

Office of the Director of
**Telecommunications
Regulation**

Presentation
by Etain Doyle, Director of Telecommunications Regulation
to the Joint Oireachtas Committee on Public Enterprise and Transport
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Oifig an Stiúirthóra Rialála Teileachumarsáide
Office of the Director of Telecommunications Regulation
Abbey Court, Irish Life Centre Lower Abbey Street, Dublin 1.
Telephone +353-1-804 9600 *Fax* +353-1-804 9680
Web Site: <http://www.odtr.ie>

Introduction

May I thank your Chairman for the invitation to attend today. I am pleased to have this opportunity to present to you key aspects of the work of my Office and the results we have achieved since we started eighteen months ago.

Overview

The ODTR is not a comfortable organisation. Its purpose is to upset the status quo in a very long established, and now very dynamic industry. It must do this not in an unthinking, arbitrary way, but radically and yet carefully within the law provided and recognising the rights of parties involved. This is an enormous challenge in a very fast moving industry, on which Ireland critically depends for jobs and prosperity in decades to come.

The ODTR is first and foremost pro-consumer. Within the framework provided by law, it takes its decisions having careful regard to the needs of consumers now and into the future. It seeks to enable the provision of consumer choice, and is strongly pro-competition. This best ensures improved standards of quality and price.

Over many years, Ireland has moved gradually away from the old and increasingly anachronistic model of State-owned monopoly, drawing on public funds to deliver telephony to increasingly large numbers of people. The New World of rapidly changing technologies requires very different investment strategies. That New World is capable of delivering an ever-widening range of ever-advancing services and it required a new approach. Key recent landmarks include the strategic alliance for Telecom Eireann, the opening of the market for non-voice services and in particular the early and full liberalisation of telecommunications on 1 December last.

These were major Government decisions, enshrined in legislation over recent years. The Minister for Public Enterprise and her Department are very busy still and will continue to be, preparing further legislation to sweep away the old framework and develop a new one appropriate to the Twenty-first century. It is essential to meet the ambitious but achievable targets Ireland has set itself in respect of telecommunications.

The new legislation included the setting-up of the ODTR, whose role is, within the legal framework, to dramatically change the market framework within which services

are delivered. 'Regulation' sounds conservative and routine but its purpose is radical. Regulators are appointed in respect of industries where it has been decided that there must be radical structural changes, and it is a regulator's job to ensure that the detailed framework for those changes is put in place and enforced.

In 1997 we took over functions from the Department of Transport, Energy and Communications, but 18 months on, few of these are still being managed in the same way as before. Indeed, between services that have been transformed and the development major new services which did not exist at all in the past, the ODTR Team has sustained a level of innovation and delivery that must have few parallels. If you would permit, I would like to pay tribute here to everyone who has contributed to our work over the last eighteen months. I am very conscious that we have a great deal more to do, and that, when we climb the mountain on our current worklist, we will just have a better view of the range of peaks we must conquer to catch up and get to the point where Ireland will have the regulatory framework for a leading edge telecommunications industry.

There is a list of all papers we have published since the Office started in 1997 at the top of your folder and we have passed to your Secretary a copy of each paper. There are 91 of them, also available on our web-site. Each of these documents represents changes in approach, reviews and papers for consultation, responses to consultation, new licence terms in draft and final form, decisions on new numbering codes and so on. It is a measure of the speed at which we must move that few of the 1997 or early 1998 documents represent current positions - they have generally been replaced by final arrangements or further updates, or in particular by the new arrangements for liberalisation and for television broadcasting. I may note that drawing attention only to this work on changing and developing the regulatory framework would do an injustice to my colleagues' substantial on-going work. For example - we have issued and renewed some 10,000 licences since the Office started, including 25 major General Telecommunications licences, each application for which requires extensive scrutiny. There were and 800 new radio link licences which range from relatively straightforward to very complex, and has doubled the total radio links in issue on the day we started.

Importance of the Communications Industry

The telecommunications sector is of increasingly critical importance to the economy and to the maintenance and development of economic growth. It has a role like the

I.T. sector, providing an engine for development generally. Indeed, being on the leading edge in telecoms is essential to safeguarding the I.T. industry.

The industry itself is growing rapidly but increasing attention is being given and rightly so to its function as the key support for e-commerce – business over the Internet. It is estimated that the employment impact of e-commerce in the EU will be three indirect jobs for each direct job created¹. This growth will focus on white collar, high-skilled jobs – technical, creative, managerial-administrative and direct marketing and customer service positions. These are areas where Ireland has done well in the past, and we have recognised our potential to capitalise on this for the future. The Minister for Public Enterprise set up an Advisory Committee on Telecommunications to recommend strategies to ensure Ireland becomes

“a global leader in the growth of information based employment and in the formation of Internet based industries an electronic commerce”².

