



Office of the Director of
**Telecommunications
Regulation**

PRESS RELEASE

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REGULATOR TO CONTINUE PRICE CAP CONTROLS ON TELECOM ÉIREANN TO SAFEGUARD CONSUMER INTERESTS

The Telecommunications Regulator has published her report on the review of the price cap on Telecom Eireann. The report suggests that competition for telecommunications services is more developed for larger businesses and more advanced generally for commercial rather than residential customers, particularly low usage customers. Given that a wide range of services of particular interest to major businesses were open to competition prior to December 1 1998, this result was expected.

The Regulator will continue to exercise price cap control on at least four of the retail services provided by Telecom Eireann – the connection and provision of exchange lines, local calls and payphone services. These are the services currently least open to competition. Further analysis will be carried out on the market for other services to determine the appropriate scope of any price control on the other six services in the current basket.*

The review examined all aspects of price control including a need for continuing control, and the scope, form, level and duration of any such control. It is anticipated that the new price cap will take a similar form, but that the range of services it covers may be altered to reflect changes in the telecommunications market and in consumer requirements.

MORE

* For a list of the full basket of services applicable in the Telecommunications Tariff Regulation Order 1996 see the background information note at the end of this release.

While further work is needed before the details of the control can be fully specified, the Regulator's intention is that a price cap control of the "CPI-X" form will be introduced for a period of 3 years commencing Jan 1 2000. "Safeguarding vulnerable users and promoting the rapid development of competition is central to my approach to the regulation of TE's prices" said the Director. "It does take time for competition to develop and I note that, even at this early stage that competition is extending to more sectors, even in advance of key regulatory measures to open up the market further, such as the new wireless local loop licences that will come on stream towards the end of this year. Long term price cap control of all services could make the market rather inflexible, discouraging innovation and the development of competing offers to consumers. Following careful consideration of responses to this consultation and taking account of international practice, I consider that the new price cap control should initially be set for three years".

Two other reports have also been issued this week. The first looks at the second year of operation of the price cap (1 Jan, 1998 - 31 Dec, 1998). Following a review of information supplied by Telecom Eireann, the Director is satisfied that Telecom Éireann complied with the Telecommunications Tariff Regulation Order in 1998. Aggregate reductions in the tariffs charged for the basket of services totalled 9.2% in 1998, exceeding the required level of reductions. There were no increases in the tariffs charged for any individual items within the basket of telecommunications services during the year. Telecom Éireann is permitted to offset the excess reductions for 1998 in 1999, the last year of the current price cap.

The other report – a decision notice on Accounting Separation and Publication of Financial Information for Telecommunications Operators – requires Telecom Eireann to publish substantial details of its cost structures. The move will be a key contributor to developing and sustaining an open and competitive liberalised market.

ODTR 99/33 "Decision Notice D4/99 - Price Cap on Telecom Eireann 1998 – Compliance Statement", ODTR 99/34 "Review of the Price Cap on Telecom Eireann – Report on the Consultation" and ODTR 99/35 "Decision Notice D5/99 - Accounting Separation and Publication of Financial Information for Telecommunications Operators - Consultation Report and Issues for Further Consideration" can be viewed on the ODTR web-site (<http://www.odtr.ie>).

ENDS

BACKGROUND INFORMATION

The Telecommunications Tariff Regulation Order 1996 applies to a basket of 10 telecommunications services provided by Telecom Eireann. These services are as follows:

- **The provision of telephone exchange lines**
- **The provision of Integrated Services Digital Network lines**
- **Telephone exchange line and Integrated Services Digital Network connection and take-over**
- **Local dialled calls**
- **Trunk dialled calls (except for weekend trunk dialled calls)**
- **Weekend trunk dialled calls**
- **International dialled calls**
- **Operator calls**
- **Directory enquiry calls**
- **Payphone calls**

The current price cap mechanism was introduced by the Minister and has been in operation since 1st January 1997. The cap controls the prices Telecom Éireann is allowed to charge for connecting customers to the fixed network, for line rentals and for calls over the fixed network. The current price cap is set out in the Tariff Regulation Order, 1996 (S.I. No. 393 of 1996) and imposes a price cap on a basket of 10 services provided by Telecom Éireann. The Order specifies that the basket of services in total should not increase by more than the change in CPI – 6 (the annual percentage change in the consumer price index less 6), but allows Telecom Éireann, within this overall control, to increase the prices of individual services within the basket up to specified levels.