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Commission for Communications Regulation

ISOLDE GOGGIN
COMMISSIONER FOR COMMUNICATIONS REGULATION

COMPETITION IN THE COMMUNICATIONS MARKET –

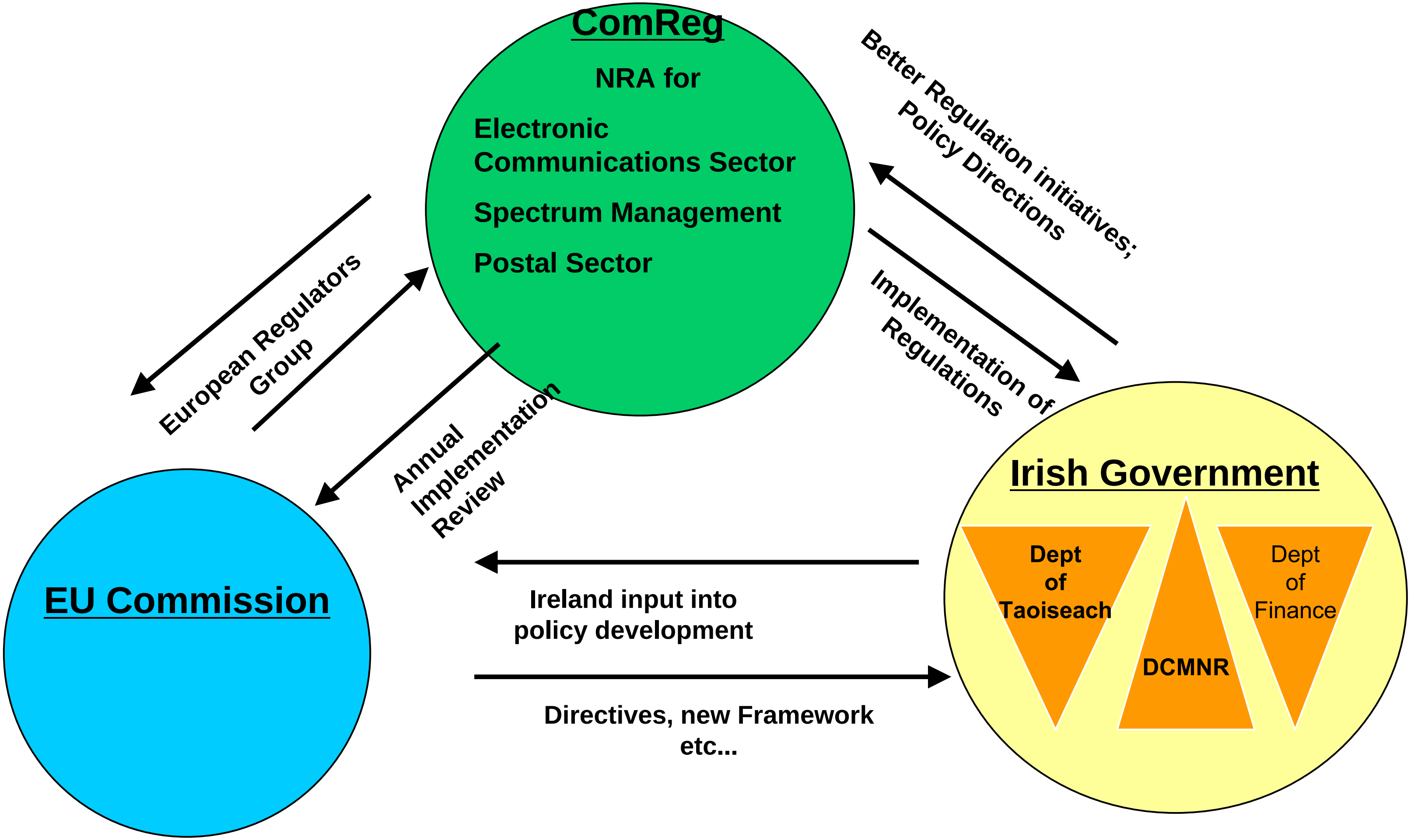
THE CHALLENGES AHEAD

19/10/2004

Outline of presentation

- What we do for a living (as opposed to what people think we do)
- State of sector: it’s not all the one story
- The new regulatory framework and the challenges it poses
- What we really ought to be worrying about …
- … and some conclusions

COMREG'S KEY RELATIONSHIPS IN LEGISLATIVE FRAMEWORK



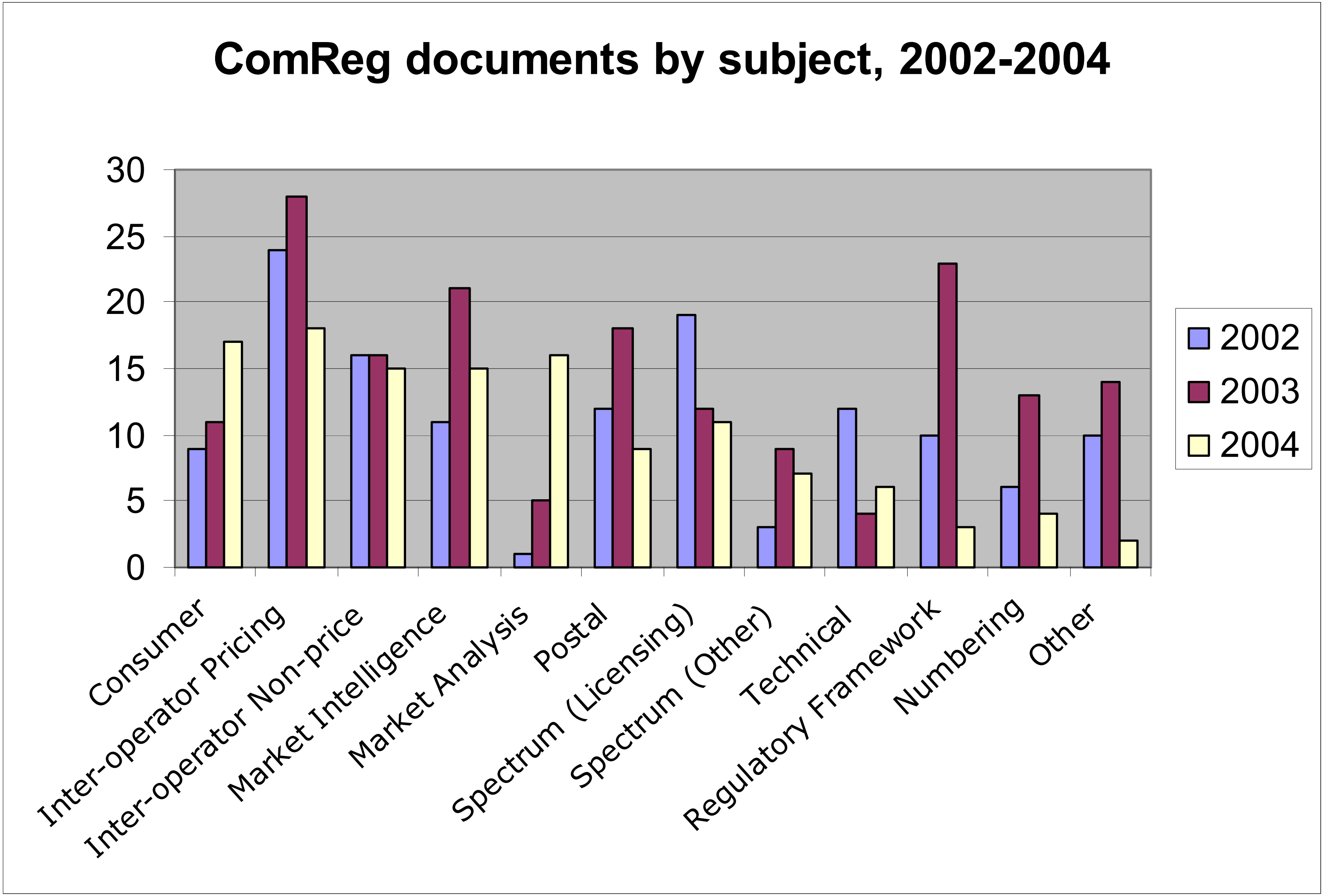
Objectives of the Commission

- **Electronic communications networks and services:**
  - Promote competition
    - Choice, price and quality for users; no distortion of competition; encourage efficient investment in infrastructure and promote innovation; encourage efficient use and management of radio spectrum and numbering resource
  - Contribute to development of internal market
    - Remove obstacles to provision at Community level; encourage TENs; no discrimination; co-operate with others (NRAs, Commission) to ensure consistent application of Community law
  - Promote interests of users
    - Access to universal service; consumer protection; data protection; tariff transparency; access to internet at reasonable cost; needs of specific social groups, including disabled users; integrity and security of public networks

Objectives of the Commission

- **To ensure the efficient management and use of the radio frequency spectrum and numbers from the national numbering scheme in the State [...]**
- **To promote the development of the postal sector and in particular the availability of a universal postal service within, to and from the State at an affordable price for the benefit of all users**

Our remit covers a wide range …

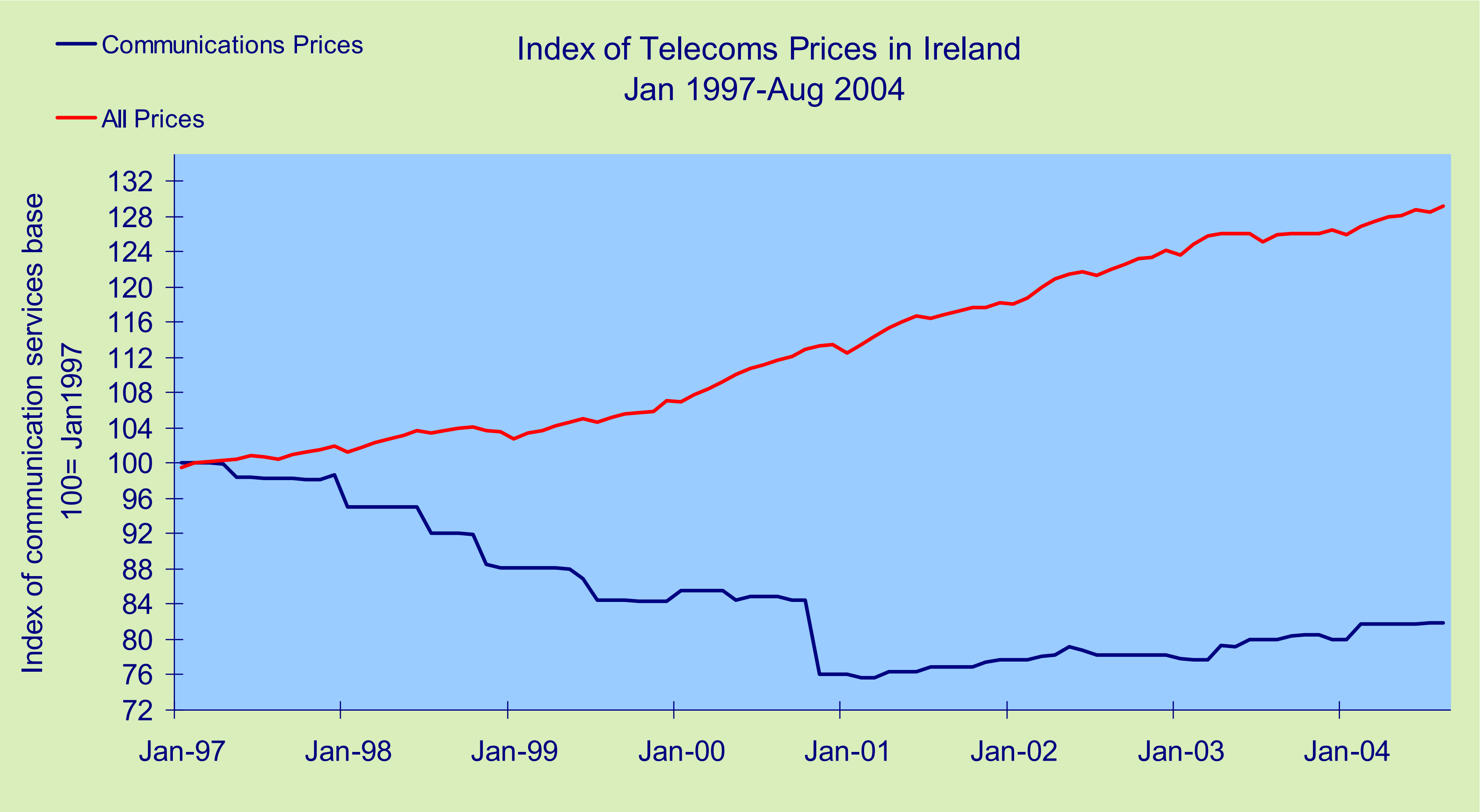


Funding of ComReg

- **Sources of income:**
  - Telecoms levy (“administrative charges”)
  - Postal levy
  - Spectrum fees
  - Wireless Telegraphy administrative fees
- **In 2002/2003, costs incurred in telecoms regulation were greater than the levy earned**
- **Administrative charges must only cover administrative costs – and must be imposed in objective, transparent and non-discriminatory manner**
- **“Separated accounts” in 2002/2003 accounts**

Pricing Trends- Overview

In contrast to the index of prices for all goods, which has gained 30 index points since Jan 97, prices for communication services in Ireland have decreased by almost 19 points over the same period.

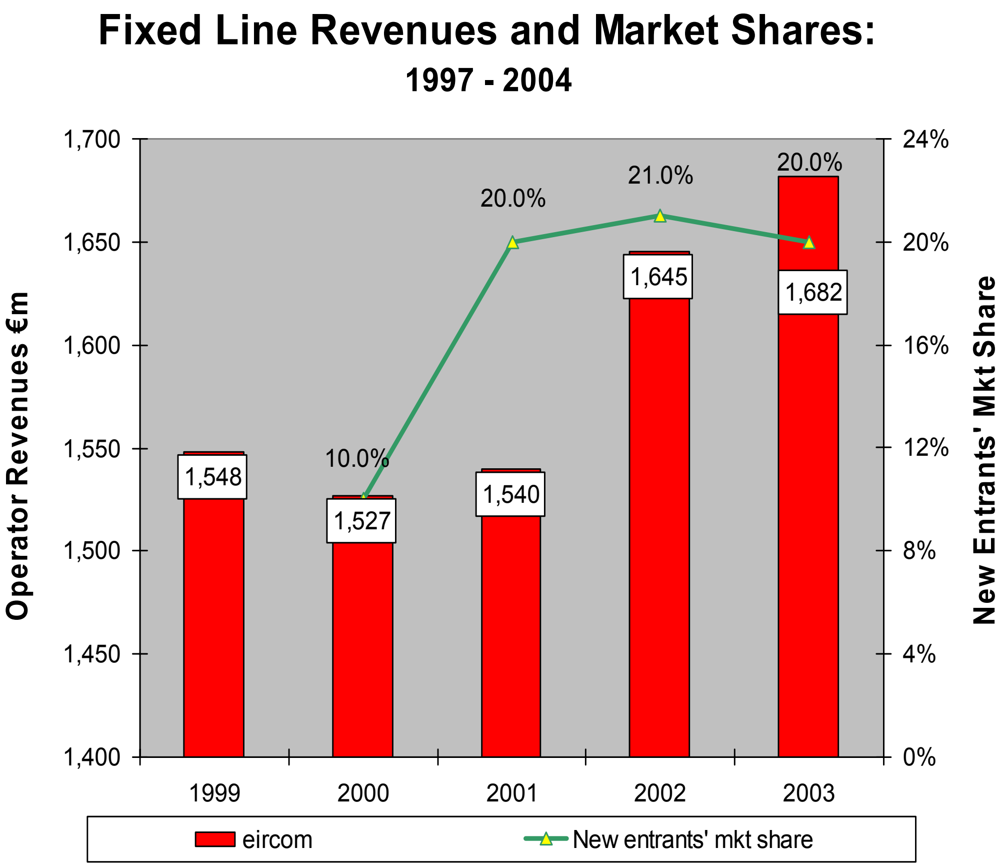


Fixed Line Markets

- As a % of the total Irish communications market, the fixed-line market accounts for:
  - Approx. 56% of revenues
  - 75% of employees

- In terms of market share, *eircom* currently accounts for about 80% of the market:

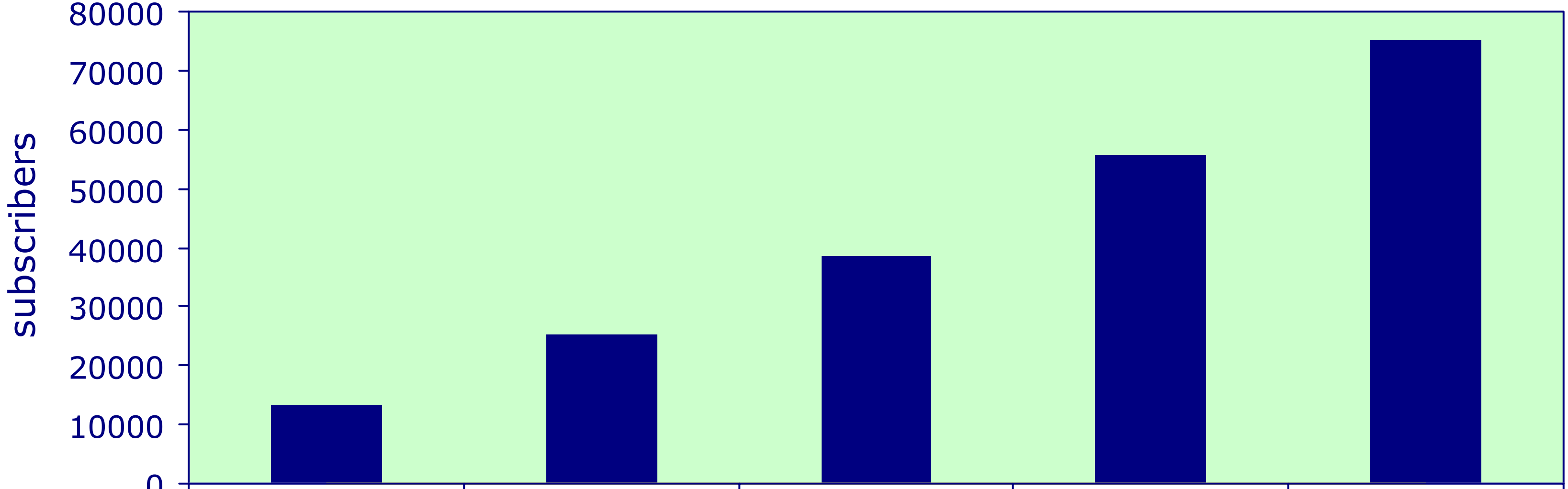
- Most fixed-line competition to eircom has been from CPS operators/resellers.



Sources: eircom's bond document July 2003. ComReg's Quarterly Key Data reports

Growth of DSL Take-up

- DSL subscriptions show strong growth over last 12 months to September 04, with subscriptions to DSL increasing by 462%, following substantial price decreases.

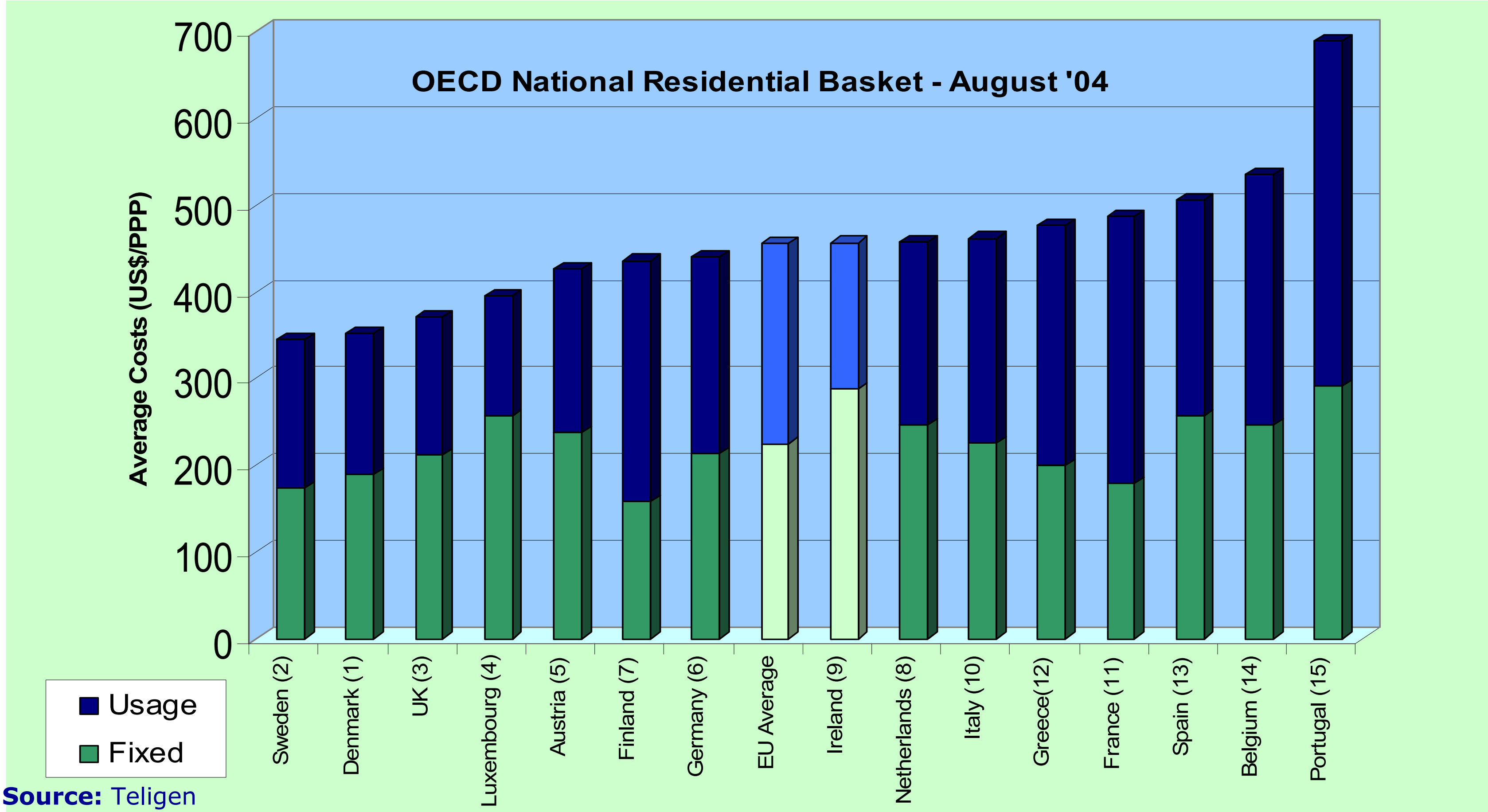


	Q303	Q403	Q104	Q204	Sep-04
DSL Takeup	13350	25300	38600	55550	75000
% Qtrly Growth	82%	89%	53%	44%	35%

Source: ComReg, Irish Communications Market, Quarterly Key Data 03/144b, 04/30b, 04/71b, 04/96b

Irish Price Comparison- National Residential Basket

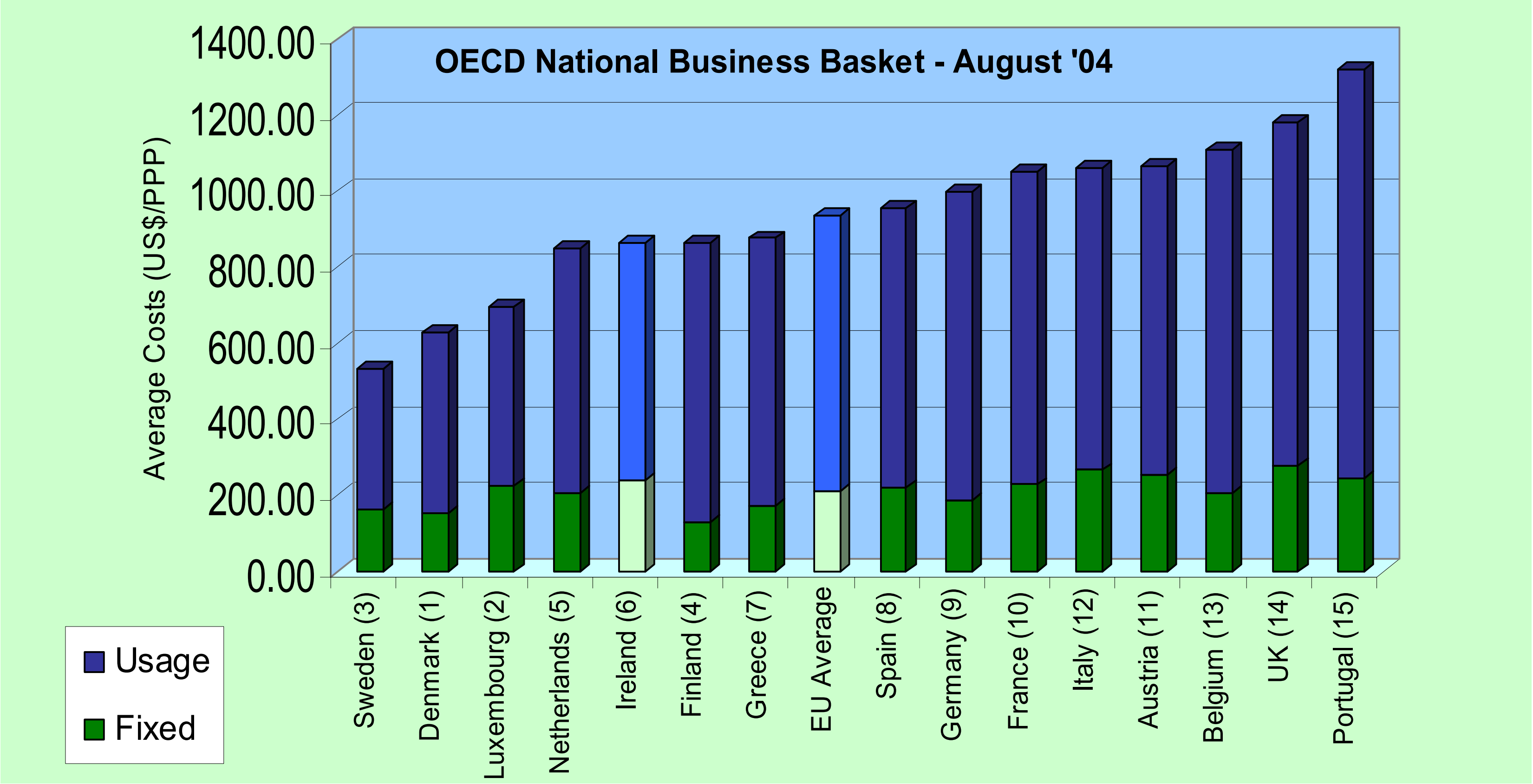
Irish Prices are just above the European Average for fixed national voice services. The rank for Quarter 2, 2004 is 9th out of the EU-15.



Source: Teligen

Irish Price Comparison- National Business Basket

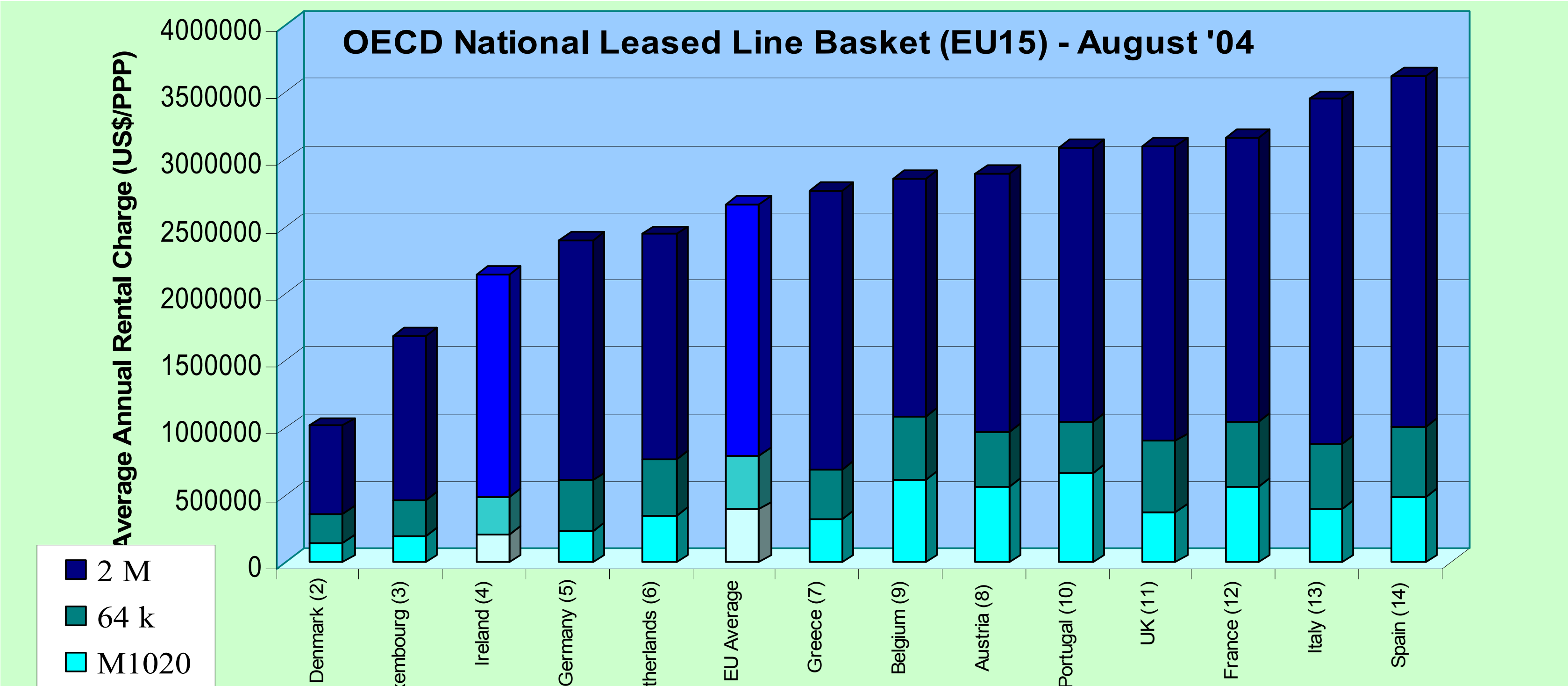
Ireland is ranked 5th in price competitiveness in the fixed national business voice market. This is an improvement of one place on the rankings in the most recent quarterly statistics



Source: Teligen

Irish Price Comparison- National Leased Line Basket

Ireland is among the top three European nations for all 3 categories of national leased lines, 3 places above the European average



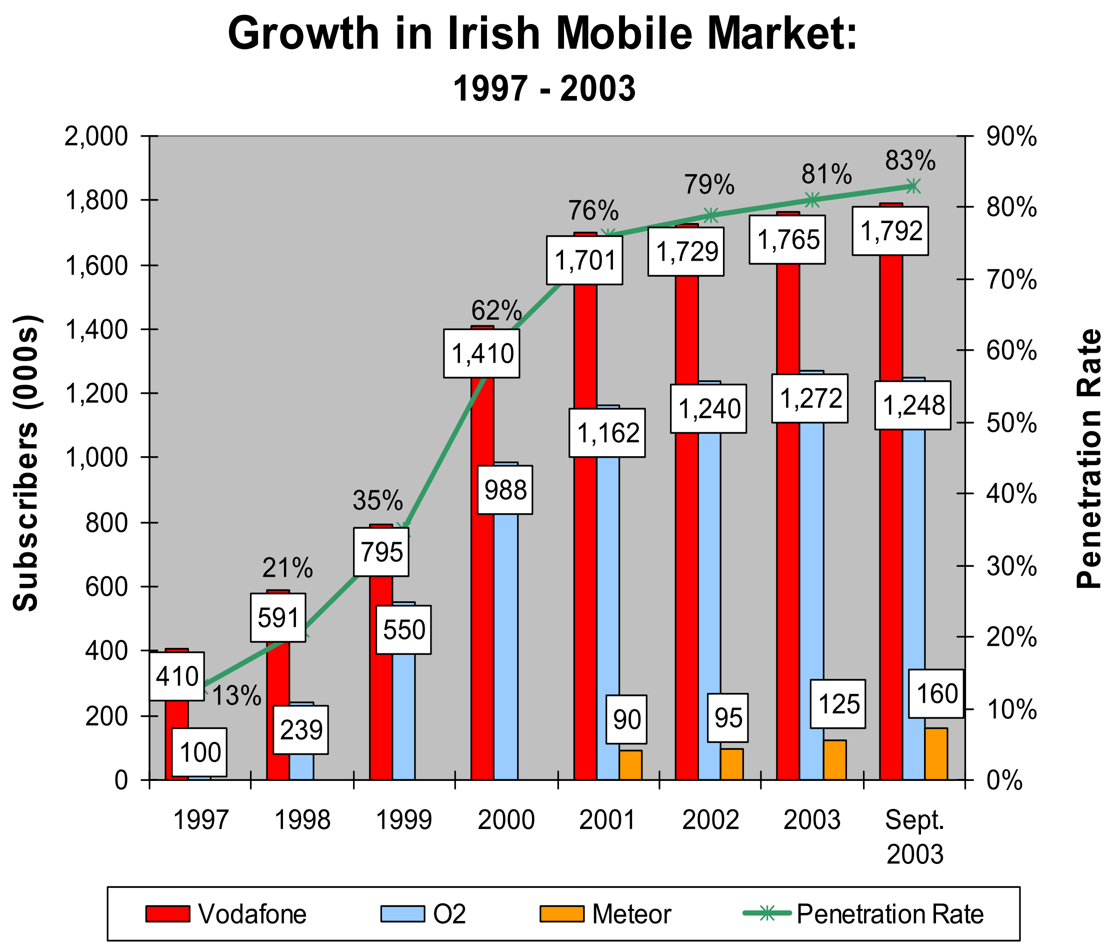
Source: Teligen

Mobile continues to be main area of growth in the Irish communications market

- As a % of the total Irish communications market, mobile accounts for:
  - Approx. 40% of revenues
  - 19% of employees

- With almost 3.4m subs (89% penetration) further growth in number of mobile users is limited.

- Two main players - Vodafone (55%) and O_2 (40%) - continue to account for approx 95% of the market.



Source: Strategy Analytics subscriber estimates, ComReg Key Market Data – penetration rates

The New Regulatory Package

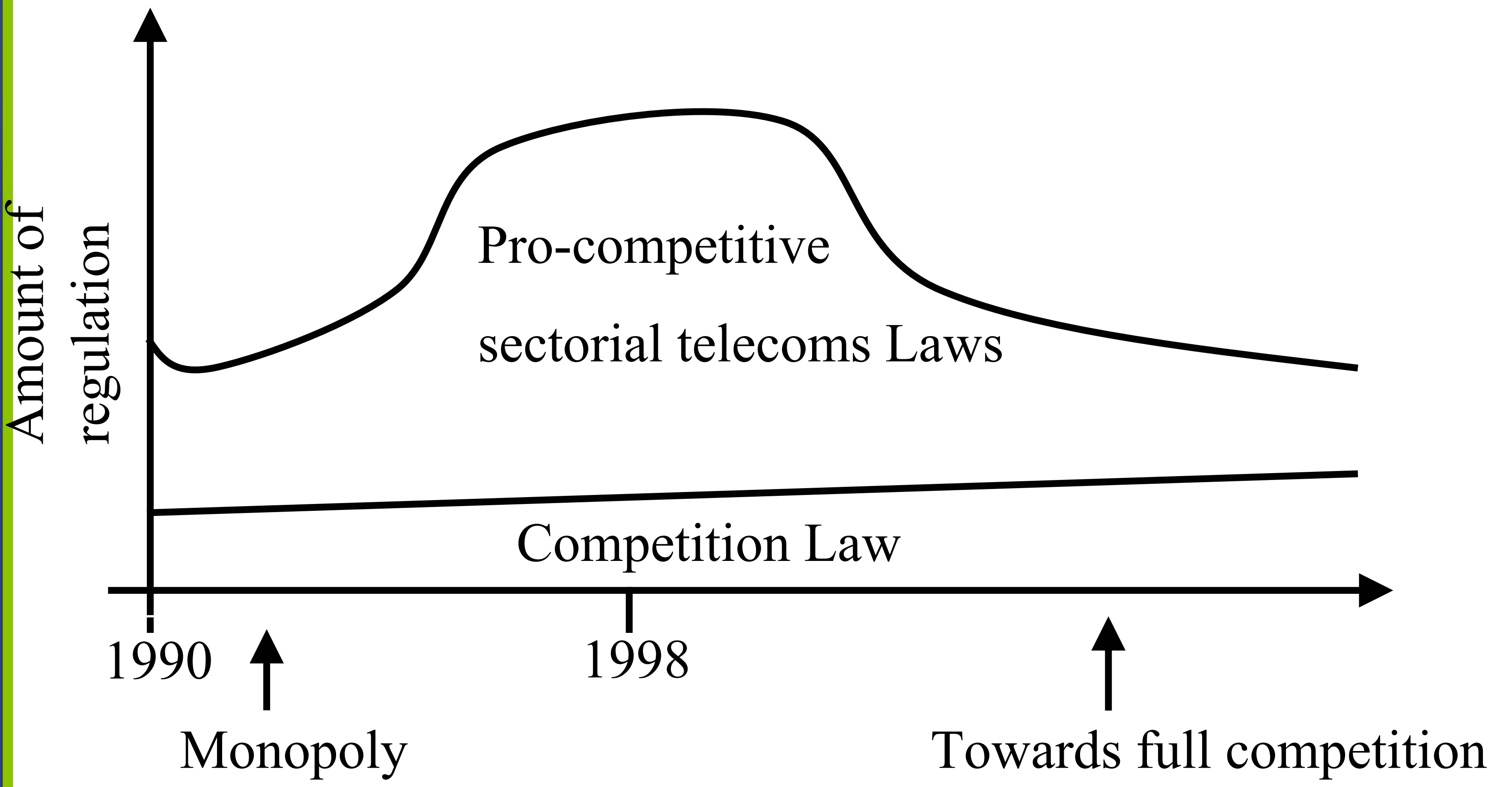
Framework Directive (Art. 95)

- Authorisation Directive
- Access & Interconnection Directive
- Users' Rights Directive
- Data Protection Directive

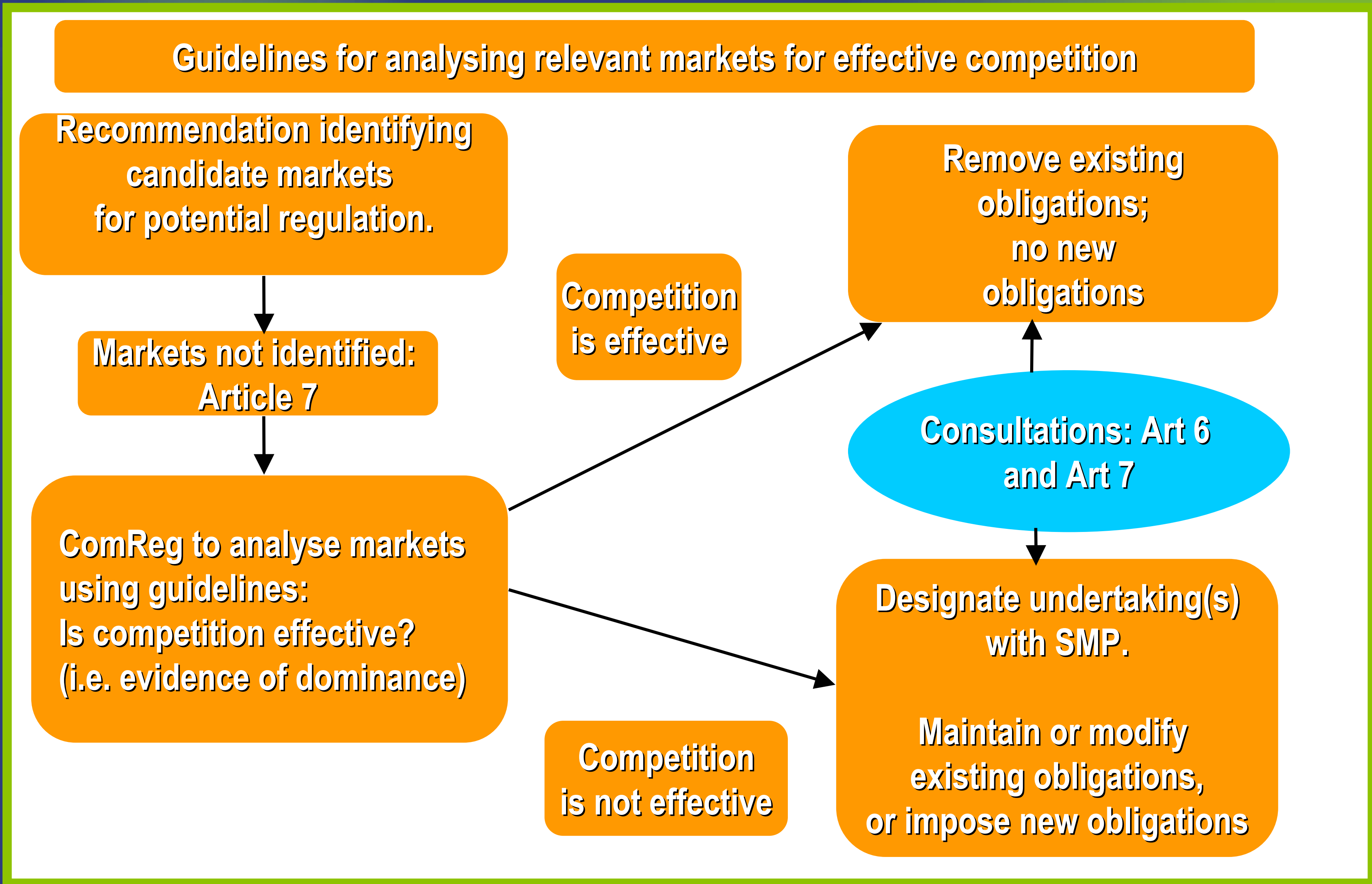
Liberalisation Directive (Art. 86)

Spectrum Decision (Art. 95)

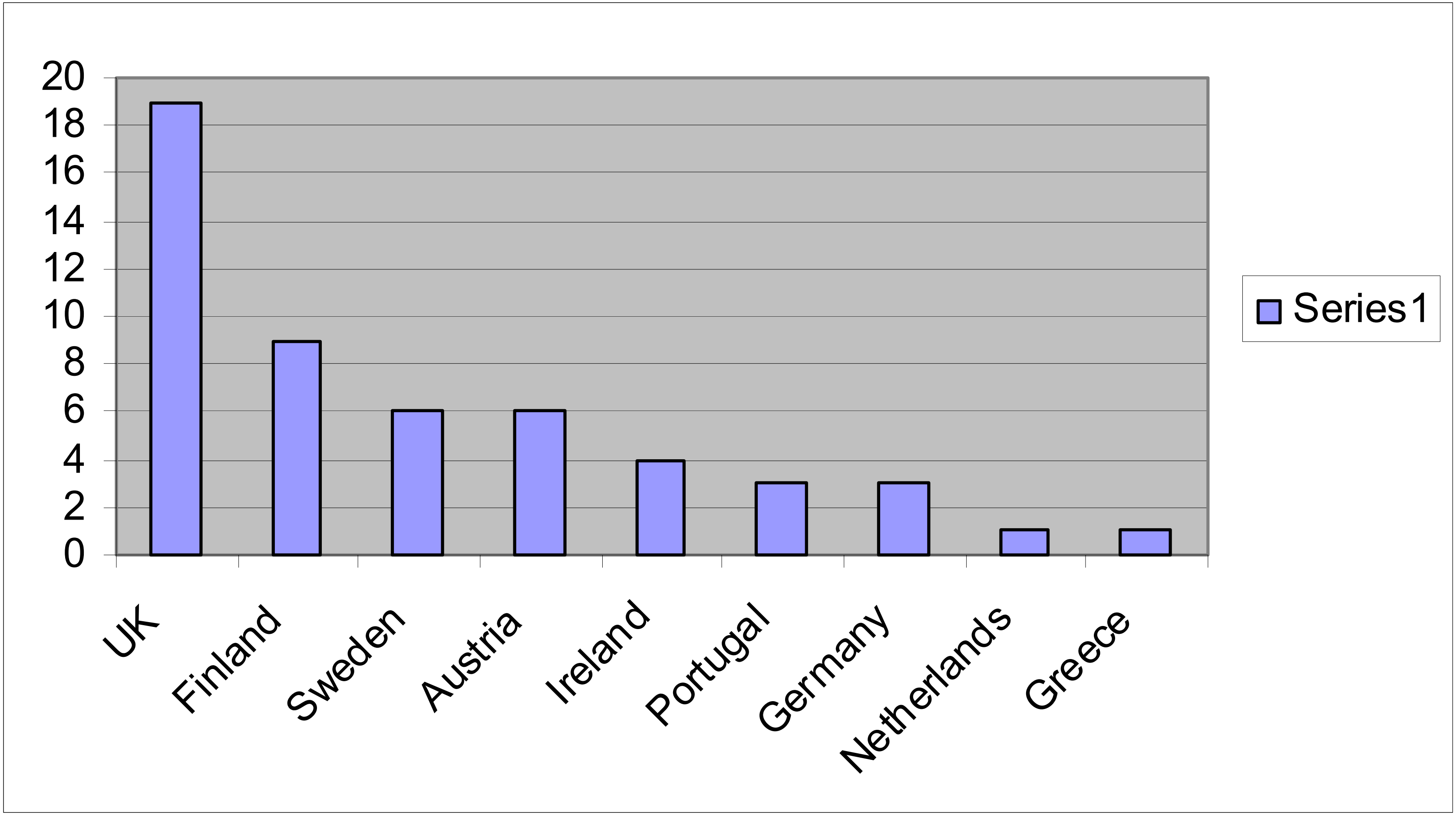
Increasing Reliance on Competition Rules



Market review process



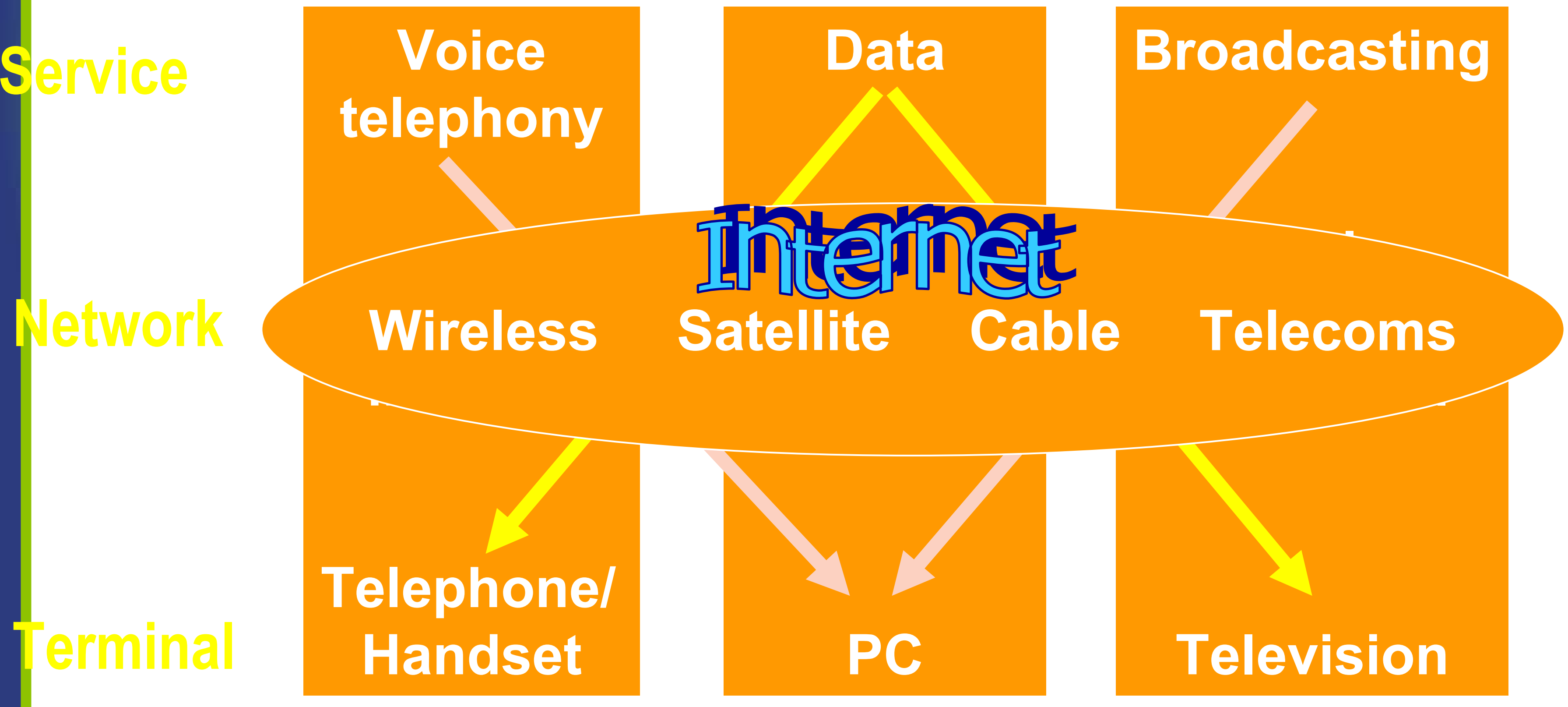
Number of notifications at “comment” stage



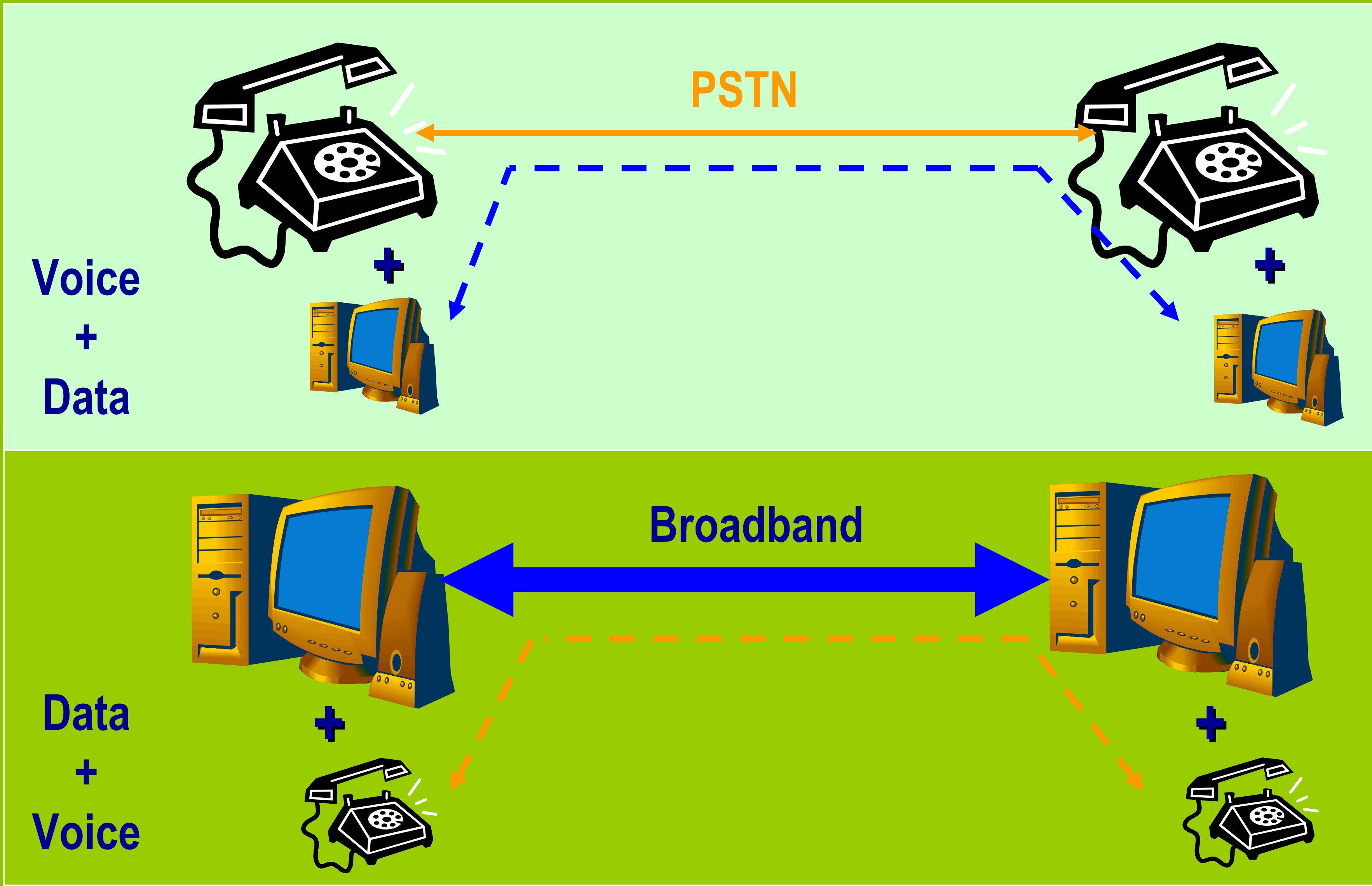
Other aspects of new regulatory framework

- **Technological neutrality: applies to all fixed, mobile and broadcasting networks**
- **Forbearance: only regulate if (a) barriers to entry (b) market not tending towards effective competition over time © competition law insufficient**
- **Effective mechanisms at national level for appeals from NRA decisions (Ireland: appeals panel recently appointed)**
- **Spectrum: Radio Spectrum Policy Group for strategic advice from NRAs to Commission; Radio Spectrum Committee for more detailed advice on availability, harmonisation, information provision, methods of granting rights of use and efficient use of spectrum**

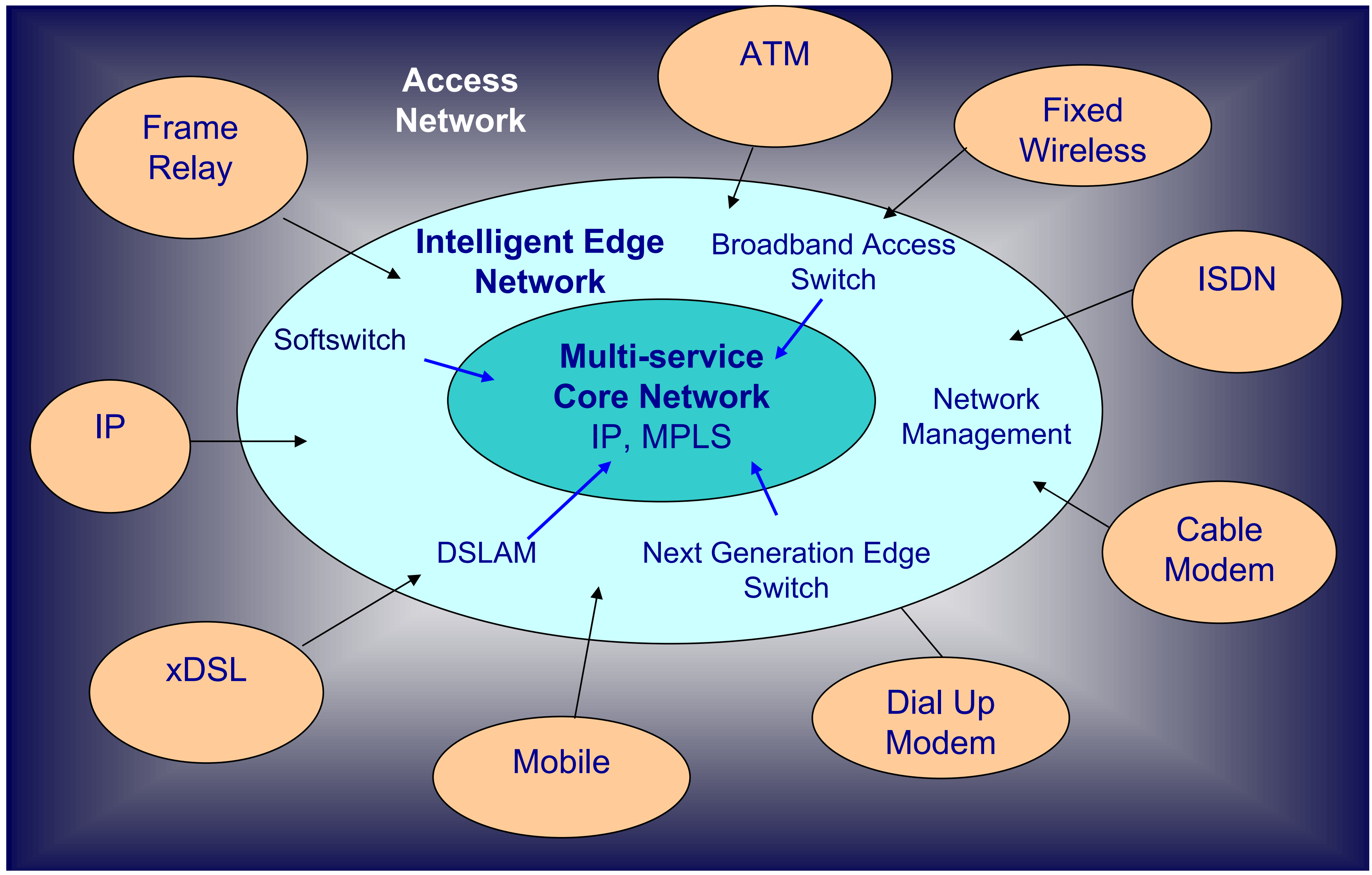
Convergence is a reality

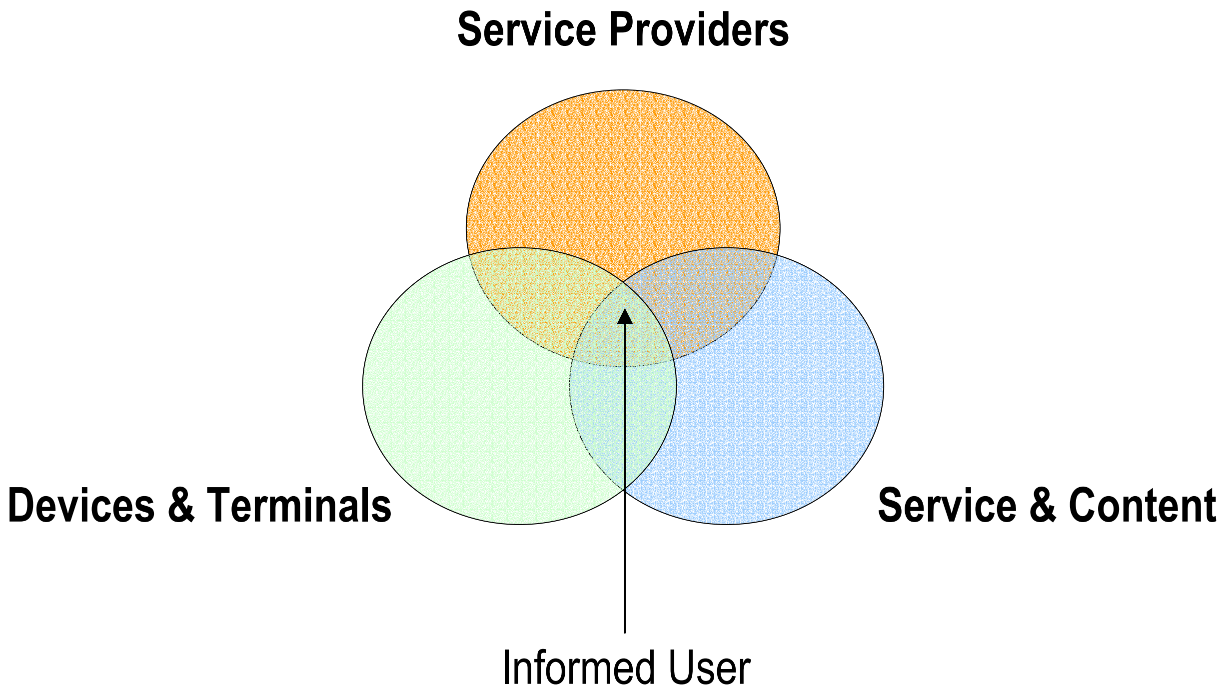


PSTN to VoIP



Next Generation Networks




Service Providers
Devices & Terminals
Service & Content
Informed User

ITU

189 member states

CEPT

46 European Member States

European Union

25 Member States

Ireland

(ComReg, DCMNR, industry, users,etc.)

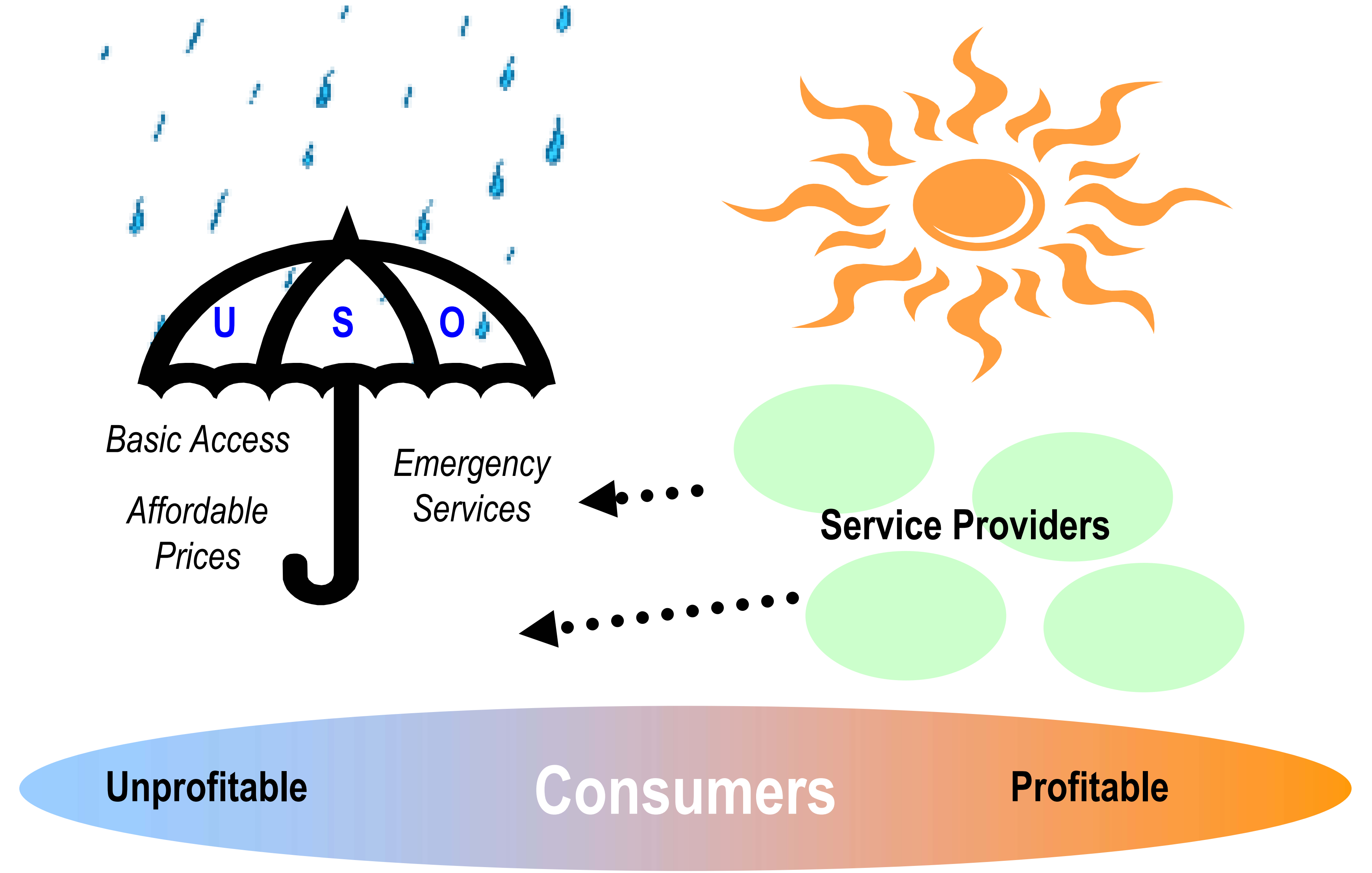
Broad categories of usage (allocations) and regulations (e.g. for co-ordination) agreed at World Radio Conferences (**ITU**) - international treaty status

Harmonised Regional solutions (e.g. GSM, 3G, DTT) in **CEPT** via Decisions, European Frequency allocations, etc.

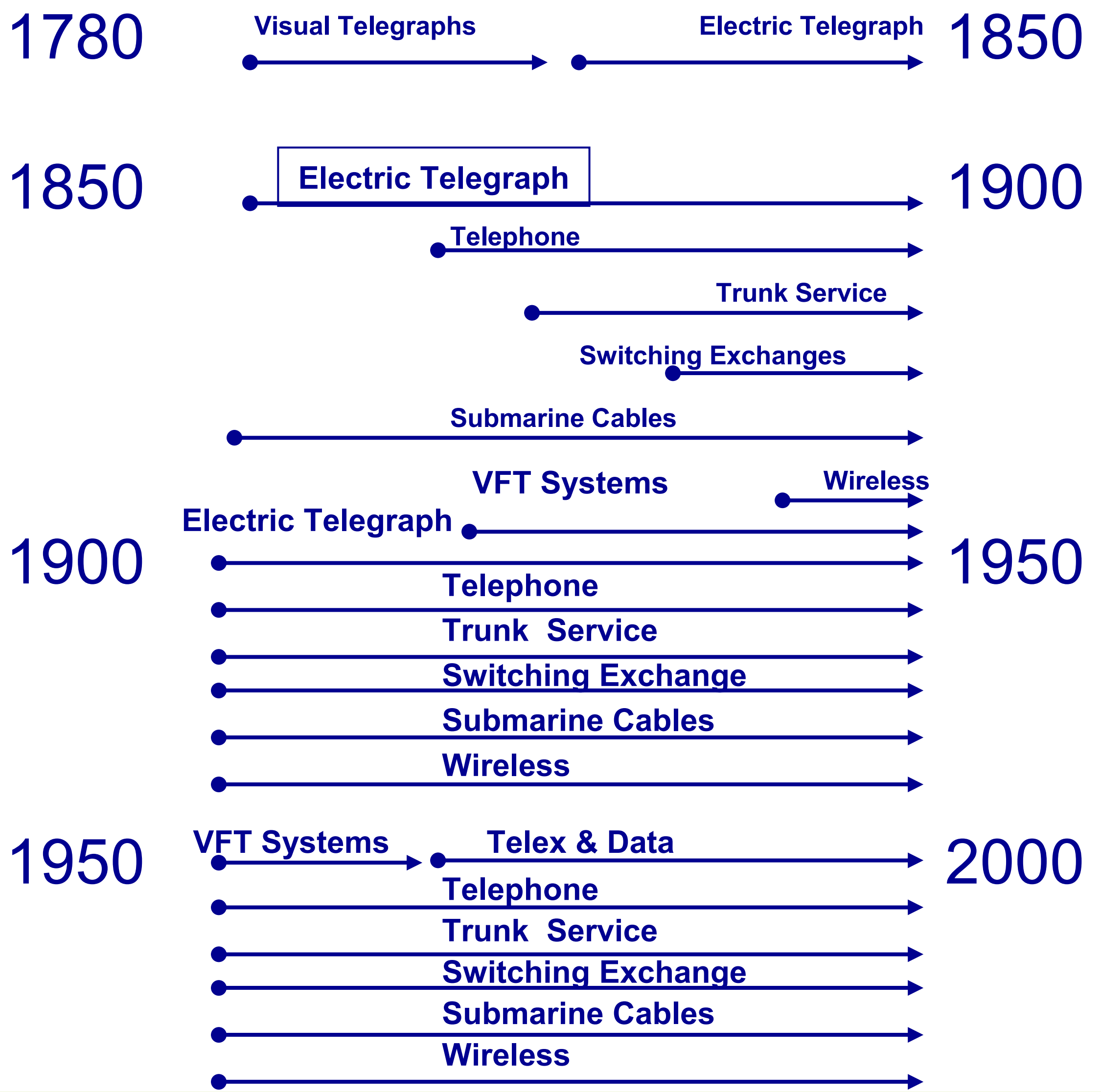
EC Directives, Legislation Spectrum Decision

National legislation, policy, strategie management of spectrum

Universal Service Obligation



Development Timeline (W.G. Condon)



Telegraphs (W.G. Condon)

Companies Providing Telegraph Service

1845
Electric Telegraph Co
subsidiary= ETC of Irl

1849
British Electric
Telegraph Co

1850
United Kingdom
Electric Telegraph Co

1851
English & Irish
Magnetic Telegraph
Co

1861
London & South of
Ireland Telegraph Co

"The Public will thus, in the important matter of electrotelegraphic communication at least have the benefit of competition"

1870
Nationalisation of Telegraph Service
takeover by Post Office

"Is not telegraphic communication as much a function of Government as the conveyance of letters ?"

Traffic in one day in 2003

1971 — All international phone calls

1975 — All airline passengers

1984 — All mobile phones

1992 — All emails

1998 — All SMS

Source: Analysys, World Bank and ITU

Conclusions

- **Competition taking hold by degrees – regulation rolled back accordingly**
- **Market reviews a necessary exercise to form a bridge between "old" framework and competition law; inbuilt "sunsetting"**
- **Progressing reasonably well; good co-operation with Competition Authority**
- **But system is slow and unreactive; emphasis on consistency leads to detailed scrutiny; as difficult to remove regulation as to impose it**
- **Regulators must "keep the eye on the ball"! Revolutionary technical changes may do more to bring competition**