



**Supreme Council for Information and Communications  
Technology  
(ictQATAR)**

## Public Consultation

Definition of the relevant cost of capital for  
Qtel Qatar (Qtel) Q.S.C.  
for the purposes of regulatory accounting

06 June 2011

**The closing date for submissions is 09 July 2011.**

ICTRA 2011/06/06

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# 1 EXECUTIVE SUMMARY

This Consultation Document (**CD**) sets out the standards, methodology and process that the Supreme Council of Information and Communication Technology (**ictQATAR**) proposes to adopt for:

- (1) Defining the Weighted Average Cost of Capital (**WACC**)<sup>1</sup> for Qtel Qatar (Qtel) Q.S.C. (**QTel**)
- (2) Applying the WACC to services from QTel, which is designated as having a Dominant Position as a Dominant Service Provider (**DSP**)
- (3) Applying the WACC to Regulatory Accounting Separation (**RAS**).

This Consultation Document is directed towards the SPs<sup>2</sup> and the interested public for comments. ictQATAR includes within this CD, a set of *questions* (see also Annex I for the complete list of questions).

The need to apply the appropriate WACC is related to the requirements of the Regulatory Accounting System (RAS) Instructions of 8 August 2010 (ICTRA 08/10)<sup>3</sup>.

The overall process to define the WACC is as follows, from the date of issue of this CD:

4 weeks	Consultation period. Questions can be addressed in writing to ictQATAR.
4 weeks	Review period, where ictQATAR will review the responses. During this period, a meeting to discuss initial findings may be held, subject to ictQATAR agreement and if there is sufficient demand.
	Draft Response Document will be issued by ictQATAR. ictQATAR will also publish the responses
2 weeks	Response period for comments to the draft Response Document. During this period, a meeting may be held, subject to ictQATAR agreement and if there is sufficient demand.
	ictQATAR will publish its findings and it will formally determine the WACC. ictQATAR will also publish the submissions.

Table 1 - Consultation timeline (tentative)

In this process ictQATAR will be supported by Ovum Europe Limited.

This process (and the methodology described below in this CD) reflects international best practice, e.g. in neighbouring countries and in the European Union and it complies with due process defined for ictQATAR.

<sup>1</sup> In this document the terms Cost of Capital (CoC) and WACC may be used interchangeably, however strictly: WACC is one possible approach to the more general question of the appropriate CoC value to use.

<sup>2</sup> In this document the terms "Service Provider" and "Operator" may be used interchangeably.

<sup>3</sup> [http://www.ictqatar.qa/sites/default/files/documents/RAS\\_Instructions\\_QTel.pdf](http://www.ictqatar.qa/sites/default/files/documents/RAS_Instructions_QTel.pdf)

The WACC defines the fair profit margin that a SP should obtain from its investment (the capital investment in the business). Services that cover the costs of production and provide sufficient additional revenue to cover the WACC ensure that the business's investment risks are covered and the investor is fairly and reasonably compensated. The investor recovers the investment (network assets can be replaced) with a return (profit) to compensate for the risk taken. The WACC is defined as a percentage of the capital investment and represents the opportunity cost in investing in that firm instead of another with comparable level of risk. If the WACC is based on efficient business and suitable economic factors, then prices that deliver this return reflect those that should occur in a competitive market – as such, a competitive market encourages costs that are efficient. A second proviso is that the level of capital investments and the operational costs also reflect an efficient structure (efficient network design and operations) - as should also occur in a competitive market. This WACC CD is not concerned with the specification of these efficient asset investments, only with the optimal return on that investment.

ictQATAR is required to set regulated prices where competitive forces and negotiation are insufficient. To set the prices, ictQATAR must consider the cost of providing the services and the return on the capital invested to deliver the services (the WACC). The service costing methodology is not considered in this consultation, except where required for illustration. Assuming the service costs are based on efficient network design and efficient operations, when this is combined with the efficient WACC, the total service cost provides a fair price.

