



Office of the Director of  
**Telecommunications  
Regulation**

**Speech by Etain Doyle,  
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**to the**

**Global Information Infrastructure Commission and the  
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**Unleashing the Celtic Tiger – Irish Telecoms 2000+**

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**Introduction**

Chairman, Fellow Panellists, Ladies and Gentlemen; it is always a pleasure for me to visit Washington, and I would like to thank the Global Information Infrastructure Commission and CSIS for inviting me to speak to you.

Yes, the Celtic Tiger is up and running and has indeed been unleashed. This was not some creature conceived by chance in the jungle. The truth is that - like most conceptions - there was at least some intention as well as some accident. The fact is that while Irish policy makers have made their share of mistakes over time, there has been for about four decades a high degree of consistency and strategic thinking.

What has this meant? Ireland is an outward-looking economy, attuned to the needs of foreign investment and confident about free trade. We have faced up to the consequences of our geographical position on the periphery of Europe. We invested heavily in education. We sought out industries where our skills could add value and where our geographical position was not relevant. Simply put, we allowed the free market to let our old heavy industry drift away and we focussed in particular on two sectors - pharmaceuticals and high technologies. We have moved in to software development, becoming the second biggest exporter of software in the world. The result is that our economy is showing phenomenal economic growth with every prospect of this continuing.

Absolutely critical to this process is the development of our telecommunications industry. It cannot just be a priority: it must be something about which we must have an obsessive sense of urgency.

The key of course is liberalisation. It sets free. It unleashes. Unleashes what? It unleashes the creative energy in an impatient, highly educated young workforce. This is what makes Ireland such an exciting place in which to live. It is truly exhilarating to be involved in this process.

It is working. Ireland now has one of the most open and competitive telecoms markets in Europe with strong competition in the data, mobile and voice telephony markets. We have opened up the transmission market: encouraged investment in infrastructure: cut the costs of access, and provided opportunities for telecoms and cable operators, broadcasters, Internet providers, and the software and content industries. In so doing, we are seeking to position Ireland as a premier location for e-commerce activities.

Success does not happen by accident. Invisible hands are all very well for markets that have not been State-owned or State-supported monopolies for decades, as has been the case in telecommunications. Regulation is essential to opening up the markets and unleashing the energy, imagination and commercial activism of new entrants. A firm and clear grasp on a few strategic regulatory levers is essential to supporting the growth of competition and I shall describe my approach to these also later on.

That is my job. It is about breaking down barriers, facilitating innovation and supporting competition. It is to establish the framework whereby Irish business and consumers have access to competitively priced, high quality telecommunications services. It is therefore the interest of the user, both the Intels and Hewlett Packards as well as the residential consumer that is at the centre of our mission.

Of course, while a focussed regulatory regime is a key enabler in the growth of e-commerce, it is only part of the picture. There are other key developments which are positioning Ireland as a global player in e-commerce. On that note I would like to pay tribute to the important contribution that the Advisory Committee on Telecommunications the Act has made. Some of you may know of this Committee, set up by the Irish Government, and on which several distinguished senior American telecoms specialists serve. I am delighted that Brian Thompson who chairs the Committee is chairing today's session and Denis Gilhooley is also here today.

### **Advisory Committee Recommendations**

This Act (report available at <http://act.iol.ie>) made a number of important recommendations aimed at positioning Ireland as a global leader in advanced telecommunications services, the internet and e-commerce. It recognised that local access is the greatest bottleneck to the development of competing telecommunications and Internet services. I am pleased to say that significant progress has been made in this area with the introduction of wireless local loop licensing, a consultation on unbundling and, in relation to indirect access, the introduction of carrier preselection. We have developed a flexible and cheap Internet regime over the last year and issued the third and key determination on the matter on Wednesday of this week. Another major development in the year was the flotation of the national telecom company, Eircom, which took place last July and the sale of Cablelink, formerly a subsidiary of Eircom, to NTL. I shall return to these initiatives in more detail later.

