Commission for
Communications Regulation

Media Release- 3 February 2003

New *eircom* Retail Price Cap set at CPI -0

In putting in place a new Retail Price Cap CPI -0, ComReg has sought to strike the right balance between the interests of consumers and the long term sustainability of the industry. The new cap means *eircom* cannot increase the prices of the price cap basket of services in real terms i.e. by more than the rate of inflation. The price cap is also being extended to calls from a fixed line to a mobile phone and so will put continuing downward pressure on these prices. ComReg is also simplifying the structure of the cap with the removal of all sub-caps: particular issues concerning specific services can be better dealt with in the context of the new USO Directive coming into effect in July. To better target vulnerable users ComReg will 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 will come into force tomorrow, 4 February 2003.

Since the current price cap of CPI-8% was introduced at the beginning of 2000, prices for services protected by the cap have fallen by over 20% in real terms, leaving customers with large gains relative to inflation. The new cap of CPI-0 will ensure that those real gains are maintained over the next three years. By the end of that period in 2006, we expect nominal average prices to be at approximately the same level as they were in 2000.

As well as providing continuing protection for consumers, Comreg believes that the relaxation of the cap from CPI-8 to CPI-0 will contribute to enabling competition in price-capped services to consolidate and grow, by allowing eircom's competitors more opportunity to compete on price than they would have under a continuing CPI-8% cap.

In order to protect vulnerable low users, the CPI-0 cap on the notional lower quartile bill will also remain in place until a suitable alternative tariff scheme is agreed between *eircom* and ComReg. An outline of the main features of such a scheme was set out for consultation in our third price cap consultation paper. Discussions on the detail of such a scheme will be held with eircom in the coming months, and together with consultation responses already received on this matter, will form the basis for a decision by the ComReg on whether or not to remove the lower quartile cap.

During the period of the current price cap, Irish voice services prices fell to the European average. Given the current circumstances in the industry, it is not possible to maintain so strong a downward pressure on the industry, but the Commissioners – **Etain Doyle, John Doherty** and **Isolde Goggin** –. noted that the combination of this price cap coupled with cost-orientated wholesale prices and expected efficiency gains in *eircom* in particular can ensure the cost base for Irish communications is comparable with those in other European countries.

The paper ComReg0314 "Review of the Price Cap on certain Telecommunications Services "can be viewed on www.comreg.ie.

*The price cap applies to *eircom* services where they are dominant. These include: provision of telephone exchange lines and ISDN lines; Telephone exchange line and ISDN connection and takeover; Local dialled calls; Trunk dialled calls; Operator calls; Payphone calls; Lower quartile bill; Fixed to mobile calls.

ENDS

Issued By
Deirdre Healy, Public Affairs Manager,
ComReg Ph: 01 804 9639 Mobile: 087 2995609