A fair price provides the regulated service provider with sufficient funds to cover costs of production and to encourage additional investment. Other service providers who pay this price pay the fair price that should in theory occur in a competitive market. Such a price should not harm the buyer of the service and would encourage buyers to build competitive alternative networks only if they could provide the same service at a lower cost. As a result, pricing services that include fair and efficient costs, including the right WACC, encourage efficient market entry.

Services that are priced to recover *more* than the WACC are deemed to give “super profits” (also termed abnormal profit) which means higher returns are made than are expected in competitive markets. If the WACC is *not* recovered, then the service is deemed value diluting – better value (returns) could have been made by an alternative investment either in a service with higher returns or in an investment that has lower/similar returns but less risk. Either of these outcomes might indicate inefficient/anti-competitive pricing. This subject is not discussed by this CD, but it illustrates the relevance of the WACC to the responsibilities of ictQATAR and the possible impact.

The WACC is therefore a critical measure for evaluations of costs of services in Qatar and may be used to set prices. The value has a wider implication on other SPs as it indicates the expected return in a competitive market, so returns made by other SPs might be expected to tend toward this level depending on the markets and the relative efficiency of the alternative SP.

The WACC does not specify the overall profit margin to be made by DSPs or other SPs, nor does it specify retail prices. This is an important point and is in alignment with the ictQATAR policy of regulating only in areas where required and to minimise regulation where possible and where market forces can provide the most efficient outcome.

This CD sets out:

- The reasons why the WACC is required
- The proposed approach to calculate the WACC
- Key issues to be addressed when defining the parameters used to define the WACC.

Closing date for submissions in response to the CD is 9 July 2011.

## 2 INTRODUCTION AND BACKGROUND

To maintain an open and transparent regulatory process, ictQATAR is initiating this public consultation to seek views and comments from SPs and interested parties on the value of the WACC for QTel.

On 8 August 2010 ictQATAR issued the Instructions for the Implementation of the Regulatory Accounting System<sup>4</sup> (ICTRA 08/10) to QTel. The RAS is required to demonstrate compliance with cost-orientation and non-discriminatory obligations for regulated services. The RAS describes a set of systems, processes, policies and procedures that enable a DSP to establish a record keeping regime necessary to meet its regulatory obligations, and which keeps track of revenues, costs, assets and capital employed.

In 2008 and 2010, Market Definition and Dominance Designation (MDDD) processes were carried out. A MDDD process includes determining the markets to be specified as Relevant Markets, conducting a market analysis of the Qatari telecommunications sector, and examining the circumstances and analysis supporting the designation of DSPs in the Relevant Markets. ictQATAR has statutory requirements to regulate access and interconnection in markets where there is dominance. This follows from the requirement to promote efficient competition in the supply of services in Qatar: competitive SPs need access and interconnection in order to deliver their services.

To carry out these tasks, a cost of capital (**CoC**) value is required. In the RAS Instructions the CoC is referred to as the Weighted Average Cost of Capital (**WACC**). This reflects the most usual approach to measure the CoC, which considers the fact that capital employed in a business is a mixture of debt and equity investments. These investments have different associated risks and so debt and equity investors require different rates of return. These two items each have their own costs (required rates of return) that have to be combined using a *weighting* factor to obtain a suitable average value for the whole business.

The WACC value is a crucial value for regulation and it needs to be defined fairly and in alignment with international best practices. The WACC, if set reasonably, encourages investment and allows competition to flourish. This is because this approach is neutral: a fair WACC when used for price setting does not bias prices in favour of the access seeker or the service provider. This approach to price controls and price investigations is acknowledged by other regulatory authorities, which commonly specify:

- Regulatory Account Systems to define the costs of services

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<sup>4</sup> [http://www.ictqatar.qa/sites/default/files/documents/RAS\\_Instructions\\_QTel.pdf](http://www.ictqatar.qa/sites/default/files/documents/RAS_Instructions_QTel.pdf)

- Cost analysis to investigate service costs and evaluate prices. When this is done, the cost of capital of the service must be considered along with the operational costs of providing the service.

