Office of the Director of
Telecommunications
Regulation

Speech

The Telecommunications Industry in Ireland 2002-2005

Speaking Notes for Etain Doyle, Director of Telecommunications Regulation

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Oifig an Stiúrthóra Rialála Teileachumarsáide
Office of the Director of Telecommunications Regulation
Abbey Court, Irish Life Centre
Lower Abbey Street, Dublin 1, Ireland
Tel. +353 1 804 9600 Fax. +353 1 804 9680 E-mail

1. Introduction

Thank you to First Tuesday for inviting me to come here this evening. Innovation and new ventures are at the very heart of the sector I regulate, and I am delighted to see people getting together like this to encourage and generate entrepreneurial activity.

A key aspect of the ODTR role is the facilitation of innovation in the communications markets. Just last week, we published two papers – in addition to one on Postal services – that aim to facilitate developments.

The first of these related to the regulatory framework for premium rate SMS (text) messages. As you will know, mobile operators are offering some services such as mobile ring tones. However we have now decided that special 5 digit codes starting with 5 can be made available to internet service providers generally, who can devise their own range of premium range services and arrange to have them delivered over the 3 mobile networks. These kinds of services are developing across Western Europe, but we believe that Ireland is the first place to set up special codes that will facilitate the development of this important part of the market. The paper ODTR 02/14 is on our web-site and it includes the application form and conditions for applying for the codes.

On Thursday we published a paper on wireless LANs, one of the exciting new growth areas in our sector. I believe that this technology has a valuable role to play in the deployment of broadband and the paper sets out some information on this and the regulatory framework within which it can be deployed. The framework is as simple as possible – provided certain minimum conditions are met, the equipment is exempt from spectrum licensing.

There are issues about the range and numbers of equipment in certain relevant bands, and the ODTR is taking an initiative at CEPT in respect of the 5.8Ghz band that has been well received, and which we consider will provide a useful outlet for even more substantial uses of wireless LANS than may be possible in lower frequencies. A few weeks ago we also published a briefing note on Next

Generation Networks, and we're currently following this up with work on Next Generation Applications and Optical Access Networks.

Our purpose in producing these briefing notes is to inform and point the way to new developments and opportunities, usually in the 2002 to 2005 timeframe, and occasionally it is to issue a wake-up call in some quarters. However, our job is not to pick winners: that is for you to do!

You probably also know that we are currently running a competition for 3G licences, and cannot say a great deal just now. The closing date for receipt of tender documentation is the 27th March 2002. No doubt some of you are in touch with potential bidders about services, and will be aware that the mobile operators are approaching content in a more circumspect way since the difficulties with WAP, working more with commercial content providers to ensure that they provide consumer friendly, commercial services.

2. The ODTR philosophy

Let me say a few words about the ODTR philosophy. My approach to telecommunications regulation is to be light-handed, technology-neutral and forward-looking. Our focus is on price, choice and quality. If the market is delivering to users what they want and can reasonably expect, we stand back and let it happen. If the industry – established players and new entrants alike – want to bring new or improved services to the market, then it is my view that we should seek, within the limits of my powers to do what we can to facilitate them. To the extent that there are continued bottlenecks and difficulties affecting how users are being served, if healthy competition is being stifled, or if exciting, commercially viable innovations are not provided for, we do intervene within the limits of our powers.

3. Progress

Let me turn to the progress made in developing the Irish telecommunications market and in stimulating competition. In our December quarterly report for the period July to September 2001, we reported that:

- total annual revenues for the fixed, mobile and broadcasting markets were approximately €3.2 billion,
- the sector now accounts for 3.1% of Irish GNP,
- the price of communications in Ireland fell overall by approximately 9% between October 2000 and October 2001.

In mobile, there are three players at present, and the current 3G competition should lead to a fourth. Broadband development has been slower than we would wish, and I shall come back to this later.

