

Order No. 1/2001

BEFORE THE PUBLIC UTILITIES COMMISSION

**In the matter of the Public Utilities
Commission Act 1999, No. 10 of 1999**

-and-

**In the matters of Rates for Mobile
Cellular Service; Calling Party Pays
(CPP) and Prepaid Calls.**

PRESENT WERE:

Mr. Prem Persaud C.C.H.	-	Chairman
Mr. John Willems A.A.	-	Member
Mr. Hugh George	-	Member
Mr. A. Wilson	-	Deputy Secretary/Legal Officer, PUC
Ms. J. Ganpatsingh	-	Financial Analyst, PUC
Mr. W. Anthony Nurse	-	Secretary, PUC

APPEARANCES

Guyana Telephone & Telegraph Co. Ltd

Mr. M. Fitzpatrick S.C.	-	Attorney-at-Law
Mr. Keith Massiah S.C.	-	Attorney-at-Law
Mr. Godfrey Statia	-	Consultant
Mr. Gene Evelyn	-	Director, Rates and Tariffs

Caribbean Telecommunications Limited

Mr. P.D. Singh	-	General Manager
Mr. Nigel Hughes	-	Attorney-at-Law
Mr. S. Fraser	-	Attorney-at-Law

Consumers Advisory Bureau

Ms. Eileen Cox - President
 Mr. Nigel Huughes - Attorney-at-Law
 Mr. S. Fraser - Attorney-at-Law

Caribbean Wireless Telecommunication

Mr. S. Fraser - Attorney-at-Law
 Mr. Nigel Hughes - Attorney-at-Law

ORDER:

The Public Utilities Commission at a hearing on the 28th March 2001 considered the questions of **Mobile Cellular Service Rates, Prepaid Cards and Calling Party Pays (CPP)**, and being of the opinion that the public interest so requires, by this order fixed temporary rates to be charged by the Guyana Telephone and Telegraph Company with effect from 1st May 2001 pending the final decision in these proceedings of the following –

CELLULAR SERVICE

The **current rates** with respect to each of four plans, namely, Plan A, Plan B, Plan C and Plan D; are as follows:-

	<u>Rental/ Service</u>	<u>Free Minutes</u>	<u>Airtime Rates/ Minute</u>	
			<u>Peak</u>	<u>Off Peak</u>
Plan A	\$3,045.00	20	\$76.13	\$30.45
Plan B	\$8,120.00	60	\$48.72	\$25.38
Plan C	\$13,702.50	250	\$48.72	\$30.45
Plan D	\$1,015.00	None	\$40.60	\$40.60

Service Activation Charge	\$10,657.50
Re-activation Charge	\$2,030.50
Service Deposit	\$10,657.00

- The service charge has no long distance charge and roaming charge.
- Subscribers pay to make and receive calls.
- International calls attract a 17.5 per cent surcharge on the approved wire line collection charges.

NEW RATES

- (1) **With effect from 1st May 2001** the following temporary rates shall take effect:-

<u>Plan</u>	<u>Monthly Free Minutes</u>	<u>Monthly Subscriber Access Charge</u>	<u>Usage Charge Per Minute</u>
“A”			
Peak Hours	50	\$1800.00	\$32.00
Off Peak Hours	-	-	\$27.00
“B”			
Peak Hour	100	\$3080.00	\$27.00
Off Peak Hours	-	-	\$22.00
“C”			
Peak Hours	200	\$5400.00	\$22.00
Off-Peak Hours	-	-	\$18.00
“D”			
Peak Hours	400	\$9000.00	\$17.00
Off Peak Hours	-	-	\$14.00

- * **Peak Hours** - 6.00. a.m. - 6.00 p.m. Mondays to Fridays.
 ***Off Peak Hours** - 6.00 p.m. - 6.00 a.m. Mondays to Fridays and all day
 Saturdays, Sundays and Public Holidays.

- (2) It is also ordered that usage charges will be waived on international incoming calls.
- (3) That usage charge for domestic calls will be independent of the distance between originating and terminating calls.
- (4) That a one time activation charge of \$4500.00 will be levied with a reactivation charge of \$1000.00.
- (5) The 17.5 per cent surcharge on the approved wireline collection charges for international calls shall be discontinued.