Both tasks require a value of the WACC. ictQATAR therefore requires a WACC value that will be used in these tasks in order to comply with the national regulatory obligations and to maintain regulation in line with international best practice.

This CD contains a number of questions on the approach to WACC determination. The purpose of the replies is to assist the ictQATAR to define the methodology to use and to define the parameters that defined the WACC.

Views and comments, to the fullest extent possible, on this CD are invited from industry participants, other stakeholders and interested parties. The process and deadline to file comments is explained in sections 1 and 0.

### 3 THE METHODOLOGY FOR DEFINING THE COST OF CAPITAL

#### 3.1 The Capital Asset Price Model and Weighted Average Cost of Capital

The RAS Instructions noted the need for a WACC and suggests the capital asset price model (CAPM). The result of this consultation is expected to base the final WACC on this approach. This is also the approach already proposed by QTel in its submission to ictQATAR in February 2011 for the methodology pertinent to QTel in Qatar. The calculation of the WACC, based on CAPM, is widely understood and has been extensively discussed and is accepted by regulators, financial investors and economists. In the following section, this approach is explained further in order to set the framework for the rest of the consultation.

The WACC approach considers the (weighted) average annual cost of debt (a percentage), including the different forms of debt held by the DSP that might exist, and the cost of equity as measured by the annual returns (a percentage) that shareholders require in order to invest in the network and to compensate for the associated risks. These two sources of capital (debt and equity) fund the business. Once the cost of debt and the cost of equity are defined, then these can be combined with the value of the debt and equity invested, to obtain a *weighted* average cost of capital (WACC) formula:

$$\text{WACC} = (\text{RE} \times \text{E} + \text{RD} \times \text{D}) / (\text{D} + \text{E})$$

Where:

- RE is the cost of equity (defined as a percentage),
- RD is the cost of debt (defined as a percentage),
- D is the total value of debt, and
- E is the total value of equity.

The WACC formula weighs together the debt and equity costs in the ratio of the debt and equity levels in the business.

The primary questions to be answered when using this formula are:

- Specifying the relative debt and equity values (in the formula above it is only the ratios that matter, as the absolute values are normalised)
- Defining the cost of debt (RD)
- Defining the cost of equity (RE).

To define the cost of equity, the most common approach is the Capital Asset Pricing Model (CAPM). This defines the formula for the cost of equity as:

$$\text{RE} = \text{RF} + \text{betaE} \times (\text{RM} - \text{RF})$$

Where:

- RF is the risk free rate (the return obtained from secure investments such as government bonds)
- betaE is the risk of the equity asset compared to the market (this defines the relative risk – a value of one means the equity acts the same as the rest of the market, larger values imply larger risks), and
- RM is the Return of the Market (the equity returns seen on the stock market).

Therefore  $RM - RF$  is the equity risk premium – the additional risks that are (potentially) rewarded by the higher returns from stock investments.

The cost of debt is defined as:

$$RD = RF + RP$$

Where:

- RF is the risk free rate and
- RP is the risk premium that is faced by the business (required to reflect the situation where the business cannot borrow debt at the risk free rate).

An additional factor is required to account for the effect of corporation tax (should it exist). The interest payments on debt are business costs that are incurred before profits are calculated. Tax is only paid on the net profits. Payments to equity holders are not discounted in this way. As a result the effective cost of debt is reduced by the tax rate:

$$RD = (RF + RP) \times (1-t)$$

Where:

- t is the effective corporation tax rate.

We return to the issue of tax again later, when we discuss specific Qatari issues, the discussion here of tax uses the general approach used for including tax in the WACC formula and we do not consider the definition of what is relevant to the value of t.

Combining these factors supplies the WACC based on the CAPM, we obtain:

$$WACC = (RF + RP) \times (1-t) \times D/(D + E) + [RF + \text{beta}E \times (RM - RF)] \times E/(D + E)$$

This defines the cost of capital and should be used for many regulatory purposes. When applied to the capital of the whole business, it shows the operating profit required to finance tax payments, interest payments, and ensuring shareholders obtain their required return on investment.