It might be useful if I briefly refer to the regulatory tools that we have to influence the market's development. Within the legal framework we have, we first of all need to identify if there is a need for regulation – licences or other measures, or if the market can function well without anything. We devise licensing frameworks, and process licences. I might note that in this context we are custodians of the radio spectrum in Ireland. We manage this valuable resource so that Ireland can derive maximum benefit from it, ensuring that our many different types of radio users can enjoy services without interference from each other. This involves making some choices and some of you will have seen the general spectrum papers as well as papers on specific schemes for assigning spectrum issued by the ODTR. I will describe later on the consultation process.

Secondly, we need to ensure that the market functions as it should seeking to ensure that the user gets ever better price, choice and quality in telecommunications services. There is a range of regulatory tools from dispute resolution procedures that enable operators to get clarity and resolution on issues without going to court, to price controls on key pricing, to measures to ensure that numbering works effectively, to quality measures such as service level agreements and codes of conduct for operators. I may note that this does not mean that prices can fall indefinitely against a background of inflation and investment, but that inefficiency is not rewarded where the market is weak and that the user gets the benefit of competitive pricing.

Nor has it been possible to transform quality of service as quickly as I would wish. Leased lines will be important to many in this room and I am very conscious that it has taken more than two years for a noticeable change to take place in *eircom's* delivery of leased lines, despite frequent regulatory intervention in the market. We have now the most prescriptive wholesale service level agreement in Europe, and perhaps the toughest in terms of penalties for failure to comply with delivery time-scales. Delivery times are now down to 20 days for orders delivered in December as compared with 48 days in March 2001, and we will be keeping on the pressure to ensure that these levels are sustained.

The next key areas for us in relation to leased line quality are fault clearance and resilience and we expect to issue papers on both of these matters in the next few weeks, taking account of comments received in respect of consultation papers issued in 2001.

4. Broadband in Ireland

Turning to Broadband, I have already referred to leased lines service quality issues – and I may note we are also working on leased line pricing at present. There are about 40,000 leased circuits in Ireland, varying from sub 2Mbit/s up to STM4.We also have a limited amount of broadband delivered via cable modem and Fixed Wireless Access.

The big gap in the range of services is in DSL over copper. As you will know, we have been working on LLU for over a year. Finally, agreements have been signed for the first two switches in Limerick and Ballina. I very much regret that progress has been far slower than I would like and even yet we have to cross check information on availability in the next range of switches sought. Other operators have started into the process and the situation should look very different in a few months. I expect the process to speed up somewhat so that by the second half of this year capacity can be delivered at the rate applying in Denmark in the first half of last year, which brought DSL to over 2% of end users.

The position in respect of bitstream is different. It is not mandated – or mandatable – under EU or national legislation at present. Bitstream would enable eircom to offer its own DSL service, and other operators to buy a wholesale DSL services from eircom. This was due for launch last autumn. However eircom has so far failed to assure us that their proposed charges for other operators are appropriate. Eircom may launch bitstream 21 days after we approve prices. In the meantime, they and other operators continue to trial the service.

With respect to Internet Access , the ODTR supports the introduction of new Internet products that benefit consumers, and to this end the Office issued a paper for the allocation of additional access codes and number ranges for Internet access last year .The additional codes and number ranges were designed to facilitate two types of Internet access,

1892 - Pay-As-You-Go, whereby, the consumer pays for their telecom time on line but Internet service is free of charge, and,

1893 - Partial or Full Flat Rate Internet Access, including fully unmetered Internet access, the customer is not charged for the telecommunications time on line but pays an agreed subscription rate for its Internet service.

I believe a significant amount of progress has already been made, and my Office is continually monitoring the developments for the introduction of products on these access codes and number ranges, the ODTR will also provide dispute resolution at the request of any party in the event of a breakdown of negotiations.

5. This year's agenda

Let me move on to some key operations issues for this year in the telecoms sector.

Market competition including tackling bottlenecks and quality issues for users remain high on our list of priorities. We are constantly seeking to intensify competition in existing services and encourage best practice in the delivery and range of services available to consumers. We shall be monitoring investment and vulnerabilities in the sector and devising appropriate responses. Also, we shall be identifying and responding to blockages that may prevent competition from being sustained. We want users to be better served and informed, and we shall be encouraging this via the Measuring Licensed Operator Performance Programme and monitoring adherence to Codes of Conduct in relation to customer complaints for cable and telecoms operators.

