

General Description of the Cable & Wireless Adjusted Fully Allocated Cost Model

The model is based on three inter-related Excel workbooks, which were originally produced as part of an internal C&W exercise undertaken in order to analyse the profitability of its Caribbean businesses' services. The model has since been updated and modified in response to the new demands of the telecommunication environment. New demands arise out of the impending liberalization of the market and increased regulatory activity, including:

- To develop an understanding of costs and service profitability
- To develop an understanding of existing cross subsidies
- To support rate rebalancing proposals
- To determine Access/Local Service Deficit Contribution
- To develop cost based interconnection rates

The model adopts a methodology consistent with international best practice and produces outputs which are currently based on FY 2002/03 financial information.

The outputs of the model are:

- a Profit and Loss account (P&L), reported by retail service. This is in a form similar in concept to the Financial Results by Service produced by BT for its regulator OFTEL in the UK;
- a Profit and Loss account (P&L) for the network PSTN business
- a Balance Sheet by Retail Service and Network; and
- a set of network charges for use of the PSTN, applicable both to C&W retail services and third parties interconnecting to the PSTN for termination and transit services.