March 22, 2023

Mr Vidiahar Persaud,
Public Utilities Commission,
Georgetown, Guyana

Dear Mr Persaud,

Re: Price Regulation Regime Consultation Document

We acknowledge receipt of the referred Document and applaud the PUC for taking this initiative. We hereby make a few comments while we continue to study the document, and we look forward to communicating more effectively on this matter.

The price cap initiative will, undeniably, have its risks, including capex deferrals, but we are sure that any headroom can be exploited as it is already. From the consumer's viewpoint, too many inefficient layers of so-called costs need to be examined and stripped away. Each layer of inefficiency and creative costs accounting can be peeled back to identify actual costs. Clear examples include the real cost of interconnection, the actual cost of data, and the real cost of voice communication since it is all piped as VoIP.

Response to Question 1: The GCA agrees to the proposed services.

Response to Question 2: The opening up of the Guyana market is vital for consumers and for the industry. The control period is ideal; however, we request a caveat to allow for any uncovering of critical data that can have severe consequences on the cap. In such a case, a review should be allowed - similar to the PUC's discretion to extend the period.

We recognise the importance of stability in the industry, however, dynamics change quickly. Capex spent in a particular area can be recovered too rapidly or slowly, especially with cost evaluation compared to short and long-term savings.

In this same regard, we urge that Capex be carefully examined in the new dispensation. While telcos argue that new technology comes at a cost that they wish to recoup, such recovery should align with the asset's wear and tear rate. It should be remembered that capex is also used to renew tax allowances while upgrading dead or dying equipment - in this regard, the service’s cost to the consumer should not change.

Response to Question 3. We do not agree to an automatic total renewal. We believe the automatic extension should align with the PUC’s discretion in Section 2. Any automatic extension should be on an annual basis. This will allow all parties to work diligently towards timely review.

In this regard, also, we are mindful of Guyana's political unpredictability - where, for example, political situations, health issues (pandemic) and other factors can affect the telecommunication companies, the PUC or the consumers. Should the automatic three-year become fixed, consumers should hope that the PUC can retroactively enforce critical findings.

Response to Questions 4 and 5

The annual extension alluded to above is also complemented by Section 3.4.

Each company will have a different FY. We are mindful that both FY and CY alignment will require time allowances within which companies may claim statutory and other compliances - which we believe is captured in your Bridge Period.

The Bridge Period and other circumstances identified in Section 3.5 will, as the Document identities, push implementation to the following year. Thus any extensions should be for a year and renewed annually.

We agree with the Bridge Period and the treatment of calculations at this time.

Response to Question 6

While we understand the trust of this section, we beg to differ. The industry is not technologically neutral. Capital investments will only be made where and when there is a benefit to the investor. For example, moving from copper switching to VoIP has reduced actual costs significantly. There should be an assessment on a case-by-case basis, especially if the Company will seek and acquire both tax relief for the importation and increase deferred taxes.

This is alluded to in your subsequent section 4.1, which recognises that there could be supernormal profits concerning an assessment using WACC.

Response to Question 7: There has never been a thorough assessment of current prices, which are riddled with incentivised inefficiencies. However, given that the new cap will be monitored and reviewed within three years, we are open to its implementation.

Response to Question 8: We believe rebalancing is a moot point since GT&T has directed its own promotions and service offers based on its request for pricing from the PUC. If the company did not seek rebalancing up to this point, rebalancing efforts could misalign the cap to their advantage.

Response to Questions 9 and 10: We currently reserve our comments.

Response to Question 11: we are open to this.

Response to Questions 12-17: The formula is reasonable, except for the allowance for an inflation factor -. which we feel should not be accommodated. The Document accepts that the I Factor is a complex process. Guyana is set to record steep economic growth for the foreseeable future. However, the gap in real wealth for consumers will be an increasing concern - as will be the ability to measure the actual inflation factor.

Please note that the Exchange rate is another “inflationary” cost recording area.

Insofar as the I-factor can nudge the Cap upwards, we disagree with its inclusion in the formula.

Response to Question 18: we reserve comments on the gap or carry-over headroom.

Response to Questions 19-20: in agreement.

Response to Question 21: market trials and promotions, if similar to products within a basket, should not be priced above the cap. Trials and promotions, even if high-priced, will attract parts of the market that are eager for new things, and thus, consumers may pay more than due. Operators could later use the promotional period as a case (test) argument for prices consumers are “willing” to pay.

We feel that the section should read “discounts, discounted market trials and promotions”; that is, trials should not be priced above a factor of the Cap.

Response to Question 22: The PUC and consumers should be notified of increases and decreases. While approval is unnecessary, notification is essential.

Response to Questions 23-26: no comments at this time.

Sincerely,

(Sgd) Pat DIal
(sgn) Yog Mahadeo