This cable network with access to nearly 450,000 subscribers ( \_ of all households) is now being upgraded as a multi-media platform. Ireland has one of the highest penetration levels in the EU with over 80% of homes passed by either cable or MMDS 'wireless cable'. All operators are rapidly upgrading their cable networks to enable the provision of telephony, Internet and data services and offering the prospect of further widespread competition to Eircom in the local loop and very cheap internet services. Claims to exclusivity on the part of the old cable and MMDS operators have been sharply limited and tied to performance criteria, so the Irish television delivery market is now open to DTT and any other innovative technology.

For the first time, Ireland is not at the edge of Europe: it is at the centre. The goal of positioning Ireland as an e-commerce hub for Europe is very much on target. The Irish Government has shown its commitment to this challenge in a number of ways, setting aside some US\$800 million for broadband infrastructure, research and technology development.

One of the most important initiatives is the deal that was announced last year with Global Crossing which came about as a result of an Advisory Committee recommendation. This deal is based on a public – private partnership and involves Global Crossing connecting Ireland to their transatlantic and European networks with access to the business hubs of twenty-four European cities and to the United States. The cable system came ashore last week and will be of a scale which increases 15 fold the existing capacity to Ireland while reducing prices to 10% of current levels. It can accommodate sufficient international bandwidth to serve the needs of the largest international corporations in communicating with the rest of the world.

In common with our approach to regulation, Ireland is committed to a light, flexible user- and enterprise friendly e-commerce regime. The government has adopted a policy aimed at ensuring confidence in the legal validity of e-commerce transactions and electronic signatures. Already in September 1998, President Clinton and the Taoiseach Mr Ahern signed electronically a communiqué on e-commerce. Formal legislation, which will give legal validity to electronic signatures and contracts, will shortly be enacted.

These are just some of the steps which have been taken to establish Ireland as a serious player in e-commerce. According to a recent survey by the Information Society Commission in Ireland, internet usage is now at about 28% of the population over 15 years old. While this may be low in US terms it represents more than a 200% increase since the Advisory Committee reported.

The Advisory Committee has been very successful as a guide and catalyst to growth and we greatly appreciate their contribution.

Despite having only 1% of the population of the EU, Ireland accounts for over a quarter of all greenfield investment coming from the US into Europe. Even apart from the telecoms operators locating in Ireland, I think I may fairly say there is a 'who's who' of major high tech companies serving world markets from an Irish base. These include Oracle, Intel, Microsoft, Hewlett Packard, Dell Compaq, Novell, 3-Com, Lucent and Motorola.

The creation of a substantial software industry funded from abroad has led to the development of Irish companies some of whom are proving very successful in e-commerce development. These include Baltimore Technologies and Trintech who concentrate on security of transactions on phone and Internet. Last night I was pleased to meet representatives of many exciting software companies operating in the Washington area who have or are planning links with Ireland.

### **The Role of the ODTR**

Let me now turn to the part played by my Office, the ODTR in opening the telecoms market to support e-commerce development.

The ODTR came into being just two and a half years ago. In May 1998 the Minister for Public Enterprise, Mary O'Rourke TD, announced that Ireland would not wait until 2000 to liberalise the Irish market. Instead, she brought forward the date 1 December 1998. Since then, we have been fast-forwarding to create one of the most open, competitive, and light-handed regulatory environments in Europe, and we do not intend to stop there. Already in 1999, Ireland came third in a European league table ranking countries according to the progress they have made in implementing an effective and liberal telecoms regulatory climate and we have retained that position in the most recent update this year.<sup>1</sup>

### **EU Regime for Liberalisation**

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<sup>1</sup> Liberalisation Milestones – BT, Issue 4

The ODTR operates within the EU regulatory framework. The range of *regulatory tools* - from criteria for licensing to the framework for interconnection with incumbents, from numbering developments to handling the next generation of mobile technology - is devised for the whole of the EU and then transposed into national law by the Member State Governments. The EU directives provided the framework for the opening of most EU markets at the beginning of 1998. While clearly the markets need to mature to reach US levels, the framework has proved adequate to its initial, crucial task. However, to assist the markets in moving on, changes are needed in the framework. This is recognised by the EU and measures are being devised to meet the new challenges.

