



Rec'd
via e-mail
October 1, 2018

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Ms. Dela Britton
Chairman
The Public Utilities Commission
106 New Garden Street
Georgetown, Guyana

Dear Ms. Britton,

Re: GT&T's Application for the Approval of a Tariff Regime for Access and Landline Metered Charges

We write in reference to the subject matter.

As the liberalization of the telecommunications industry is imminent and the need to continue the rebalancing of rate; pursuant to Sections 32(2), 33, 41(1) and 41 (2) of the Public Utilities Commission ('PUC') Act, GT&T hereby applies for the approval of tariff regime establishing a change of rates of services. As such, we ask that the Commission consider the request for our rates that are attached hereto for your review and consideration.

It is important to note that rebalancing¹ prices of telecommunications services makes for a better operating telecommunications sector. As pointed out by the numerous academic literature and the ITU² Telecommunications Regulation Handbook rebalanced rates promote dynamic, productive and allocative efficiency in the sector. In terms of economic efficiency, unbalanced price structure has a number of adverse effects. Firstly, it provides incorrect signals to potential entrants and may thus result in inefficient entry, thereby hampering the development of the telecommunications sector of an economy³. Second, it results in a loss of economic welfare where the price of a service is in excess of what can be determined by the model⁴ presented. As a result, potential customers whose valuation of the service exceeds the cost, but not the price, are deterred from using it. There will be consumers whose valuation of the service falls

¹ The term "rebalancing" refers to moving the prices for different telecommunications services in line with the cost of providing each service.

² ITU – International Telecommunications Union.

³ Walden, Ian 'Telecommunications Law and Regulation' 2012. Oxford University Press Chapter 2, page 47.

⁴ The model in support of this rate filing is the fully allocated cost model which is based on the total cost for providing the service, including the historical and depreciated investment costs being divided by volume of service provided in the market.

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below its cost, but use it because the price is below costs. Therefore, the potential economic welfare impact for the general consumer in the sector can be substantial.

Failure to rebalance before the advent of full competition would compromise the company's financial ability and threaten the existence of the public switch telephone network ('PSTN'). GT&T seeks to ensure that the marginal revenue on all services is at least equal to its marginal costs and that the PSTN services remain financially viable in the new competitive environment.

As per our cost model that was built by Fide Partners and accepted by the Commission, there is a great gap between the price (tariffed rate) for Access and the cost of providing said service. It is this gap that GT&T is trying to correct. This gap is further exacerbated by the explicit illegal bypass that occurs over our network and OTT (Over-the-top) services.

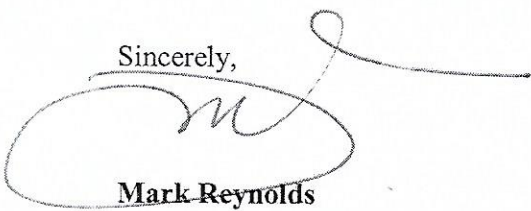
While ideally, GT&T would like to immediately bring prices in-line with its costs, it is also mindful of those customers that are on the margin (i.e. socio-economically disadvantaged) and causing rate shock to its customers, which in turn could disrupt the network dramatically. Hence, we are proposing raising the price of access in GY\$50.00 increments and then to see (review with the Commission) where we are after 18 months.

It must be noted that within this tariff filing GTT has proposed an Access tariff that would effectively have a zero effect on approximately 40% of its residential customer base, with only a 6% increase. However, this is a service that would have to be requested or "opted-in" by the customer.

Finally, it must be noted that while a tariff review was granted last year with temporary rates being put into effect, because there was an increase in local rates and a decrease in international rates the rate of return experienced by GT&T was minimal. In fact, GTT is still well below guaranteed rate of return of 15%⁵ for 2017 which stood at approximately 11.3%. As such, it is GT&T's position that its service rates should be aligned with the underlying service costs prior to the formalized introduction of competition.

Should the Commission wish for any further clarification or have any questions please do not hesitate to ask. We look forward to an early response by the Commission.

Sincerely,



Mark Reynolds
Director, Legal and Regulatory Affairs
GTT+

⁵ Clause 6.9 (b), page 22. Agreement between the Government of the Co-operative Republic of Guyana and the Atlantic Tele-network Inc (...).

Proposal Schedule

Residential

GT&T hereby seeks a \$50 (single rate adjustment i.e. customers who request this package would not be subject to the proposed second rate adjustment). This rate adjustment comes with an offering of free ten (10) minutes intra calls and 5 minutes inter-call for all customers+ voice mail. All minutes thereafter, on both the inter and intra exchange, are charged at two times the call rate⁶ It must also be noted that contained within this package is voice mail. In support of our position and to meet our rate of return⁷, this offering is premised on the fact that approximately 38% of our customers make 10 minutes of intra calls or less, and 46% of our customers make 5 minutes or less of inter calls.

As such the following bundles outline the offerings that will be made to our customers:

Residential Bundles

- i. All inclusive (intra and inter) including access for GY\$6,500.00 per month + call forwarding + voicemail + call waiting; or
- ii. intra calls + 100 mins of inter calls for G\$2,750.00 per month + voice mail, not including access -- excess goes to standard rates⁸; or
- iii. intra calls only for GY\$650 per month + voice mail not including access which would have to be paid as a separate line item by the Customer; or
- iv. A friends and family calling bundle for five (5) persons unlimited for GY\$1850 + voice mail not including access which would have to be paid as a separate line item by the Customer.

Access Charges

Customer Type	Service Description	Old Charge (GY\$)	New Charge (GY\$)
Intra – Exchange	1-2 Lines	750.00	800 w/ an increment of 50.00 to be added 6 months after implementation
Residential	Greater than 2 Lines	1,500.00	1,600.00 w/ an increment of 50.00 to be added 6 months after implementation
Business	1-4 Lines	2,250.00	2,500.00
Business	Greater than 4 Lines	4,500.00	No rate adjustment being requested of the PUC

⁶ This package would be two times the new call rate of GY\$1.25 and off-peak GY\$0.75 (intra) and 2x on the current inter rates.

⁷ Ibid. No. 4.

⁸ 80% of our customers make 100 mins or less of inter calls.

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Calls Charges

GT&T hereby requests a rate adjustment of Landline Metered Rates:

Class of Rate	Current Rates (GY\$)		Proposed New Rates (GY\$)	
	Peak	Off Peak	Peak	Off Peak
Intra Exchange	0.80	0.40	1.25	0.75