Forfás, through the National Competitiveness Council’s report of November 1998³ recognises an urgent need to

“develop [Ireland] as an electronic commerce hub”.

IBEC, also in November 1998, recommended that Ireland should have

“a communications industry firmly established in the top quartile of OECD member economies”⁴.

Just last week, the Taoiseach has announced an action plan to implement the Information society in Ireland that recognises our intention to

¹ *Constructing the European Information Society*; Report of the European Union FAIR Project. (Forecast and Assessment of the Socio-economic and Policy Impacts of Advanced Communications and Recommendations); ACTS Programme (Programme for Advanced Communications Technologies and Services, established under the Fourth Framework Programme for EU research and technology development and demonstrations.

² *Report of the Advisory Committee on Telecommunications to the Minister for Public Enterprise*; November 1998.

³ *Statement on Telecommunications; A Key Factor in Electronic Commerce and Competitiveness*; National Competitiveness Council, Forfás, November 1998.

⁴ *Telecommunications After Liberalisation: Policies for Ireland*; IBEC, November 1998.

“take a lead position in the emerging world of electronic commerce, multi-media and content provision”⁵.

LIBERALISATION OF TELECOMMUNICATIONS

Liberalisation

The most concrete example of the commitment of Ireland to this new vision was the announcement in May of 1998 by the Minister for Public Enterprise, Mary O'Rourke TD, that Ireland would not wait until 1 January 2000 to liberalise the Irish market. Instead, Ireland announced its intention of joining its European partners by opening its telecommunications markets up to competition on 1st December 1998.

This is a sign of the new economic confidence of Ireland. Whereas previously we were concerned to ensure we had the time to “catch up”, we are now confident of our ability to compete, to achieve and, ultimately to lead in a sector that is one of the most dynamic and rapidly changing in the world.

I have to admit that the early announcement gave us at the ODTR a lot of work and a lot of late nights, but it was very welcome and we played our part in making it happen. That is what I'd like to speak about here today - the role the ODTR plays in this vision. I want to show our work is designed to assist and facilitate the development of the vibrant, competitive telecommunications sector that Ireland needs.

Competition in Telecommunications

The starting point in the work of the ODTR is competition in telecommunications. Competition is ultimately to the benefit of the consumer and it is with this in mind that the sector is being opened up. Competition throughout Europe is driving prices down, is improving quality of service and ensuring that the customer has choice – of service and of service provider. This puts the control of the agenda firmly with the customer.

⁵ *Taoiseach Announces Action Plan to Implement Information Society in Ireland*; Press release January 1999.

The real effects of competition for the customer can be seen most clearly in the dramatic decreases in call charges. Without sounding like an advertisement for Telecom Eireann, it is worthwhile noting that:

- A ten minute call to the US during business hours cost the consumer £6.67 in February 1996. The same call cost £2.99 in February 1999 – a decrease of over 55%;
- The same ten minutes spent on the phone from Dublin to Cork cost £2.19 and now it costs £1.04 – once again less than half the 1996 price.

I have no doubt that these reductions have been driven by competition. Telecom Eireann has, rightly, recognised the threat that competition poses to its business, and it is reacting in a manner designed to keep that business. It knows that low prices and good sense can grow the market, its revenues and its profits.

But it is not just price that demonstrates the effects of competition. The range of services available has also increased, particularly because of the digitalisation of the Telecom Eireann network. In 1997 TE had 92% of telephone lines connected to digital exchanges – up from 79% in 1995. This is a widely used indicator of the technological progress in telecommunications markets. Digitalisation allows a wider range of services to be delivered to the end user. Quite honestly, the end user now expects these services – voice mail, call forwarding, messaging services – they are no longer innovation, merely the basic service. This shows how fast this industry is moving and how competition has acted as a spur to Telecom Eireann in encouraging it to develop its range of services. Let us hope this trend continues in the area of electronic commerce and the information society.

Another very visible effect of competition is of course the emergence of new operators – competing operators – from whom customers can chose to take service. Once again I don't wish to sound like an advertisement for any operator, but it is very interesting to note the offerings they have brought out and watch their progress.