## **99 Review**

The EU Review proposes simplifying and codifying the regime, releasing it from a strong technology base and placing it on an open, technology neutral format. It wants to shift the balance to provide at EU level, clarity based on key principles and set out in Directives balanced by ‘soft law’, or detailed and flexible guidelines to promote a common approach across Member States.

Like all EU regulators we welcome the thrust of the Commission’s approach. We are working informally with the other Regulators to develop common positions. We look forward to developing ways of contributing to the Commission’s work on an on-going basis using our knowledge and expertise of the EU markets.

## **What progress have we made?**

In the first year of liberalisation the market has followed the pattern experienced in other liberalised markets. A couple of the longer established players moved rapidly into the small business sector and some into the residential market. There has been significant growth in the numbers of companies entering the market and making service offerings to big business, and providing specialist services. I look forward to further development of services this year by an increasing range of operators as already announced. I also note the strengthening of market positions arising from consolidations and mergers.

Competition has had a significant impact on tariffs. Very substantial price reductions were made by Eircom in 1997/8 in the run-up to full liberalisation, and prices have continued to fall in 1999 and 2000. Retail prices for the most commonly used services have fallen by over 25% in less than three years, while charges for international and long distance calls have seen the most significant reductions. Band-X report that the price of wholesale minutes between Ireland and the UK fell by nearly 40% in the six months July 99 to January 00.

In our review of the price cap at the end of last year, we concluded that competition was already sufficiently strong to remove international calls from its ambit. Also, price controls on directory enquiry services were loosened, again reflecting the growth in competition for this key service in a liberalised market. The Internet market has seen some of the toughest battles with the introduction of new service providers and more variety in tariff structures. Voice traffic has grown by nearly 20% for the year. The mobile market has also experienced significant growth with both operators doubling their GSM customer base for the period. Even more revealing is the fact that mobile penetration has moved from 7% in early 1997 to 46% today.

During 1999 there were over 20 major new regulatory initiatives, from satellite licensing to interconnect for Internet and carrier pre-selection. These have filled out the regulatory framework for Ireland and the new initiatives are now being implemented, and commercial launches planned or underway to exploit new opportunities.

Interconnection charges are of critical importance to the development of the industry. I have recently published a status report on the rates charged by Eircom for interconnection services. This Report finalises interim rates for the period 1 December 1998 to 1 December 1999. These rates, first introduced in 1998 brought Irish interconnect rates down sharply to within the EU benchmarks. The new interim rates will provide for an estimated net reduction of some 6% on the earlier rates. We are completing work on LRIC pricing for interconnection and a regulatory audit, with a view to introducing further reductions in pricing going forward.

## **Access**

Access, to the network operators and to the customer, is arguably the most crucial regulatory issue. Our approach has been to open as many options as possible and let competition take its course.

On 1 January 2000, we introduced carrier pre-selection thus ending the inconvenience of dialling codes and the expense and inconvenience of auto-diallers. Ireland achieved a record in getting CPS – as well as non-geographic number portability - launched in six months.

### **WLL and ULL**

Both wireless in the local loop and local loop unbundling can potentially contribute in important ways to providing access. We are currently completing the licensing process to provide radio-based access for fixed line operators.

I see local loop unbundling as a useful additional mechanism for opening up the. We are completing our initial review on ULL, taking account of EU views about line sharing which has been developed here in the USA. I expect to publish a text shortly.

### **Light-handed regulation**

Light-handed regulation is a bit like apple-pie: everyone thinks it is great and all favour it, but many people have very different recipes. Let me tell you mine. If telecommunications were not a strategic service for users both business and private, I would not have regulation at all. Market competition is the best way of providing price, choice and quality in mature markets, but regulation is needed to handle the transition. I want to intervene only where essential, in the least intrusive way and for the minimum period possible. I want to choose and structure my interventions carefully, on the basis of a clear understanding of the commercial, technological and legal realities.

