



Office of the Director of
**Telecommunications
Regulation**

MEDIA RELEASE

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Consumers will demand more from the liberalised telecoms market - Regulator looks forward to this development.

Consumer prices continue to fall

Other Licensed Operators now represent almost 7% of fixed Line Market

Etain Doyle, Director of Telecommunications Regulation today (22nd March 2000) launched her second annual report and accounts for the period (1st July 1998- 30th June 1999) in Dublin. She also issued a quarterly review of the Irish Telecommunications market (December 1999- February 2000).

Speaking in Dublin, the Regulator Etain Doyle said, “ The face of Irish Telecommunications continues to change at a pace and speed that is unprecedented in any other sector. ”

She continued “I believe the level of public interest and understanding of the telecommunications sector is also poised to make a quantum leap forward. As consumers become more familiar with the new choices they face, there will be many new demands on this office. Ultimately it is the consumer we serve and whereas to date debate has largely been industry driven it is my belief that this is about to change. I look forward to this day.”

With carrier pre selection already a reality since January 1st 2000 and number portability to commence on 1st July this year, competition in the residential market is set to rise. Already the consumer is reaping the benefits of continued market development. Prices have fallen following liberalisation with new players in the market. Eircom has also responded with price reductions. For example

- A ten minute call to the USA during peak hours cost the consumer £2.99 in March 1999. The same call cost £2.30 in March 2000. This represents a 23% reduction
- A ten minute call from Dublin to Cork cost £1.04 in March 1999 It now costs £1.00 – a 4%reduction.
- A ten minute local call during peak hours cost 46p in March 1999, now costs 38p – a 17% reduction.

Eircom's competitors are also aggressively reducing prices.

The Director welcomed the steady growth in the overall fixed market, which has been spurred on by buoyant demand in the economy. Despite growing competition from the mobile market, the number of main lines increased from 1.6 million in March 1999 to its current figure of over 1.77 million, an annual increase of over 10%.

The ODTR estimates that the new entrants' share of the fixed line market has increased to between 6% and 7%.¹. This represents a significant increase on the 4% figure reported in our December review.

Quarterly Review

In her quarterly review of the Irish Telecommunications Market, an initiative designed to keep consumers, industry, and other interested parties up to speed with key market developments, the Director said “ Rapid growth in the mobile and Internet markets, coupled with steady developments in the fixed sector has attracted new start ups and established international players into an increasingly competitive field.” The Irish Telecommunications market for 1999 was valued at £1.66 billion an increase of

almost 10% in the previous year. This represents approximately 2.5% of GNP, a figure that is comparable with the rest of Western Europe.”

Undoubtedly, the biggest growth rate in the telecommunications market has been in the mobile and Internet sectors. Almost one in two people now have mobile phones representing an estimated 1.7 million users, comparable with most other European Countries. The sophistication of the services offered has also increased with both operators providing “WAP” based technologies allowing users to access the Internet using their mobile phone.

Internet usage in Ireland is estimated at about 22%, almost double the level fifteen months ago. In this area we still lag behind our European counterparts. However, experience has shown that once penetration reaches 15-20% of the market, it then grows very rapidly.

The business sector continues to attract the most vigorous level of competition with much evidence of aggressive pricing strategies by the lead operators. Again the principal beneficiary is the customer as operators strive to innovate and satisfy demand by offering better value, quality and choice.

In the residential sector competition is also increasing with several operators now offering a variety of services. It is expected that competition from the new wireless local loop operators will further enhance competition at a local level. In addition cable companies are making sizeable investments in order to upgrade the existing network. This will enable them to offer a range of services including cable TV, telephony and high speed Internet access and others.

An additional four General and four Basic licences were awarded during the quarter, bringing the current total figures to 44 and 26 respectively. To date, 24 of the 44 General licensees and 19 of the 26 Basic licensees have commenced operations offering a variety of telephony and network services both to Irish and international users.

¹ This estimate is based on data provided by eircom’s competitors for the quarter to 31 December 1999 and the unaudited interim accounts for eircom to 30 September 1999

In February, 19 successful applicants for television deflector licences spanning 249 frequency channels over a wide geographic area were awarded new licences. This is a positive step towards the provision of a competitive television service.

Proposals for the future licensing of private and public digital trunked radio (Tetra) services were launched. Tetra is a mobile communications service that can deliver a broad range of public and private networks. It is proposed to offer two licences.

Third generation mobile services or UMTS is a key development in combining mobility of communications with broadband services. A project team is in place, and has a mandate to facilitate the early licensing and roll out in Ireland of UMTS. An industry workshop is planned for 18th April. After consultation with industry it is expected to run a competition, following which the ODTR expects to be in a position to offer licences by end of February 2001.

The Director made a second determination on Significant Market Power during the quarter. Eircom was designated as having SMP in the fixed, leased lines and interconnect markets. Both Eircell and ESAT Digiphone were designated as having SMP in the mobile market, with Eircell also being designated in the national market for interconnection.

The ODTR seeks to ensure that the consumer gets the benefits that competition should bring at the earliest opportunity even before competition is fully developed. The price cap introduced just before Christmas requires Eircom to reduce the overall price of a basket of services by 8% (increased from 6%) before inflation every year for the next three years.

New rules were announced for Internet Service Delivery enabling lower prices for the consumer. These principles govern the costs that Eircom can and cannot recover from other operators for use of its network.

January 2000 saw the introduction of Carrier Pre Selection (CPS) which allows the consumer to select different operators for all or some of its outgoing calls. Three pre-

selections are available 1) International Calls 2) National Calls 3) All Calls. A customer can select any option individually or a combination of the first two with either the same operator or different ones.

Number portability is the ability of consumers to keep their telephone numbers when they change their network operator, their location or their service. January 1st 2000 saw the introduction of non- geographic number portability. This refers to free phone or low priced numbers(e.g. 1-800 or 1-850.)

Annual Report 1998/ 1999

Commenting on the 1998/1999 annual report for the financial year ending 30th June 1999 the regulator said, “it was a particularly busy one for the ODTR”. She outlined just some of the highlights of that year. Telecommunications and broadcasting delivery liberalisation was achieved in this year and very substantial progress was made in developing the regulatory framework, driving Ireland forward towards the top of the league of open and liberalised markets in Europe.

The Office is funded wholly by income received from the broadcasting, radio and telecommunications industry. The income of the Office doubled in 1998/99 to £11.4 million. Licence Fee income totalled £7.2 million in 1998/99. This was also the first full year of operation of the telecommunications levy (introduced in April 1998) which generated income of £3,162,000.

Total expenditure amounted to £11.1 million. The Office generated an Operating Surplus of £162,000 which is payable to the Central Fund i.e. the Exchequer, at the discretion of the Minister for Public Enterprise.

The Director, Etain Doyle concluded, “ My role as regulator is to ensure that the market can deliver what consumers need now and into the future. This means taking a strong competitive stance and providing for as much choice as possible. It is my duty to make it easy for service providers to enter the market, to create a simple and transparent licensing regime, to ensure low interconnection rates and to ensure that all players respect the regulatory framework in order to benefit consumers.”

ENDS

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The full report ODTR 00/21“ The Irish Telecommunications Market – Quarterly Review December 1999- February 2000 is available on the ODTR website (<http://www.odtr.ie>).

The 1998-1999 Annual report “ Breaking Barriers, Facilitating Innovation”can also be viewed on the ODTR website (<http://www.odtr.ie>)