For example, many new operators provide per second billing and free itemised billing as standard offerings. They also provide one tariff rate per minute for all of Ireland⁶. This shows a welcome customer focus. The services offered by new operators are also usually fully digital, supporting the more advanced services I mentioned earlier.

⁶ Esat Telecom, Ocean

Customers can also avail of more advanced services including audio conferencing⁷, broadband LAN Interconnection⁸ and digital leased lines⁹.

Contribution of the ODTR

This is all positive. It shows that liberalisation – and the resulting competition - is beginning to yield results. However, the prices and services are provided by the industry, not by the ODTR. I want to talk to you about something a little more mundane – the backroom work that made this possible. That is where my Office comes in.

In the broadest sense, our job is to ensure fair play. That means putting in place the rules and practices that ensure fair play. It also means ensuring that fair play is *seen to happen*. This is needed for investor confidence and to encourage new entrants. These companies will only chose to locate and operate in Ireland if they believe they can do so on a level playing field. They need to know they will get a fair deal.

Within the framework of primary and secondary legislation adopted by the Minister, it is our job in some cases to write the rules, in all cases to communicate them to the market, and to ensure they are adhered to.

Licensing

The first task that faced us in May last year was the revision of the licensing regime then in place. My Office had inherited a regime designed for a monopoly environment, with limited exceptions. The environment was set to change – in six months time. We had to go back to first principles. Not least because Telecom Eireann was set to become a “licensee” for the first time.

I launched an intense and comprehensive consultation process immediately, starting with a public conference on 10th June 1998. Quite frankly, without that process we would never have been able to achieve what we have. We asked for and got very useful comments from interested parties within incredibly short timeframes. We worked intensively with a team of international consultants and our own home grown experts to build from the bottom up, a licensing model that has been welcomed by

⁷ Esat Telecom

⁸ Esat Telecom

⁹ Ocean

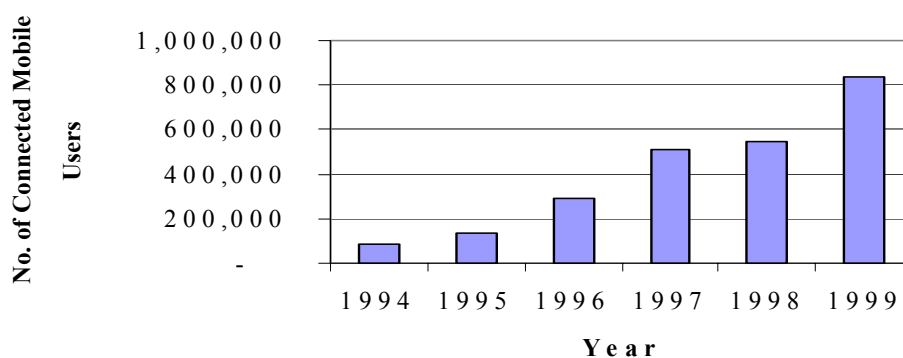
large international players as one of the most efficient in Europe. Not only did we write this regime before 1st December, we also published the licences, invited applications, evaluated them and issued 29 licences before the liberalisation date. This allowed the licensees to prepare, plan for and ultimately enter the market immediately on liberalisation.

This is the reason why, only two months after liberalisation we see real competitive offers already in the market place, and we see Telecom Eireann responding to the pressures of competition by introducing significant reductions in its own prices to customers.

Apart from the fixed market, we have also carried out substantial work on the mobile market. In the first few months, we finalised the licensing of the first mobile operator – Eircell – in order to put the two operators Eircell and Esat Digifone - on an equal footing. We also organised a competition for the third mobile licence. You will be aware that Meteor Mobile Communications was ranked first in the evaluation, ahead of Orange. There is however a legal challenge and it will be some time before there is a third operator in the market. From the point of view of consumer choice I am anxious to see that happen as quickly as possible.

The mobile market is one where the most dramatic effects of competition can be seen. It was not so long ago that mobile phones were still considered the irritating toy of the upwardly mobile young things. Now they are an essential tool for most of us in our daily life. The usage of mobile phones has risen dramatically in Ireland from around 80,000 in 1994, to nearly 300,000 in 1996, and is now rapidly approaching the 900,000 mark. These figures speak for themselves.

M o b i l e P h o n e U s a g e i n I r e l a n d



Interconnection

The second key area we had to tackle was interconnection. In order to compete in the telecommunications market in Ireland, the players in the market needed access to the network infrastructure of the then monopoly player - Telecom Eireann - to whom most subscribers are connected. Without that access, competitors simply could not operate, and consumers would not have a choice of service provider or products. Just as important as having the physical access is the rate at which such access is provided. International experience shows that the amount that new entrants pay to incumbent operators to carry their customers' traffic – the interconnection costs – can constitute up to 40% of the new entrants total costs.