One example would be our licensing regime for fixed telephony licensing. We have two categories of licence – one if your company wants to do the full range of telecoms services. This runs to 40 pages. It permits full national and international service by whatever facilities or routing as may be selected by the operator, subject only to obtaining a radio spectrum licence if necessary. There is a much shorter one if your company wants to provide services other than public voice telephony or use numbers. There are no quotas or restrictions on foreign ownership and we issue licences in 4-6 weeks after receipt of the full application.

We seek to be strategic and practical in our approach. While a major effort was made to ensure capacity on the date of liberalisation, in common with other regulators after the market opened, we



rapidly faced a problem with long delays in leased line delivery. My Office brokered an agreement to clear the backlog in a few months and also required the introduction of a service level agreement with penalties for late delivery. Delivery improved dramatically and we have not been needed for many months to assist licensed operators in this regard.

This framework also fits well with the national policy of making every effort to attract overseas investment to the Irish information and communications sector. In recent years, Ireland has been pleased to welcome MCI-Worldcom, GTS, NTL, TCI and Sprint for example – the full list of licensees together with their contact details are on our web-site.

### **The road ahead**

What is on our agenda going forward? What will meeting the needs of users of the future entail?

Firstly, Internet growth is taking off and the demands for bandwidth, and for new compression techniques and other means to improve quality at lower prices will continue to rise sharply. Providing a firm but flexible framework for Internet delivery and ensuring the competition between players while encouraging traffic off the PSTN will be an increasingly complex regulatory challenge. Our approach is to set a framework allowing companies choose any combination of access and usage charge. We hope this will lead to innovation and consumer choice. I was pleased this week to approve reductions in the charges Eircom can charge its competitors, ranging up to 50%. To date the ‘freeserve’ model has been most successful in attracting customers in Ireland, but we believe in choice.

Secondly, I believe that the trend of ‘mobile too’ will intensify and that all services currently provided over fixed networks will be required over mobile terminals of one sort or another in future. The implications for mobile and fixed networks are key issues for the future.

Thirdly, I think we need to look at ‘mobile difference’ – just as Internet grew out of an infancy of copying other communication systems, into developing its own modes and driving change elsewhere in the economy, I believe that mobile type technology will be used in very different ways in future. WAP applications on second generation mobile are being tailored from existing Internet use to capture customers in Ireland as in some other countries. GPS positioning in cars is perhaps an early example of what is in store here. Third generation mobile provides serious increases in

capacity, opening up all kinds of possibilities only now being thought of. We are working on this at present and expect to run a competition for licensing before the end of 2000.

Turning to broadcast delivery, the opportunities for technological and content expansion and development are opening up rapidly in Ireland. The delivery market has recently consolidated, with US firms playing the key roles.

In addition, plans for the introduction of digital terrestrial television (DTT) are well advanced, and it is expected that it will too offer entry-level interactive services. We will be issuing the transmission and multiplex licences and have provided preliminary indications of what we have in mind in a consultation paper issued last year.

We will also be extending our international involvement, both in international fora such as the ITU, but also bilaterally. I and my colleagues, Stephen Banable and Albert Redmond have been most graciously and helpfully received by the FCC. Some of you will know that Keith Bernard, until January a colleague of Diana Dougan, has taken up a senior position at the ODTR, and will keep us well plugged in on developments in the industry here.

The Ireland I grew up in was an intense, closed society. The Ireland I now live and work in is an open, dynamic society, one that has benefited enormously from American private investment as well as EU public investment. It has developed its 'can do' attitude largely thanks to American employers in Ireland, and also employers here in the USA of young Irish people, many of whom have now returned to develop telecoms and other businesses back in Ireland. I look forward to dealing with any questions you may have.

Thank you