



ComReg Presentation to Oireachtas Communications Committee

Mobile Market Issues

2nd March 2005

ComReg's objectives for the Irish mobile markets

To enhance competition in mobile markets to provide consumers with more choice, innovative products and services, and at competitive prices

To support the consumer by taking a range of initiatives which promote the informed consumer and enhance consumer welfare

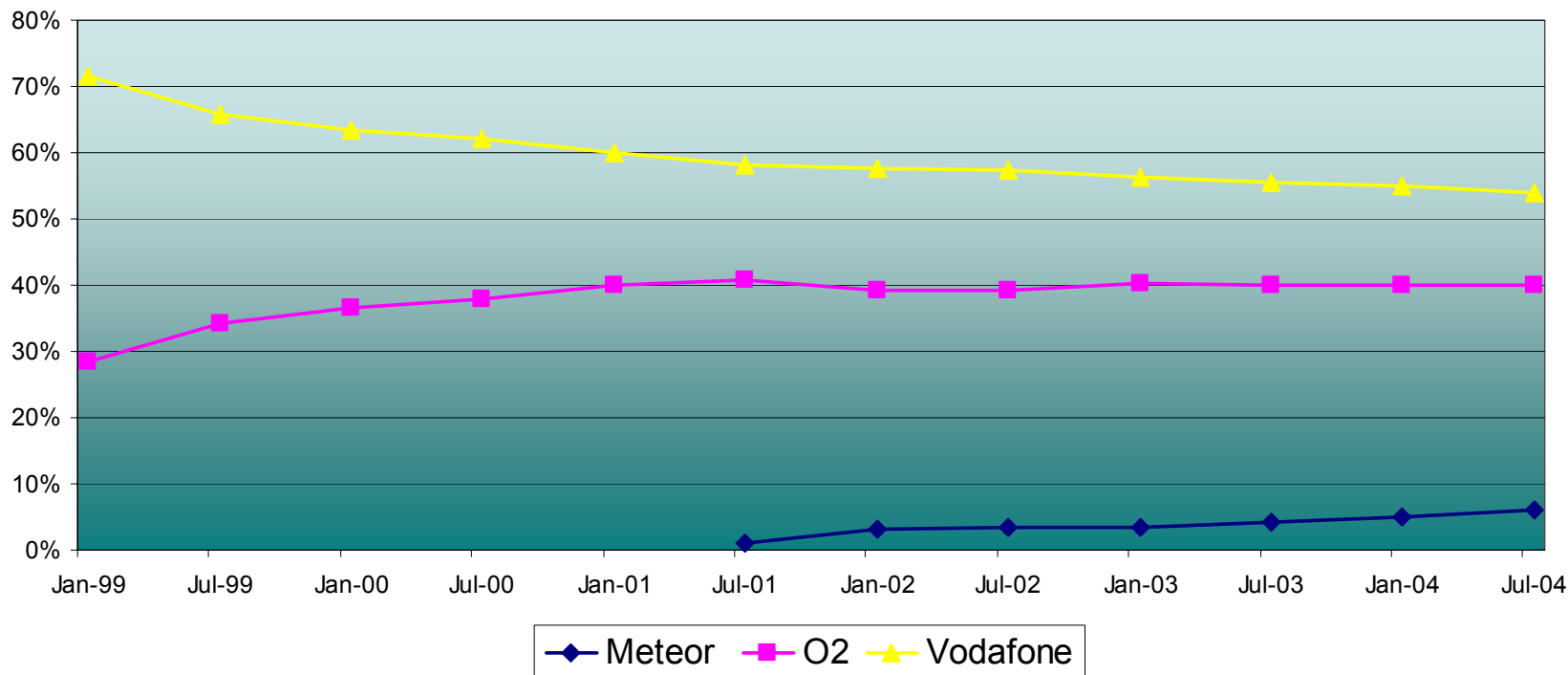
ComReg's aim is to benefit consumers through enhanced competition in Mobile markets

Criteria important to assess competitiveness:

- How many operators are there and what are their market shares?
- How do pricing and profitability compare with other markets?
- Are the fringe competitors likely to disrupt the current market equilibrium?

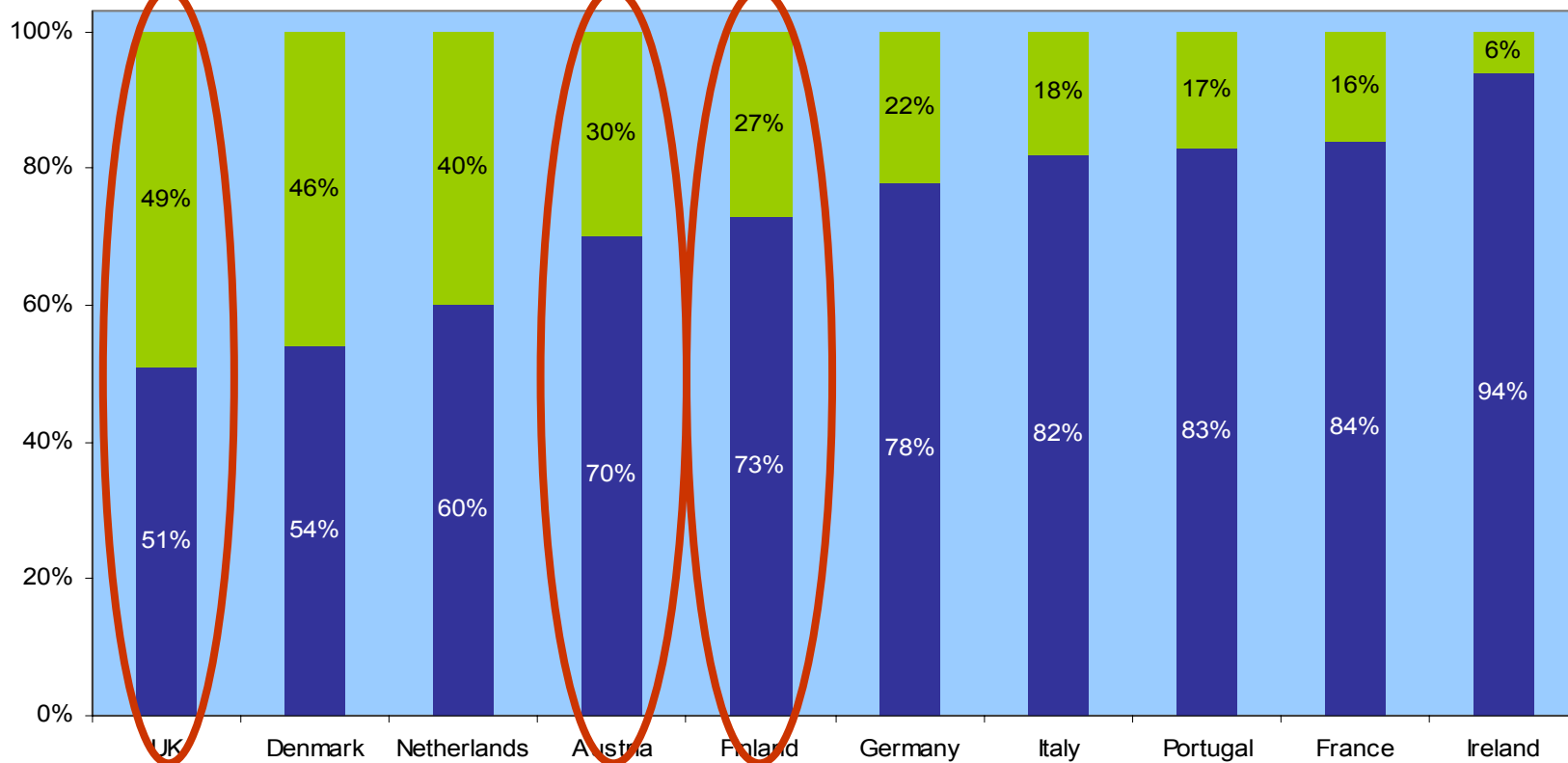
Market Shares Stable and high degree of Market Concentration

Market Share - Total Number of Subscribers



How does this compare across key European markets

Mobile Market Shares- 2004

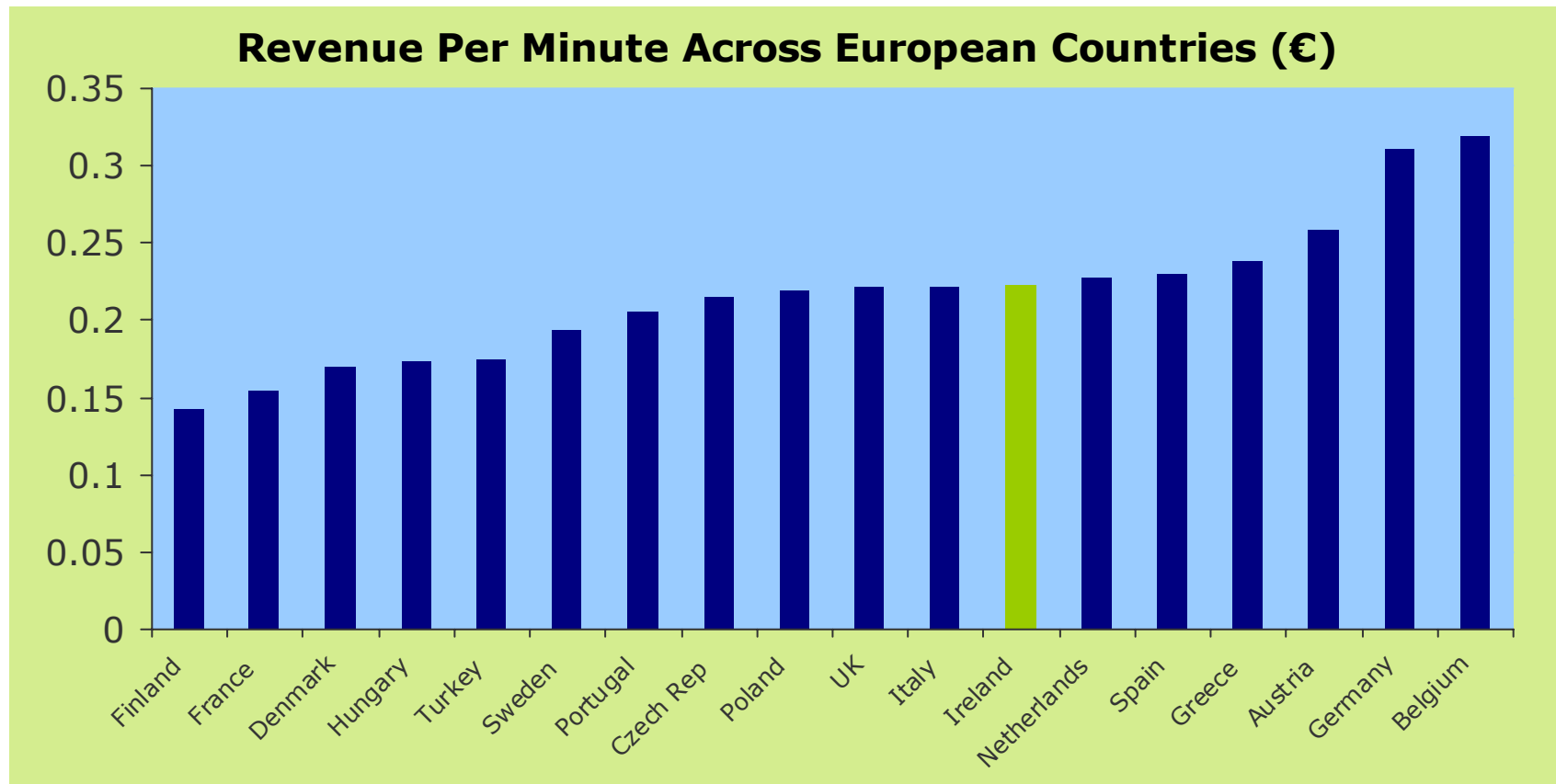


Should talking more mean you pay more for mobile services?

Country	Monthly MOUs	Monthly ARPU
Finland	247	€35.26
France	213	€32.80
Ireland	198	€47.00
UK	144	€31.98
Germany	74	€22.96

Source: Global Wireless Matrix, Q204, Merrill Lynch/ComReg data (US\$ ARPUs converted at €1= \$1.22)

Irish Revenue Per Minute is High



Source: Global Wireless Matrix, Q204, Merrill Lynch/ComReg data

Profitability of Irish operations higher than other subsidiaries for Vodafone and O2

6 months to 30/09/04	O2 Group	Vodafone Group	O2 Ireland	Vodafone Ireland	O2 UK	Vodafone UK	O2 Germany	Vodafone Germany
Turnover	£3.3bn	£16.8bn	€401m	£406m	£1.8bn	£2.56bn	€1.18bn	£2.78bn
EBITDA Margin	25.90%	39.20%	37.90%	48%	28.50%	33.30%	18.60%	46.90%
ARPU	N/A	N/A	€46.66	€51.00	£23.50	£26.50	€30.92	€25.41

Actual and or Potential Market Constraints

▪ **Fringe Competitors**

▪ Meteor

- 3% market share of mobile revenue at end of June 04
- 6% market share of mobile subscribers at end June 04 of which, 8% share of pre-paid market, less than 1% share of post-paid market.

▪ **Potential Competition**

- '3' entry expected in 2005 however will not have first mover advantage (UK 3 launched first mover after 2 years – 2% MS)
- MVNO condition in '3's licence – not likely to impact during 2 year lifetime of the review.

What are ComReg's proposed measures

ComReg's objective is to apply light-handed regulation that is appropriate, flexible and responsive:

- National Roaming

- ComReg called for in original consultation
- Agreement between O₂ and Meteor effective 1st September 2004
- Signs of Meteor gaining market share
- Agreement between Vodafone and '3' in December 04

- Indirect Access (ie MVNOs)

- Preference for Commercial Negotiations
- Evidence of demand from other Operators for access
- Next stage of development for mobile market

Why do ComReg believe MVNOs are appropriate remedy?

■ Benefits for Network Operators

- Boost network traffic, use spare network capacity, allow the operator to concentrate on high value segments such as business customers.

■ Benefits for customers

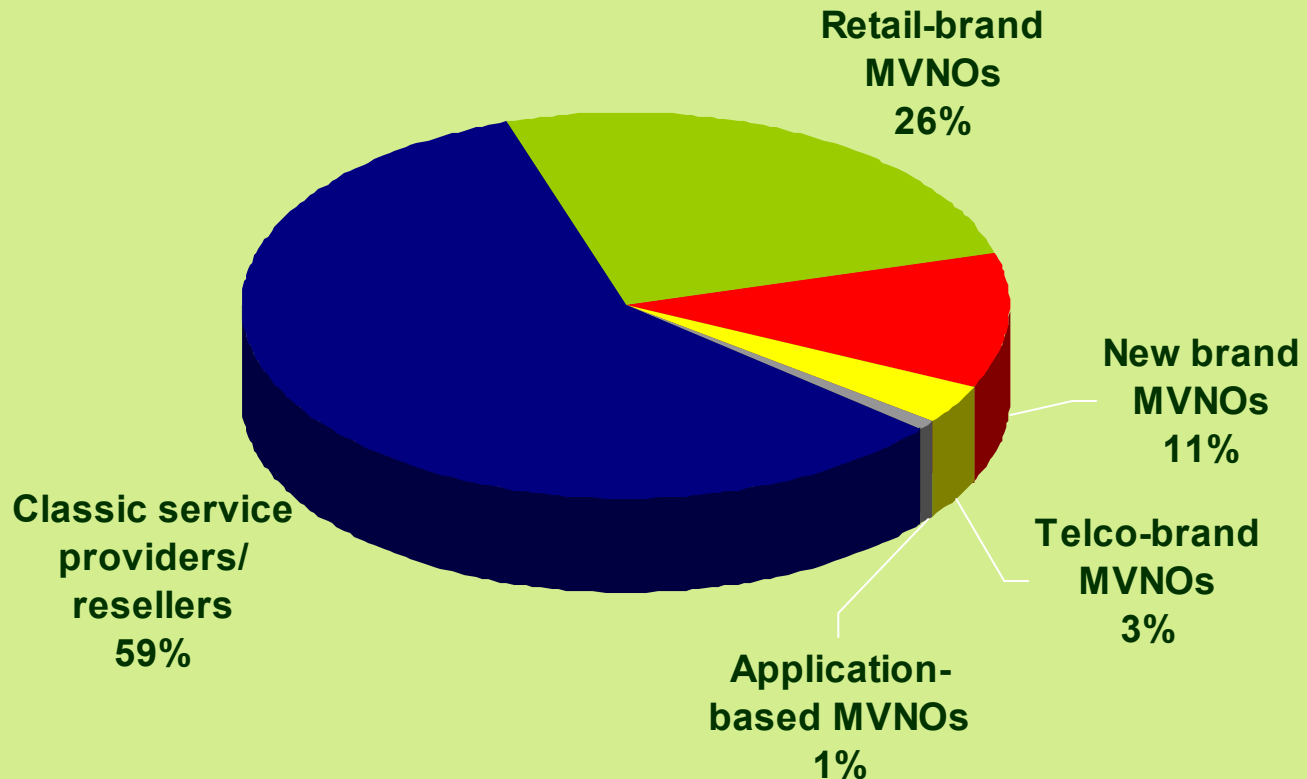
- MVNOs can leverage experience in other markets, like fixed, to offer a wider range of bundled services to consumers
- MVNOs can help stimulate price competition as has been the case in Scandinavian countries where prices have dropped by as much as 25%
- It is a rational next step:
 - “In an industry with an increasingly complex value chain, one such business model that offers tremendous business potential and economic value proposition to the industry’s value chain is the Mobile Virtual Network Operator (MVNO) services model”

What has been the impact of MVNOs in other markets?

- Denmark: MVNOs have gained approx 23% of the market in the last 12 months have reduced prices by 20-25%.
- Sweden: Eight MVNOs with 4% of the market.
- Finland: Currently 12 MVNOs with a market share of approx 11%.
- UK: MVNOs have 12% of the market. Virgin Mobile main MVNO worth approx 7% of the market, Virgin looking at launching into the post paid market to build on success in pre-paid. MVNO deals also involve joint marketing arrangements with operators like Arsenal Mobile, Tesco Mobile

MVNO: 10% of all Mobile subscribers in Europe use an MVNO

2004 European MVNO Distribution by Type (33m subscribers in total)



Source: Strategy Analytics

ComReg Steps in Market Review on Mobile Access & Call Origination

ComReg obliged to consult nationally on proposals
ComReg also obliged to seek the views of the Irish Competition Authority, other European Regulators and the EU Commission.
EU Commission have power to veto decisions related to market power



Competition Authority view that intervention by ComReg was justified in this mobile market

EU Commission endorsed ComReg finding on the mobile market and considered that ComReg had not exceeded its discretion in its prospective analysis of the market

ComReg Code for Tariff Presentation

- Transparency of prices required by USO Regulations. ComReg duty to ensure availability
- Following consultations (Jan and June 2004) ComReg published a code to be followed by operators
- Code requires that price information is;
 - o Accurate
 - o Comprehensive
 - o Accessible
- Decision notice effective from 1st Oct '04.
- ComReg will commence out a review of compliance with the code beginning April '05 (six months after implementation date).

Examples of ComReg Interventions for Consumers

ComReg Actions on Industry Over-billing

- Required each company to provide a detailed report on the cause, nature and extent of issues
- Required that every consumer be contacted and account credited + inconvenience credits in many cases
- Required external / independent audit in many cases
- Continuous monitoring through Consumer Line contacts

Informing Consumers

- Development of www.askcomreg.ie
- Publication of Consumer Guides

Development of an Interactive Tariff Website

- **ComReg signalled its intention to develop an online interactive tariff guide in October 2004**
 - residential/non-business consumers
 - featuring fixed, mobile, dial up and broadband internet tariffs
 - will also highlight non-tariff considerations e.g. tips when shopping around
- **Main Objectives**
 - ***Inform consumers*** through the provision of independent advice
 - ***Drive competition*** through enhanced price awareness and resulting market response
- **Project status**
 - Preliminary briefings with industry – general response positive
 - Dec 2004 tender issued for website developer
 - Currently in discussions with a 'preferred' supplier
- **Target date for completion – Q3 2005**

Tariff Transparency : Layout of the site