The same formula is often shown using a reference to the *gearing* ( $g$ ), where  $g = D/(D+E)$ , with simple adjustments to the above formula. Highly geared businesses have high levels of debt.

ictQATAR, in line with other regulators, is required to regulate the business on an *ex ante* basis. As a result, the investment costs are analysed in the business before any tax deductions are considered. This means the cost of network and other assets are required before eventual tax payments are made.

A pre-tax WACC is therefore normally used by regulators:

$$\text{WACC (pretax)} = \text{WACC} \times 1/(1-t)$$

The WACC may be considered in current (nominal) or real terms. The real WACC shows the WACC excluding the impact of inflation. As regulation is concerned with current prices and current costs, the nominal values are required – inflation effects may be considered by examining the changing costs of the business or by setting prices that vary with inflation from the base line costs of today. This use of nominal WACC is in line with regulatory practice in other regimes.

Additionally, a number of issues related to the Qatari market specifics should be considered:

- Currently we assume that QTel does not pay Corporation tax (the normal definition of  $t$  above).
- Some tax factors may not be relevant today, but they may be relevant in the future. Alternatively they were not used in the past. In that case, an effective tax value for today is required.
- Other taxes may be considered to give the same effect as a corporation tax.
- Each parameter needs to be defined. The values are needed to reflect an efficient business in Qatar, so values from other countries (if used) need to be transposed to the Qatari situation.
- QTel is an integrated business that combines various business segments: mobile, fixed, residential services, data and business services etc. Each business segment may be considered to have their own risks and so if, each business area (or “market”) were to be a notional stand-alone business that is individually regulated, then each *could* have its own WACC. In Qatar, a single WACC value for the *entire* business is most appropriate since separating the assets even to fixed and mobile is overly complex due the common usage of many items. Also QTel will typically borrow on the capital markets for its entire business and not for specific business segments, and certainly not for individually-regulated segments. For the avoidance of doubt, this CD does not consider possible different risks (and WACC values) for future investments in fibre in the loop services (Next

Generation Access – NGA). This will be considered (if deemed appropriate) when ictQATAR regulates such services.

Some additional “tax” payments are not expected to be factored into the WACC value but may be dealt with in a pricing analysis or when the business costs are analysed by ictQATAR and regulatory accountants.

## 4 Defining the pre-tax WACC

In this section we consider each parameter introduced in the previous section. Before that, we consider the fundamental requirements for calculating the WACC outlined above.

### 4.1 General requirements

ictQATAR assumes that the essential principle of requiring a cost of capital to be recovered is understood. This CD does not seek responses that discuss whether a WACC is needed or where it is to be applied.

The core approach to the CoC is based on the WACC formula using the CAPM. ictQATAR believes this is the appropriate method and it complies with generally accepted best practices internationally. ictQATAR believes that a pre-tax nominal value should be the basis for its work.

**Question 1** Respondents are invited to comment on the application of the WACC calculation and the potential for other approaches to defining the CoC.

Certain general factors must be considered when a value is to be defined. These include:

- The application of the WACC. The WACC will be applied to all services in Qatar supplied by the DSP. It is assumed that fixed, mobile access etc all have the same WACC.
- Timeline. Risks change with time and recent economic factors may have a bearing. As these change, a WACC value will alter. In order to give price certainty and to ensure transparency and reduce risks from varying the regulatory WACC, it is intended that the WACC value determined from this Consultation is used for a couple of years before it is revised.
- The WACC may also be applied to current or retrospective investigations and regulations. It will be used in RAS reports that are under production.

**Question 2** Respondents are invited to provide reasoned comments on the proposed application of a single business-wide WACC value.