From the beginning we recognised this as a fundamental issue that had to be addressed if competition was to flourish. So – what did we do about it?

Firstly, back in 1997, before the lifting of the derogation, we issued a statement clarifying the legal and regulatory conditions for access. This enabled the introduction of a new access mechanism that competitors could use in linking their customers to the TE network.

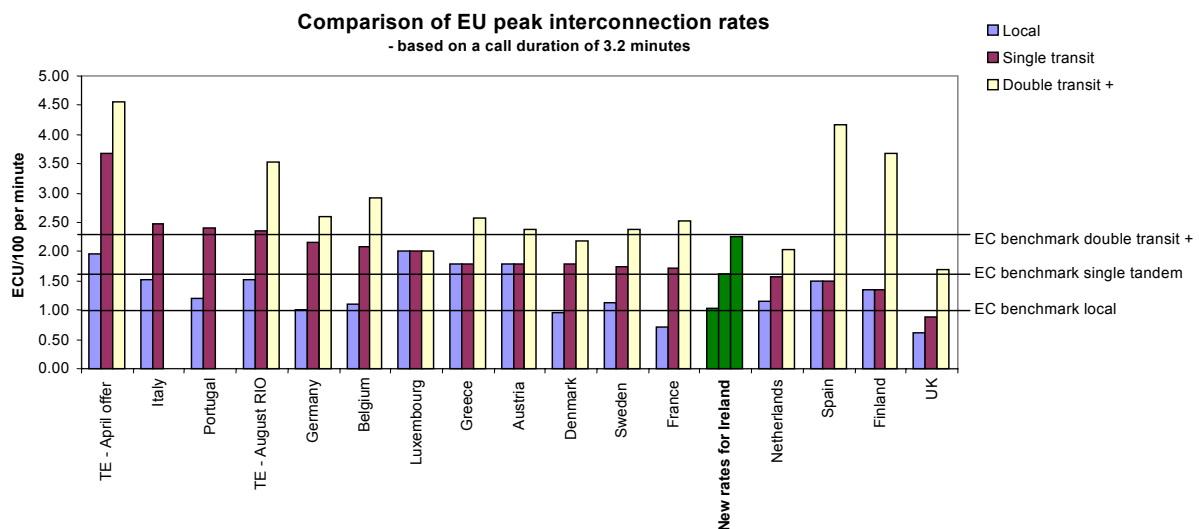
Secondly, and at the same time, Telecom Eireann introduced wholesale rates for the first time. These new rates resulted in a drop in charges to service providers of up to 50%. New entrants now had a larger “window” in which they could compete. The new rates, along with the new access mechanism introduced, allowed competitors to expand their target customer base as well as giving a strong signal for the future.

Next, we turned our attention to Telecom Eireann's Reference Interconnection Offer. This was required to be published and the precise framework in Irish law was fixed by the Minister in secondary legislation in January 1998. The RIO is a “catalogue” for competitors. It sets out TE's stall of services and the charges for those services. Individual operators can then choose the elements they require to build their services and negotiate a specific agreement with TE on those issues. TE's first RIO covered only mobile and a limited service for incoming international calls. Following the process laid out in the regulations we sought justification from Telecom Eireann, while also developing our own views as to what might appropriately be included in the RIO. As part of this process we undertook an extensive consultation on the TE

RIO resulting in its re-publication with a considerably expanded range of services in August 1998. This let competitors start to plan their own launch for 1 December 1998 secure in the knowledge as to what services they could have.

The next target for our attention was the rates quoted by TE in its RIO. Work on this had already commenced with the engagement of international consultants to assist my office in reviewing Telecom Eireann's cost accounting system. This system forms the bedrock of many of my decisions, not only on interconnection but also on accounting separation between activities where TE is dominant and where it is not, questions of discrimination, retail pricing and many more. I must be satisfied that TE has a system of cost allocation that is objective and transparent and which can be relied on to produce accurate data.

On foot of this review, and with Telecom Eireann's co-operation, new interconnection rates were set in time for liberalisation on 1st December 1998. These new rates brought the TE rates just within the best practice range in the European Union.

