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ComReg consults on Eircom's cost of capital

The Commission for Communications Regulation (ComReg) today issued a consultation paper on the cost of capital that Eircom should be allowed. This is a key input to the return Eircom is allowed to earn on its fixed-line business. It is known as the Weighted Average Cost of Capital (WACC).

ComReg believes that setting the correct value of the WACC is important in order to ensure that the correct regulated prices are achieved. It is also necessary to ensure that Eircom does not obtain too high a price - at the expense of consumers - or too low a price - which would see it under-recover its costs and compromise investment.

The objective of the consultation process is to reassess the components of the WACC and to explore alternative methodologies for the cost of capital in line with international best practice.

ComReg's consultation paper suggests that Eircom's WACC should be somewhere in a range from 7.8% to 11.1%. It further suggests that, as a preliminary view, a WACC approximately in the mid-point of the range may be most appropriate. Eircom's current WACC is 11.5%.

ComReg welcomes submissions from all interested parties on this matter. The consultation period will last until the 13th of December and the full consultation document – ComReg 07/88 is available on the ComReg website.

ENDS

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