Office of the Director of
Telecommunications
Regulation

"Regulatory Framework for the Future of Irish Communications"

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to

Business Alumni,

Trinity College, Dublin

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Introduction:

Chairman, Ladies and Gentlemen; it is always a pleasure for me to visit Trinity college, and I would like to thank you for this opportunity to speak to you.

As regulator, I must look to the future and prepare for it, just as business people and investors do. While they make specific decisions to invest in particular developments, I must ensure that any necessary regulatory framework is in place to enable them to do so. This is quite a challenge in the fast-moving information and communications sector; a sector characterised by unprecedented levels of technological innovation and market restructuring.

Ireland has achieved much over the past two years. Liberalisation of the market with 46 active operators, CPS and Number Portability, 6 Wireless Local Loop operations and a greatly improved interconnect regime are among the highlights. However, some of the biggest challenges still lie ahead.

Telecommunications is a cornerstone of the highly successful economy we have developed here in Ireland. It is hard to imagine a world without telecommunications. It has become a hugely successful industry that currently amounts to 2.9% of Irish GDP. Its sustained growth is necessary to ensure that the improvements made to date continue and further drive the economic prosperity of the country for the benefit of all.

This evening, I shall be making some broad observations on where I believe the telecoms sector is likely to be heading during the first decade of this new millennium, linking this to the work that we are doing in the ODTR. Before I do so however, it may be useful to first set out some background on my office.

Background:

The ODTR was set up in mid 1997 to meet an EU requirement to set up an independent regulator to deal with licensing and the management of the telecommunications market. Since then, we have been working to create one of the most open, competitive, and light-handed regulatory environments.

Our remit is covers all kinds of telecommunications transmission networks, the traditional telephone wire to your house, your cable TV, huge capacity undersea fibre optic cables, radio, whether used by a taxi to keep in touch with its base or by a mobile operator to provide voice and data services. As the types of services that can be provided over these networks converge it makes sense to regulate them in one office and Ireland is ahead of several of its European counterparts in this respect.

Our purpose can be stated very simply. It is

- *'To regulate with integrity, impartiality and expertise, thereby facilitating rapid development of a competitive, leading edge telecommunications sector that provides the best in terms of price, choice and quality to the end user, attracts business investment and ensures ongoing social and economic growth.'*

We have made significant progress in challenging the old status quo: another part of our job is to ensure that a new status quo does not cement itself in place, that it remains easy to enter the market and challenge operators. The ODTR aims to facilitate different technology platforms in order to improve competition and choice in the market. We have licence frameworks for the cable and MMDS companies for example to roll out digital television, internet, and phone lines together in one bundled service. The MMDS company is making progress on this. Fixed wireless access challenges the incumbent in the local loop. Satellite provides another basis for delivery of services. Competition between the various networks should provide better choice, pricing and quality for consumers.

Regulatory Framework:

My office has established a liberalised regulatory regime in order to achieve our objectives, and we are at the leading edge in a number of areas, although we still have some gaps to fill. Filling out the gaps present formidable challenges and as the needs of this dynamic industry change rapidly. The role of regulation in the Irish telecommunications market is and will continue to be an evolutionary one - or perhaps you might say a revolutionary one as I outline some of what is happening in key sectors.

Fixed Line:

Our quarterly review for December 2000 coincided with the second anniversary of the liberalisation of the Irish Telecommunications market. Since our last review in September, the Irish telecommunications sector has continued to experience expansion, with almost all segments of the market experiencing increased demand. Based on figures from the operators for the quarter to September 2000, the ODTR estimates that total revenues for the fixed, mobile and broadcasting markets are now worth over IR£2 billion a year – accounting for 2.9% of GNP

Based on data supplied by the operators for the three months to September 2000, the ODTR estimates that the new entrants' share of the fixed line market is in excess of 17%. The full automation of carrier pre-selection since April 2000 has greatly facilitated this competition, with over 120,000 business & residential subscriber lines using CPS in early autumn.

Prices for telecoms services have fallen dramatically over the last few years, but not by more than those of the leading OECD countries, with the exception of leased lines where competition and regulatory action is showing a distinct improvement in Ireland's relative position.

As we move forward, we need to look carefully at both the wholesale market - the provision of carriers carrier services – and the retail market – in relation to local access. Carriers' carriers have played, and continue to play, an important role in facilitating competition in telecommunications, most notably in the US. The carriers' carrier business model offers one option for introducing additional national backbone and international infrastructure. Provision of additional telecoms network by competing providers should help to drive down infrastructure prices. In turn the opening up of the last mile or local loop should increase the numbers of service providers offering services direct to the consumer.

Mobile Market:

The Irish mobile market has proven very dynamic in recent years. The total number of mobile subscribers was over 2 million, reaching 54% of the total population before Christmas and with reports of an estimated 400,000 mobile phones purchased in Ireland in the run up to Christmas, penetration may exceed 60%. This growth in mobile subscriptions is expected to continue over the coming months encouraged, inter alia, by the arrival of Meteor in the market and by the growing popularity of mobile data services. Both Eircell and Digifone see significant growth opportunities in this area and in recent months both operators have launched innovative services such as their own web portals and ISP services. Using such services subscribers can now receive email alerts, download information from the Internet and have a computerised voice read out emails over the phone.