Calling Party Pays

- (6) It is further ordered that the system of Calling Party Pays (CPP) be introduced, and the interconnection charge for fixed to mobile and mobile to fixed should be \$7.00. This amount of \$7.00 is inclusive of the rates approved by this Commission as heretofore set out.
 - (a) Cellular customers will have the option to utilise the system of CPP or receiving party pays (RPP)
- (7) Airtime charge for a call from a FIXED LINE to a **Mobile Cellular** customer be at a flat rate of \$10.00 per minute regardless of the time of day. The interconnection fee of \$7.00 is inclusive in this amount.
- (8) Because CPP represents a significant change for wire line subscribers, GT&T shall institute a mandatory notification that will:
 - Alert the calling party that they will incur air time charges,

- Advise the calling party of the permitted rate that applies,
 - Afford the calling party the opportunity to terminate the call at that point without incurring any charges, and
 - Inform persons less than 18 years old that they are prohibited from completing such calls.
- (9) GT&T ordered to submit monthly information to the Commission in order that it assesses the impact of the new rates. Such information shall include the amount and additional amount of subscribers to each plan, and return of income generated per plan.

PrePaid Cards

- (10) The Commission also approves the pre-paid card service, as per the following face value of the card, and expiring of the card, as follows:-

<u>Face Value</u>	<u>Expiry</u>
\$2,000.00 -	after 6 months
\$3,000.00 -	after 6 months
\$5,000.00 -	after 9 months
\$7,000.00 -	after 9 months
\$12,000.00 -	after 12 months

- (11) There shall be a onetime establishment (programming and activation) charge of \$4500.00; a re-establishing or re-activating service of \$1,000; air time rate at peak hours \$37.00 per minute and Off peak rate at \$29.00 per minute. The peak and Off peak hours are the same as those earlier herein set out with respect to the Cellular Service.
- (12) Customers to this service will be allowed a 60 days zero balance grace period during which he/she must be allowed to remain on the network and continue

to receive calls. The reactivation charge will thereafter come into effect if the customer desires to continue the use of the service.

- (13) GT&T or CTL which may collect charges for each other for the use of the other's service will be allowed to retain such percentage or sum as administration expense for each call as they promised the Commission to negotiate between themselves. Should they fail to arrive at any agreement, then upon notification to the Commission not later than 1st June 2001, the Commission shall fix a hearing to determine what may be reasonable and just in all the circumstances.
- (14) GT&T is hereby directed that it makes public the new rates for the information of subscribers and the public generally and to give due and adequate public notification of all matters touching this Order.

Dated this 29th day of March, 2001.



Prem Persaud

Prem Persaud C.C.H.

Chairman

John Willems

John Willems A.A.

Commissioner

Hugh George

Hugh George

Commissioner

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GUYANA TELEPHONE & TELEGRAPH CO. LIMITED

TARIFF No. 1-2001

REVENUE REQUIREMENT

(in G \$000's)

	2002		
1. Rate Base	11,904,548	Sch. 2	L.14
2. Allowed Rate of Return on Rate Base (Annual)	<u>15.00%</u>		
3. Allowed Return on Rate Base	1,785,682	L.1 x L.2	
4. Add: Operating Income Taxes	1,461,013	L.3 x .45 / .55	
5. Add: Operating Expenses	8,017,104		
6. Revenue Requirement	<u>11,263,798</u>	L.3 + L.4 + L.5	
7. Projected Revenues	<u>9,668,199</u>		
8. Net Revenue Increase Required	1,595,599	L.6 - L.7	
9. Less: Net Increased International Revenues from Stimulation, per GT&T	<u>1,105,051</u>		
10. Local Net Revenue Increase	<u>490,548</u> =====		
11. Revenue Increase %	<u>5.1%</u>		

GUYANA TELEPHONE & TELEGRAPH CO. LIMITED

TARIFF No. 1-2001

ADJUSTED RATE BASE - 2002 [Average]

(In G \$000's)

