

PUBLIC UTILITIES COMMISSION
APPLICATION OF GUYANA TELEPHONE AND TELEGRAPH LTD.
FOR RATE INCREASE
SUPPLEMENTAL DECISION

INTRODUCTION

1. The PUC, in its order dated 12 November, 1991 at the conclusion of the hearing on the GT&T's rate increase proposals, required the Company to submit to the Commission a list showing, inter alia, the collection charges in effect on 30 September, 1990 and the accounting rate component of these charges. The Company was also required to furnish original documentary evidence for the purpose of verifying the accounting rates. In order to expedite the verification process, the Commission indicated that documentation faxed by overseas correspondents will be acceptable, provided that these are followed by the original documents.

2. As stated in its Decision, the Commission had accepted as satisfactory the evidence tendered at the hearing in support of the accounting rates for Canada, the USA, the UK and Antigua. Since the Company's witnesses had stated under oath that it had tendered in evidence copies of all documents in its possession relating to the accounting rates, the Commission expected that, in pursuance of the Order, the Company would have to request its overseas correspondents to provide it with documentary information evidencing the accounting rates currently in effect for telecommunications service with Guyana.

3. The Commission must be able to verify the accounting rates beyond reasonable doubt and failure by the Company to comply with its requirements with respect to documentary support could result in non-verification of accounting rates affected and to the denial of an increase in the tariffs in question.

DOCUMENTS SUBMITTED

4. The documentation submitted by the Company will now be examined in the light of the foregoing comments. The documents submitted with appropriate comments are as follows:

Telephone Accounting Rates

4:1 Britain

Copies of two telexes from British Telecom were received - one partly faded and difficult to read, dated August 1988, proposing certain accounting rate changes including collect and credit card surcharges; the other, indicating GT&T's acceptance of the proposals for collect and credit card surcharges.

There are difficulties with respect to these two documents but as the accounting rates for the U.K. were already accepted by the Commission on the basis of documents tendered at the hearing, no further reference will be made to these documents.

4:2 Barbados

A copy of a facsimile memorandum dated 8th October, 1991 from BET Barbados, sent under a covering note dated 9th October showing collection rates in Barbados and the accounting rates for calls from Barbados to Guyana was submitted. Neither the original document, nor the faxed document followed by the original, was submitted to the Commission, as required by the Order. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

4:3 Antigua and other destinations via Antigua

The Company submitted a copy of a facsimile memorandum from Cable and Wireless Antigua, dated 8th October, 1991 providing information on accounting rates for calls from Guyana to Antigua and from Guyana via Antigua to a number of Caribbean destinations. The same comments apply as with respect to the Barbados submission.

4:4 Rates for Telephone Traffic to 18 destinations via Canada

A copy of a facsimile memorandum from Teleglobe Canada dated 29th November, 1991, setting out telephone rates for Canada and 28 countries via Canada as well as the telex and telegraph rates applicable to Canada, was submitted. The memorandum was not signed or initialled by the sender and there was no letter head to indicate the source of the documents. The original was not submitted. The memorandum does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

4:5 Suriname

A copy of a telex message from Suriname setting out the accounting rate division for telephone service (direct dialling) between Suriname and Guyana was submitted. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

4:6 Germany

A copy of a document (previously tendered at the hearings) showing accounting rates for the U.S.A. was submitted. Attached were two telexes from Telcentr Darmstadt, dated 14/5/91 and 25/6/91, to GT&T proposing accounting rates for telephone calls from Guyana to Germany and asking for Guyana's comments. The documents relating to Germany do not satisfy the requirements of the Commission's Order and are therefore unacceptable.

4:7 Brazil

A copy of a telex from Guytelco to Embratel/Brazil proposing rates for telephone service from Guyana to Suriname via Brazil was submitted. This communication, quite strangely, was presented as evidence of the accounting rate for calls to Brazil. It is irrelevant and unacceptable.