Implementing the new EU Framework for telecommunications liberalisation will be another high priority for us. In particular, we shall be devising new approaches for authorisations and interconnect in light of proposed Framework Directives.

Competitive infrastructure development and network sharing for broadband and narrowband, including LLU, will continue to be a major item on our work programme. I have mentioned some of the key issues already.

We also intend to complete and streamline costing and accounting modelling and develop frameworks for all sub-sectors, underpinning efficient pricing and providing a stimulus to competition. We are also conducting a Price Cap review.

Looking beyond 2002, resolving the technology, commercial and legal issues associated with convergence will be important for us. This is in addition to handling the continuing issues involved with achieving infrastructure and service competition.

6. Consultation

Before I finish, in line with a request from the organisers, I want to mention our consultation process. This forms a vital part of our activities. It enables us to explain to the industry and to users the options or approaches to specific programmes, and thereby gives them notice of what we are proposing to do. This affords interested parties an opportunity to send in views and comments. This feedback is very important to us in informing our decisions and helps us adopt measures that are relevant and appropriate to the needs of consumers and the industry.

All of our consultation papers are published on our web site, and we draw attention to them in the media. We generally make available all responses we receive. The only exceptions to this are when respondents identify parts of their submissions as being commercially sensitive.

The process does take a lot of time and cannot be used in all instances where matters are particularly urgent. Typically, we allow about a month between publication of consultation papers and the deadline for responses, though this can vary depending on the nature and urgency of the consultation issue. Generally, we aim to assess the responses we receive and publish a report on the consultation, along with my decisions, within a month of the response deadline.

Similarly, we normally seek timely comments on the information papers and briefing notes we publish. I would encourage any of you with an interest in telecommunications to keep an eye on the latest news on our web site and to respond to consultations and papers that interest you. You can also register for our e-mail alert system which notifies you when new documents are available on the web. This is a fast-moving and complex industry and we need your input to help us serve you.

We know that there are smart companies out there that have been and are refocusing their R&D, and positioning themselves to exploit new technologies and deliver the next generation of information and communication applications. Through our radio test licences, for example, my Office will do what it can to help.

If having consulted the web-site you have further queries or ideas, or wish to advance towards applying for a licence for example, the contact details are on the web-site and we would be pleased to hear from you.

7. To Conclude

To conclude, what do I think about the prospects for the information and communication sectors globally and in Ireland between now and 2005? While I think that parts of the sector may continue to go through a period of correction and realignment for a while, I believe that the industry will emerge stronger to meet the ever-growing needs of business and residential consumers. Like any other substantial issue in the public or private sector – or straddling both as this one does – we need as a nation to identify clearly what our objectives are and set out practical steps to meet them.

We can see the vision –a choice of advanced, good value, high quality services available on a widespread basis. To identify and implement the practical steps is a major task that needs careful analysis. Perhaps I would just note a few points that may not always get attention. Communications development, like other infrastructure development is critically dependent on effective spatial strategy.

A decision not to identify centres or to identify more than we can properly develop in a short time frame is effectively a decision to defer real progress as investors (whether public or private) lack clarity and certainty on key parameters for a business case.

We need to plan the options and cost them and make realistic decisions in that framework. Recognising the difficulties posed by the external investment environment and improvements in pricing over the years, communications services in Ireland are not yet sufficiently developed, nor cheap, and cannot be good value without ever-greater efficiency in terms of networks and operations, and in terms of service quality. We need to ensure that we maintain a competitive market. While this is very important to the maintenance of the telecoms industry it is also very significant to other key business sectors that rely heavily on communications. If we can deal effectively with these issues I believe the ICT sector will and soon, I hope, be experiencing renewed growth and will continue to contribute to Ireland's economic and social development.

So I am confident that the next few years will present many opportunities in the information and communications sector for the entrepreneurs among you. Also, I hope that First Tuesday is going to continue to play its part in ensuring that these opportunities are exploited here in Ireland.

Thank you.