



Office of the Director of
**Telecommunications
Regulation**

MEDIA RELEASE

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Regulator Reviews the Price Cap on Telecommunications Services

The ODTR is reviewing the current price cap that has applied to a range of services provided by Eircom since January 1st 2000. In the first of three consultations which will take place this year, the ODTR seeks views from interested parties on what services should be subject to a price cap. A wide range of services are listed in the consultation paper including local calls and line rental.

The Director may introduce a price cap in respect a telecommunications service supplied by an operator, where the Director considers that there is no competition in the market for that service or that the provider of those services holds a dominant position.

A key purpose of price capping is to protect consumers from the high prices that might result in the absence of competitive constraints. It also encourages greater efficiency in the provision of services by the operator concerned.

Under the existing price cap, eircom is required to make price reductions of 8% per annum in real terms, and over the period since its introduction, eircom has reduced prices by more than this.

The paper ODTR 02/21 “ Review of the Price Cap on certain Telecommunications Services – Consultation Paper “ can be viewed on the ODTR website www.odtr.ie. Respondent’s views should be submitted to the ODTR before the 5th April 2002.

ENDS

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Notes to Editors

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. The current price cap came into force on 1 January 2000.¹ During the previous review of the price cap the Director undertook to review the price cap again in three years. This is the position we are now in.

3. 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.

¹ The Telecommunications Tariff Regulation (Modification) order, 1999 (S.I. No. 438 of 1999).

Table 1 – The Current Price Cap

Telecommunications Service	Price Caps
The Price Cap Basket ²	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%

The ODTR checks compliance with the price cap each year. The results for 2000 are included in ODTR 01/20 and the results for 2001 are being reviewed at present.

² The price cap basket includes all of the listed services except the lower quartile bill. This is capped separately.