**Question 3** Respondents are invited to provide reasoned comments on the validity of the CoC value.

## 4.2 Defining the parameters

### 4.2.1 Debt and equity ratios (gearing)

The WACC requires the relative debt and equity values to be defined. A business can have all equity funding or else have a very high percentage of debt funding (high gearing). As noted by inspection of the WACC formula, debt funding costs are typically reduced by the effects of tax compared to equity funding (“the tax shield”), and this means that CoC may be reduced by having debt funding rather than all equity funding. However business risks increase if a business is heavily debt funded, so the debt risk premium starts to rise if the gearing ratio is large. The cost of debt is therefore a function of gearing. This means there is an optimum debt – equity ratio that in theory should minimise the WACC. ictQATAR promotes competition and fair returns on investment. Efficient competition and fair profits may be optimised if an optimal WACC gearing ration is employed.

Two primary alternatives exist:

- Define the gearing based on the actual debt and equity levels of the SP
- Define the gearing based on optimal gearing levels.

Both methods have merits. Where a business has extremely low or extremely high gearing then it is reasonable to assume this is not optimum and setting price controls on such gearings might, therefore, disadvantage other SPs. An alternative optimal value then has merits.

Using the actual values (assuming not extreme) has the merit that it reflects the actual business and the data is based on verifiable values. It may or may not be close to the optimum. Assuming the actual-value choice is taken, two alternatives exist:

- Book values. These have the debt and equity as defined in the accounts. This is solid and there is no subjective or external effect when specifying the gearing. The method is arguably, more likely to be less optimal.
- Market values. The value of debt and equity can be derived from the book data and the market value of the business on the stock market (equity value is the share price times the number of shares). Debt values can be derived from the book debt levels and current debt values in Qatar. This has merits as potentially more optimal/realistic, but the share price needs to be averaged and the debt valuation is open to diverse opinion. This is returned to below in the discussion on the cost of debt.

Other gearing values can be defined as an optimum value or else a range, within which an optimum probably lies, could be defined. This approach could produce a better value. A number of assumptions and additional information are required to do this.

ictQATAR is minded to use the actual QTel book values for gearing in the calculations as this is: verifiable; is unlikely to be considered extreme; and it is in a range within which optimal gearing is likely to lie.

Question 4 Respondents are invited to comment on the gearing level to apply in the WACC calculation. Alternative approaches should be justified. Respondents are also invited to comment on a reasonable range of gearing. The solidity of the data used to define the optimal levels should be clarified and data should be supplied.

#### 4.2.2 Cost of debt: Risk free return (RF) and debt risk premium (RP)

A baseline input for the analysis is the risk free return rate that is appropriate to Qatar. As it applies to the cost of debt and the cost of equity in the CAPM, it needs significant attention. The cost of debt requires additional risk factors (above the risk free rate) to be considered relating the business and the local market. If preferential rates of borrowing were to be available then the effective risks could be reduced (even negative, *in extremis*).

Risk premiums may be company-specific or country-specific. Additional factors may consider if QTel has relevant additional risk premiums say as a result of the small market (dominated by QTel) or from regulatory interventions and liberalisation.

It is noted that QTel is able to borrow at an international level as part of an international group. This opens up international markets as a legitimate source for the definition of the risk free rate. These must be adjusted to be applicable to QTel in Qatar. Qatari debt rates are also relevant.

ictQATAR remains to be convinced that there are country specific risks that are not already factored into the debt markets. The large size of QTel with respect to the Qatari market does not naturally imply larger risk, unless this was based on an assumption that QTel was more risky as a result of its relative size. In this case the premium should already be included in the company risk premium and current debt rates it can access.

Regulatory risks should be considered as part of the company risk premiums as the existence and potential for regulatory action are not new. Such factors may be already factored in to the equity risk. Liberalisation (competition) risks are similarly not new and the potential for these factors to affect debt may be already within the company debt premiums paid.

ictQATAR appreciates that RF is not the only value required for the WACC and this value is open to differing views. Additional factors need to be considered to define the additional debt risk premium factor (RP).

Question 5 Respondents are invited to comment on the appropriate method and the relevant data to defining the risk free return rate appropriate to QTel. Please explain the logic and the data sources and how they are used.