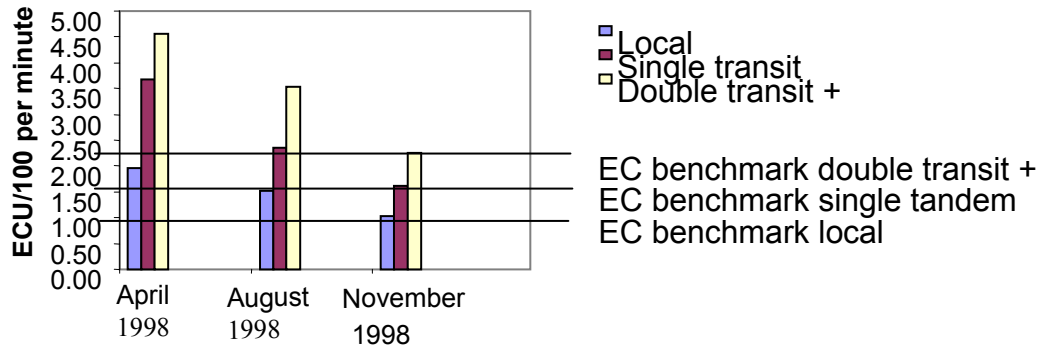


Source: Official Journal of the European Communities July 1998, ODTR November 1998

This was a huge improvement on where they were. Overall, the interconnection rates that TE charges have reduced by about 50% since April 1998.

With inputs from interested parties we are working on refining the rate. Indeed the review and amendment of the interconnection rate and range of services is one of the key new services of the ODTR which we will carry out on a regular basis in the coming years.

Comparison of Irish peak interconnection rates based on a call of 3.2minutes



The examination of TE's system has led to a significant further work stream for my office and I will come back to this later.

Numbering

A third large piece of the jigsaw is numbers. Maybe it sounds like kindergarten arithmetic – there are only ten digits after all – but these are as essential to a telecommunications operator as the cable he puts in the ground or the piece of equipment his customer uses. Without equal access to sufficient and adequate numbers, new entrants would be severely disadvantaged when providing service.

Numbering is also one of the aspects of regulation which has a direct effect on consumers, in particular when it is necessary to change telephone numbers. This has to be done to prevent a shortage of numbers for new lines.

My office has completed a number of critical tasks. May I draw attention to the following in particular?

- Responsibility for day-to-day management has been fully recovered from Telecom Eireann
- A major public consultation was held in 1998 on management and development of the numbering plan, and allocation of numbers to new entrants:
- Arrangements have been made to introduce a simpler method of access to Northern Ireland which will come into effect later this year:
- Number changes have been implemented in six areas of the country to ensure that there continues to be an adequate supply of numbers for new lines:
- Systems have been set up for allocating numbers to new licensees:
- Carrier Access and Carrier Selection codes have been allocated to allow easy access to the services of new licensees:
- Directory Access codes have been allocated to allow choice and competition in directory enquiries services:
- A Task Force comprising industry and consumer representatives was formed to examine some difficult numbering questions:
- Mobile numbers were successfully changed from six to seven digits, to prevent a shortage of numbers with the massive growth in mobile usage:
- Last month a consultation was launched on the subject of number portability which will enable consumers change operator without changing their number or adding codes.

With radical changes in the industry, and the massive growth in demand, number changes are inevitable. Following consultation, and further feedback to my office from both industry and consumers, I have decided that where number changes are implemented, they should be done in a manner that minimises the likelihood of further changes in the coming years. This is specifically to avoid the experiences of other countries where customers have been faced with the inconvenience and expense of repeated number changes.

Other elements of the liberalisation framework.

On 1 December, we had the key elements in place to get the market started. However, we are very conscious that much more needs to be done, including some very major items. As for each half of 1998, we have published a work programme for the next six months. I would like to come back to that at the end of my presentation here today. The types of issues we are addressing include:

- The licensing of the use of wireless in the local loop:
This is a valuable technology in encouraging competition for users where the laying of wired networks may not be economically feasible. Even where it is economically feasible, the use of radio can allow the earlier delivery of service, as it is much faster to roll out. We carried out a public consultation and are in the process of preparing tender documentation for a competition for licences which will issue very shortly.
- Unbundled local loop:
This is another form of “access” to the telecommunications network of the incumbent – TE, which enables competitors to take end to end control of customers business, and which is very useful as competition starts. In line with our usual approach we will be consulting widely on the issue before we come to final conclusions on availability of unbundled local loop, technical issues, costing of access etc.
- Interconnection:
We are continuing our examination of the TE cost accounting system and propose to launch a major public consultation on this issue in the near future. We will be setting a timetable for the movement to new accounting practices based on Long Run Incremental Costs that we expect will lead to even further reductions in charges to service providers for the use of the TE network. We will also be examining issues such as accounting separation – that is the publication of separate accounts for different business units in Telecom Eireann. This study will give rise to a further range of issues that will be raised in the consultation process.

BROADCASTING

Introduction

Broadcasting is going through a similar revolution to telecommunications and its transmission is converging with telecommunications. We are responding to this

challenge in regulatory terms, and seeking also to resolve some very long-standing problems in the sector. I am happy to say that real progress is being made, albeit slower than I would like, reflecting the complexity of the problems and the range of different parties involved.

The broadcasting industry in Ireland is a major employer through the activities of direct television and radio broadcasters – RTE, TnaG and the commercial sector. It is estimated that there are 2,800 directly employed in TV and radio excluding employment in independent production houses. In addition, cable and MMDS companies directly employ about 800 people, arranging for the transmission of television and radio services to some 550,000 households.

My office is not directly involved in the activities of broadcasters – functions in that regard rest with the Minister for Arts, Heritage, Gaeltacht and the Islands, the RTE Authority and the IRTC. It is our job to regulate the transmission of the services to the consumer. The allocation of frequencies over which broadcasters can operate and the planning of such frequency use rest with the ODTR.

Cable/MMDS

The updating of the regulatory framework for the cable and MMDS industries has been a major concern, a task that is now nearing completion. Detailed legislation for the cable industry was drawn up in 1974 and for MMDS in 1989. In each case the television retransmission industry was significantly different from conditions today. The possibilities of delivering other services by means of the relevant network did not exist. The licences currently held by cable and MMDS operators are unsuitable for Ireland as we move into the twenty-first century.

The key to the benefits of new technology is the digitising of data. This allows a much greater quantity of information to be transmitted or broadcast than is currently the case and opens up the possibility for a greater number of services. In the context of television this can be considered in terms of a greater number of television “channels” or stations. Not everyone may want too many extra channels, but the possibilities to catch up on programmes on 'delayed start' services and to follow-up on minority interests are among the possibilities which may win many supporters. It is

also possible to deliver services such as telephony, internet and other interactive services utilising the increased capacity.

When the ODTR was established in mid 1997 one of its priority tasks was to open up the licensing framework so that the opportunities presented by digital advances could be harnessed. I commissioned a report by NERA/Smith in August 1997 and published it the following April. It provided information on future options for broadcasting transmission in the context of the development of digital technology. Arising from the NERA/Smith report and the comments received from a wide range of sources in July 1998 I set out my views in a paper entitled "The Future of TV Transmission in Ireland – The Way Forward. Following on NERA/Smith, the current licence framework was examined and found to be unsatisfactory in a number of respects. The claims to exclusivity on the part of the MMDS operators, if accepted, would constitute a major obstacle to the development of competition, which is necessary, if the end users of services were to fully benefit.

In that paper I indicated that I was strongly minded to authorise cable and MMDS for the carriage of digital television services only on the basis that the principle of competition is accepted. I subsequently invited all licensed cable and MMDS operators in franchises of over 1,000 subscribers to submit business plans for the development of digital television services. 5 companies did so in late September – the remaining licensees, all cable operators, are very small systems for whom digitalisation may not be appropriate.

In examining the business plans I engaged KPMG (London) to advise me on the commercial and financial aspects of the plans and to provide advice in relation to licensing terms which might reasonably be offered. The business plans were unacceptable in a number of respects. I appointed a facilitator to explore whether the plans represented the final position of the companies or if it might be possible to find common ground where our regulatory concerns would be met.

Following consideration of the plans, the presentations made and the discussions I decided that it would be appropriate for me to offer to the five companies the opportunity to take up new licences in place of their existing ones. Accordingly I made this offer at the beginning of December. At this stage four of the companies have indicated their agreement in principle to do so. I have passed the text of a new regulation to the Minister for Public Enterprise, whose consent is needed in order to

bring the regulation into law. The remaining company has not accepted the terms and appears not to be prepared to accept them. I have passed the papers to my solicitors, who are writing to the company.

