



Office of Utility Regulation

**Publication of C&W Guernsey's
Regulatory Accounts**

**Notice of Proposal to amend a Direction to
Cable & Wireless Guernsey Limited**

Document No: OUR 03/31

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Office of Utility Regulation
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1 Introduction

Cable & Wireless Guernsey (“C&WG”) is required to submit Regulatory Accounts to the OUR in accordance with condition 27 of its Fixed Telecoms Licence. In July 2003 the Director General issued a Direction¹ to C&WG requiring it, *inter alia*, to publish its 2002/03 Regulatory Accounts on its website by 31st October 2003 and to provide hard copies of its Regulatory Accounts on request thereafter.

In August 2003 the Director General consulted on the level of detailed information that should be published, compared with the full set of Regulatory Accounts that would be submitted to the OUR at the same time. Following consideration of responses to that consultation, and on the basis of the information available to her, the Director General issued a Direction² in October 2003 on the level of information that should be published in this and future years.

Since then the Director General has received new information from C&WG that has caused her to consider amending the Direction and changing some of the detailed information that should be published in this first set of audited Regulatory Accounts. This document explains that position and invites comments on the proposal to amend the Direction.

2 Procedure and Timetable

Comments are invited by 12 noon on Wednesday 12th November 2003 and should be submitted in writing to:

Office of Utility Regulation
Suite B1 & B2,
Hirzel Court,
St. Peter Port,
Guernsey GY1 2NH.

Email: info@regutil.gg

All copies of comments should be clearly marked “Comments on Proposal to Amend a Direction on the Publication of C&WG’s Regulatory Accounts”.

Having considered the comments, the Director General will decide whether to amend or not to amend the Direction and will publish notice of her decision.

In line with the policy set out in Document OUR01/01 – “Regulation in Guernsey; the OUR Approach and Consultation Procedures”, the Director General intends to make comments available for inspection. Any material that is confidential should be put in a separate Annex and clearly marked so that it can be kept confidential.

¹ Document OUR 03/20 - Cable & Wireless Guernsey: Separated Accounts Notice of a Direction to Cable & Wireless Guernsey Limited in accordance with Section 27 of the Telecommunications (Bailiwick of Guernsey) Law, 2001 available at www.regutil.gg

² Document OUR 03/29 - Publication of Cable & Wireless’s Regulatory Accounts: Notice of a Direction to Cable & Wireless Guernsey in accordance with Condition 27.1 of Cable & Wireless Guernsey’s Fixed Telecommunications Licence and section 5 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001

3 Proposal to Amend the Direction

3.1 New Information

The Director General's Direction to C&WG was based on the information available to her at the time of making the Direction. Since then the Director General has received new information in the form of representations from C&WG.

Given the background to the development of the Regulatory Accounts in Guernsey, C&WG has been preparing the 2002/03 accounts and carrying out an audit of those accounts simultaneously. Furthermore the company will not be in a position to submit a version of the accounts to the OUR prior to their publication and therefore the OUR will not have been in a position to review those accounts before they are published.

In carrying out its detailed audit, C&WG has noted that it is likely that there will be further review by OUR of the underlying allocations. Although the company is confident of the overall correctness of the Regulatory Accounts, it is concerned that the publication of the fully disaggregated retail financial statements to the level required in the Direction might give rise to a set of detailed information being placed in the market that might have to change following further detailed consideration by OUR and discussions with C&WG.

C&WG has suggested that the publication of a more aggregated set of retail financial statements for 2002/03 would allow the detailed verification to take place while at the same time providing transparency of a large amount of the C&WG business, and furthermore would not impact on the availability of network costing information required by OLOs.

Furthermore, while noting that the DG did not accept that the absence of a legal requirement for the disclosure of C&WG's statutory accounts under Guernsey Company Law is a relevant reason for not publishing Regulatory Accounts, C&WG has pointed out that the fact that such statutory accounts are not publicly available affects the usefulness to OLOs of the publication of the detailed reconciliation of the Regulatory Accounts to the statutory accounts and requests therefore that these should not be published. C&WG has committed to providing a published audit opinion on this reconciliation and to provide the full detail to OUR.

3.2 Director General's Views

Having considered the representations by C&WG, the Director General's agrees with the fact that the allocations and data will require further examination and consideration by OUR. This is the subject of a specific work stream within the OUR.

The Director General is concerned to ensure that the information published in the Guernsey market provides accurate signals to that market. The Director General notes the concerns expressed by the company that following review by the OUR this information may potentially change. Furthermore given the simultaneous publication and submission of the Accounts to the OUR, the Office is not in a position to investigate these concerns further prior to publication.

The Director General considers that the information provided in the Regulatory Accounts will provide market signals that are likely to be relied upon by market

players to make commercial decisions. In the light of the potential for players to make decisions based on detailed information that may be subject to change, and the consequent effects of this on those players and on the market, the Director General considers that it is prudent to accept C&WG's proposed level of publication for 2002/03 at this time. The Director General expects that the full level of detail will be published in future years as soon as the review has been carried out by OUR.

In the Notice of the decision to Direct C&WG as to the degree of publication, the Director General noted that there is no legal requirement for the disclosure of C&WG's statutory accounts under Guernsey Company Law, but concluded that, as the production and publication of Regulatory Accounts serves a fundamentally different purpose, this point although a relevant consideration does not give sufficient reason not to publish those Regulatory Accounts.