Question 6 Respondents are invited to define the additional appropriate debt risk factors and how they can be defined. Please explain the logic and the data sources and how they are used. Proof that the factors are not included in other parameters are required.

#### 4.2.3 Cost of equity - market rate of return ( $R_M$ )

This factor defines the rate of return of the market. This is typically based on historic data. A variety of methods can be applied to obtain an average that may be used in the CAPM. Geometric and arithmetic averaging methods may be employed, samples can be daily or over other periods. Time related data may need to weight the results by time to ensure undue weight is not given to returns far back in history or conversely too much weight is not given the recent historic returns.

The equity market index is another factor. This could be a Qatari market or else other markets used and their data adjusted to Qatar. As the Qatari market is limited, the data may not be representative and recent returns may give a distorted view and not represent a longer term view. Using other countries requires selecting a foreign market and adjusting for differences in the economies of the local and source country. These differences can relate to the nature and size of the companies, differences in taxation and differences in country risk. This conversion could potentially be complex or unrealistic.

Another issue is that QTel itself composes a significant part of the market. Market returns and company therefore may be closely related – the market return may need the removal of QTel data.

Question 7 Respondents are invited to specify the appropriate market rate of return. Please explain the logic and why that method was chosen over others. The source data in a calculation should be supplied.

#### 4.2.4 Cost of equity – ( $\beta E$ )

Beta is a measure of the risk relative to the market risk. In theory, beta only shows the systematic risk, of the business in question – that which cannot be eliminated by an investor through diversification in other investments.

The value reflects the volatility (larger values show larger variation and hence higher risk). If the business follows the market exactly, then the value is one. The

beta should reflect future risks, but these are (naturally) not readily available so other methods including analysis of historic data must be used. A number of different approaches are possible. Some issues to consider in this process include:

- Size of QTel relative to the Qatari market
- How historic data may be weighted
- Relevance of other market data and how to translate these to realistic Qatari values
- Which calculation method to choose
- If the gearing is altered in the WACC calculation, compared to the gearing used in the source data that is being analysed, then how should the beta be adjusted?

ictQATAR is interested in the views on the approach and the values. As with other aspects of the WACC it is important that both the method and data used are supplied to enable ictQATAR to analyse the options and to calculate the final WACC to use.

**Question 8** Respondents are invited to specify the appropriate methodology and the data that defines the beta value correctly.

#### *4.2.5 Effect of tax – (t)*

Tax approaches and values are slightly different in different countries. The WACC must be relevant to Qatar. An approach that considers the local taxes has to be considered.

Historic taxes (if applied and different from today) could also impact the analysis of the historic returns and how they are transposed to the current WACC.

ictQATAR seeks views on the approach to taxes in the WACC calculation. This includes clarifications on how they are dealt with (where appropriate) in any other analysis of any of the other parameters.

**Question 9** Respondents are invited to specify the appropriate methodology and the relevant data and sources data that define a correct effective tax rate. This includes a justification of a zero value if this is deemed appropriate.

#### *4.2.6 Combining the data and the values*

The above discourse sets out the key questions and the key data requirements. ictQATAR appreciates that the WACC formula is simple and both the principles and issues have been extensively discussed. Despite this, there are many

approaches to consider and many alternative views on some matters that can result in a diverse set of views and diverse WACC values.

ictQATAR will consider submissions in the light of these factors and will apply its own analysis and critical review of submissions. This may lead to a range of values – upper and lower levels that define a “reasonable range” within which a fair value should lie.

Submissions should consider these issues in response to this consultation. Furthermore, ictQATAR’s general aims may be noted – to promote competition in supply. There is no inherent desire to bias investment or competition to either service level or at the infrastructure levels. Clearly higher or lower WACC could encourage competition at different levels. In this respect, the approach should be unbiased and consider only the fair WACC of a combined, integrated DSP in Qatar, and *not* the effect of the WACC on the resulting investment outcomes and types of competitive market entry that might result (biased say to retail-service or to infrastructure-supply competition).

