

END OF YEAR REVIEW

Alex Chisholm, Chairperson ComReg

In difficult economic times, 2011 has been a year of progress in the electronic communications sector. Stronger competitive forces and consumer emphasis on value have put downward pressure on prices for voice and data services; consumers buying 'bundles' of telephony and broadband services have benefited particularly from savings. Business users have also benefited from cost reductions and service improvements, according to market research surveys.

As well as promoting competition between service providers, ComReg has assisted consumers wishing to shop around for service and value by enhancing its price comparison website www.CallCosts.ie, and by facilitating a fast and efficient switching service between operators. The quality of the basic telephone service – the 'universal service' provided by Eircom – has continued to improve appreciably, as a consequence of additional investment and changes to business process made by the universal service provider in response to requirements set by ComReg.

At the same time the availability, speed and take-up of broadband have all advanced. The introduction and roll-out of cable networks offering broadband at speeds up to 100 M/Bits has made a strong impact in the major urban areas, and is becoming available to over 500,000 households. The broadband data speeds available over copper networks have also improved, as operators have increased the proportion of fibre in their core networks, and utilised new equipment at exchanges for 'unbundled' local loop services. Some 20% of residential broadband services are now offering speeds in excess of 10 M/Bits. Businesses needing high capacity links have been able to access new, faster ethernet services from the main providers. According to OECD and EU data, Ireland's performance in 2011, judged on a range of measures, compares reasonably well with other countries of similar size, development and population distribution.

Alongside this quite encouraging picture, it should be recognised that there is financial stress among some industry players. Overall revenues, profitability and investment levels have been falling. This is a source of concern because a healthy market environment is needed to justify the substantial levels of investment which will be required over the next few years to roll-out the next generation of fixed and wireless services. These services are important for consumer lifestyles but also for business productivity and competitiveness, and thus for Ireland's economic recovery and growth. ComReg in regulating the market aims to provide a stable, competitive and proportionate framework within which telecoms businesses can invest and thrive.

There were a number of significant developments during the year:

- The modified EU framework for electronic communications was transposed into Irish Law. This enhances the regulatory regime, notably to promote consumer choice; to provide for spectrum trading; to address risks to the security of networks; and to reinforce regulatory independence and powers.

- The EC's Radio Spectrum Policy Group (chaired by ComReg) delivered on the busy and challenging work programme it set out for 2011. In particular the opinions and reports presented by RSPG on the key areas of the *Review on Spectrum Use, Improving Broadband Coverage, Collective Use of Spectrum and EU Assistance in Bilateral Negotiations* are strategic items necessary for the development of spectrum policy in the EU
- The Third Postal Directive provided for full liberalisation of postal markets across Europe from the beginning of this year, and Ireland passed a new Postal Act in August transposing the Directive, and defining new functions and powers for ComReg in the postal arena.
- ComReg has advanced detailed proposals to liberalise and auction spectrum in the two bands currently used for GSM (voice and text) mobile services. ComReg proposes to include in this auction the 'Digital Dividend' spectrum which will be freed up by the move from Analogue to Digital TV broadcasting in 2012. This auction, planned for early 2012, will facilitate national roll-out of advanced mobile broadband services.
- ComReg is developing the regulatory framework for Next Generation Access, and will work with the Department of Communications, Energy and Natural Resources and the Next Generation Broadband Taskforce to accelerate rollout of networks and services.
- ComReg has merged with another agency (RegTel), and the resultant savings have formed part of our deliverables under the Public Service Agreement process. ComReg continues to take on more functions, without raising the industry levy of 0.2%, and while reducing costs.

BROADBAND

Despite the recession the numbers of consumers and businesses with a broadband subscription increased by 6.7%. In contrast the numbers of narrowband or 'dial-up', internet subscriptions fell to 28,261. This represents just 1.7 % of overall internet subscriptions and demonstrates that Irish consumers have migrated in significant numbers to broadband. Across the range of specific broadband platforms, the strongest growth at 30.7% was in cable broadband. The take-up of mobile broadband grew by 9.7% over the year. Fixed broadband grew by 4.9% and there was a decline in Fixed Wireless Broadband of 2.4%. There was a 61% increase in the numbers of line unbundled bring the total for LLU to 60,886.

ComReg continues to work with all stakeholders to encourage investment in next-generation broadband. For its part the Government has augmented the National Broadband Scheme with a further initiative, the Rural Broadband Scheme, to provide broadband to areas of the country where it is not available commercially.

MOBILE

There were an estimated 5.5 million mobile phone subscriptions registered giving Ireland a mobile phone penetration of 119.5% while the EU average at the same period

was 126.8%. Average Revenue Per User (ARPU) fell further and was down to €30 from €38.50. The decline in ARPU reflects a number of factors, including more competitively priced plans, reductions in mobile termination rates and a decline in consumer spending.

During the year an estimated 37,500 mobile numbers were ported each month, or 450,000 over the entire year reflecting the level of competition in the market and the desire of consumers to seek out the best value available.

