



Commission for  
**Communications Regulation**

## Information Notice

### **Price Cap on eircom 2003/04**

**Compliance Statement in accordance with the  
Telecommunication Tariff Regulation Order, 2003  
(Statutory Instrument No. 31 of 2003)**

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# 1 Background

## 1.1 Legislation

The Telecommunications Tariff Regulation Order, 1996 (S.I. No. 393 of 1996) was made by the Minister for Transport, Energy and Communications (the Minister), under section 7 of the Telecommunications (Miscellaneous Provisions) Act, 1996. It came into operation on the first day of January, 1997.

The 1996 Order provided a new framework for changes in Telecom Éireann's (now *eircom*) tariffs, which had previously been controlled under Section 90 of the Postal and Telecommunications Services Act, 1983. Under the terms of that legislation, the consent of the Minister had been required for increases in prices.

In December 1999, the Director of Telecommunications Regulation ("the Director") signed the Telecommunications Tariff Regulation (Modification) Order, 1999, (S.I. No. 438 of 1999) which amended the 1996 order.

Under Section 7 of the Act, the Director may introduce a price cap in respect of a basket (or more than one basket) of telecommunications services where the Director believes there is no competition or that the provider of those services holds a dominant position.

The Commission for Communications Regulation (ComReg) was formed on December 1<sup>st</sup> 2002 in accordance with section 6 of the Communications Regulation Act 2002. Section 9 of the same Act transferred to the Commission all the functions of the Director of Telecommunications Regulation.

Following a series of public consultations during 2002 a new Tariff Regulation Order (S.I. 31 of 2003) was introduced by which replaced the Telecommunications Tariff Regulation (Modification) Order 1999 (S.I. No 438 of 1999) and the Telecommunications Tariff Regulation Order 1996 (S.I. No 393 of 1996)

The 2002 Order ('the order') applies to a basket of telecommunications services provided by *eircom*. These services are as follows:

- The provision of telephone exchange lines and Integrated Services Digital Network lines (Rental)
- Telephone exchange lines and Integrated Services Digital Network connection and take-over (Connection)
- Local dialled calls
- Trunk dialled calls
- Fixed to Mobile Calls
- Operator calls
- Payphone calls

The order placed a price cap on *eircom*'s tariffs which allows *eircom*'s average price of the services listed above to move in line with the Consumer Price Index for the year preceding the relevant year. There are no price ceilings imposed on any individual service, however compliance with the cap must be maintained at all times throughout the year.

## 1.2 Price Cap Methodology

The formula for the calculation of the price cap in respect of the total basket of telecommunications services, where the price cap is  $\Delta\text{CPI} - 0\%$ , is:

$$\sum_{i=1}^n \Delta P_i * \left( \frac{R_i}{R_t} \right)$$

where,

- $n$  is the total number of services in the basket of telecommunications services;
- $\Delta P_i$  is the percentage change in tariff (before discounts, except for any light user scheme or vulnerable user scheme) for telecommunications service "i" calculated from either:
- (i) the base of the tariff pertaining at the end of the year preceding the relevant year, or
  - (ii) on the basis of a representative sample (approved of by the Director after consultation with the company) of call records for the service "i" provided by the company;
- $R_i$  is the total audited revenue before discounts for the telecommunications service "i" in the financial year ending on or about 31 March in the relevant year;
- $R_t$  is the overall total revenue before discounts in the financial year ending on or about 31 March in the relevant year for all telecommunications services in the basket.

Total revenue for an individual service in the basket is divided by the total revenue for the complete basket of telecommunications services. This figure is then multiplied by the percentage tariff change for the individual telecommunication service. This is done for all individual components and the answers are summed to calculate the price change for the overall basket of telecommunications services.

## 2 Price Cap Obligations

This is the report on the first year of operation of the 2003 price cap order, from the 4<sup>th</sup> February 2003 to the 3<sup>rd</sup> February 2004.

### 2.1 Report on Compliance for 2003/04

With respect to its obligations under the price cap for 2003, *eircom* were permitted to increase the price for the overall basket of services by no more than 5.0%<sup>1</sup> at any time.

*eircom* supplied information showing an aggregate increase in the tariffs charged for the basket of services totalling 5.00% in 2003. *eircom* also confirmed that the cap was not breached at any stage during the year. During the price cap year tariffs for line rental and payphone calls increased, tariffs for fixed to mobile calls decreased, while no tariff changes were made to connection charges or local, national or operator assisted calls.

**ComReg has reviewed the information supplied by *eircom* to ensure their compliance with the price cap in 2003/04. As a result of this review the ComReg is satisfied that *eircom* was in compliance with the Telecommunications Tariff Regulation Order, 2003 during the 2003/04 price cap year.**

### 2.2 Price Cap 2004/05

$\Delta$ CPI which *eircom* are required to use for compliance during the 2004 price cap year is calculated using the change in the CPI index for the period December 2002 to December 2003 which has been confirmed at 1.9%<sup>2</sup>.

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<sup>1</sup> Change in CPI from December 2001 to December 2002 =  $(105-100)/100 = 5.0\%$

<sup>2</sup> Change in CPI from December 2002 to December 2003 =  $(107-105)/105 = 1.9\%$

Using Base December 2001=100