BEFORE THE PUBLIC UTILITIES COMMISSION

ORDER NO 4/2018

In the matter of an application by the Guyana Telephone & Telegraph Company Ltd for the Approval of a Tariff Regime for Access and Landline Metered Charges.

PRESENT:

Public Utilities Commission:

Ms. Dela Britton - Chairman

Mr. Maurice Solomon - Commissioner

Mr. Rajendra Bisessar - Commissioner

In attendance:

Mr. Vidiahar I. Persaud - Secretary /Legal Officer

Mr. Moorsalene Sankar - Financial Analyst I

Yogwattie Sookram - Financial Analyst II

Guyana Telephone & Telegraph Co. Ltd.

Mr. Mark Reynolds - Director, Legal and Regulatory Affairs

Mr. Delreo Newman - Director, International Regulatory, Government and Legal Affairs

Mr. Mark Singh Vice President, Finance Corporate Control.

Guyana Consumer Association

Mr. Patrick Dial - President

Mr. Yog Mahadeo - Advisor

On the 1st day of October 2018 the Guyana Telephone and Telegraph Company Limited (GT&T) made an application to the Public Utilities Commission for:

1) An increase in landline access charges as follows:

Customer Type	Service Description	Old Charge	New Charge
Residential	1 – 2 Lines	$750	$800 with three increments of $50 each to be added 6 months after implementation
Residential	Greater than 2 Lines	$1,500	$1,600 with an increment of $50 to be added 6 months after implementation
Business	1 – 4 Lines	$2,250	$2,500

2) Landline metered charge limited to intra traffic only:

Current Rates		Proposed New Rates	
Peak	Off Peak	Peak	Off Peak
$0.80	$0.40	$1.25	$0.75

3) The approval of five residential bundled services that relates exclusively to the landline service, namely:

   a) An increase of $50 to the current access charge with an offering of free ten (10) minutes intra calls and free five (5) minutes inter-call + voice mail. All minutes thereafter, on both inter and intra exchange, are then charged at twice the call rate.

   b) All inclusive (intra and inter) including access for GY$6,500 per month with call forwarding, voicemail and call waiting.

   c) Intra calls plus 100 minutes of inter calls for GY$2,750 per month with voice mail, but not including access – excess inter calls minutes will be billed at the standard rate.

   d) Intra calls only for GY$650 per month with voicemail not including access which would have to be paid as a separate line item by the Customer

   e) A friend and family calling bundle for five (5) persons unlimited for GY$1,850 with voice mail but not including access which would have to be paid as a separate line item by the Customer.

The Commission held its first hearing on this matter on the 24th day of October 2018 at Duke Lodge, Kingston, Georgetown and concluded the hearing on the 19th day of November 2018.

GT&T in its presentation to the Commission referred to its recent Cost Allocation Methodology (CAM) which was developed from its 2017 audited financial statement. The company stated that the CAM showed that the net after tax profit in 2017 was below the company's entitled rate of return of 15% on capital dedicated to public use and that the Public Switch Telephone Network (PSTN) services are provided to consumers at a significant loss to the company.

The company posited that with the advent of liberalization it would be necessary to rebalance rates to bring it closer to its operating cost, a position supported by the Telecommunication Act. To this end, the company is therefore seeking to rebalance landline rates closer to its operating cost but intends to do so in stages and over a protracted period in order to avoid creating rate shock to its consumers.

Against the foregoing backdrop, the company is seeking to increase access charges by $200 - $50 from the date the Order become effective and the remaining $150 for residential consumers would be implemented by incremental increases of $50 every six months, and by $250 for business consumers. The company posited that based on the CAM, the cost of maintaining an access line is $2,700 and in order for the company to 'break-even' the above stated sum is the desired recovery from the consumer. Throughout their presentation the Company maintained that liberalization is synonymous with tariff rebalancing which seeks to make prices truly competitive and economical, which according to the Company is a prerequisite for the opening of the local market to foreign investors.

As it relates to the five bundled services the Company noted that the customer has the option to choose any bundle that the customer may perceive as advantageous. The customer under this regime has the prerogative of opting out of the bundled package if so desired.

The Guyana Consumers Association (GCA) in its presentation stated that the application for increased rates appears to be premised on the Cost Allocation Model (CAM) and that GT&T is using rate re-balancing as a guise for its application to increase consumer prices.

The GCA had expressed its reservations on the model noting that in the absence of precise data that can be easily collaborated, it would be difficult to be guided by the model, and the GCA is of the view that the guaranteed rate to which GT&T speaks of is an entitlement and not a guaranteed rate. The GCA stated that in order for GT&T's application to be properly dissected pertinent information should have been provided on 1) the impact on the subscribers and 2) the accrual of the anticipated incremental revenue to the Company.

The GCA expressed reservations of some aspects of GT&T's financial status and suggested that a forensic audit should first be undertaken before considerations could be given for any increases for services.

The GCA alluded to the quality of the landline service and the fact that there remains a large number of Guyanese who are desirous of landline service and for which GT&T has been unable to deliver. GCA further posited that had the operations of GT&T been efficient and competitive this present application would be unnecessary.

DECISION

In arriving at its decision, the Commission gave considerable weight to the following issues and factors:

1) The Commission has not approved GT&T's Cost Allocation Methodology and as such the Commission is not convinced that:
    a) the expenses used in the CAM accurately reflect a cost-efficient utility taking into consideration the size and the scope of the operations of the Company; and
    b) whether the values of the non-current assets as stated in the Company's financial statement were acquired at market value at the time of acquisition.
2) Whether the company has adhered to the tenets of the licence which makes provisions for universal service, especially as it relates to rural areas.
3) That the company has purported to have invested heavily in non-current assets for more than a decade, but same is not reflected in expected profit progression or in the quality of the company's services to its customers.

4) The concept of rate re-balancing is triggered when there has been the dismantling of a monopoly on telecoms services. As it stands, the Company retains the monopoly on landline services which is the subject of this application.

Having regard to all the factors as mentioned above, it is the view of the Commission that the Company has not presented a convincing case for the proposed price increases for its land line services.

Therefore, the application is denied in its entirety.

Dated this the 11th day of December 2018.

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Ms. Dela Britton
CHAIRMAN

~sdg~

Mr. Maurice Solomon
COMMISSIONER

~sdg~

Mr. Rajendra Bissesar
COMMISSIONER