



The Telecommunications Regulatory Authority invites comments on the proposed Cost of Capital for Batelco

Manama 30 August 2005 – The Telecommunications Regulatory Authority has issued today a consultation document on Batelco's Cost of Capital. This consultation document follows from an earlier request for comments on this subject issued by the TRA in April of this year, the results of which have been taken into account in preparing this one.

The consultation considers the reasonable costs that Batelco will incur in raising capital for investment in its business. This in turn can be taken into account in approving the charges that Batelco charges other operators that use its infrastructure.

The current review of Batelco's Cost of Capital is the second one taking place since the market liberalisation, the first having taken place in August 2003. The TRA had undertaken at the time to carry out a review of that decision within 2 years which is being carried out through the current consultation.

Commenting on the consultation A. Andreas Avgousti - the General Director of the TRA said: "We realise the crucial value of the review of Batelco's Cost of Capital in a newly opened telecoms market both for Batelco in terms of on going investment in an advanced network but also for the new entrants that have to pay for this when using Batelco's infrastructure. As such, we seek to ensure the long term development of a competitive market by balancing the need to allow new entrants to compete on fair terms but also taking into consideration the interest and obligations of Batelco as an operator with significant market power."

The deadline for comments is XX XX 2005. The determination of August 2003 and related consultation can be viewed on the TRA's website www.tra.org.bh.

Based on the comments that are received, the TRA expects to issue the final Determination on Batelco's Cost of Capital.

About the TRA

The Telecommunications Regulatory Authority (TRA) is an independent body and its duties and powers include, among other things, protecting the interests of subscribers and users and promoting effective and fair competition among existing and new licensed operators. More information regarding the TRA can be viewed at www.tra.org.bh

The TRA will be happy to provide hard copies of the consultation document for those interested parties who do not have access to the Internet. Documents are also available in large print or Braille for those who are visually impaired. The TRA can be contacted on telephone number 17 520 000.

Notes to Editors :

What is the Cost of Capital?

The Cost of Capital is the required return necessary to make a capital budgeting project worthwhile. The Cost of Capital represents the rate of return that a firm would receive if it invested its money someplace else with similar risk. In normal circumstances a business must seek to make a return on the capital that is actively employed by the business that is equal to the recurring cost of that capital.

Why is the Cost of Capital important?

This ensures that investors in the business can be properly compensated for the risk that they take for supplying capital to the business. A return that is greater than the cost of capital represents super-profit and is usually associated with some form of monopoly structure in the market, which is not in the best interests of consumers where a low return would prevent the company from obtaining the necessary capital from investing in future development.

What is Significant Market Power?

An operator with significant market power is a licensed operator which holds twenty five percent or more of the market share of the relevant market as determined from time to time by the TRA.