



Office of the Director of  
**Telecommunications  
Regulation**

27<sup>th</sup> June 2002

## Regulator Proposes Retention of Price Cap on Some Eircom Retail Services

The ODTR is reviewing the current price cap which applies to a range of services provided by Eircom since January 1<sup>st</sup> 2000. In this second round of three consultations which will take place this year, the ODTR:

- reviews responses to the first consultation issued in March;
- summarises the Director's view on the appropriate definitions of fixed line markets and on whether there are dominant operators in those markets;
- outlines the next steps that the Director proposes to take in the price cap review.

It is clear from responses from the first consultation that there is significant support for the continuation of the price cap and this is supported by economic analysis on the level of competition in the market. Views from interested parties are now sought on the proposals in this paper outlining which services should be price capped in future. The categories are similar to the current cap.

The consultation paper referred to a range of fixed and mobile markets. The Director has decided that as there is already a fixed line price cap in place, to give priority to the review of the fixed line markets. The Director has also decided that for the mobile and leased line markets which are not currently included that the question of price caps will be considered next year given the above decision and the ongoing work in these areas.

Since the March Consultation paper, both of the mobile operators currently with SMP status, announced reductions in their mobile termination rates, (the rates that a mobile operator charges other operators (both fixed and mobile) for terminating their calls on its network.) The new average rate for Vodafone is 12.6 cents per minute and 12 cents for 02, from 1st June and 1st July respectively. The average EU rate is currently 16 cents. Fixed line consumers will benefit from these new lower charges with reductions in the cost of terminating calls on mobile networks. The mobile termination rates will be reviewed again in the light of mobile separated accounts and costing models which will be developed over coming months.

The paper ODTR 02/57 " Review of the Price Cap on certain Telecommunications Services – Second Consultation Paper " can be viewed on the ODTR website [www.odtr.ie](http://www.odtr.ie).

Respondent's views should be submitted to the ODTR before the 31st July 2002.

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

**Ends**

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