



Office of the Director of  
**Telecommunications  
Regulation**

## **PRESS RELEASE**

*For Immediate Release*  
30<sup>th</sup> September, 1999

### **REGULATOR DISAPPOINTED AT EIRCOM DELAY ON PUBLICATION OF SEPARATED ACCOUNTS**

The Telecoms Regulator Etain Doyle, today notified the market of the non-implementation by Eircom by the due date of Decision Notices D5/99 and D10/99 which require the preparation and publication of separated accounts in accordance with certain principles and methodologies which are also addressed in D8/99. She expressed disappointment at Eircom's late request to her Office yesterday (29.9.99) for an extension of 20 working days to the time in which they are required to publish their separated accounts.

This accounting material constitutes a valuable tool in examining Eircom prices for cost orientation, addressing concerns about potential anti-competitive cross-subsidisation in the Irish telecommunications marketplace and ensuring transparency of internal cost transfers. Previously, Eircom failed to meet the deadline for the provision of information to the Regulator at end August and has also very recently raised other matters about the nature of the audit which are being investigated. The late delivery of this information has serious implications for the liberalisation process.

In August 1999, the Telecoms Regulator completed her work on the development of new accounting procedures to prevent discriminatory charging and promote effective competition in the telecommunications marketplace. This followed a long and detailed consultation process and involved the publication of three decision notices on relevant issues. In the May Decision Notice, D5/99 (Decision 3.10 in par 3.10) the Regulator set out the obligation on Eircom to publish accounting information on their main businesses areas by 30<sup>th</sup> September 1999 (today). This is six months after end of the financial period to which the accounts relate. As late as the 20<sup>th</sup> September 1999 Eircom gave assurances that this deadline would be met.

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"This delay creates a serious log-jam in the ongoing liberalisation of the market " said the Regulator. "It has implications not just in the area of cross-subsidisation, but for a number of our other work streams, including the examination of interconnection and leased line charges. These are essential for competition in the market. Eircom has acknowledged that liberalisation is important to the growth of the Irish market in which it is the largest player. Liberalisation is essential to the development of a leading edge telecoms sector to meet Ireland's needs into the future. Eircom has contributed to these developments, but appears not to have given the priority to the development of accounting systems to support regulatory decisions that is needed for Eircom to meet its obligations.

"The Irish telecoms consumer is just beginning to emerge from the disadvantages of a monopoly market, and it is important that the momentum towards full liberalisation is maintained " she added.

The Regulator is now considering the request from Eircom for an extension and the actions available to her to deal with the situation. The Regulator has invited the Chief Executive of Eircom to meet with her this afternoon about the matter.

The decision notices: **ODTR 99/52 "Accounting Separation and Publication of Financial Information for Telecommunications Operators - Decision Notice D10/99"**, **ODTR 99/43 "Costing Methodologies for use in Accounting Separation - Decision Notice D8/99 and Report on the Consultation"** and **ODTR 99/35 "Accounting Separation and Publication of Financial Information for Telecommunications Operators - Decision Notice D5/99, Consultation Report and Issues for Further Consideration"** are available in the Information section of the ODTR website: [www.odtr.ie](http://www.odtr.ie).

**ENDS**

## **BACKGROUND INFORMATION ON ACCOUNTING SEPARATION:**

A key aspect of ensuring a level playing field in telecommunications markets is the prevention of cross-subsidisation of activities of the major operator, who has the ability to price low in contested markets while pricing high in markets much less open to competition. The purpose of accounting separation is to provide an analysis of information derived from the accounting records to reflect as closely as possible the performance of parts of the business as if they had operated as separate businesses. It can be applied to those licensees that have been designated as having significant market power (SMP). Eircom has been so designated by the ODTR.

In May 1999 the Telecoms Regulator published her key decision notice on accounting separation (D5/99), followed by decision notices D8/99 and D10/99. The new requirements offer a number of benefits to consumers and the industry including;

- Transparency in the sense that other operators can gain an understanding of how the incumbent's revenues relate to costs.
- The publication of detailed cost statements showing the average cost build of products and services provided by the incumbent will increase and raise confidence on behalf of competitors, that there are no anti - competitive cross subsidises.
- The inclusion of internal transfer costs and matching revenues which will assist the ODTR in assessing that there is no undue discrimination between the provision of services internally to the incumbent's own retail arm and to those provided externally.