I have included a copy of the recent paper and press statement in your folder, giving the full position about the licences. But I might summarise the main features of the proposed new licences as follows:

Licence duration	15 years
Exclusivity	Limited to 5 years only and only within platforms – i.e. possibility of other licensed forms of TV distribution is not precluded. Subject also to delivery of roll-out
Service Obligations	Licencees will be required to roll out digital services in accordance with individual plans which will identify relevant milestones in terms of network build out and service provision
Consumer Interests	Licencees must specify a code of practice regarding complaints and price control will apply to basic services on both cable and MMDS

DTT

The NERA/Smith Report also outlined some of the possibilities presented by Digital Terrestrial Television (DTT). In September, the Minister for Arts, Heritage, Gaeltacht and the Islands announced the Government's plans for the introduction of DTT and the arrangements that she will provide for by way of legislation. My Office is responsible for the creation of the licence framework equivalent to that for cable and MMDS - covering the transmission issues to the consumer. We will be working to ensure that the optimum picture and sound quality will obtain on DTT through the specification of technical standards. The ODTR will also be aiming to ensure that the frequency available for DTT is utilised in the most efficient manner possible.

When DTT is available it will provide consumers with the possibility of real choice in advanced multichannel television. The advent of competition between Irish service

providers (Cable/MMDS and DTT) will ensure that development in terms of service quality, variety and price will take place specifically tailored to the needs of Irish consumers.

Deflectors

The Committee will be aware of the activities of deflector operators and the issues surrounding their operations. I indicated in my July 1998 paper on the Future of TV transmission in Ireland that, in view of the number of consumers currently served by deflector operators and in order to avoid market disruption, I am minded to provide for the licensing of these operations in the interests of providing access to multichannel television. I also indicated that limitations of deflector systems, which include inability to provide universal service and no guarantee of quality, would make it inappropriate to rely on such systems in an advanced telecommunications sector for Ireland. The development of competing digital platforms and services and the requirement of spectrum by DTT and the roll out of the national services do not auger well for the long term viability of deflector operations. Licences for deflector operators would therefore, of necessity, be of short duration or would be subject to withdrawal at short notice, as the development of national platforms –mainly DTT – requires additional spectrum.

My Office is currently finalising its examination of the issues surrounding deflector licensing and I intend to issue my proposals in this regard for public consultation during March. My intention is that following a period to allow comments to be received and considered, and taking account of any matters arising from them, I would be in a position to publish a scheme for handling deflector applications. Any scheme would require a regulation, and this requires the consent of the Minister for Public Enterprise.

Pirate Radio

On pirate radio, we have taken a wide range of steps as envisaged in the legislation, but we have not been in a position to launch the kind of operation necessary to really deal with this problem. We have been pursuing several lines of action, but the legislation, with its concentration on equipment that is small and mobile, is not helpful in this regard. It should be recognised that it is quite easy and inexpensive to acquire the necessary equipment for pirate broadcasts. Moreover it can sometimes be difficult to identify the operators and the physical location of some transmissions.

This is due to the transient nature of illegal broadcasting and the tendency of these stations to move about on the frequency bands.

In cases where pirates were causing interference to other licensed operators, or the emergency services they have responded to our approaches and ceased to cause interference.

We have also concentrated on the commercial viability of the pirates. We regularly contact advertisers identified to be using the services of pirate radio and alert them to the penalties involved. Most companies, when informed of the situation and the penalties involved, are only too willing to co-operate with this Office.

I may note that the penalties for pirate radio activity, ranging up to £20,000 and two years in jail are far heavier than those which apply for the far more lucrative telecommunications licensing area, where successful pursuit of wrongdoing by the ODTR through the Courts would result in a maximum fine of £1,500.

Chairman of the European Radiocommunications Committee (ERC)

Ireland participates in a number of international bodies both at European and at global level for the purpose of developing policies for the harmonisation and standardisation of technical and licensing regulatory procedures for all telecoms services. The European Radiocommunications Committee (ERC) is one of the three main committees of the European Conference of Postal and Telecommunications Administrations. It is the forum in which the 43 member states of CEPT develop European policies and co-ordinate radio frequency allocation and associated matters. I am happy to say that Patrick Carey, one of my senior officials has recently been elected chairman of ERC for a three-year term. This appointment is both a great achievement for Pat personally, and an honour for Ireland.

Other Key Items Carried Out/Under way and Future Plans

Resources - Annual Report and Accounts

The ODTR has been operating mainly on the basis of staffing assigned by the Department of Public Enterprise and very extensive consulting inputs in law,

accounting, economic, commercial and specialised technical telecommunications expertise. In recent months it has initiated its own recruitment, including a financial controller, human resources manager and legal adviser, and must increase its specialist base significantly in the near future, within the total number - 90 - approved by the Department of Finance. Unlike many organisations which spend their first few months establishing their organisation and plans, the ODTR had to go straight into business and is only now developing the organisation which is essential to achieving consistent and timely delivery of quality regulation on the scale required. The annual report and accounts are nearing completion. Discussions with Comptroller & Auditor General just finished this week. . If there any activities from the first twelve months you would like to see covered in detail in the Annual Report, we are just finalising the document for publication at present, so now is the time to let us know. It is in this report that we account for our activities and we would be most anxious to ensure that it meets your needs. Subject to that, we can finalise and get the document printed for presentation to the Minister. She in turn will present it to the Oireachtas. I expect that will be possible in March.

