



Office of the Director of  
**Telecommunications  
Regulation**

8 November 2002

## **New eircom Retail Price Cap Proposed in range of CPI -2 to CPI -0**

Telecoms Regulator **Etain Doyle** proposes to replace the current retail price cap on *eircom* from CPI -8 to a band between CPI-2 to CPI -0. She also proposes to remove all sub-caps, and to remove the lower quartile bill control if a suitable alternative tariff scheme aimed at low and vulnerable users is put in place. The new price cap is expected to be introduced in early 2003.

The current cap has seen large reductions in *eircom* phone bills over the past three years: in the first year of operation, *eircom* reduced the minimum call charge from 14.6c per call to 6.35c per call and daytime and evening national call charges have also fallen significantly over the period. At this point, however, the Regulator believes that relaxing the price cap will now allow other operators compete more effectively with *eircom* and notes that the implementation of a fair and reasonably priced wholesale line rental is an essential part of the new arrangements.

To protect the most vulnerable in society, *eircom* has proposed a scheme to replace the lower quartile cap which is being put to consultation in this paper. *eircom* would provide €5 worth of free national/local calls for €22.50 per month, with no line rental charge. If a customer exceeded the free call allowance, they would pay local/national call charges at double the standard rate, though in any case where a subscriber's usage was so much higher than €5 worth, that they would have been better off under the normal *eircom* terms, the size of their bill would be restricted to a normal bill plus a €1 handling charge. The average participant bill would not exceed CPI-0, which is the cap on the current lower quartile scheme. The Regulator is particularly anxious to receive feedback from Consumer and other representative groups about this proposal.

While the price cap forces *eircom* to reduce prices, it also provides a strong incentive for the company to reduce costs, and increase efficiency and in turn profits. "In devising these proposals for the price cap, I have had to take account of:

- the vulnerable low volume user, to ensure that a minimum level of telephone communications can be maintained:

- competitiveness for Irish business which needs to have the best in terms of price, choice and quality, in the light of continuing concerns about eircom efficiency the costs of which have to be borne ultimately by users:
- competition in the telecoms market to ensure that it can survive and grow, and increase market pressure on eircom
- and continued investment in the sector generally’.

Etain Doyle said today “I believe that we have struck a fair balance in these proposals, but welcome comments from all quarters so that the final cap can be determined on the basis of as wide a ranging debate as possible”. Consumer and business Groups are encouraged to respond to the Regulator’s proposals ODTR before the 10<sup>th</sup> January 2003.

The paper ODTR 02/96 “Review of the Price Cap on certain Telecommunications Services –Consultation III“ can be viewed on the ODTR website [www.odtr.ie](http://www.odtr.ie).

### **Ends**

### **Information note:**

1. Under Section 7 of the Telecommunications (Miscellaneous Provisions) Act 1996, the Director may introduce a price cap in respect of a basket (or more than one basket) of telecommunications services where the Director believes that there is no competition or that the provider of those services holds a dominant position. Before doing so, she must give the provider to whom the Order is to apply two months to make representations on the terms of the proposed order.

2. Table 1 below shows which services are included in the current price cap basket, together with the caps that apply to the whole basket and each individual service under the current tariff regulation order. CPI is the Consumer Price Index published by the Central Statistics Office. On average, under the current price cap, the prices for services in the basket are allowed to rise by CPI minus 8%. In addition, there are separate caps on most of the services in the basket – these restrict the extent to which the operator subject to the cap can adjust prices for those services whilst still allowing the operator to make some adjustments.

**Table 1 – The Current Price Cap**

<b>Telecommunications Service</b>	<b>Price Caps</b>
The Price Cap Basket <sup>1</sup>	CPI – 8%
Provision of telephone exchange lines and ISDN lines	CPI + 2%
Telephone exchange line and ISDN connection and takeover	CPI + 2%
Local dialled calls	CPI + 2%

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Trunk dialled calls	CPI + 2%
Operator calls	CPI + 2%
Payphone calls	CPI + 2%
Directory enquiry calls	No sub cap
Lower quartile bill	CPI + 0%

3. The proposed new cap would be in the range CPI-0 to CPI-2 and would apply to a basket as previously, but with directory enquiry calls removed and fixed to mobile calls added in. There would be no sub-caps on individual services, unlike the existing cap.

4. The lowest quartile bill protection was introduced in the first price cap in 1996 and retained in 1999. The Dept of Social, Community and Family Affairs also provides an allowance towards telecommunication bills for certain welfare groups.

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