



Office of the Director of
**Telecommunications
Regulation**

PRESS RELEASE

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NEW ACCOUNTING INFORMATION TO PROMOTE EFFECTIVE COMPETITION IN THE MARKETPLACE

New accounting information to prevent discriminatory charging and promote effective competition in the telecommunications marketplace was proposed by the Director of Telecommunications Regulation, Etain Doyle, today.

“Accounting Separation and Publication of Financial Information for Telecommunications Operators – Consultation Paper” ODTR 99/10 sets out the Regulator’s recommendations for the application of accounting separation arrangements in the liberalised telecommunications environment.

A key aspect of ensuring a level playing field is to prevent 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 being designated as having significant market power (SMP). Telecom Éireann has been so designated by the ODTR.

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“The effects of liberalisation in the marketplace are already evident” said the Regulator, “but in the interests of further developing and sustaining this competition it is necessary for competing operators to have confidence that the dominant operator is not unduly discriminating between itself and competing operators or between one competitor and another. These recommendations allow for the development of sufficiently detailed costing systems so that costs of individual services can be clearly unbundled.”

Accounting separation offers a number of benefits to consumers and the industry including;

- Transparency in the sense that other operators can understand how the incumbent’s revenues relate to costs.
- The inclusion of internal transfer costs and matching revenues which will enable the ODTR to assess that there is no undue discrimination between the provision of services internally to the incumbent's own retail arm and to those provided externally.
- The publication of detailed costs 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.

ODTR 99/10 can be viewed on the ODTR website at www.odtr.ie. Responses to the consultation are requested by the 31st March, 1999.

ENDS