Clear upper and lower boundaries for any parameters and the solidity of certain values will need to be assessed. Please note that ictQATAR must define one WACC value and ictQATAR requests that respondents provide the best data and a single value for each parameter, wherever possible. Respondents are requested to explain the reasoning for some values to have greater (or lesser) solidity and the logic why some values might form an upper or lower boundary. This may lead to at least two calculations of WACC, each with parameters that are on the respective limit of reasonableness:

- Upper boundary
- Lower boundary.

A danger that ictQATAR wishes to avoid, is that the two values are far apart and a simple average is no more justifiable than one close to either boundary.

ictQATAR intends to conduct its own review of submissions and use its own data, to ensure an accurate and representative analysis is carried out. Respondents are requested to comment on the options to combine or average data and to identify ranges for parameters’ values that are deemed most creditable.

**Question 10** Respondents are invited to comment on the overall approach for combining values and obtaining a single result for use for regulatory decisions. This includes additional commentary on each parameter and the related analysis-data that is submitted.

## **5 INSTRUCTIONS FOR RESPONDING TO THIS CONSULTATION**

### **5.1 Consultation Procedures**

All interested parties are invited to submit responses to the questions specifically identified in this document and to provide their views on any other relevant aspects. Comments should reference the number of the question being addressed or the specific section of this document if not responding to a particular question.

ictQATAR asks that, to the extent possible, submissions be supported by examples and relevant evidence including the source data [which should be traceable where ever possible]. Any submissions received in response to this consultation will be considered by ictQATAR.

Nothing included in this consultation document is final or binding. ictQATAR is under no obligation to adopt or implement any comments or proposals submitted.

Communications with ictQATAR concerning this consultation must be submitted in writing by no later than 3:00 p.m. (local time in the State of Qatar) **on 09 July 2011**. Comments should be submitted by email to [rschnepfleitner@ict.gov.qa](mailto:rschnepfleitner@ict.gov.qa). The subject reference in the email should be stated as "Cost of capital definition 2011". It is not necessary to provide a hard copy in addition to the soft copy sent by email.

### **5.2 Publication of Comments**

In the interests of transparency and public accountability, ictQATAR intends to publish the submissions to this consultation on its website at [www.ictqatar.qa](http://www.ictqatar.qa). All submissions will be processed and treated as non-confidential unless confidential treatment of all or parts of a response has been requested. If confidentiality is claimed respondent is obliged to submit a non-confidential version of the submission as well.

While ictQATAR will endeavor to respect the wishes of respondents, in all instances the decision to publish responses in full, in part or not at all remains at the sole discretion of ictQATAR. By making submissions to ictQATAR in this consultation, respondents will be deemed to have waived all copyright that may apply to intellectual property contained therein.

For more clarification concerning the consultation process, please contact Dr. Rainer Schnepfleitner, Manager Policy and Regulatory Affairs, [rschnepfleitner@ict.gov.qa](mailto:rschnepfleitner@ict.gov.qa).

## Annex I List of Questions

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Question 5	Respondents are invited to comment on the appropriate method and the relevant data to defining the risk free return rate appropriate to QTel. Please explain the logic and the data sources and how they are used. ....	15
Question 6	Respondents are invited to define the additional appropriate debt risk factors and how they can be defined. Please explain the logic and the data sources and how they are used. Proof that the factors are not included in other parameters are required. ....	15
Question 7	Respondents are invited to specify the appropriate market rate of return. Please explain the logic and why that method was chosen over others. The source data in a calculation should be supplied. ....	15
Question 8	Respondents are invited to specify the appropriate methodology and the data that defines the beta value correctly. ....	16
Question 9	Respondents are invited to specify the appropriate methodology and the relevant data and sources data that define a correct effective tax rate. This includes a justification of a zero value if this is deemed appropriate. ....	16
Question 10	Respondents are invited to comment on the overall approach for combining values and obtaining a single result for use for regulatory decisions. This includes additional commentary on each parameter and the related analysis-data that is submitted. ....	17