4:8 Trinidad and Tobago

A set of faded telexes dating back to 1983 from Cablewire London, as evidence of telephone accounting rates in effect on September 30, 1990, was submitted. The documents appear to be dealing with intra-Caribbean and intra-Commonwealth accounting rates, both terminal and intransit, with no indication of rates applicable for traffic between Guyana and Trinidad and Tobago. Indeed, specific destinations or transit countries have not been mentioned in any of the documents. One telex dated March 8, 1983 from Cablewire (London) to Textel (Trinidad) was sent without the first page. Moreover, the partial document is far from clear. Another telex

message has a part of the text at the bottom of the first page and at the top of the second page sliced off in the photocopying process. These documents do not comply with the Commission's Order and are therefore unacceptable.

4:9 Traffic via the United Kingdom

A sixty page document purportedly from British Telecom setting out the division of accounting rates in relation to countries for which British Telecom is the transit administration was submitted. There is nothing to indicate the actual source of the document except a hand written inscription at the top of the first page of the following words: "from British Telecom". Without these words which are not acceptable for the purpose, it is impossible to determine the origin of the document.

The document does not show the accounting rate payable by GT&T. It shows the division of the rates among the origin, terminal and transit administrations but this is an entirely different matter. It would therefore be necessary to determine the rates in accordance with the basic principle of a 50/50 division of the total accounting rate as followed by members of the International Telegraph and Telephone Consultative Committee (CCITT). This, however, is not an ironclad rule and administrations may reach agreement on a different proportion. GT&T would have to indicate any such variation to the Commission. The document does not comply with the Commission's Order and is therefore unacceptable.

Telex Accounting Rates5:1 North Korea

The Company submitted a copy of a telex dated 19th March, 1990 from Pyang Yang, North Korea to Guytelco, in response to accounting rate proposals made by Guytelco. The proposals were not included in the documentation. Pyang Yang requested a response which, if there was any, was also not included. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:2 Jordan

A copy of a telex dated 14th April, 1990 from Gentel/Amman to Guytelco, expressing agreement with a rate proposal, was submitted. The telex does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:3 Venezuela

A copy of a telex from British Telecom to CANTV/Caracas copied to Guytelco signifying agreement with proposals made by the latter was submitted. Guyana's comments, if any, were solicited but there was no indication of its response. The document does not satisfy the Commission's Order and is therefore unacceptable.

5:4 Belgium

A copy of a telex from Guytelco to Teleglobe/Canada dated 2nd June, 1989 making an accounting rate proposal in respect of traffic terminating in Belgium was submitted. Guytelco responded that it did not see the need for a new transit route to Belgium as it was already using seven other transit routes. Guytelco nevertheless proposed a rate of "at least US\$1.45 per minute". Teleglobe's response was not included. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:5 Thailand

The Company submitted a copy of a telex dated 20th March, 1990 from Guytelco to Intelcat/Bangkok, copied to Teleglobe/Canada and BET/Barbados, notifying agreement on certain accounting rate proposals. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:6 Afghanistan

The Company submitted a copy of a telex dated January 21, 1983 from Guytelco to Teleglobe/Montreal, expressing a wish to route its telex traffic to Afghanistan via Barbados, Canada and Italy and via Canada and Italy for which it made accounting rate proposals. Comments were requested but the response, if any, was not included. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:7 Algeria

The document submitted is illegible.

5:8 Australia

A copy of a telex from OTC/Australia to Guytelco dated 20/4/89 proposing reduced accounting rates was submitted. Guytelco's reply, if any, was not included. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:9 Argentina

A copy of a telex dated 21st November, 1984 from Guytelco to Intel Buenos Aires proposing accounting rates was submitted for the latter's acceptance. The response, if any, was not indicated. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:10 Bahrain

A copy of a telex dated 4th June, 1984 from Guytelco to Batelco/Bahrain expressing agreement with certain accounting rate division proposals, to become effective from 1st December, 1983, was submitted. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:11 Canada via Barbados

A copy of a telex dated 20th June, 1990 from Guytelco to Teleglobe was submitted. Guytelco proposed the re-routing of telexes to Canada (via Barbados) and made a rate proposal with a request for comments. The response, if any, was not included. The document does not satisfy the requirements of the Commission's Order and is therefore unacceptable.

5:12 Canada via the United Kingdom

The telex from Teleglobe Canada referred to at 4:4 above includes proposals for telex traffic to Canada via the United Kingdom. As previously mentioned this document is not acceptable.