However, with regard to the publication of reconciliations between the Regulatory Accounts and the Statutory Accounts, the DG acknowledges that the fact that such statutory accounts are not publicly available affects the usefulness to OLOs of the publication of these detailed reconciliations. Therefore the DG is minded to accept that this detail does not need to be published for 2002/03 on the understanding that the audit opinion will confirm that the reconciliations have been carried out and that the detailed reconciliation will be provided to OUR. The DG reserves the right to review this matter and require publication of this level of detail in the future.

The Director General would like to thank C&WG for its constructive proposal and for releasing as much information as it considers consistent with its concerns.

3.3 Proposed Amendment to Direction

The original Direction is attached at Appendix A for information. The Director General proposes to amend the Direction to state that the publication of C&WG's 2002/03 Regulatory Accounts will comprise making the following documents available on its website and making them available on request:

- Audited Regulatory Accounts for:
 - Local Access Network (Profit and Loss Account & Statement of Mean Capital Employed);
 - Core Network Business (Profit and Loss Account & Statement of Mean Capital Employed)
 - Statement of Costs of Network Services – usage factors (excluding disaggregated retail products);
 - Statement of Costs of Network Services – average cost per minute (excluding disaggregated retail products);
 - Summary of Statement of Costs – (excluding total call minutes and average cost per unit).
 - Retail Business (Core Network Business (Profit and Loss Account & Statement of Mean Capital Employed);
 - Disaggregated financial statements (i.e. Profit and Loss Account & Statement of Mean Capital Employed) for:
 - Exchange line rental and connection;
 - Bailiwick Calls, comprising local calls, local internet calls, and calls to Guernsey mobiles
 - National and Jersey Calls to geographic numbers

- International Calls;
- Calls to non geographic numbers other than Bailiwick numbers, comprising non-geographic calls free to calling customer; non-geographic calls charged at local rate; non – geographic calls charged at national rate; and non-geographic calls charged at premium rate;
- Public Payphones;
- Remaining Activities including Internet, Leased Lines and other retail activities
 - Profit and Loss Reconciliation Statement for disaggregated retail financial statements;
 - Mobile Business (Profit and Loss Account & Statement of Mean Capital Employed);
 - Other Activities (Profit and Loss Account & Statement of Mean Capital Employed);
 - Inter Business Costs Summary;
 - Transfer Charge Statement;
- Accounting Documents; and
- Cost Attribution Methodology.

In summary, the amendments are to the disaggregated retail categories and to remove the detailed reconciliation statements. The fully disaggregated information will be submitted to OUR.

4 Conclusion

Pending the conclusion of this consultation and the finalisation of an appropriate Direction, the Director General welcomes C&WG's decision to make available in the market place the maximum level of disaggregated information that it considers is consistent with the new information it has made available to the OUR.

Following the conclusion to this consultation, the Director General will amend, or not amend the Direction under section 27 of C&WG's licence and compliance will be monitored from that time.

Annex 1: Direction issued to C&WG on 3rd October 2003

In accordance with Condition 27.1 of Cable & Wireless Guernsey Limited's Fixed Telecommunications Licence issued under the Telecommunications (Bailiwick of Guernsey) Law, 2001, the Director General, and Section 5 of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 hereby Directs Cable & Wireless Guernsey Limited that the publication of its 2002/03 Regulatory Accounts and all future Regulatory Accounts will comprise making the following documents available on its website and making available on request:

- Audited Regulatory Accounts for:
 - Local Access Network (Profit and Loss Account & Statement of Mean Capital Employed);
 - Core Network Business (Profit and Loss Account & Statement of Mean Capital Employed)
 - Statement of Costs of Network Services – usage factors (excluding disaggregated retail products);
 - Statement of Costs of Network Services – average cost per minute (excluding disaggregated retail products);
 - Summary of Statement of Costs – (excluding total call minutes and average cost per unit).
 - Retail Business (Core Network Business (Profit and Loss Account & Statement of Mean Capital Employed);
 - Disaggregated financial statements (i.e. Profit and Loss Account & Statement of Mean Capital Employed) for:
 - Exchange line rental and connection;
 - Local calls;
 - Local internet calls;
 - Jersey calls;
 - National Calls;
 - International Calls;
 - Calls to Guernsey Mobile;
 - Non-geographic calls free to calling customer;
 - Non-geographic calls charged at local rate;
 - Non –geographic calls charged at national rate;
 - Non-geographic calls charged at premium rate;
 - Internet;
 - Directory Enquiry;
 - Public Payphones;
 - Leased Lines;
 - Remaining Activities
 - Mobile Business (Profit and Loss Account & Statement of Mean Capital Employed);
 - Other Activities (Profit and Loss Account & Statement of Mean Capital Employed);
 - Inter Business Costs Summary;
 - Transfer Charge Statement;

- Profit and Loss Reconciliation Statement; and
 - Balance Sheet Reconciliation.
- Accounting Documents; and
- Cost Attribution Methodology.

These accounts shall be published on 31st October 2003 in accordance with the Direction set out in document OUR 03/20 and in accordance with the Regulatory Accounting Guidelines as amended and updated from time to time (Document OUR 02/12). Cable & Wireless Guernsey may charge an administrative fee for providing hard copies of its Regulatory Accounts to interested parties which shall reflect the costs to C&WG of providing the hard copies.

/ENDS