

GUYANA CONSUMERS ASSOCIATION

C/O Sub-office: 26 First Avenue, Subbryanville, Georgetown

Email: patdial26@gmail.com

22/10/2018

The Chairman
Public Utilities Commission
106 New Garden Street
Queenstown
Georgetown.

Dear Madam Chairman,

Re: GTT's Application for Approval of a Tariff Regime for Access and Landline Metered Charges

We refer to the Guyana Telephone and Telegraph (GTT)'s filing in respect of the above-mentioned caption and hereunder state our response:

(1) The Government of Guyana (GOG) has decided to effectuate the liberalization of the Telecoms Industry, that is, to free the Industry of the stifling stranglehold of the GTT monopoly. The industry would then be open to competition which will result in a dynamic, productive, economical, consumer-friendly service and fair consumer rates. The liberalization and Free Market will achieve its own equilibrium in price and service and attractiveness to potential investors by means of the mechanism of the Free Market. This is endorsed by the major academic literature and the actual experience of Free Market countries such as the United States of America, a position which GTT cannot refute.

But GTT in its filing, is slyly trying to lead the PUC into the trap of fundamentally negating the functioning of the Free Market and disturbing its mechanism of achieving price equilibrium. The methodology used by GTT in achieving its aim is firstly to inveigle the PUC into pre-empting the Free Market in GTT's favour by the grant of "rebalancing prices and rates". And secondly, they are speciously supporting this position by reference to the ITU Handbook and "numerous academic literature" but failing to point out that such references in no case refer to the particular and peculiar Guyana situation where there has been, for over quarter of a century, an exploitative and strangling monopoly. **We emphasize that the PUC must never allow itself to go against the Government's Free Market and Liberalization policy and more particularly to undermine the price equilibrium mechanism of the Free Market.**

(2) GTT is basing its demand for "rebalancing" on Sections 32(2), 33, 41(1) and 41(2) of the PUC Act. They have studiously omitted 32(1) which clearly states "Every rate made, demanded or received by any public utility from persons making use of the service provided by it, shall be **just and reasonable and in conformity with any written law. . . 32(1)** stating that consumer rates and service **shall be just and reasonable** is the determinant of the sections cited by GTT ; sections 32(2), 33, 41(1) and 41(2) are all ancillary to Section 32(1).

(3) At this point, we will pause in our presentation showing where GTT's filing is contrary to being "just and reasonable" and question the appropriateness of GTT citing section 33. Section 33 was interpolated when ATN was making their investment in 1989 and the Contract referred to is the Contract entered into between ATN and GoG and this is authenticated by the term "investor" mentioned in 33(a) which refers to ATN. That Contract expired in 2010 after 20 years and GTT then went into a new Contract. Section 33 therefore does not refer to the Contract under which GTT is operating. In any case, the proviso at the end of Section 33 - . . . "and in the event of a conflict between such agreement or licence and any written law, the agreement or licence shall prevail" goes against the tenets of Jurisprudence and the force of statute and is of questionable legality.

(4) In the third paragraph of GTT's filing, the claim is made that "rebalancing" makes a better Telecoms sector. If that is so, then any rebalancing and price equilibrium will be better achieved by the mechanism of the Free Market rather than by any subjective tinkering.

More importantly, GTT has said nothing precisely in respect of costs. Costs would include rates, returns, legal expectations and compound interest. These things could only be known when GTT disaggregates its accounts leading to a disaggregation in various individual costs.

GTT cost model may be a present subject of analysis at the PUC. We wish to draw attention to the points above on disaggregation as well as to the clear separation of the various segments of the Company. We are not satisfied that there is an unambiguous separation of costs. For example, if one segment of service utilizes another's access point, there is no evidence that relevant adjustment is made in the books. Also the tax incentives earned by the Company need to be viewed as an advance on the Company's investment which return ought to accrue to the various services.

Examples of the manifestation of the above could be seen in the case where the copper lines owned by the land line was used to carry cellphone messages without any income being transferred to the landline. Costs could only be known with any precision when GTT

disaggregates its accounts and costs. Secondly, GTT has failed to comply with its Contract with GoG and PUC Orders to increase the number of landlines. **GTT therefore cannot claim increased rates in that very sector, where by its own action it loses revenue.**

Further, we would like to refer to Sections 25 and 29 of the PUC Act and to ask the PUC to have GTT comply with those sections before they entertain any demand for increased rates or "rebalancing" from GTT.

(5) In connection with GTT's present demand for an increase in rates on the basis of "rebalancing" we are hereby urging the PUC to examine the rates being charged by GTT on its decades-old equipment with a view to reducing those rates to align them with the real costs of providing the service.

(6) Over the years we have been calling for a forensic audit of GTT so that claims for increased rates and "rebalancing" could be properly assessed. **The present GTT claim for "rebalancing" cannot be financially assessed since the financial evidence is lacking.**

On the basis of the above, the Guyana Consumers Association emphatically rejects GTT's Application for the Approval of a Tariff Regime for Access and Landline Metered Charges.

Yours sincerely

Patrick P. Dial, CCH; AA; JP