee, the hiring of
12 Financial Advisor and an Investment Advisor. Public Law 25-14 repealed and reenacted Public
13 Law 24-36 to allow for districting elections for GTA’s ECC representatives. This allows for
14 representation from each department. Your ECC representatives are now in place. Our goal now is
15 to hire the Financial Advisor and concurrently procure an Investment Advisor and Procurement
16 Advisor. The Financial Advisor must be hired prior to the submission of the privatization plan, and
17 must have sufficient time to review the plan.

18
19 **88) How is it possible that the ECC is now appointed to the Privatization Task Force and**
20 **for what purpose?**

21
22 The ECC representatives have been elected by their respective departments and appointed by the
23 Governor of Guam to serve on the Privatization Task Force. The purpose of the ECC is to
24 represent the employees and address their concerns to the Privatization Task Force. The ECC shall
25 ensure that the employees interests and concerns are met throughout the planning and negotiation
26 process.

27
28 **89) Are the members of the PTF being paid for their services on the task force?**

29
30 No.

31
32 **90) What is the legitimate purpose of government?**

33
34 To provide for the health, human services of the people that it serves.

35
36 **91) Is the legitimate purpose of government to provide for the public good what the**
37 **private sector cannot provide?**

38
39 Yes.

40
41 **92) Why can’t GTA compete as a government agency or is there any law that stops GTA**
42 **from competing? Can the Legislature pass a law that would allow us to compete?**
43

1 There is no law to prevent GTA from competing. GTA is faced with severe restrictions on
2 management and procurement policies that limits its capabilities to respond effectively to market
3 conditions. Also, it is widely accepted that government should not compete with the private sector.
4 Government is designed to encourage private sector growth, which in turn provides tax revenues by
5 which government can provide services to the general public.
6

7 **93) As employees, if we agree to submit the Plan of Action to the Legislature, does that**
8 **mean that we are already agreeing to sell GTA?**
9

10 No. The sole goal is to get to the negotiating table to explore our options.
11

12 **94) Can the Legislature allow us to compete against the IXC's?**
13

14 No.
15

16 **95) A consultant's GTA fiscal status report stated that for every \$1 of labor there is a loss**
17 **of \$11. In order to present a positive facade and to enhance our ability in attracting would be**
18 **buyers, should management begin planning or take necessary steps to reduce and streamline**
19 **our expenditures such as supplies, staffing, equipment, materials, etc.? If such activities are**
20 **ongoing, what visible effects can be identified; we must be mindful that nothing can**
21 **convincingly sway would be buyers decisions better than our track record and bottom line**
22 **called net profit.**
23

24 This sounds like a question from Senator John Salas. At the oversight hearing, Senator Salas stated
25 that GTA was losing approximately \$80 million a year. If we are losing \$80 million a year, we
26 wouldn't be here for the last two years. I recall a report stating that for every dollar in labor, we are
27 losing \$11 dollars. We are compared to regional bell operating companies which is different in all
28 respects. For the most part, regional bell operating companies contract most all services including
29 mechanic shops, installation and repair, etc. There is no outside plant as their systems are in place.
30 I don't have an assessment to why that statement was made or to what context it was referring to,
31 but it will be addressed in the competitive readiness assessment.
32
33
34

35 **96) Is the strategic partnership process similar to what the Guam Power Authority (GPA)**
36 **is going through?**
37

38 No. GPA only operates two main sections: generation, and transmission and distribution. GPA
39 contracted an independent power producer to build a power plant. The power producer operated the
40 system and the Government of Guam paid for the power generated. The plant is equipped with
41 highly sophisticated computer systems and runs efficiently with limited personnel. Most GPA
42 personnel were deployed into transmission and distribution. As GPA impacts only Guam, GTA's
43 telecommunication interests and value are worldwide.

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
2000 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 394 (LS) "AN ACT TO REPEAL AND REENACT §5 OF P.L. NO. 24-36 AND TO AMEND §6(b) OF P.L. NO. 24-36, RELATIVE TO APPROVING THE GTA PRIVATIZATION TASK FORCE'S PLAN OF ACTION AS A BASIS FOR SECURING A STRATEGIC PARTNER THROUGH A REQUEST FOR PROPOSAL," was on the 11th day of May 2000, duly and regularly passed.

ANTONIO R. UNPINGCO
Speaker

Attested:

JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahen Guahan* this _____ day of _____, 2000,
at _____ o'clock _____ M.

Assistant Staff Officer
Maga'lahi's Office

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: _____

Public Law No. _____

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I MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN
 2000 (SECOND) Regular Session

Date: 3/11/00

VOTING SHEET

S Bill No. 374-20

Resolution No. _____

Question: _____

<u>NAME</u>	<u>YEAS</u>	<u>NAYS</u>	<u>NOT VOTING/ ABSTAINED</u>	<u>OUT DURING ROLL CALL</u>	<u>ABSENT</u>
AGUON, Frank B., Jr.					
BERMUDES, Eulogio C.					
BLAZ, Anthony C.					
BROWN, Joanne M.S.					
CALVO, Eduardo B.					
CAMACHO, Marcel G.					
FORBES, Mark					
KASPERBAUER, Lawrence F.					
LAMORENA, Alberto C., V					
LEON GUERRERO, Carlotta A.					
MOYLAN, Kaleo Scott					
PANGELINAN, Vicente C.					
SALAS, John C.					
SANCHEZ, Simon A., II					EA
UNPINGCO, Antonio R.					

TOTAL _____

CERTIFIED TRUE AND CORRECT:

 Clerk of the Legislature

* 3 Passes = No vote
 EA = Excused Absence