



# Public Service Commission

ORIGINAL

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** May 17, 1999  
**TO:** Tommy Williams, Division of Communications  
**FROM:** David J. Draper, Division of Auditing and Financial Analysis *DD APC*  
**RE:** Docket No. 990534-TI, Global Telephone Corporation d/b/a Global Telephone International, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *ALM*

Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

(3) The Legislature finds that the competitive provision of telecommunications service, including local exchange telecommunications service, is in the public interest.

and

(4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets . . .

Regarding the showing of financial capability, the Finance staff has analyzed the unaudited financial statements of Global Telephone Corporation d/b/a Global Telephone International, Inc. (GTC) for the three month period ending March 31, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, GTC has minimal liquidity, negative common equity and reported a net loss for the period.

In this matter, GTC is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears minimal.

AFA \_\_\_\_\_  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
 MAS \_\_\_\_\_  
 OPC \_\_\_\_\_  
 RRR \_\_\_\_\_  
 SEC  \_\_\_\_\_  
 VAW \_\_\_\_\_  
 OTH \_\_\_\_\_

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that GTC proposes to operate as a reseller in the state of Florida, and will incur minimal capital or operating expenses. In addition, the company has structured its retail pricing so that its per minute rate covers its per minute cost, thus assuring an almost instantaneous positive cash flow. The company is also working on attaining outside lines of credit. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

cc: Division of Legal Services  
Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE

06426 MAY 20 99

FPSC-RECORDS/REPORTING

IXC TELECOMMUNICATION SERVICE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 12/31/98 (,000)
CURRENT ASSETS	\$2,536
CURRENT LIABILITIES	4,026
CURRENT RATIO	0.63
CASH	28
COMMON EQUITY	(1,295)
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	(1,295)
COMMON EQUITY RATIO	NMF
NET INCOME	(1,188)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure