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Communications Regulation

Irish Communications Market

Quarterly Key Data Report

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An Coimisiún um Rialáil Cumarsáide

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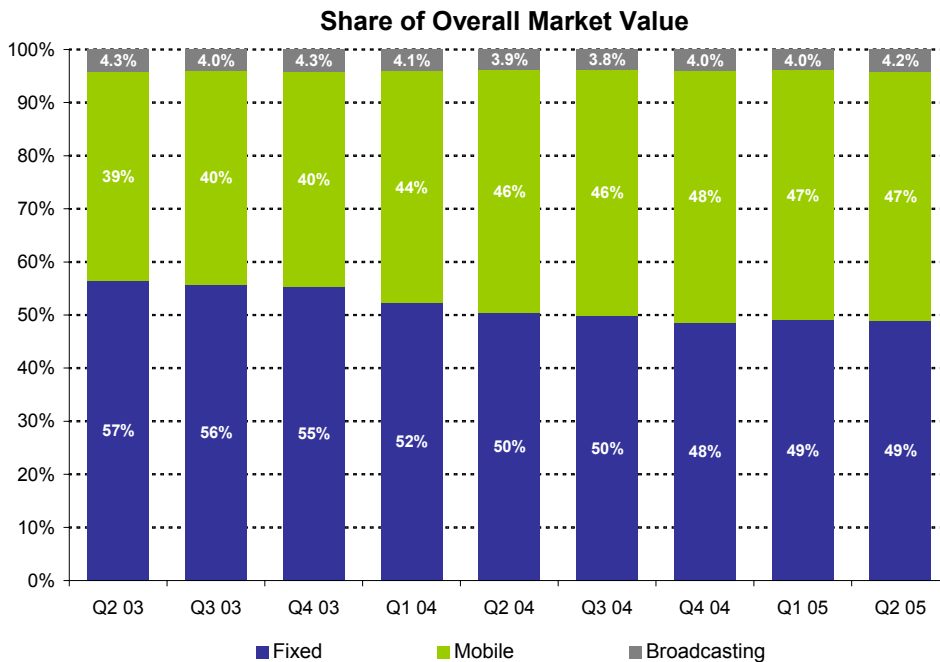
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1 Overall Market Data

The data in this review is based on returns from authorised operators for the period starting 1 April to 30 June 2005. The report is based on submissions from about 40 operators, which represent approximately 99% of total market activity.

1.1 Overall Electronic Communications Revenues¹

Figure 1.1.1– Fixed, Mobile & Broadcasting as a % of Total Revenues²



Overall electronic telecommunications network and service revenues at the end of June 2005 were approximately €3.9 billion per annum on an annualised basis representing a 4%³ decrease since last quarter, which can be attributed mainly to seasonal trends in both the fixed and mobile sectors. Figure 1.1.1 shows a breakdown of revenue between each of the main categories of telecommunications services; fixed services, mobile and broadcasting which have remained unchanged this quarter – with fixed services still accounting for the highest revenue share in the market.

¹ For further detail on terms and definition see ComReg Document Number 05/43 Explanatory Memorandum to Quarterly Key Data Report.

² The following services are accounted for in the total revenues figure: **fixed** (interconnection, retail narrowband services, leased line & managed services, other (including web-hosting, co-location services, directory publication & other services), **mobile** (connection, voice, data services, roaming) and **broadcasting** (including cable/MMDS broadcasting services, connection, rental and other charges).

³ Due to inaccuracies in operator submissions the fixed line revenue figure for Q105 was actually €488m. The percentage difference between the last two quarters has been calculated using the corrected figure.

1.2 Number of Authorisations

Figure 1.2.1 Total Number of Authorisations

Total Authorisations	September 2005
No. of fixed and wireless authorisations	295
No. of mobile telephony authorisations	4
No. of broadcasting (incl. Cable TV, MMDS, Deflectors)	45
Total Number	344

Before providing networks or services to third parties, operators are required to submit a notification to ComReg for the purposes of compiling a register of such operators. At the date of publication of this report there were 344 authorised undertakings in Ireland. The main area of growth in the number of authorisations is in those undertakings providing voice and data services (other than broadcasting services) to fixed locations. This reflects growing activity in the provision of voice telephony using Carrier Pre-selection (CPS) and Wholesale Line Rental (WLR).

1.3 Pricing Overview

The ComReg Quarterly Key data report benchmarks prices in various consumer baskets against other EU countries. These results are provided to ComReg by Teligen and are calculated using an OECD approved methodology for assessing comparative pricing among telecommunications services.

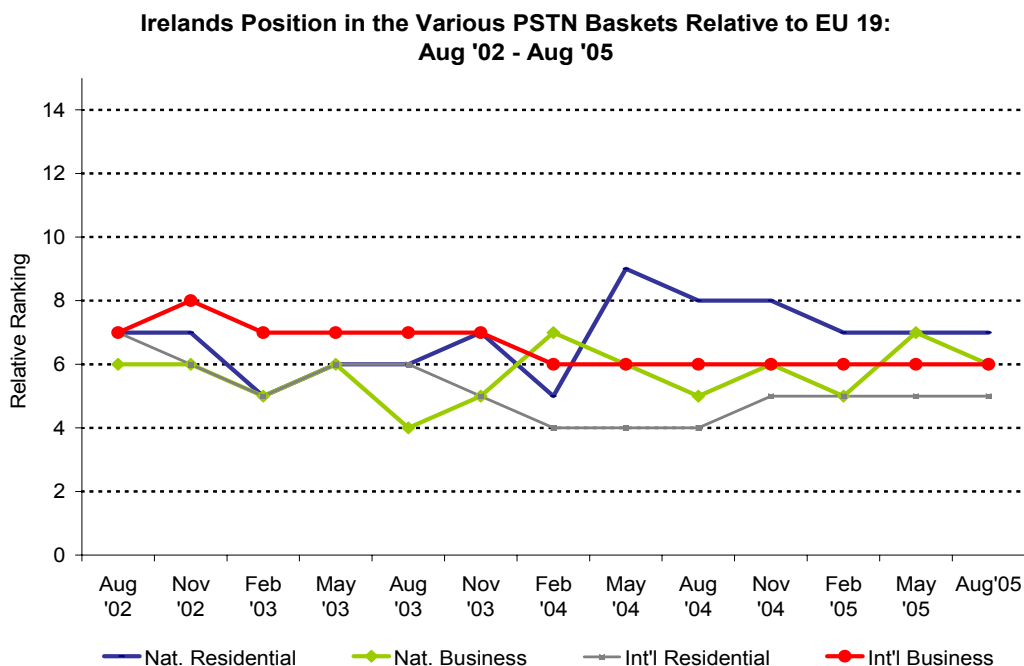
1.3.1 PSTN

Figure 1.3.1 shows the movement in Ireland's position relative to other EU countries in all PSTN baskets since August, 2002⁴. Since last quarter, Ireland's relative position has remained the same in all baskets, except the national business basket, where the position has improved one place to 6th out of 19 EU countries monitored⁵. Ireland is ranked less expensive than EU average prices in all PSTN baskets.

⁴ The basket data measures relative prices in a range of services against a number of EU States

⁵ The Explanatory Memorandum accompanying this report outlines the source and selection of countries monitored by the Teligen benchmarking baskets

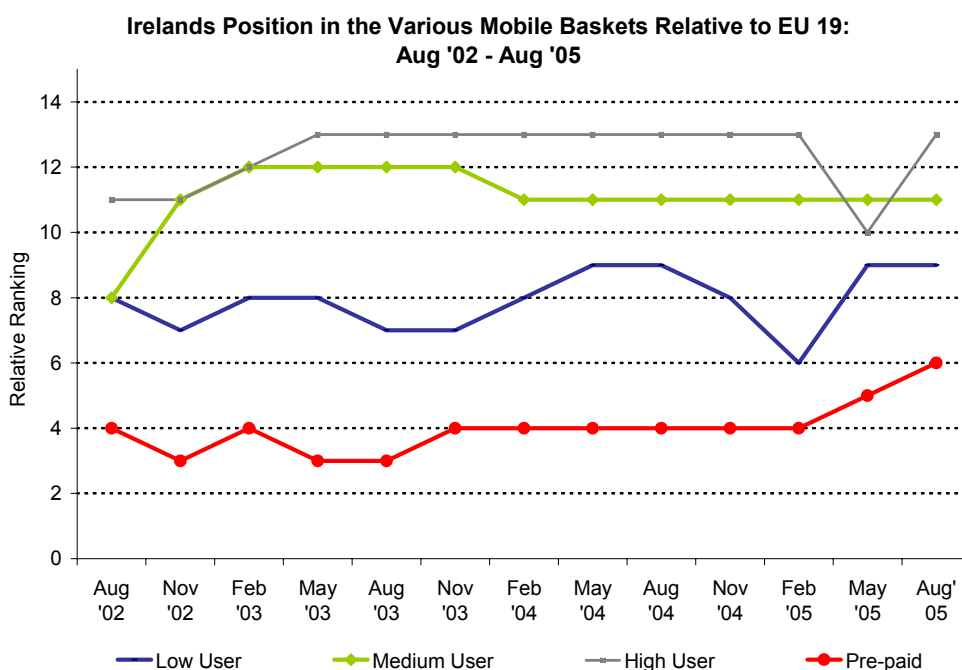
Figure 1.3.1: Ireland’s Relative Position for PSTN Baskets: Aug ‘02 – Aug ‘05



1.3.2 Mobile

Figure 1.3.2 shows the movement in Ireland’s position relative to the EU in all mobile baskets since August 2002. Since last quarter, Ireland’s ranking has worsened by three places in the high-user basket, while the rankings have remained the same for both low and medium-user baskets. The pre-paid ranking data calculates Ireland dropping one place to 6th; the result of a significant drop in the cost of pre-paid mobile in the Austrian market.

Figure 1.3.2: Ireland’s Relative Position for Mobile Baskets: Aug ‘02 – Aug ‘05



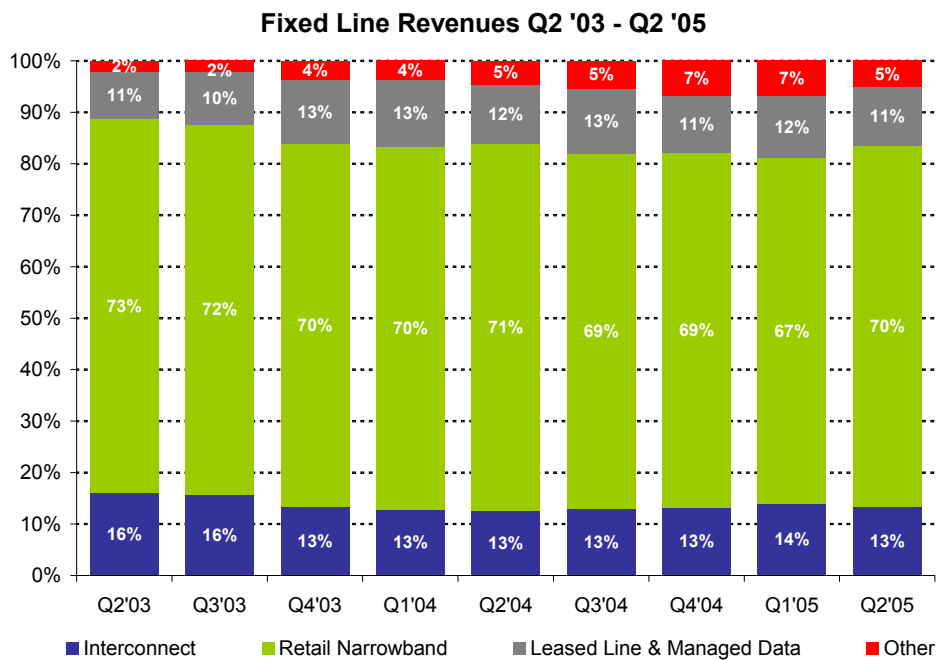
2 Fixed Market Data

2.1 Total Fixed Line Revenues

2.1.1 Total Fixed Line Revenue

Total fixed line revenues are at €477 million⁶ this quarter, a decrease of over 2% since last quarter, which reflects seasonal trends. As can be seen in figure 2.1.1, the relative proportion of revenues in each category has not fluctuated by much in recent quarters.

Figure 2.1.1 Total Revenue Per Service

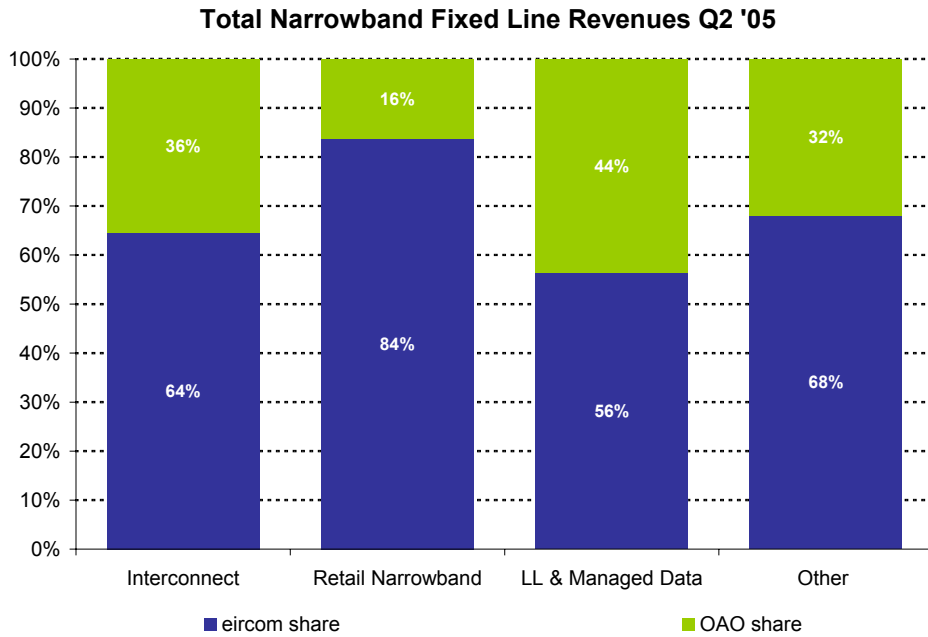


2.1.2 Other Authorised Operators (OAO) Share of Overall fixed Line Revenues

Other Authorised Operator (OAO) share of each area of the fixed line sector is set out in figure 2.1.2. Each area bundles a number of services that are somewhat related to each other and does not reflect the specific markets identified in the recent market review process. eircom revenues represent a large share of each area, and at 84% of the total, eircom has a large proportion of overall retail narrowband fixed line revenues.

⁶ Due to inaccuracies in operator submissions the fixed line revenue figure for Q105 was actually €488m. The percentage difference between the last two quarters has been calculated using the corrected figure.

Figure 2.1.2 OAO Market Share

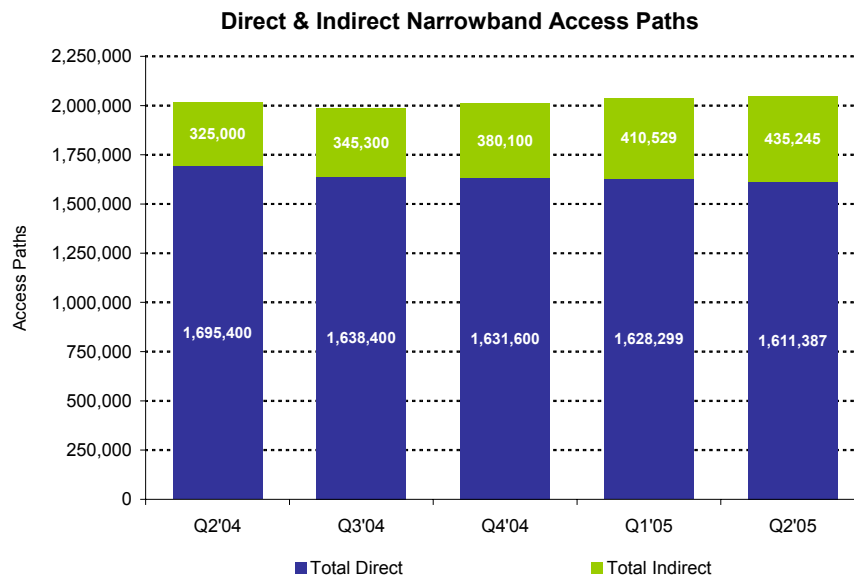


2.2 Fixed Line Access

2.2.1 Access Paths

The following graph shows the total number of narrowband fixed access paths (PSTN and ISDN) broken out by direct and indirect access⁷ on an historical basis. The proportion of indirect access paths as a percentage of the total has been steadily increasing since Q2, 2004, while the total number of access paths has remained relatively stable.

Figure 2.2.1 Fixed Access Paths

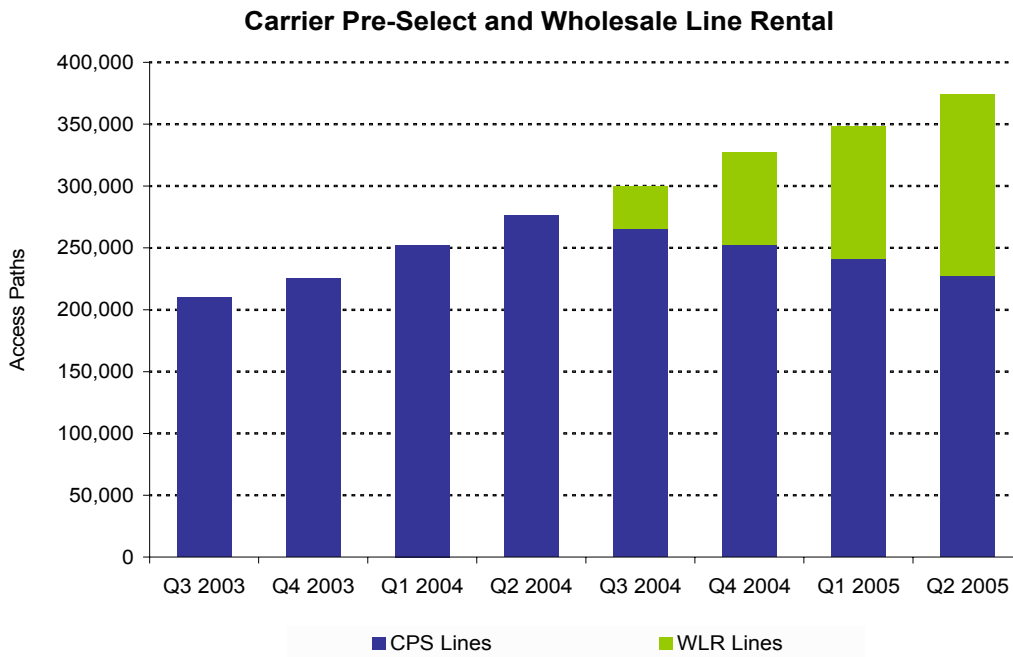


⁷ Indirect access is defined as an access path managed by an operator other than eircom. Further information on indirect access is included in the explanatory memorandum document which accompanies this publication.

2.2.2 Indirect Access and Calls

The relative proportion of access paths managed by OAOs through indirect access continues to increase. This is further reflected in figure 2.2.2, with the overall number of lines provided by means of Carrier Pre-Selection (CPS) and Wholesale Line Rental (WLR) increasing steadily since Q2 2003. There has been a rapid increase in WLR take-up since its introduction in June 2004. Single billing using WLR now represents 39% of all indirect access lines. This illustrates a preference for single-billing from a consumer perspective. A recent Amárach Consulting survey⁸ of residential telecommunications users, which was commissioned by ComReg, suggests that 26% of consumers who are aware of single-billing from alternative operators choose to use the service.

Figure 2.2.2 Indirect Access

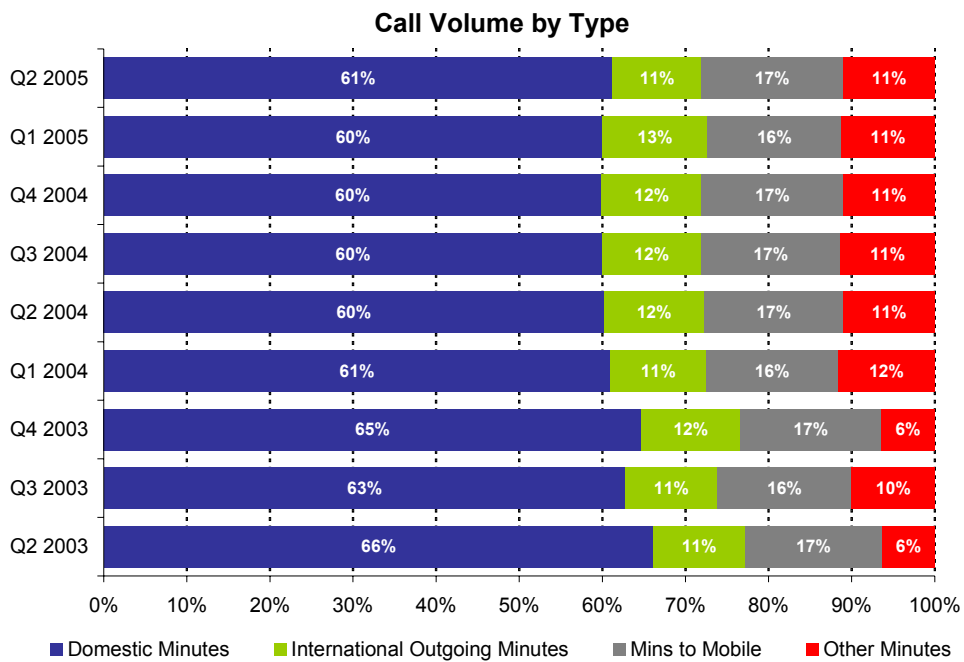


⁸ ComReg Document 05/65a

2.3 Fixed Voice Call Volumes

Figure 2.3.1 below illustrates the development of fixed voice call volumes since Q2 2003. Overall volumes of minutes have remained relatively stable compared with last quarter, and have exhibited a 5% growth year on year to June 2005. There has been a fall in the relative proportion of domestic traffic since 2003, perhaps reflecting the increased use of mobile voice services. Further evidence to suggest this trend is the slight increase in the proportion of fixed to mobile calls over the same period. Fixed international traffic usage does not appear to have been affected by this trend, perhaps reflecting the lower cost of making fixed calls abroad, relative to mobile services.

Figure 2.3.1 – Fixed Voice Call Volume⁹



⁹ Domestic Calls include local & national calls; other minutes include calls from payphone and 'other calls' categorised by operators.

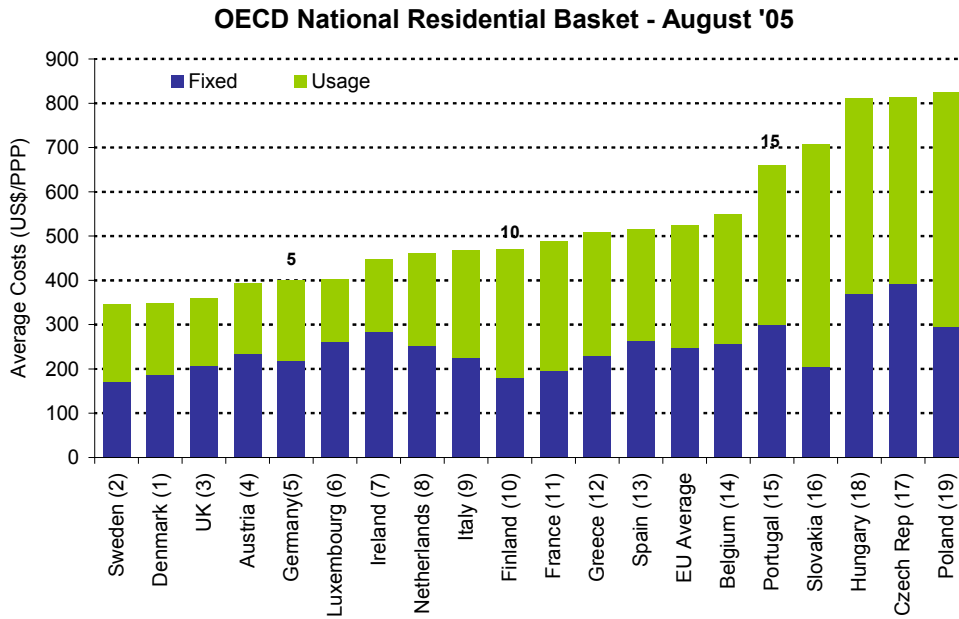
2.4 Fixed Pricing Data

2.4.1 PSTN Baskets

2.4.1.1 National Residential Basket

Figure 2.4.1.1 below shows Ireland’s ranking in the national residential basket has remained at 7th position overall. Ireland remains seven places below the EU average in terms of price.

Figure 2.4.1.1 - OECD National Residential Basket –August 2005¹⁰



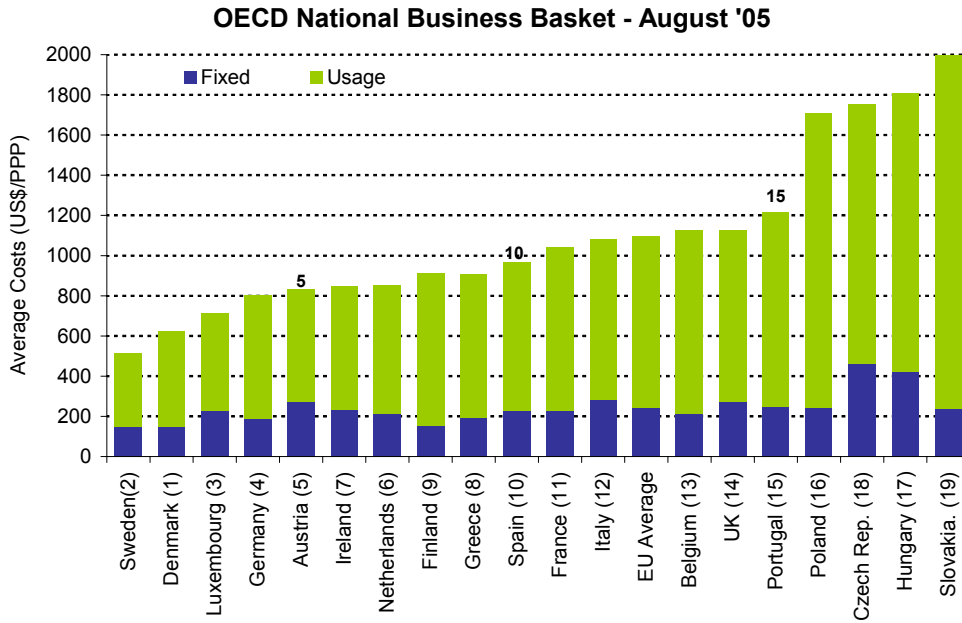
To note: The numbers in brackets represent each Member State's respective rankings as at May 2005

¹⁰ Residential tariffs include VAT. VAT rates vary between member states.

2.4.1.2 National Business Basket

Ireland has moved up one place to 6th position in the national business basket since last quarter, and is seven places ahead of the EU average in terms of price.

Figure 2.4.1.2 - - OECD National Business Basket – August 2005¹¹



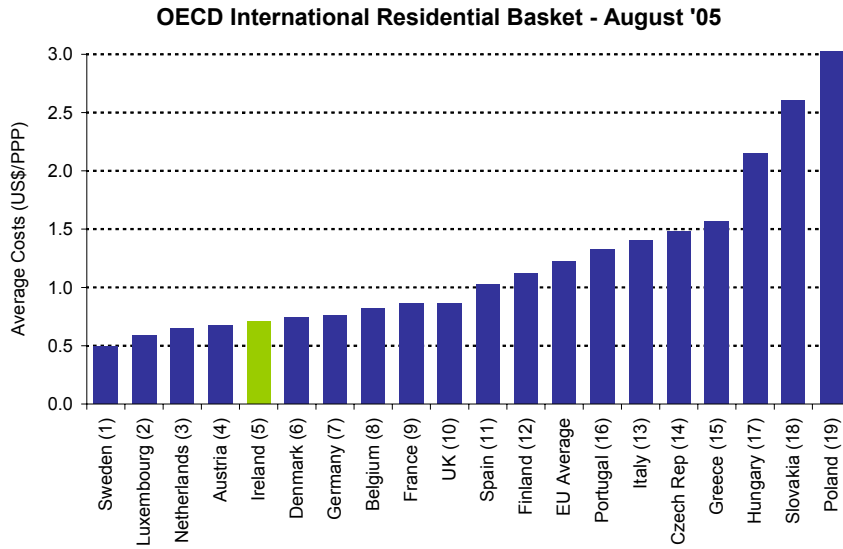
To note: The numbers in brackets represent each Member State's respective rankings as at May 2005

¹¹ Residential tariffs include VAT. VAT rates vary between member states.

2.4.1.3 International Residential Basket

Figure 2.4.1.3 shows that Ireland’s position has remained unchanged since last quarter, and is eight places ahead of the EU average in terms of price.

Figure 2.4.1.3 - - OECD International Residential Basket –August 2005¹²

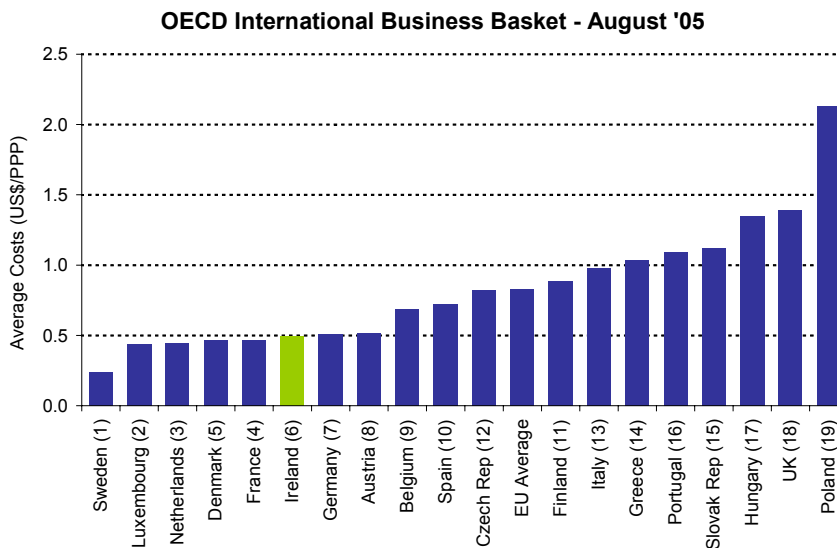


To note: The numbers in brackets represent each Member State's respective rankings as at May 2005

2.4.1.4 International Business Basket

Ireland remains ranked in 6th place in the international business basket this quarter and is six places ahead of the EU average in terms of price.

Figure 2.4.1.4 - OECD International Business Basket – August 2005¹³



To note: The numbers in brackets represent each Member State's respective rankings as at May 2005

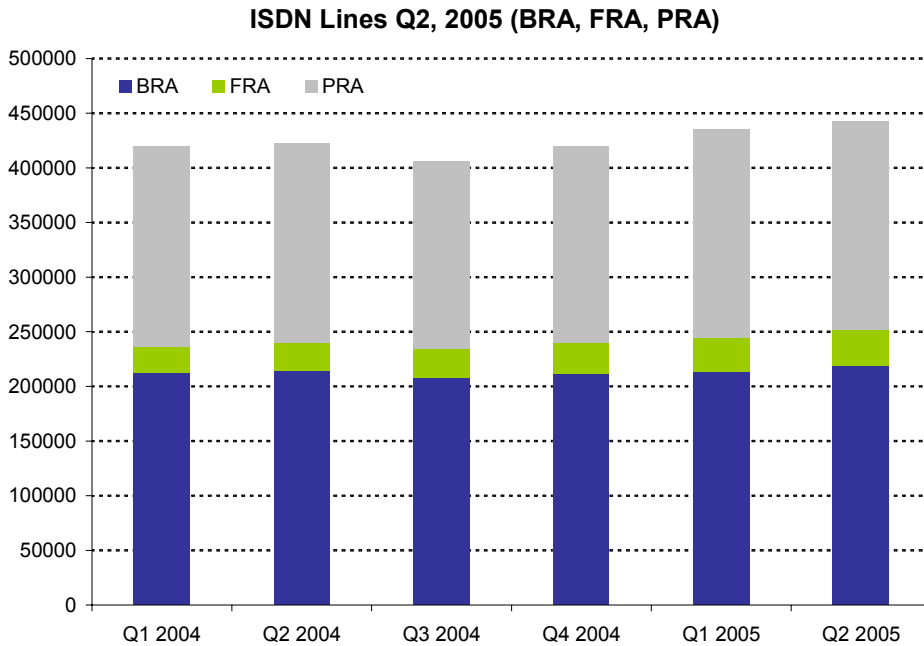
¹² Residential tariffs include VAT. VAT rates vary between member states.

¹³ Residential tariffs include VAT. VAT rates vary between member states

2.5 ISDN Access

Figure 2.5.1 indicates the provision of ISDN access lines in the Irish market segmented by basic, fractional and primary rate access. This figure shows that ISDN lines have slowly grown year on year across all types of access lines. Subscriptions to ISDN services have increased by 2% in the year to June 2005.

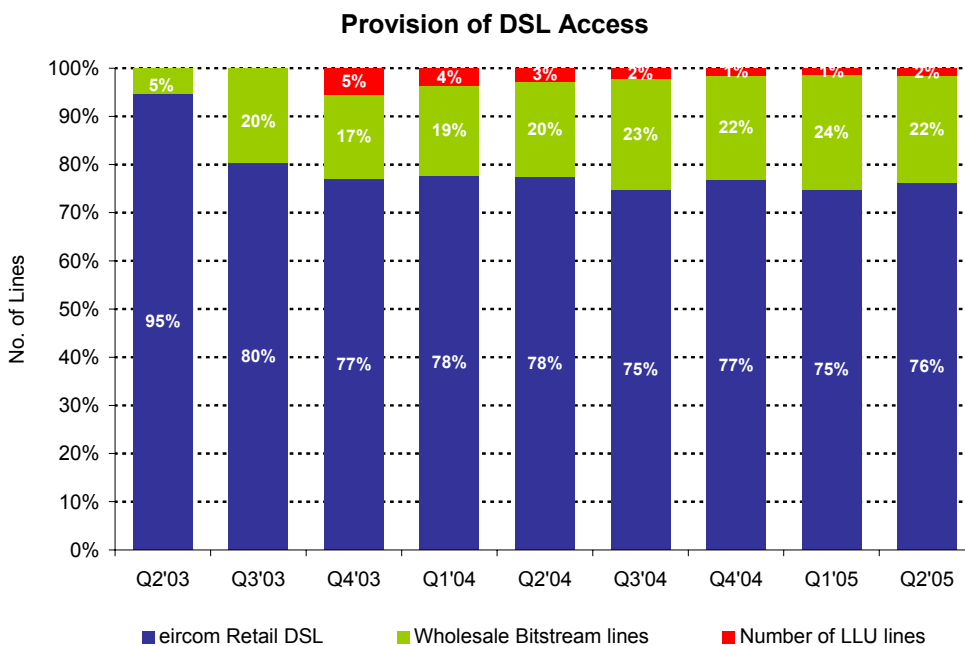
Figure 2.5.1 – ISDN Lines, separated by basic, fraction and primary rate access



2.6 Provision of Broadband Access

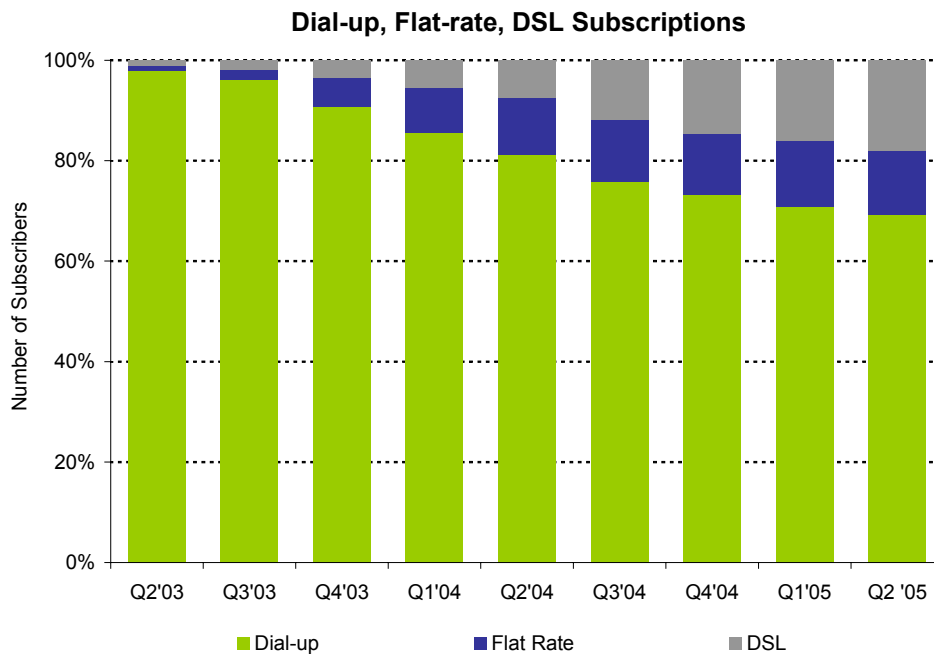
Figure 2.6.1 shows that since Q3 2003, OAO market share has remained within the range of 20 – 25%. This is primarily through the provision of services via eircom’s Wholesale Bitstream product. At the end of June 2005 there were nearly 2,300 local loops either fully unbundled or shared.

Figure 2.6.1 Provision of DSL Access



2.7 Broadband and Narrowband Comparison

Figure 2.7.1 – Number of Subscribers: Narrowband¹⁴ Vs Broadband¹⁵



¹⁴ This includes time-based and flat rate narrowband services.

¹⁵ This includes number of DSL subscriber numbers only.

Figure 2.7.1 provides details of subscriptions to DSL, FRIACO and dial-up internet services in Ireland. The chart indicates a steady decrease in dial-up subscriptions as a percentage of total internet connections over these technologies.

2.8 Provision of Broadband Services

Figure 2.8.1 outlines total broadband subscription levels in the Irish market across a number of access platforms, and growth rates by platform for the previous twelve months. Figure 2.8.2 shows that in terms of numbers of subscribers, DSL remains the largest platform for broadband access, representing around 80% of subscriptions. Overall, broadband subscriptions have grown by 15% in the last quarter. Fixed wireless broadband services have exhibited the fastest growth in subscriptions in the broadband market, albeit from a small base. Cable broadband subscriptions have grown by 25% in the quarter, and now represent around 8% of total broadband subscriptions. This growth reflects increased investment by cable companies in providing broadband via cable modem. The proportion of broadband subscriptions delivered over access platforms other than DSL has increased in the last 12 months. In June 2004, DSL represented 88% of all broadband subscriptions; in June 2005, DSL accounted for 80% of all broadband subscriptions.

Figure 2.8.1 – Broadband Subscriber numbers and growth rates by Platform

Platform	Q2 05 Subs	Quarterly Growth Q205-Q105	Year-on-Year Growth Q204-Q205
DSL	141,000	10%	154%
Cable	15,000	25%	177%
FWA	18,000	44%	313%
Satellite	1,500	-	-
Total	175,500	15%	170%

Figure 2.8.2 – Broadband Subscribers by Platform

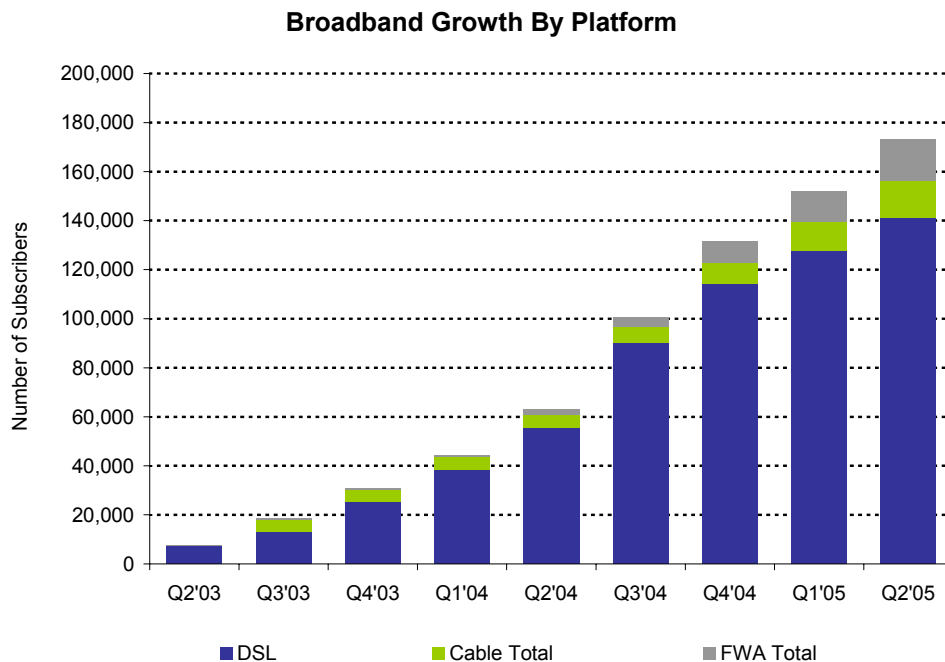
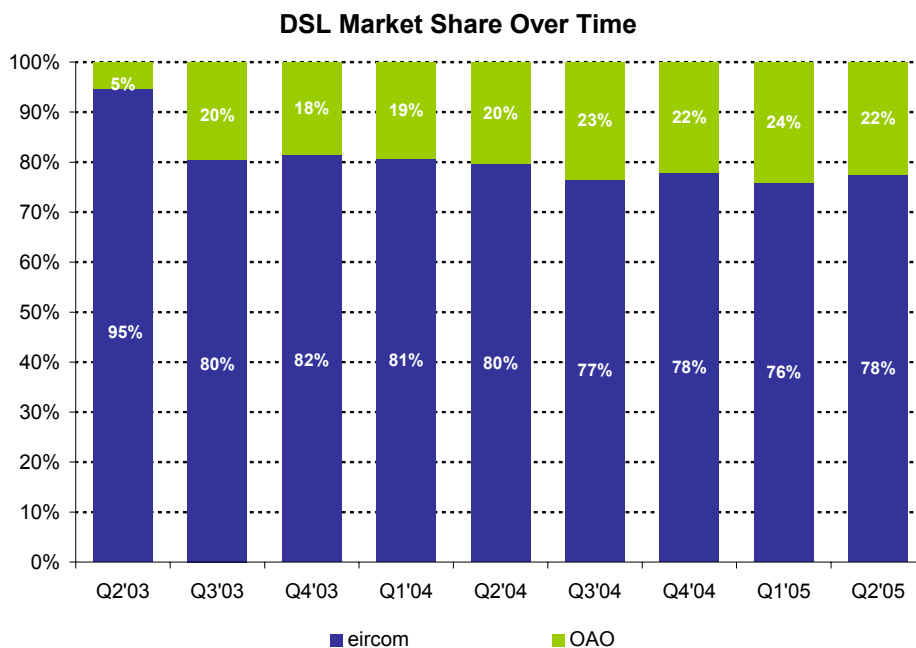


Figure 2.8.3 indicates that eircom has retained 78% of the DSL retail market, a slight increase from Q1, 2005. While there has been a slight decrease in OAO penetration this quarter, the overall trend since 2003 suggests a growing OAO share of the market. Looking at the broadband market overall, retail DSL offered by eircom accounts for 65% of broadband subscriptions across all platforms.

Figure 2.8.3 – DSL Market Share



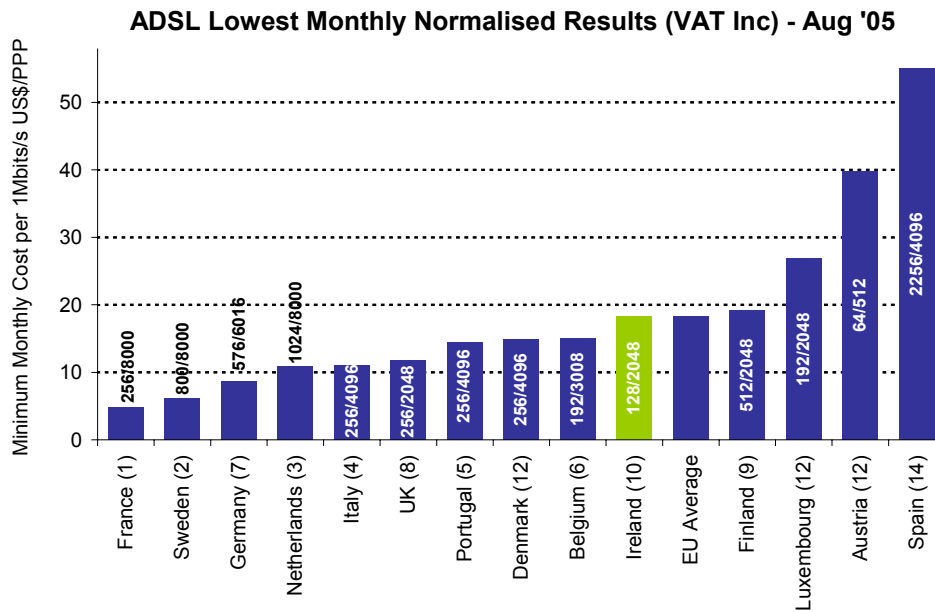
2.9 ADSL Pricing Data¹⁶

The following two ADSL baskets should be looked at together to get the most complete picture of ADSL prices across the EU.

Lowest Monthly Rental ADSL Basket (Normalised)¹⁷

Ireland remains in 10th place in the normalised ADSL basket, and is now one place ahead of the EU average in terms of price, among the 19 European nations monitored. In March, eircom increased the basic download speed on its entry-level broadband offering to 1Mb.

Figure 2.9.1 – Lowest Monthly Rental ADSL Basket (Normalised) – August '05

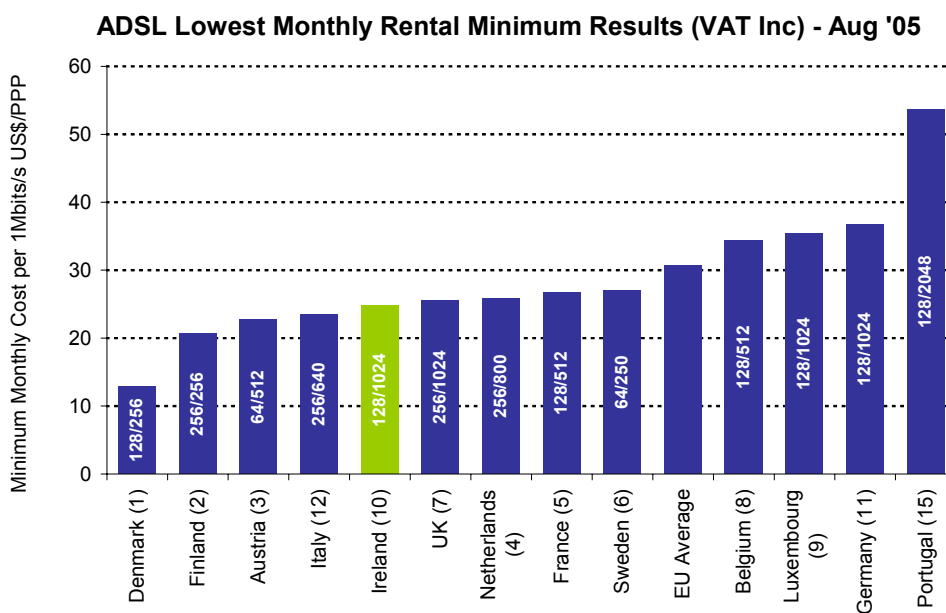


N.B. Greece has not yet been included in the graph. Price of comparable product is \$151.81 for 128/348 product

¹⁶ This section does not include ADSL tariff packages that are offered as special promotions. All tariffs are inclusive of VAT. VAT rates vary between Member States.

¹⁷ The normalised (1Mbit/s) results show the cheapest offering in each country, per 1 Mbit/s of service. This method may favour countries offering higher speeds. Figures in boxes represent the upload/download speed (kb/s) of the service offered.

Figure 2.9.2 – Lowest Monthly Rental ADSL Basket (Minimum) – August '05



N.B. Greece has not been included in the graph. Price for comparable product is \$76.37 for 128/384 product

Lowest Monthly Rental ADSL Basket (Minimum)¹⁸

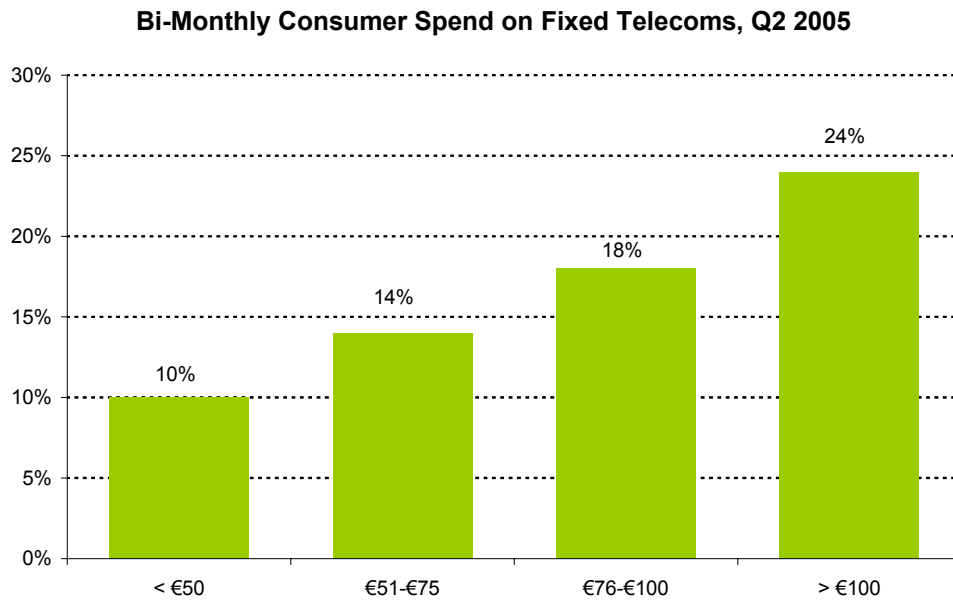
Ireland’s position has improved significantly in this quarter, from 10th to 5th place. Ireland is now five places ahead of the EU average in terms of price. This improvement is likely due to eircom’s new time-based entry level ADSL product in June 2005.

2.10 Consumer Spend

Figure 2.10.1 is from Amárach Consulting’s residential survey, commissioned by ComReg, which was carried out in Q2 2005¹⁹. The survey suggests a wide spread in fixed line telecoms spend within the residential market in Ireland. The average bi-monthly spend on fixed line telephony was €104. Spend was highest among 45-54 year olds, higher income groups and those in larger households. It should be noted that response rates do not add to 100% of respondents. Respondents who reported that they either didn’t know or did not respond when asked about fixed line expenditure are not included.

¹⁸ The minimum results show the lowest monthly rental charge offered in each country. This method may favour countries offering lower speeds. Figures in boxes represent the upload / download speed (kb/s) of the service offered.

¹⁹ ComReg Document 05/65a

Figure 2.10.1 – Bi-Monthly Consumer Spend on Fixed Telecoms

Source: Amarach Trend Series, Wave 2, 2005

2.11 Leased Line Tables

Figure 2.11.1 shows the total number of traditional point to point leased lines provided at the wholesale and retail level. Leased lines are used to provide dedicated data services to medium and large businesses.²⁰

Figure 2.11.1 – Fixed Data Access Lines

Platform	Q 2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
Leased lines (retail)	18,930	18,801	18,669	18,231	17,703
Leased lines (wholesale)	8,440	8,508	8,319	9,092	8,819

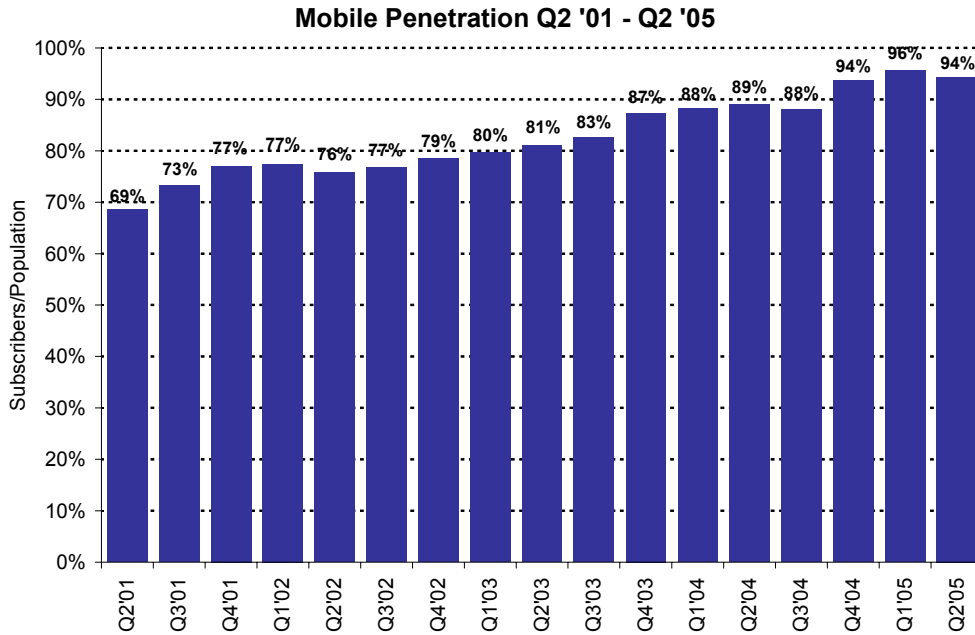
²⁰ For ComReg definitions please see the Quarterly Key Data Explanatory Memorandum published with this document

3 Mobile Market Data

3.1 Number of Subscribers and Penetration Rate

3.1.1 Irish Mobile Penetration Rate

Figure 3.1.1 – Irish Mobile Penetration Rate



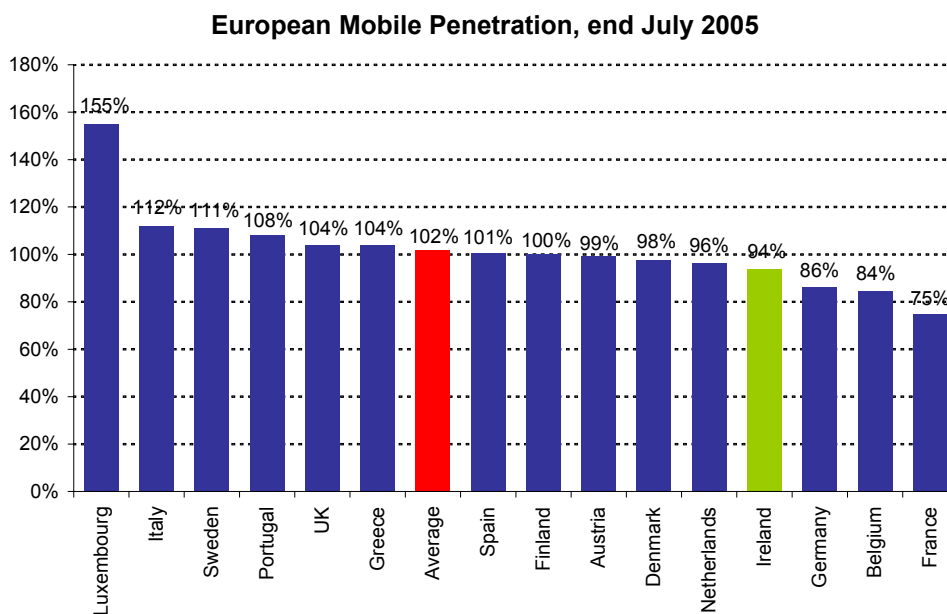
As can be seen in figure 3.1.1, the Irish mobile penetration rate has increased steadily over the last number of years and is currently at 94% of the population. There is a decrease in penetration from the previous reported period due to a change in the definition of active subscribers by Vodafone and O2. Active subscribers are now defined as mobile subscribers whose SIM card has been active within the previous three months; the defined active subscriber period in previous reporting periods was as long as eight months.

3.1.2 European Mobile Penetration Rates

The figure below presents the national mobile penetration rates across the EU. Ireland’s position remains unchanged since January 2005 where the penetration rate is ahead of Germany, Belgium and France, and 4% behind the EU average. Luxembourg has experienced a large increase in penetration rate from 133%²¹, primarily due to an increase in 3G subscriptions.

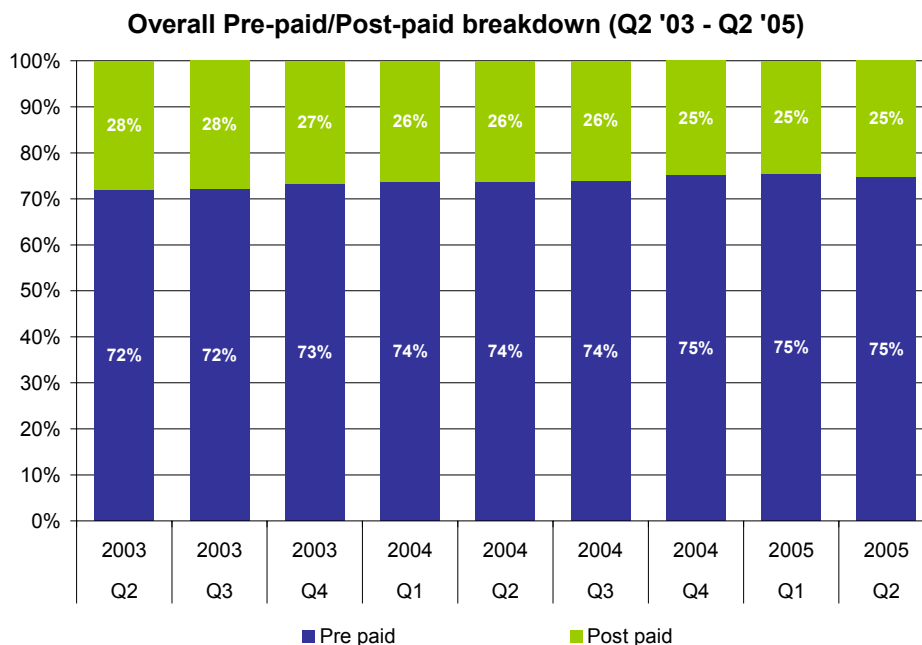
²¹ Penetration rates above 100% are due to multiple SIM card ownership

Figure 3.1.2 – European Mobile Penetration Rates



Source: Baskerville Mobile Commincations (includes 3G subscriptions)

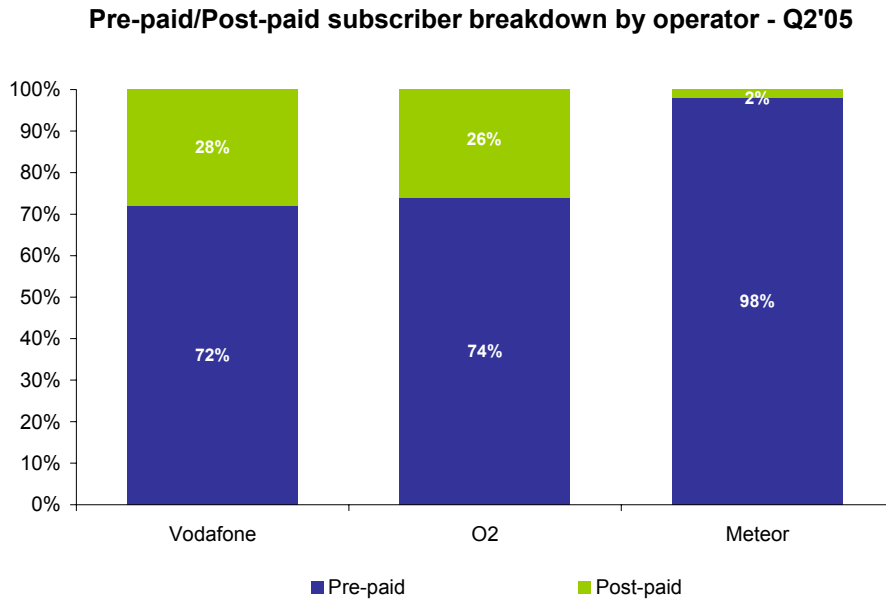
Figure 3.1.3 – Number of Subscribers (Pre-Paid/Post Paid)



3.1.3 Subscribers Pre-Paid / Post-Paid Comparison

Figure 3.1.3 sets out the division of overall mobile subscriptions between pre-paid and post-paid subscribers. The percentage of subscriptions to pre-paid mobile packages has remained steady at 75% over the last three quarters. Figure 3.1.4 illustrates that Meteor’s subscriber base is almost exclusively pre-paid customers; however it has experienced growth in the post-paid sector in the last quarter, albeit from a small base. Ninety eight percent of all post-paid subscribers are currently either with O2 or Vodafone.

Figure 3.1.4 – Number of Subscribers (Pre-Paid/Post Paid) – by Operator



3.2 Market Shares

Figures 3.2.1 and 3.2.2 illustrate that Meteor has gradually increased its share of revenue and subscribers over the last few quarters. Vodafone and O2 continue to account for around 89% of mobile revenues and subscribers.

Figure 3.2.1 – Market Share – Number of Subscribers

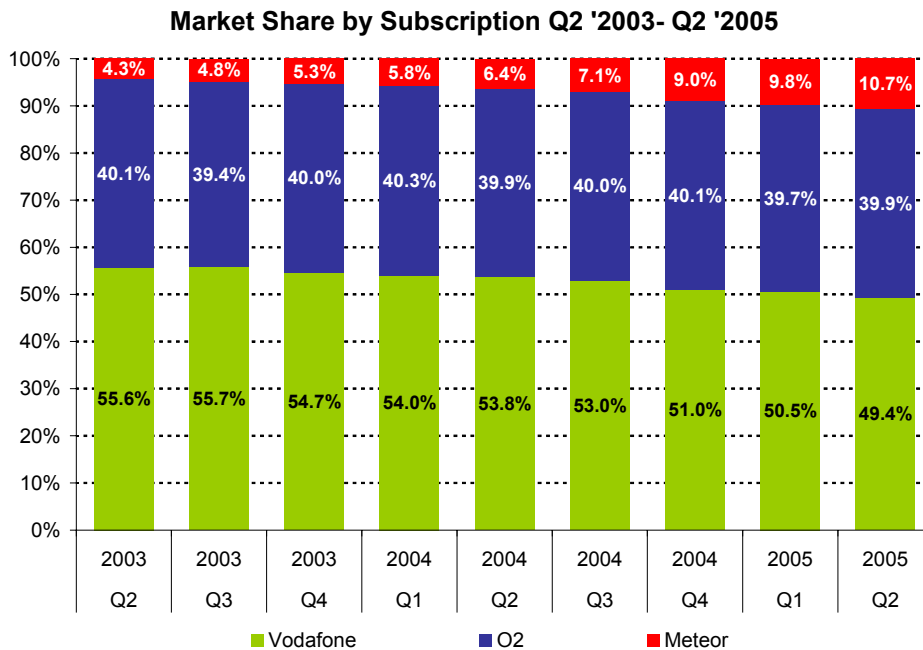
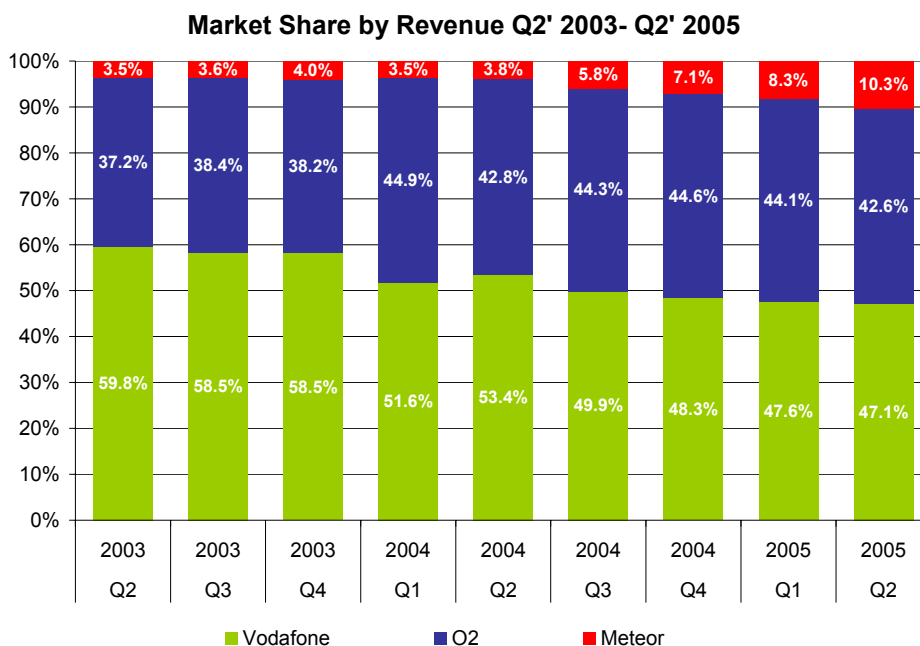


Figure 3.2.2 – Market Share – Revenue

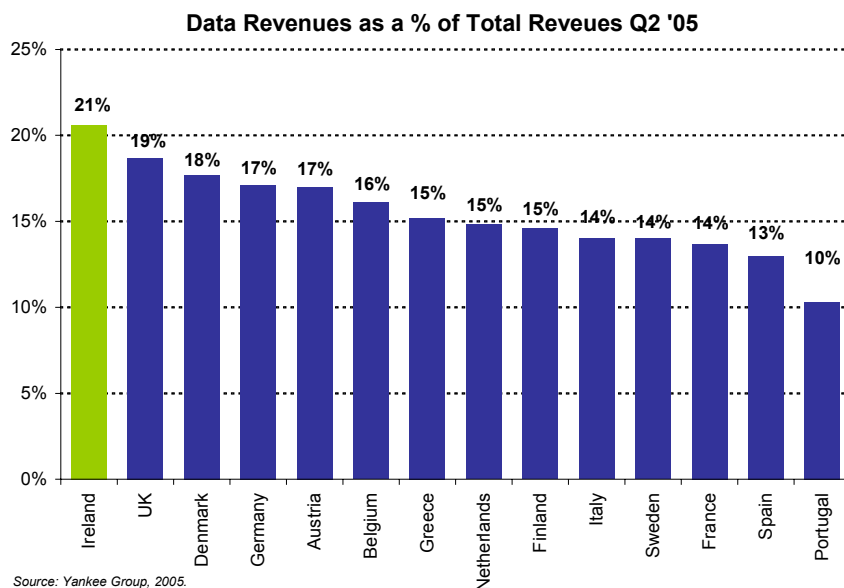


3.3 Mobile Revenues

3.3.1 Mobile Revenues by Voice and Data

Mobile retail revenue for the quarter is €456 million, a 5% decrease on the previous quarter, and reflective of seasonal trends. Mobile revenues have increased by 5% in the last 12 months. Figure 3.3.1 outlines the percentage of mobile revenue attributable to data. Ireland has the highest level of data revenues as a percentage of total mobile revenues. This is most likely due to the high use of text messaging in the Irish market as well as the increased use of mobile GPRS data cards.

Figure 3.3.1 Data Revenues as % of Total Revenue – EU-15²²

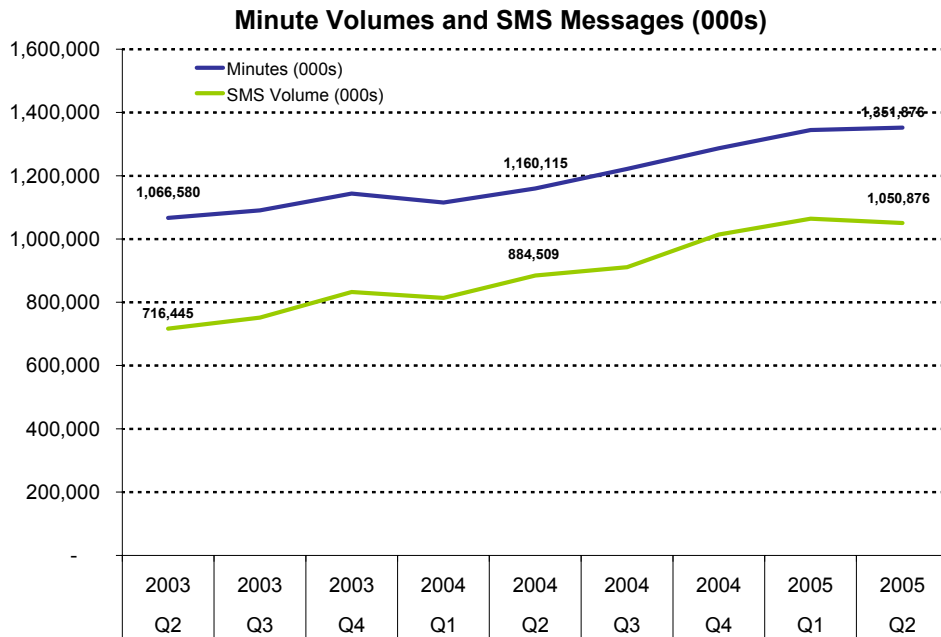


²² Note that the graph relates to EU-15 countries except Luxembourg where no data was available

3.4 SMS Services and Call Minutes

Figure 3.4.1 illustrates the number of call minutes and SMS messages sent each quarter over the past number of years. Numbers of SMS messages sent in Ireland remains well above 1Bn in the quarter, and equates to each Irish mobile subscriber sends on average of 91 messages per month. Voice minutes were relatively stable in Q2, 2005 compared with the previous quarter.

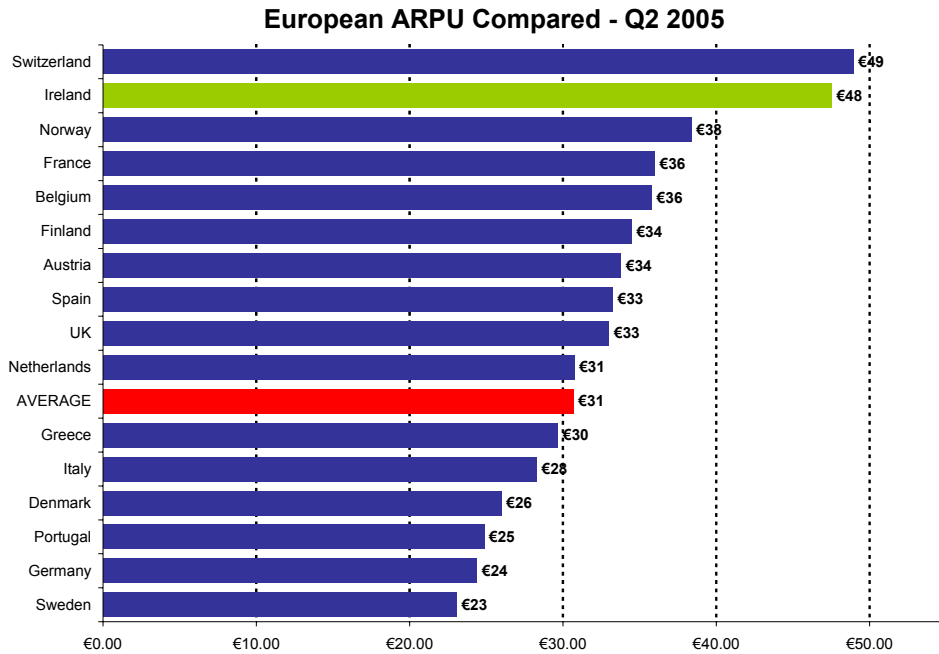
Figure 3.4.1 –SMS and Call Minutes



3.5 ARPU

Based on Yankee Group data, Irish Mobile Operator’s ARPU is estimated at €48 per month, the second highest among European countries monitored, remaining the same since the last quarter. EU average ARPU is €31.²³

Figure 3.5.1 European ARPU Compared – Q2 2005



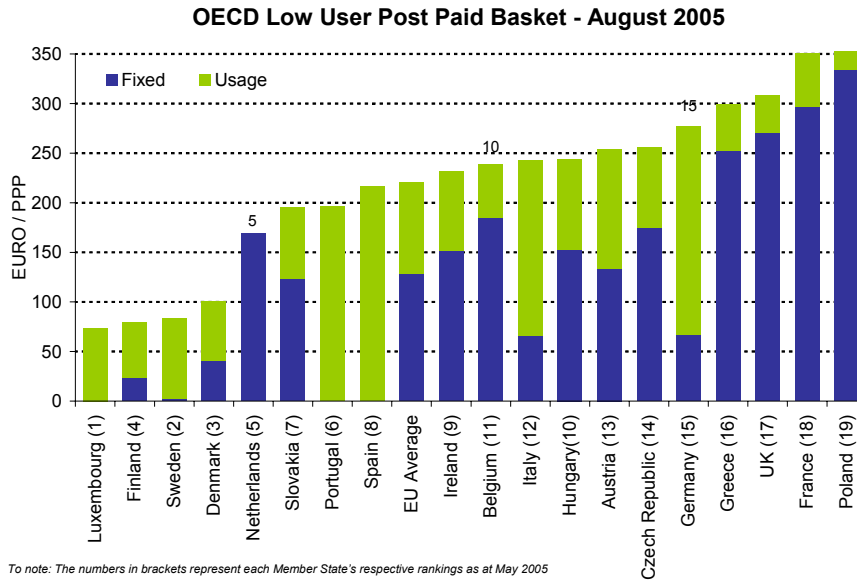
²³ As far as possible, ARPU figures are obtained directly from operators. Where unavailable, ARPU is calculated by dividing annual service revenues by the mid-term installed base (the sum of the opening and closing customer bases for the period divided by two). Once the Yankee group has obtained or calculated all individual ARPU figures, they are applied to each operator's mid-term user base to obtain service revenues by operator, which are then combined to obtain a country total. This total revenue figure is then divided by total mid-term users to derive country-level ARPU.

3.6 Mobile Pricing Data²⁴

3.6.1 Low User Post Paid Mobile Basket²⁵

Ireland remains at 9th position this quarter and one place behind the EU average in terms of price.

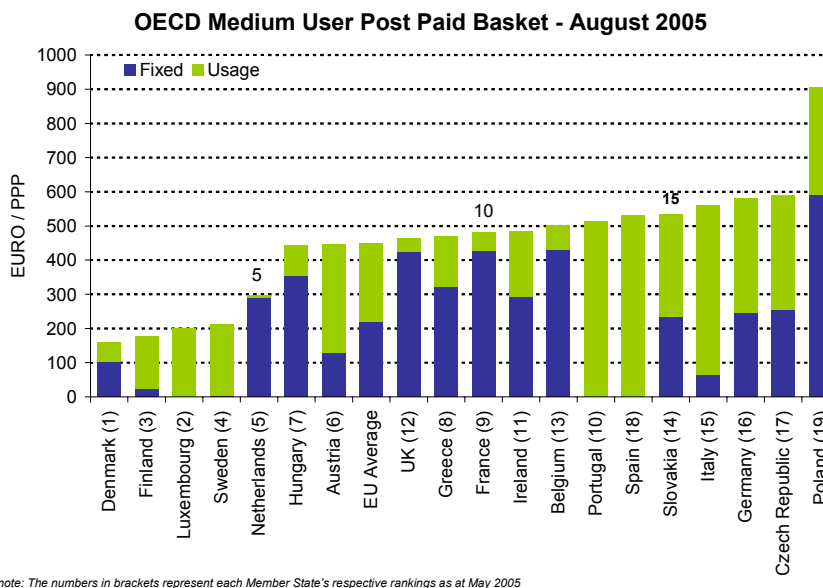
Figure 3.6.1 OECD Low User Post Paid Mobile Basket – August 2005



3.6.2 Medium User Post Paid Mobile Basket

Ireland's position remains at 11th position this quarter, and 4 places behind the EU average in terms of price.

Figure 3.6.2 OECD Medium User Post Paid Mobile Basket – August 2005



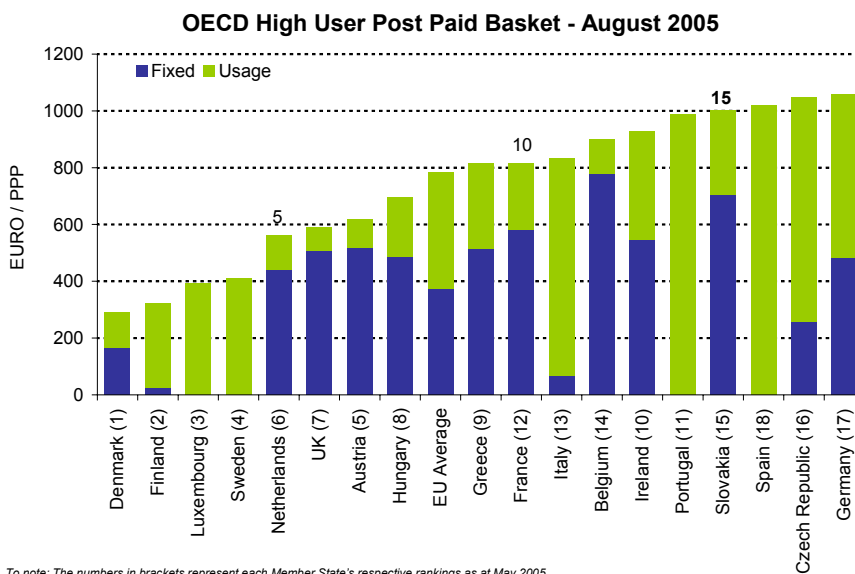
²⁴ The 'Fixed' component of price refers to the standard charges imposed by operators, regardless of the amount of calls made (i.e. installation and rental). T-basket calculation of this figure is made up of: Installation Charge/5 + Rental charge for 1 year. The 'Usage' component of price refers to the charges imposed by operators, arising from the number of calls made by the user.

²⁵ All tariffs are inclusive of VAT, rates will vary between Member States

3.6.3 High User Post Paid Mobile Basket

Ireland’s position in the high-end user basket has disimproved in the last two quarters. Ireland’s position has dropped from 10th to 13th out of the 19 European countries monitored and is now five places behind the EU average in terms of price.

Figure 3.6.3 OECD High User Post Paid Mobile Basket – August 2005

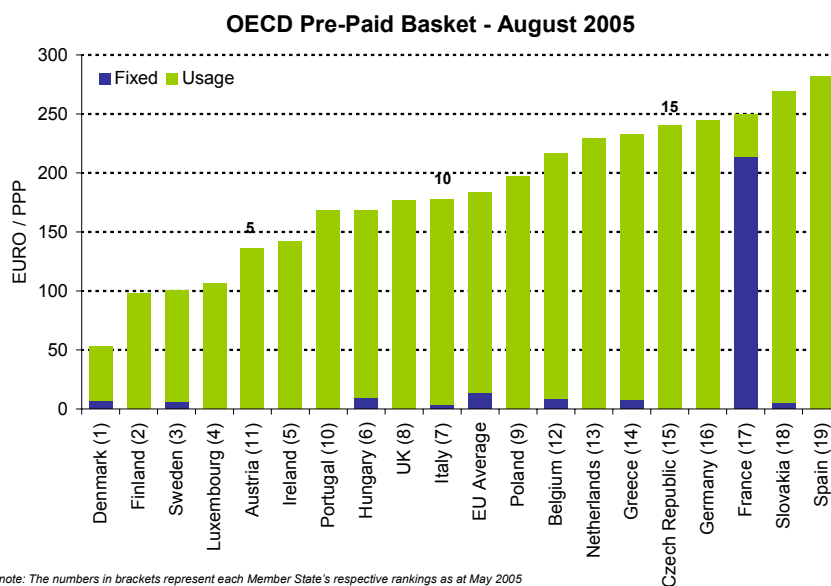


To note: The numbers in brackets represent each Member State's respective rankings as at May 2005

3.6.4 Pre-Paid Mobile Basket²⁶

Ireland has dropped from 5th to 6th in the pre-paid basket, but remains five places behind the EU average in terms of price for the 19 countries analysed.

Figure 3.6.4 OECD Pre-Paid Mobile Basket – August 2005



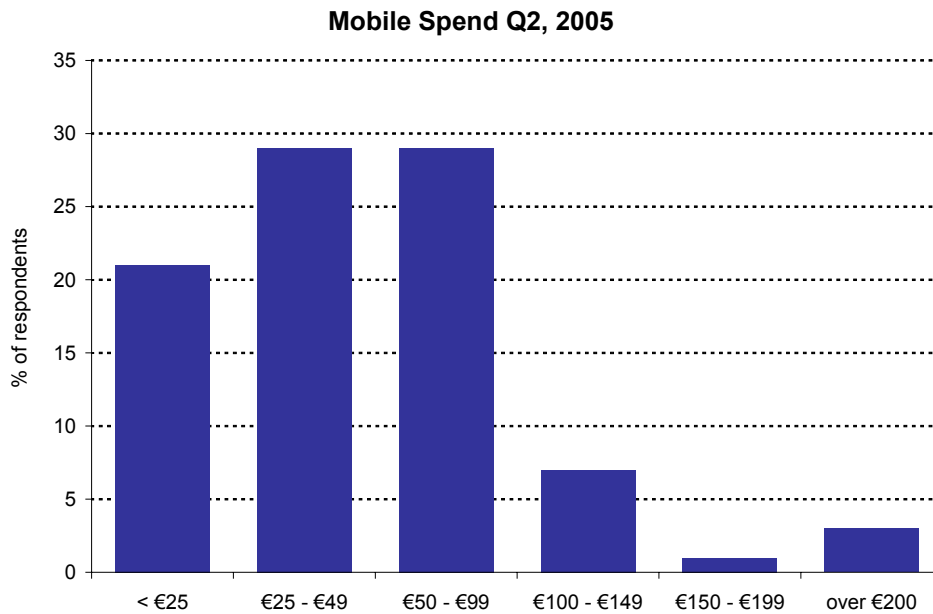
To note: The numbers in brackets represent each Member State's respective rankings as at May 2005

²⁶ The OECD has found that there is little difference between the average pre-paid usage and low-user post-paid usage. This pre-paid basket thus refers to the average pre-paid user and is based on low user post-paid usage.

3.7 Consumer Spend

Figure 3.6.1 represents end-user responses to Amárach Consulting residential survey commissioned by ComReg. This suggests that in Q2 2005 the average monthly spend on mobile services in the residential sector is around €54. Mobile spend is highest among 25-34 year olds, and those in higher income groups. Among these groups the average monthly spend exceeds €58 per month.

