

FLORIDA PUBLIC SERVICE COMMISSION
Capitol Circle Office Center - 2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

M E M O R A N D U M

APRIL 4, 1996

TO: DIVISION OF RECORDS AND REPORTING [BAYO]

FROM: DIVISION OF COMMUNICATIONS [WILLIAMS, STRONG] *lead*
DIVISION OF AUDITING & FINANCIAL ANALYSIS [LESTER] *EW*
DIVISION OF LEGAL SERVICES [LUGO] *APC* *ALM* *1996*

RE: DOCKET NO. 960072-TI; APPLICATION FOR CERTIFICATE TO
PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE BY
STARTEC, INC. d/b/a MARYLAND STARTEC, INC.

AGENDA: 04/16/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

SPECIAL INSTRUCTIONS: I:PSC/CMU/WP/960072TI.RCM

CASE BACKGROUND

Pursuant to Section 364.337(3), Florida Statutes,
(effective July 1, 1995):

(3) 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.

STAFF DISCUSSION

ISSUE 1: Should the Commission grant STARTEC, INC. d/b/a MARYLAND STARTEC, INC. (MSI) a certificate to provide statewide interexchange telecommunications service within the State of Florida as provided by Section 364.337 (3), Florida Statutes?

DOCKET NO. 960072-TI
DATE: April 4, 1996

RECOMMENDATION: Yes, MSI should be granted:

Florida Public Service Commission Certificate No. 4427

STAFF ANALYSIS: MSI filed an application with this Commission on January 22, 1996, to offer telecommunications service as a reseller of long distance service in Florida.

MSI's exhibit of managerial qualifications (page 3) exhibits satisfactory records in telecommunications sales, marketing and service. In regard to technical capability, MSI indicates that it will rely on the network ownership, operation and management of its underlying carrier(s) since it will be operating as a reseller. The Division of Auditing and Financial Analysis reviewed MSI's financial statements to determine the company's financial viability (pages 4-6). Based on the information provided by MSI, the financial capability of the company appears marginal.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

STAFF ANALYSIS: This docket should be closed if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

STARTEC PERSONNEL

1. Mr. Ram Mukunda, President, started his career at INTELSAT. He has over ten years of experience in International telecommunications. He was instrumental in developing the INTELSAT strategic plan. He holds advanced degrees in mathematics.
2. Suhail A. Nathani, Esq., General Counsel, is a member of the New York bar. He has over five years experience in all aspects of regulatory and business telecommunication laws in the national and international fields. He holds an M.A. in Law from Cambridge University (England) and a Masters in Law from Duke University.

STARTEC Key Technical Personnel

1. Mr. Gustavo Pereira is Vice President of Operations. He has over twenty years experience managing national and international networks. He has a formal education in Engineering and has been published extensively. He also participates in CCITT/ITU study groups.
2. Mr. Teferi Dejene is the Network Engineer. He has a bachelors degree in electrical engineering. He has over five years experience in managing domestic and international switching facilities.
3. Ms. Sossina Tafari heads the Network Control Center. She has four years experience in switched and dedicated service provisioning.

They will be assisted by the technical team of STARTEC's underlying carrier in Florida.



Public Service Commission

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

DATE: April 3, 1996
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL APC ALM TP*
RE: Docket No. 960072-TI, Startec, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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 audited financial statements of Startec for 1993 and 1994 and the unaudited financial statements for 1995. An audit could change one's opinion of the company's financial condition. Although Startec's liquidity and ownership equity have improved from inadequate to marginal, its profitability has been very volatile.

For certification purposes, the financial capability appears marginal.

cc: Division of Legal Services
Division of Records and Reporting

DOCKET NO. 960072-TI
STARTEC, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

TWELVE MONTHS
ENDING
12/31/95

CURRENT ASSETS	\$3,337,571
CURRENT LIABILITIES	3,119,397
CURRENT RATIO	1.07
CASH	562,009
COMMON EQUITY	358,053
TOTAL DEBT	464,947
NET INVESTOR CAPITAL	823,000
COMMON EQUITY RATIO	44%
NET INCOME	100,607
RETURN ON EQUITY	28%

DOCKET NO. 960072-TI
STARTEC, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	TWELVE MONTHS ENDING <u>12/31/94</u>	TWELVE MONTHS ENDING <u>12/31/93</u>
CURRENT ASSETS	\$1,409,059	\$656,049
CURRENT LIABILITIES	1,941,416	2,593,621
CURRENT RATIO	0.73	0.25
CASH	257,206	194,396
COMMON EQUITY	(492,555)	(1,707,126)
TOTAL DEBT	594,571	357,786
NET INVESTOR CAPITAL	102,016	(1,349,340)
COMMON EQUITY RATIO	NMF	NMF
NET INCOME	1,214,571	(1,550,079)
RETURN ON EQUITY	NMF	NMF