Non-ionising Radiation

Since my attendance here last April, we have completed and published our compliance audit. This covered the activities of the 5 MMDS companies, Telecom Eireann, the two mobile phone companies and RTE. The report has proved a very popular paper and has been well received for its clear and accurate presentation. In addition to the report, the whole of the audit papers are available in NETC for examination by the interested parties. Briefly, the conclusion is that all companies passed the meticulous audit tests and stringent assessments by the auditors. Where any matter however minor, came up it was drawn to attention and the auditors checked again that it had been corrected before giving their final assessment. Two masts were found have emissions at levels above the guidelines in places close up to the masts, where the public could gain access. These were the RTE radio masts in Athlone and Tullamore. The problems have been dealt with and I am pleased to draw to your attention the compliance statement of RTE, on page 36 of the report which notes that they have employed a compliance officer and invested in state-of-the-art measurement equipment to maintain the standards themselves. We are considering our 1999 action at present and I will come back to this under Future Plans.

Other Compliance Audits - Mobile Phone Coverage of ESAT Digifone, TE Price Cap

ESAT Digifone coverage was tested early in 1998 and found to meet its contractual requirements. TE price reductions were investigated for 1997, and were well within its price cap (ODTR 10/98). I may note that the Minister for Public Enterprise has very recently asked us to conduct a review of the price cap in accordance with the legislation.

Spectrum Management - Spectrum Recovery and Table of Frequency Allocations

We completed a significant recovery programme in 1997/8, which has freed up spectrum for re-use in 1999 for new links. Programmes of recovery of spectrum and full updating to current standards have been agreed with General Licensees, so that everyone will operate on a level playing period. We published a Table of Frequency Allocations for first time in 1998. This gives the industry vital information on what spectrum is available and for what purposes.

Future Plans

We established the practice at the beginning of last year of publishing a programme of major deliverables in the coming six months. Our current six months programme is included in your folder. I should note that it is not a full programme of activities. As indicated before, on-going work does not feature in it, and it does not include work - in-progress. If we will not be finished with something until, say September, we do not refer to it in the period to end June. I have to say that the timetable is indicative: given organisation and resource issues on the one hand, and the fact that we are dependent on co-operation from others, we cannot write our dates in stone.

Before running through the items on the list, perhaps you would let me know of any items you would like me to cover, and perhaps allow me say something about non-ionising radiation, which is one of the work in progress items.

As requested:

Financial - Interconnection and Accounting issues

Market Framework issues

Market Operations issues

Market Development

Conclusion

Within the legal framework set by the Oireachtas and by the regulations adopted by the Minister, we consider ourselves very lucky to have the job of regulating so dynamic and exciting an industry for the benefit of consumers now and into the future.

We are very conscious that, although we are running quite fast and have a substantial track record already, it is not yet fast enough to meet the needs of the industry and consumers. We are working on a reorganisation which will streamline our efforts and a new recruitment drive shortly will help build up our resources to the minimum needed.

We are delivering on an open, transparent style of regulation: all key areas are subject to public consultation and report. In the run up to liberalisation in particular, we had to shorten the period for consultation very considerably given the deadline of 1 December, and I would like to thank everyone who co-operated with us in making that delivery possible. I want particularly to thank the members of the Working Party on Numbering, which included representatives of the industry and of consumers and who contributed enormously to our smooth introduction of numbers for liberalisation. Licence texts and guidelines are publicly available for all new licence types issued by the Office. We publish our work programme, and our web-site is kept fully up to date. In working on their applications, we communicated with a number of our newest telecommunications licensees completely on e-mail. This is appropriate for a regulator in the telecoms sector, and we would like to be able to accept and process all applications for licenses by e-mail. We are working on complaints handling procedures to ensure that all are handled as efficiently and effectively as possible, and will be publishing draft papers on this, the first of these in the next few weeks. As already indicated our Report and Accounts will be available soon. I hope that this

summary has been reasonably comprehensive, but if there are other matters you would like me to cover, I would be very pleased to deal with them in so far as I can.

Thank you

-ENDS-