

GUYANA

BEFORE THE PUBLIC UTILITIES COMMISSION ORDER NO. 1/2004

In the Matter of the Public Utilities
Commission
Act 1999 (No. 10 of 1999)

- and -

In the Matter of an Application by
Guyana Telephone
And Telegraph Company Ltd. For
Rates for REMOTE AREA
PHONES

CORAM

Mr. Prem Persaud	- Chairman
Mr. Badrie Persaud	- Member
Mr. John Caesar	- Member
Mr. Maurice Solomon	- Member

With	
Ms. Jennifer Ganpatsingh	- Financial Analyst/Secretary (ag)

APPEARANCES

Guyana Telephone & Telegraph Co.

Mr. M.G. Fitzpatrick, S.C., Attorney-at-Law
Mr. K.S. Massiah, S.C. , Attorney-at-Law
Mr. G. Statia – Attorney-at-Law/ Consultant
Mr. G. Evelyn – Director of Rates.

Consumers

Ms. E. Cox - Chairperson, CAB Ltd. And Senior
Vice-President - GCA

DECISION

GT&T has sought the approval of the Public Utilities Commission to introduce a telephone service to be called **REMOTE AREA PHONES** and rates for such service.

These phones will operate as call boxes and will utilise calling cards. As the name suggests the service will be set up in remote areas in the country and since electricity is virtually non-existent in the communities in which the service will be sited, solar technology will be utilised to power the said phones.

The areas to be served based on the application filed with the Commission are set out in the **Schedule marked "A"** attached hereto.

The Corporation has sought a rate of G\$34.01 per minute which they claim will allow for a minimum of 15% rate of return to which they are entitled in terms of the licence granted to them.

We wish to point out and emphasize that in as much as the service will be in outlying areas, great care must be taken by residents and users of the service to protect and safeguard the equipment.

GT&T has submitted figures with their filing seeking to justify the rate they claim. We have studied them very carefully, and gave due and ample consideration to them. We have also considered fully and carefully scrutinized the explanations and answers they submitted to our questions.

Having regard to all the evidence heretofore referred to we have arrived at the following:

CAPITALISATION IS REDUCED

1. We reduce capitalisation to US\$4000.00. This reduction is based on the responses to our queries. They have stated that all equipments for all sites will be shipped in one container, cost of that shipping being US\$6000.00, or US\$260.00 per site. Transportation of switch to site by air will be US\$1427.00. These are the highest values quoted by them. The transportation cost for the installation crew will be US\$1134.00. There is a provision for US\$1179.00 for "other expenses".

ADVISORY FEES DISALLOWED

2. We disallow advisory fees since there was no evidence of any service offered or provided by any advisor to the Corporation.

DEPRECIATION RATE REDUCED

- 3. We allow depreciation rate at 10% instead of 20% used by the Corporation. The rate of 10% is in keeping with the present depreciation rates as approved by the Commission. We had previously stated that any change in depreciation rates must first be approved by us, and to date no such approval was granted.
- 4. The "other expenses" in Schedule B of the filing quoted as G\$150,000.00 is disallowed as we consider the G\$200,000.00 provision under Maintenance Expenses sufficient to cover maintenance and any other expenses that may arise.
- 5. While we do not take issue with the Corporation's claim that the average utilisation rate may be 23%, we have taken into account the fact that this service will be in areas which are remote and have no phones. The new service will be the only means of quick communication with other parts of the country and the outside world, and it is reasonable to assume the usage will be much higher. We consider a utilisation rate of 38% to be reasonable, and we take this into account in our calculation.

To summarise our findings: The Corporation requires total revenue in the sum of G\$2,714,739.00 annually per site to earn a rate of return of 15%. We expect the site to have a utilisation of 136,737 minutes per annum, and this translates to G\$20.00 per minute. We have also made the necessary allowance for Corporation tax of 45% in their total expense of G\$1,239,073.00.

We attach hereto the calculations used to arrive at the rate, see **Schedule B**.

ORDER

Having regard to all we have said, we fix a rate of G\$20.00 per minute for the use of the remote phone. There will be no further access cost or local charge to make an international call save and except the current land line international rate as approved by the Commission.

Dated this ^{4th} day of June, 2004.

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Prem Persaud
Prem Persaud - Chairman

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John Caesar
John Caesar - Member

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Badrie Persaud
Badrie Persaud - Member

.....
Maurice Solomon
Maurice Solomon - Member



REMOTE AREA PHONES
SCHEDULE "A"

The first priority communities are:

1. Orealla
2. Moleson Creek
3. Mibicuri
4. Bush Lot (ECB)
5. Mara
6. Burma
7. Esau & Jacob
8. Kuru-Kuru
9. Soweyo
10. Muritura
11. Mabura
12. Kimbia/Ebini
13. Madhia
14. Kuru Pukari
15. Hogg Island
16. Santa Rosa
17. Kabacaburi
18. Wakapau
19. Horsororo
20. Matthews Ridge
21. Arakaka
22. Annai, and
23. Sand Creek.

The second priority communities:

1. Bara Cara (Canje Creek)
2. Mora Point
3. Long Creek
4. Silver Hill
5. St. Francis
6. Wineperu
7. Marias Pleasure
8. Zeelandia
9. Hackney, and
10. Dadanawa.

GT&T REMOTE AREA PHONERevenue Requirement

	US\$	G\$
Investment per Switch	22,394	
Capitalisation (1)	4,000	
Total	26,394	
X G\$205		5,410,770
Rate of Return (15%)		811,616
Corporation Rate (45%)		664,050
Income before Expenses		1,475,666
Expenses (2)		1,239,073
Required Revenues		2,714,739
Cost per Minutes	136,737 minutes (3)	= \$20 per minutes

Schedule B Continued

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Notes:

(1) Capitalisation

Transportation of switch to site	US\$1,427.00
Transportation of Crew	US\$1,134.00
Shipping of Container	US\$ 260.00
Other Expenses	US\$1,179.00
Total	<u>US\$4,000.00</u>

(2) Expenses

Labour & Transportation	G\$375,000
Depreciation (10%)	G\$664,073
Maintenance Expenses	G\$200,000
Advisory Fee (Disallowed)	0
Total	<u>G1,239,073</u>

(3) Utilisation of Phone

38% utilisation = 136,737 minutes annually
= 375 minutes per day
= 38 calls per day, assuming an average of 10 minutes per call