



KPMG Economics

Telecoms Advisory





Introduction to our services

Our economics and telecoms practice

KPMG's regulatory, economics and competition experts blend their knowledge with in-depth telecoms industry experience to advise clients on all aspects of economics in telecoms, including:

- Regulatory Strategy
- Regulatory Finance
- Dispute Advisory
- Competition Economics
- Economic Appraisal & Impact Assessment

In-depth knowledge of the telecoms industry blended with economic expertise

We help clients develop coherent arguments in their interaction with regulators, through current economic advice and first-hand experience of regulatory practice, combined with leading academic collaboration. Our team includes a number of ex-regulators and telecoms senior staff, and we advise clients through regulatory negotiations, using economic and accounting arguments aiming to obtain the best possible outcomes. We have extensive experience of the telecoms sector and telecoms regulatory frameworks and have wide ranging experience working with telecoms clients globally.

KPMG's broad knowledge base and global network

Our telecoms and economics experts are part of KPMG in the UK's Economics Practice and are integrated with many other KPMG teams, enabling us to offer a wide range of additional services to our clients such as valuations, modelling, data analytics and corporate finance.



Regulatory Strategy

- Functional/structural separation
- Regulatory governance models
- Privatisation
- Spectrum auctions and valuations
- Market and economic forecasting
- Charge control strategy and appeals

Case studies

We help clients to navigate the regulatory environment and to understand the various constraints and potential impacts on their business. Our experts have an in-depth knowledge of different regulatory regimes and processes. We also have first-hand experience as regulators, and can bring this experience to bear on behalf of our clients.

Regulatory impact assessment

Vodafone commissioned KPMG to assess the economic impact on business ICT services of emerging rules in a number of areas, including net neutrality, licensing and authorisation, numbering and data localisation.

Gap analysis and regulatory strategy development

Our team conducted a detailed gap analysis for a middle-eastern regulator to identify performance gaps and develop a best-practice regulatory strategy. This included detailed stakeholder interviews and international benchmarking to identify performance gaps in the institutional environment, the effectiveness of regulation and general market access conditions. We created a comprehensive work plan to help the client develop a 3 year strategy.

Ghana spectrum auction

KPMG played a key role in this successful spectrum auction, from assessing the eligibility of applicants to conducting an orientation for all eligible bidders. Our team conducted the auction process, identified and reduced all potential associated risks and ensured that the auction process was credible and transparent.

Ofcom Digital Communication Review (DCR)

KPMG advised a major UK telco in relation to Ofcom's DCR, providing a view of the economic benefits that the functional separation model has brought to the UK, and evaluating the counterfactual of a different regulatory framework. We looked at the investment implications of functional vs structural separation, and used economic impact analysis to estimate the benefits to the UK economy from investment in ultrafast broadband.



Regulatory Finance

- Regulatory audits
- Product costing and allocations
- Profitability analysis
- Cost of capital
- Regulatory compliance
- Margin squeeze analysis
- Charge control modelling

Case studies

We provide advice on the financial implications of regulatory decisions. We have advised high profile telecoms clients on a range of regulatory issues, including regulatory audits, reviews of specific regulatory requirements, and financial forecasting.

Ladder pricing

KPMG worked with a major UK telco provider to estimate appropriate fees from mobile network operators (MNOs) following a supreme court ruling on pricing for non-geographic calls. We reviewed existing models and assumptions based on our regulatory and market experience; and identified additional information sources to aid negotiations, including analysis of call data records (CDRs). We combined market experience with technical Data Analytics expertise to provide insights into the calling patterns of customers.

Regulatory audits

KPMG's Regulatory Finance team works closely with statutory Audit teams to perform the regulatory audits of a number of telecoms and postal clients, including Bahamas Telecom, MagtiCom and Royal Mail. The regulatory audit involves, amongst other analysis, testing allocation principles, volumes and network modelling. With our knowledge of regulatory costing allocations, we are able to meet the regulator's deadlines and deliver high-quality audit opinions, as well as providing strategic regulatory insight.

Margin squeeze

KPMG's ongoing review of a major UK telco's regulatory margin squeeze model helps ensure it is 'fit-for-purpose', i.e. in accordance with Ofcom's guidelines. Our review, including suggested best-practice changes, is performed every 6 months, in line with Ofcom guidance.



