

PUBLIC UTILITIES COMMISSION

APPLICATION OF THE GUYANA TELEPHONE AND TELEGRAPH LTD FOR
APPROVAL TO IMPLEMENT A TEMPORARY RATE INCREASE FOR THE
RECOVERY OF UNCOLLECTED REVENUES

D E C I S I O N

INTRODUCTION

In a letter dated August 20, 1993, the Guyana Telephone and Telegraph Ltd submitted proposals to the Commission for the recovery of uncollected revenues, pursuant to the Commission's Decision of November 12, 1991, approving, inter alia, upward adjustments of the rates for telephone calls to Antigua, Canada, the United Kingdom and the USA. The rates were to have come into effect on May 20, 1991 but the date of implementation was January 1, 1992, following final determination by the Commission. The arrears represent the difference between what GT&T would have collected, if the rates had been in effect from May 20, 1991 and what GT&T had actually collected on the basis of the unadjusted rates. Provision for recovering the arrears is made under section 46(1) of the PUC Act.

HEARING

In keeping with a Notice of Public Hearing issued on December 10, 1993, a hearing was held on December 15, 1993 at Bidco Training Centre, Anira and Peter Rose Streets, Georgetown. The purpose of the hearing was to fix temporary rate surcharges for telephone calls made to the four countries, pending final determination by the Commission.

PARTIES PRESENT

GT&T was represented by Mr Clarence Hordatt, General Manager, Mr Godfrey Statia, Manager (Revenue), Mr Lawrence Fuccella, Finance Controller, Mr Joseph Saunders, Legal Adviser and Ms Sonita Jagan, Assistant Finance Controller.

Officials of the Guyana Consumers' Association were present at the hearing but the Association did not request intervenor status in response to the invitation issued in the Notice of Public Hearing. There was no request from other persons or individuals to participate in the proceedings.

EVIDENCE

In keeping with the Commission's Order, dated November 12, 1991 and in accordance with the letters from the Commission's Secretary, dated February 21, 1992 and November 30, 1993, GT&T submitted information on the amount of arrears from its telephone customers for calls made to the four countries as well as the actual revenues received for the period January 1992 to October 1993 and monthly revenue projections for the period January 1, 1994 to June 30, 1996. The submission also included proposals for temporary surcharges to enable GT&T to recover the uncollected revenues over a period of 30 months.

The Commission engaged Lynch Associates as consultants to carry out a preliminary test and analysis of the information provided by GT&T. The report of the consultants was made available to the utility.

It was clear from the comments and responses at the hearing that much work is yet to be done before the Commission could be in a position to make a final determination. There was need for further information, and clarifications, particularly information on aspects of GT&T's operations that were considered important for arriving at a final determination. A major concern is that

the arrears to be collected reflect as accurately as possible what would have been received by the utility from its customers for telephone calls to the four countries, had the new rates been in effect from May 20, 1991. More work clearly has to be done in this connection.

The Commission held that the information submitted by the utility along with the comments and explanations by its representatives, as well as by the consultants, provide a reasonable basis for establishing temporary surcharges.

Representatives of GT&T had drawn attention to the fact that the conversion rate for the SDR, on the basis of which, the collection charges for Canada and the United Kingdom were adjusted, was not correct. The Commission agreed that the correct rate was US\$1.39256 to one SDR, and not US\$1.27981 to one SDR, on which its earlier decision was based. The collection charge for calls to the two countries concerned were therefore adjusted accordingly, with effect from May 20, 1991, and this adjustment was reflected in the uncollected revenues in respect of calls to the four countries. The temporary rate increases originally proposed by the utility were also adjusted to reflect the correction of the conversion rate of the SDR.

After considering the information presented and the comments made at the hearing, the Commission decided that a temporary surcharge amounting to 70 percent of GT&T's adjusted surcharge proposals was a reasonable basis on which the utility could commence its recovery, pending final determination of the matter.

The Commission based its decision on GT&T's estimates of uncollected revenues in relation to payments by customers at the old rates for telephone service during the period in question, after adjustments for the correction of the US\$/SDR exchange rate in respect of Canada and the United Kingdom and on its proposals for temporary surcharges for the recovery of these arrears.

GT&T's estimates and proposals are as follows:

<u>Destination</u>	<u>Uncollected Revenues</u>	<u>Proposed Surcharge</u>
	G\$	G\$ per min.
ANTIGUA	3,455,428	12.26
CANADA	46,893,343	9.71
U.K	46,086,618	21.38
U.S.A	249,563,617	13.13
	<u>345,981,006</u>	

As stated above the arrears will have to be adjusted as necessary to reflect the difference between what was paid by GT&T's customers at the old rates and what would have been paid, had the new rates been in effect from May 20, 1991.

ORDER

Accordingly, the Commission orders as follows:

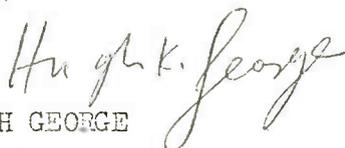
- (a) Pending final Commission determination of GT&T's request, the utility is hereby authorised to implement, with effect from January 1, 1994, temporary rate increases or surcharges in respect of telephone calls to Antigua, Canada, the United Kingdom and the USA, as set out in Annex 1 hereto, to enable it to commence recovery of revenues in arrears, consequent upon the implementation of rate adjustments, pursuant to the Commission's Order, dated November 12, 1991.

- (b) These temporary rate increases shall remain in effect up to March 31, 1994, unless the Commission reaches a final determination before that date, in which case, the rates now authorized shall cease to have effect from such date as the Commission may decide and shall be replaced by the rates finally determined. This time limitation may be extended at the discretion of the Commission.
- (c) GT&T shall publish an amended schedule of rates to give effect to the temporary rate increases.
- (d) GT&T shall submit monthly reports to the Commission in the form set out at Annex 11, furnishing, inter alia, information on the amount of arrears recovered during the reporting month, the accumulated recoveries to the end of that month. The reports shall be submitted no later than 15 days after the end of each month.
- (e) GT&T shall maintain its records in such form as to enable it to refund or credit its customers in full, as the Commission may direct, in the event the revenues recovered during the period, in respect of any particular rate of country, exceed the arrears due, as finally determined by the Commission.

- (f) The Commission shall review the recovery scheme after the end of December 1994 and December 1995 with a view to determining the need for adjustments in the temporary rate surcharges to enable the recoveries to be completed within the specified period.

Signed at Georgetown, Guyana, this 21st day of December, 1993.


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


 HUGH GEORGE - MEMBER - DO -


 ERROL HANOMAN - MEMBER - DO -


 JOHN WILLEMS, A.A. - MEMBER - DO -


 A.M.B. SANKIES - MEMBER - DO -