Also of significance is the increasing demand for data traffic and Internet access, which is pushing up users' need for bandwidth. This is anticipated to be a key driver in the next generation of mobile communications. It is interesting to note that 9 billion short messaging service (SMS) messages were sent worldwide in August, and the GSM Association estimates some 15 billion per month at the end of 2000.

Internet Provision over the Fixed and Mobile Network:

The residential Internet market in Ireland has continued to experience rapid growth. In September 2000, approximately one million Irish adults (16+) had home Internet access. Those who use the Internet at home appear to be spending an increasing amount of time online. According to Nielsen’s Net ratings figures, the average Irish home user spent 4 hours online in September.

In relation to the levels of online browsing and purchasing, Ireland appears to be some way behind its European partners and in particular the more mature Internet markets in Scandinavia. Amarach Consulting have estimated the value of the Irish consumer e-commerce market in 2000 to be worth IR£60 million, however they expect this figure to rise to approximately IR£850 million by 2003. WAP services available from both Eircell and Digifone make it possible for customers to access the Internet over their mobile phones. The ODTR expects to publish a paper on new pricing possibilities for internet services very shortly which we hope will help stimulate demand.

3G Mobile Services

You will all have seen some coverage about 3G, an enhanced mobile technology providing for data rates up to 200 times those of existing mobile phones. Why would anyone want this? It will enable large files to be transmitted almost instantaneously and lead to much more satisfactory merging of your lap-top and mobile, and provide for new applications like mobile video conferencing and the supply of very high quality video clips wherever you are. Many analysts now expect that within a few years more people will access the web using mobile phones rather than PC's. With the highest mobile penetration in the world, Europe is particularly well placed to benefit from this shift in the market.

We have already outlined the framework for the 3G competition following extensive consultation and study. We will be issuing 4 licences and asking bidders to compete in particular in terms of speed of roll-out, coverage and bandwidth, seeking to ensure that the benefits of 3G are available as quickly and extensively as possible. We are working on the last details and hope to launch the tender shortly.

Local Loop Unbundling - LLU

New operators entering a market rely on the incumbent initially for all services, renting lines to lease to major customers and delivering their business over the incumbents' lines. In time, some new operators build their own backbone networks and leased lines to major customers. Arrangements for delivery of business over the incumbent's lines to customers have been made more flexible and easy to use, but they still represent 'indirect access' to the local loop. Some companies have fixed wireless access licences that provide an alternative direct access loop to customers. For many, the lack of direct local access is a significant bottleneck to the development of competition in telecommunications. Unbundling the local loop, or passing management of the local loop to other operators, enabling them more direct access to customers, aids the overall growth of the telecommunications market while complementing alternative access infrastructure and providing delivery of new services. I don't support either the huge fears or the huge hype that surrounds LLU at the moment. Based on the reality of what it can offer I look forward to its deployment as it will particularly assist the development of broadband access for SMEs, a sector that makes little use of such capacity at present. Their inclusion in the e-commerce revolution is dependent on increased provision of broadband access and LLU together with Fixed Wireless Access (FWA).

My office completed an initial review in December of the *eircom* Reference Offer for Local Loop Unbundling and it is available in Ireland since 1 January last. I welcome some adjustments made last week by *eircom* to ensure compliance with the EC regulation in respect of locating other companies' equipment in *eircom* premises. We are continuing to develop the arrangements to make it clearer and easier for other operators to achieve unbundling. Further analysis of *eircom*'s pricing proposals is necessary, as some elements in eircoms' initial offer seem high in comparison to the ODTR's view. I remain confident that with further work, my office will be able to establish the appropriate level and structure of pricing. I aim to direct any required changes to pricing by the end of February 2001. Changes made to prices through this process will be retrospective to 1 January 2001.

As part of my office's work programme it is imperative that we look towards the future in order to be aware of future regulatory developments that might arise…

Looking to the Future

New Issues:

Last October my office held a conference on new issues in the telecommunications sector. The conference was an opportunity to look at global trends and developments over the next decade and to consider how Ireland can achieve the maximum overall economic and social prosperity from its communications sector. Specifically it will help the ODTR to establish and develop regulatory plans to assist in the realisation of a vibrant communications industry in Ireland and to anticipate where market developments and technological innovations are heading. We have published the papers on our web-site.

We need to keep attitudes focused on the future so that we can anticipate the response needed. Ireland cannot afford to wait to see what happens, for if you are not in the first wave, you are likely to be nowhere. This is also true for everyone in any kind of business and no one should sit back comfortably believing that they have the best tunes. For example, newspapers were and are considered under threat from television, but have responded with Internet services. Digital television, which offers viewers the possibility akin to reading a newspaper, of staying longer with one item and skipping others completely, will provide an alternative challenge to "print media". I look forward to the response here as in many other sectors.