6:1 Telegraph Accounting RatesCanada

The telex from Teleglobe Canada at 4(4) above also contains accounting rate proposals for telegram traffic between Guyana and Canada. As previously indicated, this document is not acceptable.

7:1 Trinidad and Tobago

One of the documents referred to at 4(8) above - copy of a telex dated March 1, 1983 from Cablewire London, sent with the first page omitted - contains information on rates for telegrams. As indicated, this document is not acceptable.

GENERAL COMMENTS

8. During the hearing, the Company's witnesses testified that there were no documents in the possession of the Company pertaining to accounting rate agreements other than those submitted to the Commission for nine countries. But all of the documents relating to telex accounting rates referred to at paragraph 5 above were clearly in the possession of the Company at the time. Indeed, the Company was actively conducting accounting rate negotiations by correspondence in 1990 and even during the hearings in 1991.

9. The Order calls for documentary evidence from the Company's correspondents confirming the rates that are currently applicable. Some of the telexes submitted are dated as far back as 1983. The Order also calls for original documentation or, in order to expedite the process, facsimile documents followed by the originals. The Company submitted copies of telexes, some quite difficult to read or illegible, or facsimile correspondence without the signatures or initials of the senders and not followed up with the originals, as stipulated. None of the documents sent is therefore acceptable.

10. No information was provided on transit arrangements for telephone traffic via the U.S.A. GT&T has the option of routing traffic through the U.S.A. as an alternative to other transit arrangements. The rates are not necessarily the same for all transit routes and may differ significantly. For instance, a call to Malaysia via Teleglobe (Canada) costs 1.35 SDR's per minute, whereas a call via British Telecom (England) costs only 0.83 SDR's, almost 40 per cent less. It is possible that some of the higher cost transit arrangements are only on the books of the transit countries and are no more than historical handovers, frozen in time, while the telephone company makes use of lower cost transit facilities. To accept these accounting rates could be a grave injustice to the consumer. It is quite possible, that the transit arrangements with the U.S.A. has many cheaper alternative routes that are more frequently used by GT&T than those given in the documentation

Statistics published by the IMF). The Company's rate of 1.40145 was therefore rejected.

12. As stated in the Commission's decision, the collection charges to be considered are those listed in the Company's application. Only where the accounting rate components of these charges are verified can increases be considered.

13. The documentation submitted by the Company for the purpose of verifying the accounting rates does not satisfy the requirements of the Order in this connection, with the result that the rates in question cannot be verified. And so, the only accounting rates that have been verified and will be increased are those for telephone traffic to the U.S.A., Canada, the United Kingdom and Antigua.

Revenue Recovery and Rate Surcharge

14. The Commission has serious difficulties with respect to the information submitted by the Company for the purpose of the revenue recovery. In the first place, the Company has not indicated the basis for its estimates of revenue deficiency for the months of May to December, 1991. The Company has given figures for each of the seven months without any explanations whatsoever of how these figures were derived. A more acceptable procedure is for the deficiency to be calculated with respect to each rate category as the difference between actual receipts, with estimates for the end period for which actual figures are not available) and the receipts computed by applying the new rates. For the purposes of these estimates, the revenue deficiency is the equivalent of revenues billed to subscribers for international telephone, telex and telegraph services in relation to the rates in respect of which increases have been approved, and the revenues that would have been collected from these subscribers should be determined by applying the new rates to the minutes utilised for these services. The cost of free services, including the services utilised by GT&T for its own communications, should be excluded from these computations. The

Commission cannot accept figures on which it has no basis for an opinion as to their acceptability. It must be in a position to justify its decision to subscribers.

15. In the second place, the Company has assumed that traffic will decline by about 40 per cent following the implementation of the new rates. The demand for telecommunications service is clearly not inelastic, particularly, when considered in global terms. But it would be expected that for the business and public sectors the elasticity will be much lower than for the residential sector. Indeed, for these two sectors, demand is very likely to be inelastic within the price range in question. Without some study of the elasticity of demand for telecommunications service, any estimate of the likely decline will be guess work. While a scientific study is clearly not feasible for the present purposes, a better understanding of the elasticity of demand could be obtained by an examination of past traffic trends, particularly in relation to tariff changes in the past, as in 1989 when the exchange rate of the U.S. dollar moved from one U.S. dollar to ten Guyana dollars to the rate of one U.S. dollar to thirty three Guyana dollars and again in 1990 when the U.S. dollar moved to 45 Guyana dollars. Relevant statistics are obtainable from the returns furnished by foreign correspondents. If desegregated figures for business and residential service are available this would prove a great advantage. Telex services are for all practical purposes a business and public sector facility and demand could hardly be expected to decline to any significant degree. At least, relevant telex statistics are available for the business and public sectors and could be used to refine the estimates.

