



Office of the Director of
**Telecommunications
Regulation**

PRESS RELEASE

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SEPARATED ACCOUNTS TO ENSURE TRANSPARENCY IN TELECOMMUNICATIONS ENVIRONMENT

The Telecoms Regulator has completed her work on the development of new accounting procedures to prevent discriminatory charging and promote effective competition in the telecommunications marketplace. From 30 September 1999 Telecom Éireann will be obliged to disclose the accounting information of their main business areas and subsidiaries separately, thus helping to ensure transparency of internal cost transfers and to discourage cross-subsidisation between activities.

A key aspect of ensuring a level playing field is to prevent cross-subsidisation of activities of the major operator, who has the ability to price low in contested markets while pricing high in markets much less open to competition. The purpose of accounting separation is to provide an analysis of information derived from the accounting records to reflect as closely as possible the performance of parts of the business as if they had operated as separate businesses. It can be applied to those licensees that have been designated as having significant market power (SMP). Telecom Éireann has been so designated by the ODTR.

The new requirements offer a number of benefits to consumers and the industry including;

- Transparency in the sense that other operators can understand how the incumbent's revenues relate to costs.
- The inclusion of internal transfer costs and matching revenues which will enable the ODTR to assess that there is no undue discrimination between the provision of services internally to the incumbent's own retail arm and to those provided externally.

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- The publication of detailed costs statements showing the average cost build of products and services provided by the incumbent will increase and raise confidence on behalf of competitors, that there are no anti - competitive cross subsidises.

ODTR 99/52 “Accounting Separation and Publication of Financial Information for Telecommunications Operators – Decision Notice D10/99” sets out the Regulator’s position on the application of accounting separation arrangements in the liberalised telecommunications environment. It is available on the ODTR website at www.odtr.ie.

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