



Office of the Director of
**Telecommunications
Regulation**

Revision of Timetable for Publication of Separated Accounts and Financial Information by *eircom*

Consultation Paper

Document No.

ODTR 01/54

July, 2001

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Section	Page
1 INTRODUCTION	3
2 BACKGROUND	4
3 SCOPE OF THIS CONSULTATION PAPER.....	4
4 TIMEFRAMES FOR THE PUBLICATION OF THE SEPARATED ACCOUNTS	4
5 ODTR VIEW	5
6 QUESTION	6

1 Introduction

This consultation paper relates specifically to the timeframes for the publication of *eircom's* Historic Cost Accounts (HCA), Current Cost Accounts (CCA) and Long Run Incremental Cost information (LRIC) for the financial year from April 2000 to March 2001. These accounts provide additional information over and above that included in statutory financial reports.

The consultation period will run from 23rd July 2001 to 30th July 2001 during which the Director welcomes written comments on any of the issues raised in this paper. Having analysed and considered the comments received, the ODTR will review the proposed timeframes for the publication of *eircom's* Separated Accounts and publish a report no later than Monday, 13th August 2001 on the consultation which will, inter alia, summarise the responses to the consultation. In order to promote further openness and transparency the Director will publish the names of all respondents and make available for inspection responses to the consultation at her Offices.

The Director appreciates that some of the issues raised in this paper may require respondents to provide confidential information if their comments are to be meaningful. Respondents are requested to clearly identify confidential material and if possible to include it in a separate annex to the response. Such information will be treated as strictly confidential.

All responses to this consultation should be clearly marked "Reference: Submission re ODTR 01/54 and sent by post, facsimile or e-mail to:

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to arrive on or before 5pm. 30th July 2001.

Office of the Director of Telecommunications Regulation
23rd. July 2001

2 Background

In March 2001, the Director carried out a consultation¹ on Accounting Separation and publication of financial information for telecommunication operators. Taking into account the responses received, the Director issued a Decision Notice² in which, *inter alia* was a decision concerning the timeframes for the publication of *eircom's* Separated Accounts. *eircom* have approached the ODTR seeking a two-month extension to the published timeframes.

The purpose of accounting separation is to provide an analysis of information derived from financial records to reflect as closely as possible the performance of parts of a business as if they were operating as separate businesses and for demonstrating that there is no undue discrimination between the SMP operator's own downstream arm and competing operators or between one competitor and another when providing similar services.

One of the key objectives of accounting separation is transparency in and access to the accounts of telecommunications operators providing fixed public telephone networks and designated as having SMP. The Director believes that the development of the accounting separation framework is an iterative process, and expects to issue consultations and decision notices from time to time on accounting separation. The purpose of this process will be to either further improve the current framework and/or to set out the framework for areas not previously covered. This Consultation Paper, the previous Decision Notice and the Consultation Paper that preceded it, are a part of this iterative process.

The opinions set out in this document are without prejudice to the legal position or the rights and duties of the Director to regulate the market generally.

3 Scope of this Consultation Paper

This document is concerned solely with the timeframes for the publication of *eircom's* Separated Accounts for the years 2000/01 and 2001/02.

4 Timeframes for the publication of the Separated Accounts

For a number of reasons *eircom* are unable to meet the timetable for this year and have written to the Director requesting that the timeframes for the publication of Separated Accounting information be extended by two months from the dates published in Decision Notice D7/01. They propose that HCA Separated Accounts be published by 30th September 2001 and CCA and LRIC Accounts by 30th November 2001.

¹ *eircom's* Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators (Document no. ODTR 01/11)

² *eircom's* Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators D7/01 (Document no. ODTR 01/24). *Eircom* has commenced legal proceedings against Decision notice D7/01.

Particular issues which have caused delays in the process this year include the following.

For the year 2000/01 *eircom* are seeking to achieve a higher level of audit endorsement (fairly presents in accordance with). The practicalities of meeting this standard requires an increase in the number of apportionment surveys, many of which have proved to be long and complex to carry out, involving significant additional resources.

Decision Notice D7/01 introduced a number of significant changes to the reporting requirements for the Separated Accounts. *eircom* consider that the implementation of these changes has increased the requirements for data gathering and analysis and, in some instances, has given rise to processing problems through their accounting systems.

The 1999/00 HCA and CCA/LRIC accounts were prepared in the new Telecompass costing system for the first time, having moved from the old SCP costing system. While the change has made improvements in terms of quality and functionality, *eircom* have encountered some bottlenecks within the system that need to be overcome.

5 ODTR view

The Director is of the view that, for Accounting Separation to be effective, the information must be published in a timely manner. However, the publication of information that has been inadequately or not properly prepared would lessen the value of the Separated Accounts process and could, ultimately add a significant delay to the whole process. Given the issues raised by *eircom* the Director is minded to grant a derogation in respect of the timeframes published in Decision Notice D7/01 in favour of the timeframes proposed by *eircom*.

The Director has required significant improvement in the timetable in the coming year. In this regard, *eircom* has committed to the publication of the HCA Accounts for 2001/02 by 31st August 2002 and the CCA/LRIC Accounts by 30th September 2002. In addition, *eircom* will provide to ODTR a detailed timetable and project plan for the publication of the 2001/2002 accounts by 30th September 2001 together with the process for appointment of auditors.

The timetable for the production of separated accounts set by the ODTR in three successive years has not been met by *eircom* and derogations have had to be granted annually. In future it is the Director's intention to exercise the full extent of her powers in the event of non-compliance by *eircom* with published timetables for the production of separated accounts. To this end, she will consider publishing a monthly status report on the achievement by *eircom* of milestones towards the publication of separated accounts

6 Question

Do you agree with eircom's proposed timeframe for publishing HCA, CCA and LRIC Separated Accounts? If you disagree, what is your basis for your proposed timeframe?