

3 October 2016

Gibraltar Regulatory Authority
Attn. Stewart Brittenden
Head of Communications and Postal Regulation
2nd Floor
Eurotowers 4
1 Europort Road
Gibraltar

Dear Stewart,

Public Consultation C04/16 – Review of Cost Accounting Methodology

Enclosed please find Gibtelecom's response to the Authority's public consultation on a "Review of Cost Accounting Methodology" (Public Consultation C04/16).

Please do not hesitate to contact me should you require clarification on any aspect of the Company's response.

Yours sincerely,



Dwayne Lara
Corporate & Regulatory Manager

Enc.



Gibtelecom response to Public Consultation CO4/16

Review of Cost Accounting Methodology

3 October 2016

**Gibtelecom Limited
15/21 John Mackintosh Square
Gibraltar**

Gibtelecom response to GRA public consultation on a review of cost accounting methodology

Introduction and general comments

1. Gibtelecom is presenting its comments in response to the Authority's public consultation CO4/16 published on 1 September 2016 on a Review of Cost Accounting Methodology.
2. The Company welcomes the Authority's proposals to revert to Historical Cost Accounting (HCA) principles for regulatory accounting purposes and agrees that this would not have an impact on the development of competition.
3. For ease of reference, Gibtelecom is providing its replies below the Authority's questions, which are being duplicated in bold italicised text.

Question 1: Do you agree that the move from CCA to HCA will result in the advantages outlined above?

Yes. The Authority is aware of the challenges of producing regulatory accounts using current cost accounting (CCA) methodologies, in particular for an operator the size of Gibtelecom. As previously advised by the Company, obtaining, interpreting and validating the required CCA indices has been burdensome, costly, time-consuming, and undoubtedly lengthens the review process.

Question 2: Do you agree that the drawbacks in moving to HCA are minor, and will not inhibit the development of competition?

Yes.

Question 3: Any other comments?

Gibtelecom notes that the Authority is proposing to re-issue a full set of templates should the obligation to produced regulatory accounts using CCA principles be removed. The Company suggests that the opportunity be taken to reissue the templates providing greater clarity on the reporting level and details required. This would be further to the discussions held between Gibtelecom and the Authority as part of the review process of the Company's ASRs for the financial years ending 31 December 2013 and 2014.

END OF SUBMISSION