

I. Primary Developmental Benefits

Successful implementation of the proposed ENEE commercial network will have a significant beneficial developmental impact for Honduras. Particular developmental benefits of the proposed TA can be enumerated as follows:

A. Infrastructure

In order to place the ENEE network initiative in its proper perspective, it is important to understand the current state of telecom infrastructure in Honduras, and in particular the situation of the dominant operator Hondutel.

In the first place, it should be noted that Honduras enjoys relatively good international fiber-optic connectivity, since both the Arcos-1 and Maya-1 international submarine cables land in the country, and indeed Arcos-1 has three separate landing-points along Honduras's Caribbean coast. In addition, the state of fiber-optic infrastructure in Honduras's larger cities – particularly Tegucigalpa and San Pedro Sula – has improved considerably over the past five years, as a result of liberalizing moves by the national telecom regulatory CONATEL which effectively opened the metropolitan market to infrastructure competition. However, Hondutel retains (until December 2005) a monopoly over international connectivity (both fiber-optic and satellite) and services, as well as a *de facto* monopoly over domestic long-haul transmission capacity. In the former case, Hondutel's exclusivity acts as a significant constraint on the market for international services, since, for example ISPs seeking to gain access to the so-called Network Access Point (NAP) of the Americas in Miami must procure bandwidth from Hondutel at prices well above market rates.

Hondutel's exclusivity acts as a barrier to service deployment on the part of alternative operators, for much the same reason. Particularly impacted are the new operators who have emerged under the Telefonía para Todos (TpT) initiative. Originally developed in response to Hondutel's dismal track record in installing new phone lines, TpT was conceived of as a kind of "franchise" operation, in which the TpT operators would in effect become local "sub-operators" providing no more than simple extensions of the Hondutel telephony network. In actuality, however, the status of TpT "sub-operators" has been considerably expanded, to include both the provision of services other than basic voice telephony (indeed, any service provided by Hondutel), and to include the ability to carry traffic between their various service areas using their own facilities, thus enabling them to operate on a regional or even national level as opposed to a purely local one.

However, these enhancements of TpT sub-operator status will remain largely ineffectual if the TpT sub-operators are not able to obtain reasonably priced domestic bandwidth within Honduras. The ENEE network is extremely well positioned to address this requirement, both vis-à-vis TpT sub-operators and vis-à-vis other competitive providers such as ISPs, CATV operators and Value-Added Service (VAS) providers seeking to expand their current coverage areas.