Roderick Deane warns Commerce Commission not to pre-judge Cost of Capital

Former Telecom chairman and chief executive officer Dr Roderick Deane has welcomed the announcement by the Commerce Commission that it has established a Cost of Capital Expert Panel. However, Deane warns against the danger of the panel disregarding industry views on the issue.

The panel is made up of three academic experts in finance: Professor Bradford Cornell of the California Institute of Technology, Professor Julian Franks of the London School of Economics and Associate Professor Martin Lally of Victoria University.

"It is an excellent idea to have a look at the estimating cost of capital. It is an issue subject to controversy and there is a diversity of views on the issue," Deane says, adding, "The Lally model for estimating the cost has capital has resulted in the commission adopting a much lower estimate of the market cost of capital than almost anyone in the marketplace."

Deane questions whether there is a conflict of interest with the appointment of Lally to the commission as he is also the principal advisor on cost of capital methodology for the commission. "There is a danger the panel may end up reinforcing the commission the views of our principal advisor and it runs the risk of being conflicted as the commission’s own advisor will be sitting as both judge and jury."

Furthermore, Deane questions the commission’s decision to appoint a panel made up exclusively of academic experts. "I am worried the commission has chosen academics rather than merchant bankers or other business people who have real experience with raising capital for companies in the market."

While Deane welcomes the commission’s apparent willingness to examine submissions on the cost of capital guidelines released for comment in late 2005 he says it is vital that careful consideration is given to the Evans, Boyle and Guthrie report written in early 2006 that questions the commission’s approach. "At the end of the day the cost of capital is determined by the market as assessed by companies and it would be very odd for the Commerce Commission to ignore this."

David Dickens

Quik customers irate at botched integration by ihug

ihug, which purchased Quik Internet earlier this year, has been experiencing difficulty integrating the service into its system, causing problems for nascent ihug customers for approximately two weeks now.

Many Quik customers have not been able to access their email for the past twenty-four hours, are not receiving emails at all, or are receiving them some thirty hours after they’ve been sent. Some senders who have been trying to email Quik customers have received messages saying their emails are still undeliverable after twenty-four hours.

Customers are also complaining that when they call the Quik call centre, they are not given any explanations as to what the problem might or when it will be resolved. A source reports that Quik

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