



Office of the Director of
**Telecommunications
Regulation**

'A Leading Edge Regulator for a Leading Edge Industry'

**Speech by Etain Doyle,
Director of Telecommunications Regulation**

**to the
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Seminar at the**

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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
www.odtr.ie**

Introduction

Chairman, Ladies and Gentlemen; thank you for the opportunity to speak to you on this most important issue of performance management development. It is a great pleasure to be in UCC at this event, promoted by the Department of Government. I was delighted to accept Professor Collins' invitation because the subject is one that is of interest to me both on a personal and a professional basis. I understand that the Department of Government works closely with other Departments here at UCC, and I must say that we have great belief in the need for such cross-functional expertise. We have recently recruited two members of your graduating class from last year and we will be happy to consider other applications from similarly qualified graduates in the future.

I firmly believe that the issue of "Excellence through Performance" is critical to continued success and development of Ireland. It is an issue not just for the public sector but equally as importantly in the private sector. I also believe there are many areas where that each sector can learn from the other. In talking to you today I want to briefly describe the background to the Office of the Director of Telecommunications Regulation and our experience in setting up that Office and driving the development of a flexible, committed and dedicated team of regulatory experts. I am also interested in hearing today how the civil service wide Strategic Management Initiative is progressing.

Background

Just to outline the background to the ODTR briefly, it was established under legislation passed at the end of 1996 and started up on the 30 June 1997, to meet an EU requirement to set up an independent regulator to deal with licensing and the management of the telecommunications market. Its' remit covers all kinds of transmission networks, whether copper pair - the traditional telephone wire to your house - cable, which covers anything from your TV 'cable' to huge capacity undersea fibre optic cables - radio whether used by a taxi to keep in touch with its base, by a deflector or MMDS operator to provide TV services or by a mobile operator to provide voice and data services. As the types of service 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.

The speed of development in telecoms is startling and an outline of the position in mid 1997 reads like ancient history. Key issues in the first year include

- the introduction of a pricing regime for alternative operators for connection to the incumbent network
- a regime for alternative infrastructure and DCS1800 licensing
- a fresh approach to thorny issues such as deflectors
- an approach on digital TV licensing
- the development of the ODTR itself.

We were planning for full liberalisation at the beginning of 2000, but of course that changed rapidly when in May of 1998 the Minister for Public Enterprise, Mary O'Rourke TD, announced that Ireland would be moving to a fully open telecoms market from 1 December 1999, a full 13 months ahead of the previously planned date. We made it, and the market has moved on smartly from there as is indicated by the following few points.

Recent Market Developments

Yesterday we published our most recent quarterly review. Total revenues for the fixed, mobile and broadcasting markets are now over IR£1.85 billion a year - an increase of over 10% on previous estimates. Given the steady reduction in prices during the past 12 months, the growth in traffic volume should comfortably exceed this figure.

Competition in the fixed line market continues to develop at a rapid pace. We now estimate that the new entrants' share of the fixed line market has climbed to over 15%. 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.

In the mobile market, the prospect of a third operator has already precipitated greater competition in the marketplace with both Eircell & Digifone announcing substantial reductions in their tariffs, reducing the cost of on-net prepaid calls by up to 50%. Mobile penetration in Ireland has now reached half the total population and is still growing. We look forward to seeing Meteor enter the market before Christmas, and of course are working on 3G licensing.

There are now more mobile lines (1.86m) than fixed lines, (1.59m) an indicator of where the future will lie in telecoms.

During June and July I issued the first series of narrowband and broadband licences to eircom, Esat Telecom Princes Holdings Ltd., and Formus Communications. These companies now have the capability to deliver services to homes and business without using the eircom network or building expensive cable network. I am pleased to note that most of the companies are already providing service on a test basis to some of their clients and I look forward to full operation of these very important services.

Current tasks

Very briefly, at present our major tasks are to increase choice and quality in the mobile market by licensing 3G: to do so in the fixed market by unbundling the local loop, to provide additional licensing for wireless local loop and for digitalising standard business radio with Tetra: to press for better performance in circuit delivery from eircom and deal with other disputes between operators that threaten or prevent strong, effective competition: to complete a series of interventions in the mobile market to review and if necessary reduce pricing for interconnecting with mobile networks.

Organisational developments to date

When the ODTR started it was staffed by 45 civil servants on temporary assignment from the DPE, organised in traditional professional and administrative streams, 10 levels, 13 grades and with separate units in each stream dealing with Telecommunications, Radio and Broadcasting as separate activities. The ODTR recognised early on that this was not appropriate to its needs and the old separations into radio/telecoms/broadcasting were broken down and replaced over time with

multi-skilled, project based teams, initially including a large number of consultants to cover skill gaps in the ODTR. Most of this civil service group has now returned to Departments and I would like to pay tribute to them for the work done at the ODTR, and indeed to thank Brendan Tuohy for his advice and assistance in dealing with the issues. At this point the ODTR has 70 staff, mainly recruited directly, and including some of the civil service group who elected to stay with the ODTR long term. Most of the staff were recruited in the last eighteen months and we are still recruiting, to raise our numbers to 90. Again I would like to thank all current staff for their hard work in bringing the organisation to where it is today.

In developing our organisation and staff to deliver excellent performance, it is essential for us to be clear on the purpose of our work, the values that need to permeate it and the vision as to where it is to lead. With these defined, it has been possible to work out the implementation programme, the specific performance goals and tasks to be accomplished and the programme for ensuring that everyone knows how to manage for performance and it actually gets done. This work is very much in line with the way that the Strategic Management Initiative has been developed.

The ODTR approach

From the date of establishment the ODTR has sought to marry the Government's strategic vision for the communications sector with the internal organisation and structures necessary to achieve that vision. This is being achieved by:-

- Setting our ambition to match the national goal - get to the leading edge, not just edge into the third or second quartile.....
- Creating and publishing work programmes focusing on outputs
- Creating multidisciplinary teams and using cross-functional expertise
- Availing of external consultancy support
- Working on a project basis
- Looking and listening externally - consulting and publishing extensively
- Simplifying processes
- Focussing on 'delivery - quickly'

Setting the Goal

When you set the target for the communications sector at best in the world as the Government has done - and may I say I fully support this ambition - you need to think and act radically if you are to achieve your goals.

In an uncertain, rapidly changing and may I say it, litigious world, contingency plans need to be laid, an alternatives quickly developed to seek to keep up the necessary pace. This puts substantial strains on individuals and on teams, and without the appropriate human resource policies and supports it will not be possible to keep up the necessary sprinting pace over the long distances needed.

Starting in 1997, the ODTR undertook a series of seminars and workshops for staff to assess the needs of industry and the strategic response required from the office. The need to look outwards and understand the needs of the users and market and the tools needed to serve them was of particular importance. The seminars were facilitated by external experts and included industry specialists with international perspectives and in-depth knowledge. In 1998, we moved towards developing an initial corporate strategy using a group comprising external advisers and the senior managers in ODTR, together with seminars open to all staff. This plan was completed in mid 1999 and set out our mission and programme for the ODTR, indicating what we needed to commit to doing to play our part in meeting the Government's goal of making Ireland an e-commerce hub within Europe.

It included a programme for a new, flat organisation structure organised on functional lines reflecting market priorities –

Market Development division to consider what new developments need to be taken into account by the ODTR and to develop market intelligence

Market Framework division to devise and implement licensing programmes for all kinds of service

Market Operations division to ensure that the market functions as it should, dealing with new forms of access such as unbundling the local loop, pricing, complaints and disputes

Finance and Regulatory accounts to deal with our own finances and with regulatory accounts and interconnect pricing for the market

Human Resources to provide the policies and programmes to support a leading edge organisation

Senior Legal Adviser - a very important role in a complex legal environment and with a litigious industry!

As we moved towards completing the programme of basic measures that every regulator must set up to meet EU requirements for the market, and began to recruit our own staffing and to put the new organisation in place, we needed to consider our direction and push out the boundaries again. From last November, we undertook a series of workshops facilitated by an external consultant with the aim of developing the mission and programme for the ODTR. We defined a more comprehensive new purpose statement, which seeks to encapsulate the vision of the ODTR into more concrete terms. This is expressed as:-

“Regulating with integrity, impartiality and expertise thereby facilitating rapid development of a competitive, leading edge telecoms sector that provides the best price, choice and quality to the end user, attracts leading edge business investment and ensures ongoing social and economic growth. .”

Supporting the statement of purpose we identified core values and a vision that support our work and our approach to handling issues.

Core values

The ODTR core values are

- Integrity, Professionalism, Impartiality, Effectiveness,

These may sound like motherhood and apple-pie, but living by them requires every member of staff to think of and act in accordance with them every day.

- **Integrity** - making a decision in the best interests of the consumers who will not really understand the technical issues of radio frequency allocation or separated accounts for example, when it would be easier to chose an option more favourable to operators who understand only too well and complain loudly about your actions:

- **professionalism** - making sure that you have considered all the different expertise and views that should be taken into account in making your decision:
- **impartiality** - maintaining your perspective on what the issues are in the centre of a maelstrom of persuasive views and opinions:
- **effectiveness** - prioritising appropriately and devising simple, effective solutions: proactively seeking out and removing barriers to the development of the industry.

We have held a series of meetings involving all members of staff about these values and what they mean in their own work context and our performance management system includes consideration of how effectively staff are promoting these values.

Vision

The vision can be simply stated - to be a leading edge regulator for a leading edge industry. There is a great deal to be done to realise this vision, and we have split up into a series of projects. I propose to concentrate on the development of human resources today, but we need to make progress on all of them to achieve the necessary result.

Recruitment

We have had to fill significant skill gaps in such areas as legal, economic and financial expertise. To address these gaps we sought to build from the top down by recruiting key staff members who in turn would recruit their immediate reports. We advertised widely and very quickly realised that the market that we sought to regulate was also our greatest competitor in terms of staff recruitment. We had to offer something less tangible than stock options but which would entice key staff to work with us. We found that the challenge of working in a multi-skilled regulatory environment with people from many different backgrounds, in a sector as dynamic as communications, in an economy as vibrant as Ireland was sufficient to attract many, if not yet enough people to consider the positions on offer. It has been critical for us to be able to offer straight-forward remuneration including performance based bonus mirroring best practice in the private sector, although necessarily without the possibility of share options. We do not have incremental scales or grades which are clearly a turn-off to the candidates we wish to attract and retain.

Even so, it is not easy given current employment market conditions and the fact that there is no pool of skills to draw on for the vast majority of our highly specialised activities which we have started from scratch in Ireland.

Organisation

The organisation is flat and work is carried out in multi-skilled project teams. Few problems come into the ODTR with a label saying - 'I am an engineering or an accounting problem' and even when they do, we need to consider if we believe that an engineering or accounting solution will best serve users. We need to be able to respond flexibly to what is needed in the market, and project teams are formed and disbanded regularly to reflect needs. Staff need to be able to identify how to come to grips with complex issues requiring a range of specialist inputs and work out potential options and robust solutions in close collaboration with their colleagues. This is a major challenge, but also a feature that attracts many of the staff at the ODTR.

Performance Management

Having defined goals for the organisation for a whole, we set up development programmes involving all staff on leadership and self management designed to increase personal effectiveness. We also ran a series of programmes on performance management and what it means for staff. This provided the basis for developing performance programmes for all staff involving one-to-one meetings to consider how the organisational goals should be specified for each person and identifying clearly tasks and programme responsibilities. This programme started at the top and cascaded down the organisation. It has been a new experience for some, not for others and will take some time to reach full effectiveness. It has been very helpful in ensuring that every member of staff does get personal attention, if just for half an hour once a week or a fortnight from their manager, an opportunity for both to raise and resolve issues together. We have many specialised professionals who have limited experience of managing staff and the programme has been as important in enabling managers recognise that they have responsibilities they must fulfil in encouraging,

developing and managing staff as in clarifying goals and tasks for those reporting to them.

The performance management programme is important in the consideration of salary and bonus, but this is by no means the major or only consideration. As I have indicated, there are frequent one-to-one meetings for all staff with their managers, as well as the normal more general briefings. This helps demystify and reduce the pressures surrounding an annual review. It also ensures that any difficulties with the work are dealt with rapidly and we can achieve greater effectiveness.

Putting it into Practice

We want our staff to be involved in the wider picture and to see where their contribution helps to achieve the overall purpose and vision.

We have made great use of the skills of our HR professionals in our progress to date. But it is the job of each manager to take responsibility for the implementation of our excellence model in their day to day work and in the achievement of the overall work programme of the office.

As part of the individual performance setting and review cycle we now make explicit reference to the core values of the organisation and the performance objectives. All staff now understand that performance review includes specific review of the core values.

We have supported this with leadership training appropriate to the development level of the individuals concerned and we encourage all staff to participate in further training. We regularly review and monitor on a one to one basis the progress that individuals are making not just in terms of performance achievement but also in terms of personal development.

We support this with a performance based bonus system that is designed to promote the values and the vision that we seek to achieve. This can range up to 15% of salary

depending on the degree of control over outcomes and bonus paid is based on the relative and absolute performance of staff members.

We have a great deal to do in our very young organisation in terms of training and support for staff in meeting the challenges they face each day. By looking outwards at the needs of the market and seeking to respond to them, we believe that we have so far made a good start to achieving our goal and developing the organisation to support it. The ODTR is now used as a showcase by the EU to demonstrate what is possible within a short period of time. One downside effect of this is that my staff could spend a considerable amount of time, if it were available, informing study groups how we have managed in the time available and with the limited resources at our disposal.

Before I close, I would just like to touch on the wider issue of accountability.

Every democracy has personnel in institutions that are appointed by Government but that are independent of Government once appointed. The Director of Public Prosecutions, for example, is independent of the Department of Justice in our democracy. We reserve this delicate space for those institutions where independence *and perceived independence* are paramount. Such independent bodies are free from the pressures of lobbying. They are mandated to take a long-term view and must do so with confidence.

Such perceived independence is particularly necessary in the new liberalising telecommunications market in Ireland. Consumers and investors alike must see that the regulator has the strength of character not to be buffeted off course by vested interests.

Since it started, there have been concerns expressed that as an independent regulator, the ODTR

- may not be accountable *and* was insufficiently independent in its actions
- is moving too fast *and* is moving too slowly
- is too powerful *and* its enforcement powers are almost non-existent and its procedures and appeal mechanisms too cumbersome

- is imposing too much control on incumbents *and* is not pushing them hard enough.

The level of disagreement can be explained by looking at the particular interests of those making the comment at any time. The people my office is ultimately serving – the consumers of Ireland – have not yet had the time to become familiar with the tangible effects of a liberalised market.

While the “accountability” of long established institutions is occasionally debated there is no strong sense of democratic deficit. This is because – despite the complexity of their work - there is a fairly clear public understanding of what these institutions are trying to do. They are “accountable” to the public through their demonstrable pursuit of their stated aims.

The same relationship with the public does not *yet* apply to the three year old ODTR.

Its business is an entirely new domain in Irish public policy. While we are still in the early stages there is growing recognition of the benefits of an Independent Regulator in a liberalised market.

Given the speed of technological change much of the debate has almost inevitably been somewhat remote from general public discourse. The players engage in intense and well-informed debate but this largely passes over the heads of the consumers - whom the ODTR ultimately serves.

The EU plays a major role in shaping the telecommunications regulatory framework and regulator's work programme, and key debates take place in Brussels rather than in Dublin.

This said, the ODTR *is* accountable and it operates within a legal framework debated and agreed by the Oireachtas. This point could be underlined by a legal provision on attendance at Oireachtas Committees.

With the passage of time and with greater understanding of the driving force behind the work of the ODTR, any apparent “democratic deficit” will be reduced. When the wider public become used to enjoying the benefits of deregulation in more practical terms, the role of the Office of Telecommunications Regulation will become clearer.

Market regulation is about fundamentally upsetting the status quo in a sector... and ensuring that no new status quo cements itself into place. It involves liberalising the provision of services and ensuring that such parts as remain monopolistic are required to meet competitive standards while competition develops.

After that, the winds of the marketplace will lead us where they will.