	Wireline	Cellular	Total	FCC working capital allowance	Exclude Franchise Investment	Exclude Sinking Funds	Total
1. Telecommunications Plant	28,112,477	2,014,374	30,126,851		(971,502)		29,155,349
2. Accumulated Depreciation	(12,374,740)	(301,898)	(12,676,638)				(12,676,638)
3. Net Telecommunications Plant	15,737,737	1,712,476	17,450,213		(971,502)		16,478,711
4. Materials and Supplies	646,762	73,238	720,000				720,000
5. Prepayments	48,507	5,493	54,000				54,000
6. Working Capital	4,068,259	460,684	4,528,943	(4,287,219)			241,724
7. Noncurrent Assets	1,198,128	0	1,198,128			(1,152,575)	45,553
8. Customer Deposits	(211,001)	(23,893)	(234,894)				(234,894)
9. Deferred Income Taxes	(3,313,029)	(375,163)	(3,688,192)				(3,688,192)
10. Unadjusted Rate base	18,175,362	1,852,836	20,028,198	(4,287,219)	(971,502)	(1,152,575)	13,616,902
11. Less: Difference in W/C req:	(1,017,065)	(115,171)	(1,132,236)	1,132,236			0
12. Less: Revaluation reserve	(4,436,339)		(4,436,339)				(4,436,339)
13. Add: Adjustment in accumulated depreciation based on revaluations	2,723,985		2,723,985				2,723,985
14. Adjusted rate base	15,445,944	1,737,665	17,183,608	(3,154,983)	(971,502)	(1,152,575)	11,904,548

GUYANA TELEPHONE & TELEGRAPH CO. LIMITED

TARIFF No. 1-2001

WORKING CAPITAL*(In G \$000's)*

	2002	
1. Total adjusted operating expense	8,017,104	
2. Less: Depreciation & amortization	(2,198,054)	
3. Plus: Interest	62,913	

4. Expense used to compute working capital	5,881,962	Sum
5. Working capital allowance	+15/365	

6. Working capital allowance	241,724	L.4 x L.5
	=====	

GUYANA TELEPHONE & TELEGRAPH CO. LIMITED
TARIFF No. 1-2001

ADJUSTED OPERATING REVENUE AND EXPENSES - 2002
(In G \$000's)

	Wireline	Cellular	Total	Exclude Franchise Amortization	Exclude Revaluation Amortization	Total
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Revenues:						
1. International Inbound Service	3,130,733	0	3,130,733			3,130,733
2. International Audiotext Inbound Service	0	0	0			0
3. International Outbound Service	2,449,631	62,450	2,512,081			2,512,081
4. Local Services	746,385	378,404	1,124,789			1,124,789
5. Domestic Usage Sensitive	1,079,890	962,692	2,042,582			2,042,582
6. Network Access Service Revenues	378,965	384,519	763,484			763,484
7. Internet Services	0	0	0			0
8. Other Revenues	304,920	62,004	366,924			366,924
9. Bad Debts	(235,393)	(37,001)	(272,394)			(272,394)
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10. Total Revenues	7,855,132	1,813,067	9,668,199	0	0	9,668,199
						=====
Expenses:						
11. International Outbound Settlement	1,344,322	34,272	1,378,594			1,378,594
12. International Audiotext Settlement	0	0	0			0
13. International long distance expenses	381,276	0	381,276			381,276
14. Plant specific operations	1,354,236	0	1,354,236			1,354,236
15. Plant nonspecific operations						
16. Depreciation and amortization	2,388,594	237,437	2,626,031	(30,156)	(397,821)	2,198,054
17. Other	531,276	0	531,276			531,276
18. Customer operations	715,056	0	715,056			715,056
19. Corporate operations	753,807	522,105	1,275,912			1,275,912
20. Advisory Fees	471,308	108,784	580,092			580,092
21. Property and other taxes	208,096	0	208,096			208,096
22. Other	0	0	0			0
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23. Unadjusted Expense	8,147,971	902,598	9,050,569	(30,156)	(397,821)	8,622,592
24. Tax benefit of interest	(25,396)		(25,396)			(25,396)
25. Exclude Advisory Fees	(471,308)	(108,784)	(580,092)			(580,092)
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26. Adjusted Expense	7,651,267	793,814	8,445,081	(30,156)	(397,821)	8,017,104
						=====

REVALUATION AMORTIZATION ADJUSTMENT

(In G \$000's)

1. GT&T gross revaluation adjustment	4,436,339	
2. Average depreciation rate	9.0%	L.8
	<u>397,821</u>	
3. Recommended amortization to be eliminated		L.1 x L.2
	=====	
4. Depreciation and amortization	2,626,031	
5. Less: Franchise right amortization	30,156	L.11
	<u>2,595,875</u>	
6. Depreciation of depreciable plant	28,948,169	L.16
7. Average depreciable plant	28,948,169	L.16
8. Average depreciation rate	9.0%	L.6 / L.7
	=====	

Franchise rights:

9. 1/01/02	986,580	
10. 12/31/02	956,424	
	<u>30,156</u>	
11. 2002 amortization		L.9 - L.10
	=====	

30,156 is value reflected on page H-101 of 1/8/02 budget.

	<u>1/01/02</u>	<u>12/31/02</u>	
12. Total telephone plant and franchise rights	29,329,920	30,923,782	Sch.2 p.3
13. Franchise rights	986,580	956,424	Sch.2 p.3
14. Construction in progress	207,180	207,180	Sch.2 p.3
	<u>28,136,160</u>	<u>29,760,178</u>	
15. Net depreciable plant			L.12 - L.13 - L.14
16. Average depreciable plant		28,948,169	
		=====	

TAX BENEFIT OF INTEREST

(In G \$000's)

2002

1. Interest expense	31,040	Sch.3 p.4 L.24
2. Income tax rate	45.0%	

3. Tax savings from interest deduction	13,968	L.1 x L.2
4. 1 - income tax rate	55.0%	

5. Decrease in operating expense	25,396	
=====		

Guyana Telephone and Telegraph
Increase in Revenues to be Generated from the Proposed Increase in Rates

G\$

		<u>Current</u> (A)	<u>Proposed</u> (B)	<u>Increase</u> (C=B-A)	<u>Test Year</u> <u>Minutes</u> (D)	<u>Increased</u> <u>Revenues</u> (E=C*D)
Intra-Exchange Revenue	Day	0.20	0.60	0.40	320,191,321	\$ 128,076,528
	Night	0.10	0.30	0.20	158,018,081	31,603,616
						<u>\$ 159,680,145</u>
Inter-Exchange Revenues ¹	Day			0.344	124,168,446	\$ 42,713,945
	Night			0.344	58,097,314	19,985,476
						<u>\$ 62,699,421</u>
1 TOTAL EXCHANGE INCREASE						\$ 222,379,566
Recurring Charges					Test Year Units	
Residential Main Line (1st and 2nd)		250.00	500.00	250.00	701,868	\$ 175,467,000
Residential Mian Line (3rd and over)		500.00	750.00	250.00	120	\$ 30,000
Business Main Line (First 4 lines)		1,000.00	1,500.00	500.00	239,022	119,511,000
2 TOTAL BASIC CHARGE INCREASE						<u>\$ 295,008,000</u>
QUANTIFIED INCREASE						\$ 517,387,566
International Outbound						
Eliminate Second Off-Peak period and rates (except US)						Unable to Quantify
Decrease Peak and Off Peak rates to UK to \$136 and \$123, respectively						"
Decrease Peak and First Off Peak Rates to US to \$100 and \$90, respectively						"

Schedule 8

INTER-EXCHANGE RATES

Schedule of Present Rates and the New Rates per this Order

	DAY	NIGHT	DAY	NIGHT	DAY	NIGHT
Present Rates	\$2.64	\$1.66	\$3.96	\$2.64	\$6.60	\$4.40
New Rates	\$3.00	\$2.00	\$4.00	\$3.00	\$7.00	\$5.00

These rates are for one minute, without operator assistance.

Day Calls – 6 a.m. – 6 p.m.

Night Calls- 6 p.m. – 6 a.m.

Please note that the new rates set out above replace the corresponding present rates between exchanges, e.g. between Georgetown/Rosignol \$7.00 instead of \$6.60 per minute.