Disputes

- Telecom asset valuations
- Economic and regulatory expert witness services
- Revenue and profit forecasting

Case studies

Our disputes experts provide robust, compelling and coherent arguments on the financial, economic and accounting aspects of client cases. Through advice on a range of issues such as breach of contract, contentious valuations and shareholder disputes, we can help to minimise reputational risk, reduce time, conflicts and costs for our clients.

Litigation: Central Asia mobile operator

Our team provided expert witness services in relation to a valuation dispute between our client and a range of other private parties. The dispute related to alleged actions taken by the other parties to appropriate a mobile telecoms business in Central Asia. Our team was involved in the dispute since 2008 and prepared many advisory and expert reports. KPMG was able to respond with a consistently strong team over the entire period of the dispute.

Litigation: African mobile operator

Our client was involved in a mobile licensing dispute. It was being litigated by another mobile operator who alleged that it should have been awarded the licence and had estimated the loss it considered it had made. The client required a critical review of the estimate of the claim to assist in its pre-trial negotiations.

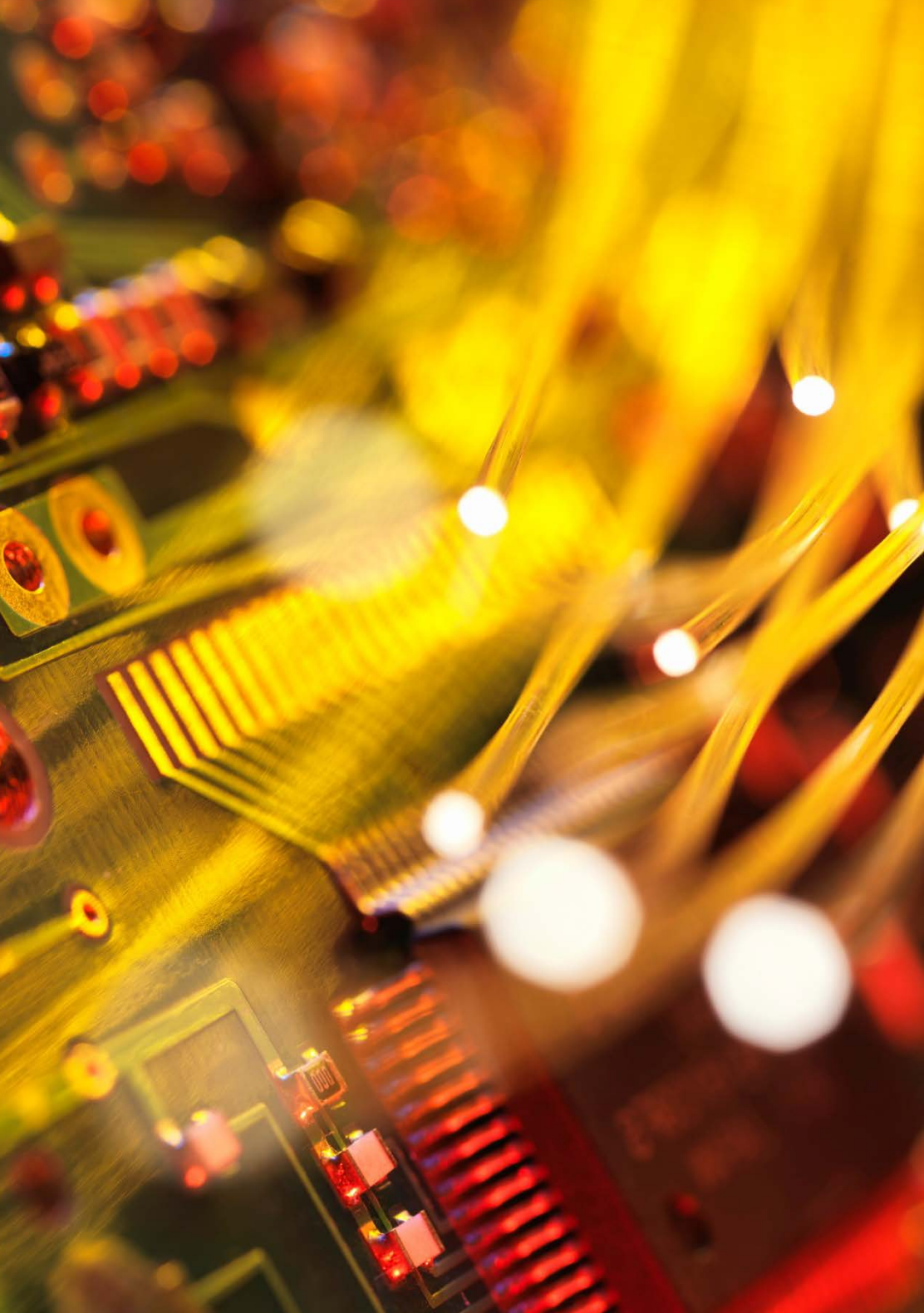
Our expert team critically reviewed the quantum of the claim and provided our client with guidance on the weaknesses in the assumptions underpinning the claim. Our analysis was used by the client in its negotiations challenging the amount of the claim being brought.