16. In making its projections for traffic in 1992, 1993 and 1994, the Company must take into account its Expansion Plan which calls for the reactivation of the reportedly 4,000 lines now out of service and for the addition of at least 20,000 lines to the existing subscriber base by the end of February 1994, before the expiry of the recovery period.

17. All subscribers, old and new, will have to pay the surcharge. This means that the recovery will either be made at an accelerating pace or the surcharge could be adjusted downwards over the period with the addition of new subscribers. These comments are not intended to be exhaustive. The onus is on the Company to satisfy the Commission that its proposals are satisfactory. The Commission cannot act on the basis of naked figures devoid of any explanation or justification of the underlying assumptions and methodology. The Commission therefore regrets that it will not be able to approve a temporary rate increase over and above the new rates (the temporary surcharge) until such time as the Company is able to provide it with a satisfactory basis for so doing.

ORDER

18. In consideration of the foregoing, the Commission orders as follows:

- (1) The collection charges for telephone calls to the countries listed in the Annex to this Order (Antigua, Britain, Canada and the U.S.A.) shall be as set out in the Annex.
- (2) The collection charges for all telephone calls to all other foreign destinations and for telex and telegram service to all foreign destinations shall remain unchanged.
- (3) The implementation of a temporary increase in the new rates for the recovery of the sum, determined in accordance with Section 46(1) of the Public Utilities Commission Act, 1990 and in pursuance of Order No. 4 of the Order dated November 12, 1991 shall be deferred until such time as proposals satisfactory to the Commission are submitted by the Company.

(4) In presenting its proposals for the recovery of revenues in accordance with Section 46(1) of the Public Utilities Commission Act, 1990, the Company shall set out as clearly as possible the methodology and underlying assumptions for arriving at the revenue deficiency and for its proposals for the temporary rate increases.

(5) The temporary rate increases, shall applied only to those rates in respect of which increases have been approved and shall be applied on an equal percentage basis.

(6) After receipt of the Company's proposals for the recovery of the revenues, the Commission, after due consideration, and having made such adjustments as may be necessary, shall set the date from which the temporary increase shall become effective.

Dated at Georgetown, Guyana, this 23rd day of December, 1991.

J. A. Tyndall
 JOSEPH A TYNDALL, A.A., C.C.H. - CHAIRMAN,
 PUBLIC UTILITIES COMMISSION

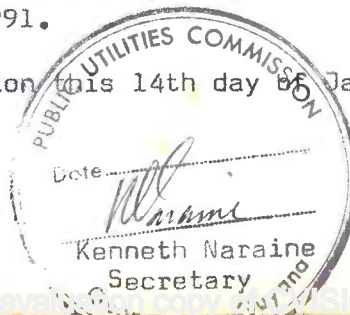
Hugh K. George
 HUGH GEORGE - MEMBER

Errol Hanoman
 ERROL HANOMAN - MEMBER

A.M.B. Sankies
 A.M.B. SANKIES - MEMBER

I hereby certify that the foregoing is a true and correct copy of the Order made by the Public Utilities Commission on 23rd December, 1991.

Certified under my hand and the Seal of the Commission this 14th day of January, 1992.



ANNEX

TELEPHONE RATES
(Effective 1st January, 1992)

Destination	Collection Rate Per Minute G\$	Accounting Rate			Accounting Rate Component G\$	Increase in Rate x 1.6886 G\$	New Rate Per Minute G\$
		SDR	GFCS	US\$			
Antigua	21.59			0.31	13.95	23.55597	45.14597
Britain	43.17	0.7			40.314015	68.0742	111.2442
Canada	41.73	0.40			23.03658	38.89956	80.62956
U.S.A.	39.83			0.85	38.25	64.58895	104.41895