Spectrum Management:
We have responsibility for managing Ireland's radio spectrum resource, the 'box' out of which we have identified spectrum for a diverse range of services from 3G and other mobile services, to DTT television and radio frequencies for taxis. We are about to issue Ireland's first ever paper on future needs for spectrum, sketching out possible future trends and asking for views. We want to develop a programme for the allocation of spectrum that will be discussed with interested partners and publicly available. We will also issue a new Table of Frequency Allocations next month, updating the first ever publication in Ireland, which was issued in 1998 by the ODTR.

Numbering:
My Office is also carrying out a major review of the National Numbering Scheme. The growth of existing services and the introduction of new services and new access technologies have resulted in a heavy demand for numbers. Because of this, we need to identify 'hot-spots' where the supply of numbers is coming under pressure. We expect that we will need number changes to increase capacity in 10 to 15 areas over the next couple of years, to ensure that users can get the service they need.

In the case of mobile services, we have a consultation under way to see how best to increase the supply of mobile numbers to meet the dramatic rise in demand resulting from mobile's popularity and from innovative approaches such as pre-paid services. We understand the problems that all number changes impose on users and operators, and taking account of the subtleties of the Irish mobile numbering scheme, we believe that full mobile number portability introduced in an effective way is the best way forward. The average saving to Small and Medium Enterprise ("SME") users of being able to retain their mobile phone number when changing operator has been estimated at about £130.

This heavy growth in demand for numbers - affecting telephone numbers for many geographic areas, special codes for new services, and especially mobile numbers - can be seen as a sign of the dynamism that is now characteristic of the whole telecoms scene here in Ireland.

My office issued a consultation paper before Christmas (Document No. ODTR 00/97) which proposes to simplify and clarify the current geographic numbering area regime. The overall approach has been to develop a forecast of demand for numbers over the planning period of 2001-2005. Number changes will be required to provide additional capacity but these changes will also provide an opportunity to simultaneously rationalise and simplify the National Numbering Scheme. The ODTR estimates that by the end of 2005 the total cumulative growth in number requirements will be 74%.

IRG

Ireland took up chairmanship of the Independent Regulators Group at the start of this year, to last for 6 months. All members comply with the European Community rules on liberalisation of markets. Since many of the developments taking place in the Irish Telecoms sector are also taking place across Europe, it makes sense that we work closely with our European counterparts. This is particularly so given that unnecessary diversity harms the development of the telecoms sector across Europe.

Recognising this need, an informal group of regulators was set up in order to pool knowledge and to seek to resolve issues of mutual concern. This group is comprised of independent regulators from all EU States and those of the European Economic Area. It provides a forum for an exchange of views and where appropriate, formulates common positions and practices.

Conclusion:

The global telecommunications market is one of the fastest growing and changing markets in the world. With the correct regulatory framework for telecommunications in place, continued development and growth of the Internet and e-commerce will be facilitated, which will help Ireland achieve its wider economic policy objectives, such as attracting and retaining foreign direct investment and indigenous sector development.

There is only one certainty in this dynamic market – if we do not continue to progress at an ever-increasing rate we will fall behind. This is not a case of “one mighty heave” and Ireland will have achieved a leading position. We need constantly to move ahead in the industry, at the regulatory office and in Government. I have outlined some of the key issues, and you will be aware that I have been seeking new legislation and looking forward to implementation of EU Directives.

It is important, both in Ireland and at the EU level, that due consideration is given to the fact that markets which move slowly due to complicated and slow processes will fall behind so rapidly they will never catch up, with severe implications for economic and social growth generally. This is not to say that regulators should not follow proper process nor be accountable, they must, but the ways in which these are achieved must be carefully designed to ensure that the necessary work gets done and quickly.

Regulators are accountable and that accountability is regularly tested in the Courts. The changes made last March by the Minister which enables decisions to stand unless the Court stays them or overturns is an example of the kind of useful measure we need. I should underline the fact that to date, 12 High Court actions against the ODTR have been concluded, of which we lost only one, and that was resoundingly overturned in the Supreme Court. The Supreme Court laid emphasis on the role of an expert body choosing appropriate arrangements to deal with key issues as well as overturning completely the key findings of the High Court in the third mobile licence case.

Accountability is necessary to avoid arbitrary acts and acts not in accordance with the powers and responsibilities conferred by the Oireachtas and the principles of administrative law. The ODTR has established a proud record in this regard. It has published some 250 papers asking for views, explaining its position, outlining plans etc. as well as its statutory reports on activities and finances for the Oireachtas.

We have come some considerable distance, but in this dynamic sector, there is always some new opportunity - or problem, such as the difficulty with the ntl development plans here - that needs to be considered and dealt with so that, in so far as we can, we facilitate the Irish consumer both business and residential in getting the quality services they need at competitive prices.

Thank you for your time.