CONSUMER ACTIVITIES

Advising, protecting and informing consumers are key elements of ComReg's consumer mandate. Knowledgeable and informed consumers will help to drive competition within the electronic communications and postal sectors.

In January 2011, ComReg launched its latest consumer website www.phonesmart.ie which provides advice to consumers on premium rate services and their use. It also provides a number checker allowing consumers to check the origin of a five-digit shortcode so that they may contact service providers directly with a query.

In June 2010, following a public consultation, Eircom was re-designated as the Universal Service Provider (USP) for a period of two years, until 30 June 2012, in accordance with the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations.

At the same point in the year, Eircom established a Quality of Service Performance Improvement Programme (USO), with associated annual performance targets and bonds. In addition, Eircom estimated that it would make an annual investment of over €30m in 2010/2011 and 2011/2012. ComReg monitors Eircom's commitments in relation to the above programme and the targets specified by ComReg in 2008. ComReg continues to publish Eircom's Quality of Service performance on a quarterly and annual basis. Figures published in November 2011 show that there were 12,500 faster installations, 80,000 faster repairs and 30,000 fewer line faults over the last 3 years.

Over the course of 2011 ComReg handled some 32,839 consumer queries, assisting customers resolve with operators issues with bills, contracts and other service issues. Disputed subscriptions to premium rate services remains a particular problem area, and this has informed ComReg's proposed Code of Conduct for providers of such services, which will provide an enhanced level of protection for consumers in such cases.

ComReg has also taken compliance activity to ensure that operators meet their regulatory obligations to consumers in relation to notifications of contract changes, choice of billing medium, and caps on expenditure while roaming abroad.

SPECTRUM AND INNOVATION

It is critically important to manage the radio spectrum efficiently and provide access to spectrum so that consumers, industry and the economy can benefit from the convergence and digitalisation of electronic communications services and networks.

During the year ComReg undertook an extensive amount of preparatory work in order to hold a multi-band award for the 800 MHz, 900 MHz and 1800 MHz bands, including the publication of a number of consultation papers seeking the views of its stakeholders on pertinent matters. ComReg will shortly bring this regulatory process to a conclusion so that significant additional liberalised spectrum can be available to operators and their customers in 2013.

ComReg also issued nine Test & Trial licences to various licensees, including universities, research centres, telecommunication manufacturers and telecommunication service providers. A wide variety of technologies were tested under this licensing programme, supporting industry innovation.

In the course of the reporting year ComReg continued its work in relation to spectrum planning for digital television and digital radio, including international coordination of the required radio frequencies. In May 2011 ComReg issued a licence to RTÉ in respect of its second digital multiplex. This multiplex will give RTÉ the capacity to include additional programme services in its SAORVIEW platform and to provide additional features such as High Definition programming.

Following a public consultation earlier in the year, ComReg published in November its 2-year Spectrum Strategy Statement. In the same month a consultation on the 2.6 GHz band was published, inviting views on its future use.

POSTAL

ComReg is the National Regulatory Authority for the postal sector and during the year a significant milestone was passed as full market opening was achieved: on January 1 2011 all exclusive and special rights for the provision of postal services in Ireland ended in line with the EU's Third Postal Directive. ComReg continues to monitor An Post's next-day delivery performance on an ongoing basis, and to apply pressure for the further improvement needed to meet the required standard.

ComReg is preparing a series of consultation papers setting out how it proposes to implement its new responsibilities under the Postal Act passed in August.

CORPORATE

ComReg's Strategy Statements set out its high level goals and strategies. The Action Plan published annually details the specific projects and other steps taken to implement

these strategies. The Annual Output Statement provides a means of measuring whether these plans were delivered. The out-turn for financial year 2010-11 published in July 2011 showed that a large majority of the outputs scheduled for completion were delivered. A new set of demanding deliverables was put in place for the current financial year.

As one of a small number of State bodies who have consolidated their operations, the full integration of a number of the staff who had previously worked in the Premium Rate Services Regulator, Regtel, was a particular focus of our work in this period, including training, mentoring and performance management.

ComReg also participates actively in EU regulatory policy fora, notably the Radio Spectrum Policy Group, which was chaired during the year by ComReg Commissioner, Mike Byrne. ComReg's workload continues to grow with new responsibilities under the updated EU Communications Framework, new postal legislation and Premium Rate Services (PRS) legislation. These additional functions have been progressed despite constraints on budgets and staff numbers, thereby reflecting the efficiency of our systems and procedures and the capability and commitment of our dedicated workforce.

I would like to take this opportunity to thank all of our staff for another year of professionalism and high productivity, also to offer best wishes to a number of senior colleagues who are moving on to other roles or into retirement, including my esteemed colleague, Commissioner Mike Byrne, who concludes 10 years of loyal and dedicated service to ComReg.

Looking forward to 2012, ComReg's key tasks will include a major spectrum auction, regulation of Next Generation Access networks, proposals for the future evolution, and financing, of the Universal Service in telecommunications, and developments in the regulation of PRS. ComReg will also implement new legislation for postal and electronic communications. We will continue to use all the powers available to us to promote competition, investment and innovation, in the interests of consumers.

Alex Chisholm
Chairperson