UNCITRAL arbitration: North African mobile operator

Our client is the majority owner of a mobile operator in North Africa which, due to a number of actions allegedly taken by the Government of that country, had effectively lost its business through expropriation. It is also claimed that these actions have substantially reduced the value of the business. Our experienced team provided quantum expert witness services, blending strong telecoms and valuation expertise. We provided the client with a strong and credible estimate of the quantum claim, differentiating us from the other side's expert who had limited telecoms expertise.

Expert witness: African mobile operator

Allegations had been made that the mobile operator was receiving a cross subsidisation from its parent company - a fixed line operator in the same country. The claim was that this cross subsidisation had allowed the operator to compete unfairly in the market and specifically to set its tariffs too low. We are providing expert opinion on whether there was evidence of unfair competition in the market using our significant experience of UK and EU competition law and the local regulatory and competition framework. The case is ongoing.



Competition Economics

- Market definition
- Economic modelling
- Econometric analysis
- Competition profitability analysis

Case studies

KPMG's Competition Economics team specialise in market inquiries, mergers, abuses of dominance, vertical and horizontal agreements, State Aid and private litigation.

Private Healthcare Market Investigation

KPMG advised a leading private healthcare provider throughout the Competition and Markets Authority's (CMA) investigation into private healthcare provision in the UK. Our economists provided economic analysis and support on all aspects of the case, including pivotal support during our client's appeal of the CMA's decision to the Competition Appeal Tribunal (CAT), that resulted in the CAT quashing the CMA's divestment decision and the CMA overturning its remedies decision.

EC approval for Hinkley Point C (HPC)

KPMG advised the UK's Department of Energy and Climate Change (DECC) in relation to the new nuclear power plant at HPC. We assisted DECC in the context of its State Aid application to the European Commission, providing advice and analysis on all of the key aspects of the application as well as an economic assessments of the potential distortions to trade and competition.

Mobile telecoms merger

KPMG advised a national competition authority in the context of an ongoing Phase II investigation into a proposed mobile telecoms merger.

SonaeCom/PT

One of our economists provided economic advice to SonaeCom in the context of its proposed takeover of Portugal Telecom (PT). The transaction affected a number of wholesale and retail markets in the telecommunications industry. The Portuguese Competition authority cleared the transaction in 2006.



Economic Appraisal & Impact Assessment

- Cost-benefit analysis
- Economic impact assessment
- Economic evaluation

Case studies

KPMG's Economic Appraisal & Impact Assessment team has extensive experience of delivering high quality, compelling economic appraisal, cost benefit analysis, economic impact assessments and economic evaluation. Our economic analysis is tailored to our clients' individual requirements and has been used to effectively engage with a range of stakeholders, including government policy makers and regulators.

Economic impact assessment

As the European Commission continues to develop its digital strategy for Europe, Vodafone was keen to ensure that it is underpinned by meaningful market information and analysis. Therefore, KPMG assisted Vodafone in developing a report that sets out our analysis of the economic impact of Vodafone in the EU- including its contributions in terms of Gross Value Added (GVA), employment, investment and contributions to public finances.

Socio-economic impact assessment

KPMG has been commissioned by a leading multi-national telecoms provider to conduct a socio-economic impact analysis of its impact on the economy and society across the full range of jurisdictions in which it operates. Our study assesses the economic impacts in terms of GVA, employment, fiscal contributions and investment. Additionally, we have developed methodologies to assess the impact of its services across a range of areas, including: digital inclusion, financial inclusion, entrepreneurship, gender equality and carbon emissions.

Cost-benefit analysis of a new policy

KPMG conducted a cost-benefit analysis for a telecoms provider of a new HR policy it was considering implementing. Our analysis was used by our client to understand the potential impact of the policy and was widely used in the launch communications.



Contact us

Please find below details of our key contacts and their areas of expertise:



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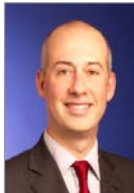
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Economic impact assessments

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