Figure 3.7.1 Consumer spend



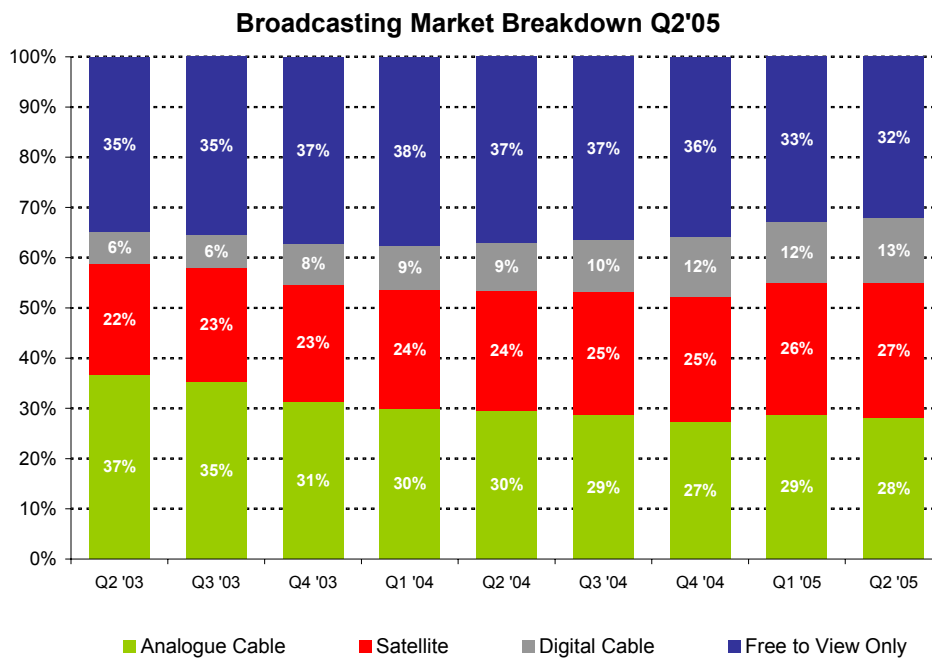
Source: Amarach Trend Series, Wave 2, 2005

4 Broadcasting

4.1 Cable/MMDS & Satellite

There are approximately 554,000 cable/MMDS subscribers to television services in Ireland, 380,000 of whom subscribe to analogue only. About 174,000 subscribers have upgraded to digital television which represents 29% of total cable/MMDS subscribers. At June 2005, BSkyB had 363,000 Irish subscribers. There are 900,000 (cable/MMDS and satellite) pay TV subscribers of which 59% now subscribe to digital TV.

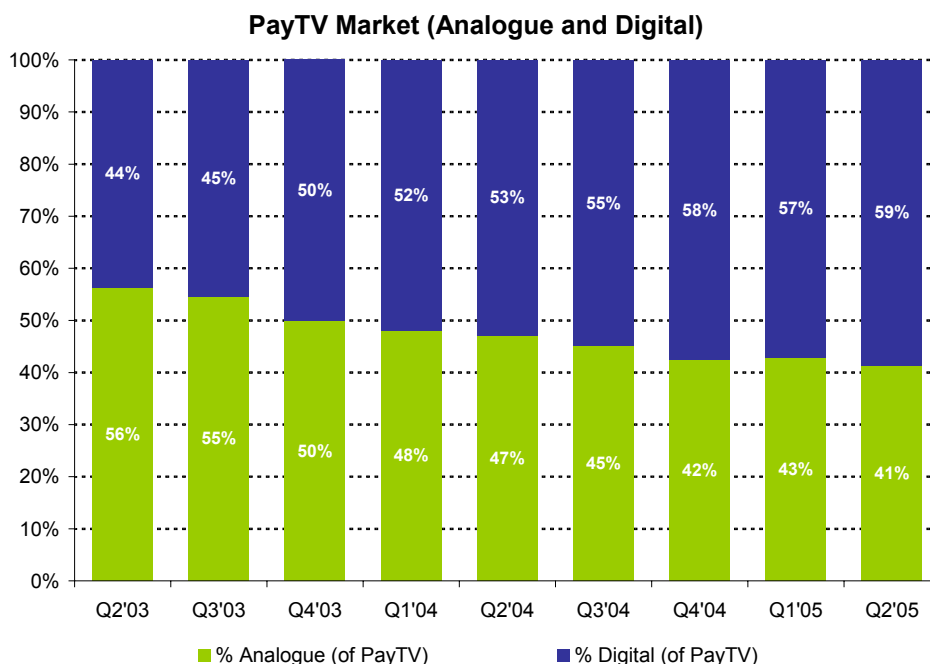
Figure 4.1.1 Take Up of Broadcasting Services



At the end of June 2005 there were approximately 537,000 cable/MMDS and satellite digital subscribers. Digital households represent approximately 40% of all households with a television²⁷. Over 1.25 million households are passed for cable/MMDS, of which approximately 80% are passed for digital services. This has remained static since last quarter.

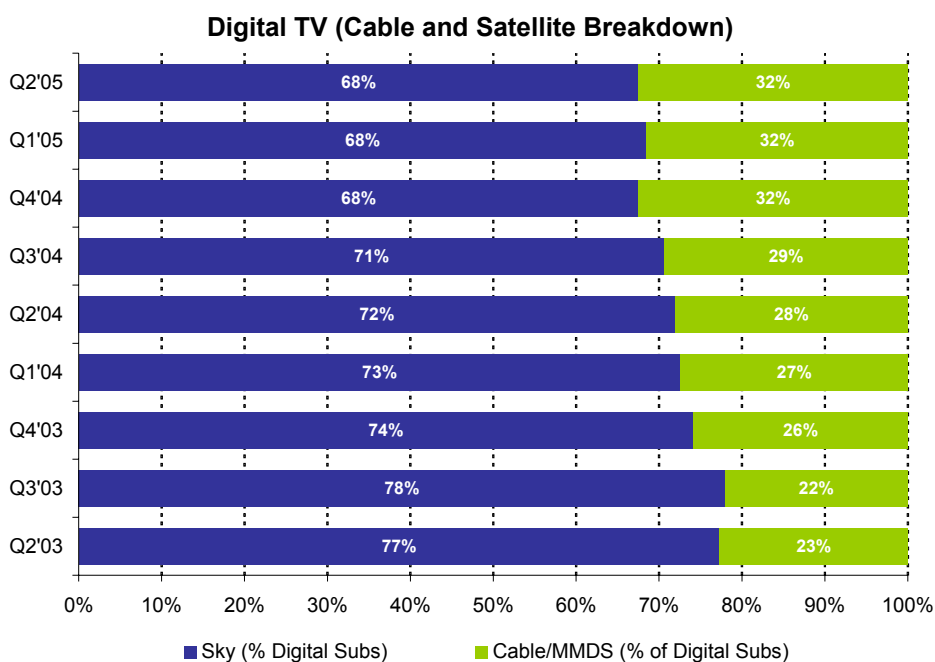
²⁷ Figure is based on CSO estimate of 1.35 million households with a television.

Figure 4.1.2 Pay TV Market (Analogue and Digital)



In Figure 4.1.2 the switch by subscribers to digital Pay TV is illustrated, with 59% of all Pay TV services now digital services. Figure 4.1.3 shows that cable/MMDS accounts for 32% of all digital subscribers in the country (satellite accounts for the remaining 68%). This is reflective of an overall trend of digital cable offerings capturing an increasing share of the digital TV market in Ireland. This can be at least partly explained by the migration of existing customers from analogue to digital services.

Figure 4.1.3 Digital TV (Cable and Satellite Breakdown)

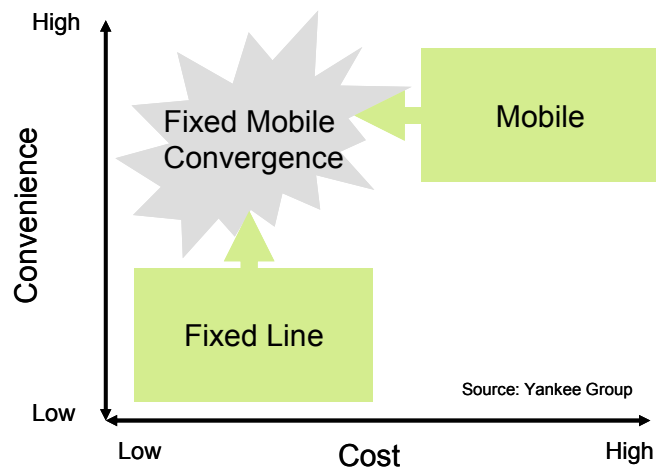


5 Emerging Trends

5.1 Fixed Mobile Convergence

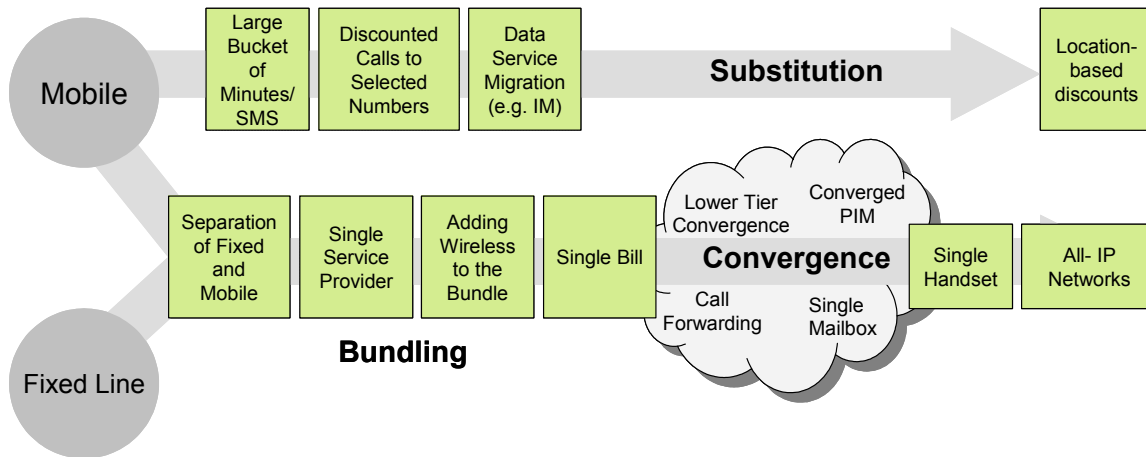
The delivery of both fixed and mobile voice services are currently being challenged by a hybrid suite of services known as fixed-mobile convergence solutions. They will become an increasingly important feature in future voice service delivery- and blur the boundaries between fixed and mobile telephony services. A proposition that would allow customers to have a single handset; one that provides all the benefits of mobility, and also allows customers to avail of fixed line prices while making calls within the home, is particularly attractive one. Many European telecommunications operators are currently developing, or have launched products which combine the most appealing attributes of fixed line and mobile telephony in a single converged solution. The benefits of such fixed-mobile convergence solutions are intuitive in their ability to deliver the convenience of a mobile phone, with the ability to make lower cost calls using the mobile handset within the home.

**Figure 5.1 – Convergence: High Convenience, Low Cost for the Consumer;
Source: The Yankee Group, Oct 2004**



Operators are also motivated to provide such converged propositions in an effort to retain customers and revenue. Falling fixed voice revenues, increased competition across markets, and customer churn in both fixed and mobile sectors has led many operators in European markets to rethink their service offerings and product bundles to retain customers and increase revenues. Convergence offers these players the prospect of diversifying into related markets, better leveraging their existing asset/customer base, and ultimately increasing overall revenues and profitability. Convergence of fixed and mobile service offers opportunities for operators to act as a “one-stop-shop” for customers fixed and mobile voice needs.

Figure 5.2 – The Road to Convergence; Source: The Yankee Group, Oct 2004



Many of the current FMC solutions are being developed by fixed line operators, however more recently mobile operators have sought to consolidate their market position by improving their data offerings in an effort to converge the flexibility of mobile voice, with high speed data services.

Convergent services can be grouped into one of two divisions:

- FMC bundles where no technical integration between fixed and mobile networks takes place, and the services are simply packaged together with or without a single bill
- FMC services where there is a degree of integration between fixed and mobile phones or services; for example FMC phones and network services

A number of operators are trialling integrated fixed-mobile offerings at present and the market is at a very early stage of development. However a couple of case studies are worth examining.

BT's Fusion product in the UK – an example of FMC service integration by a fixed operator
 Genion, provided by O2 in Germany – an example of an FMC bundle by a mobile operator

(a) BT Fusion

BT launched its BT Fusion product in the UK in June 2005. The service provides a mobile phone that automatically switches from mobile to cheaper landline call rates when the customer is at home. Mobile calls are carried over the standard GSM network in the UK while the fixed element uses Bluetooth radio technology within the home. The customer must have a broadband connection to access the service in their home. In essence, the customer uses a single device as both a fixed line and mobile phone depending on their location at the time of a particular call. The service bundles a set number of call of various types for a monthly fee.

(b) O2 Genion

The O2 Genion service uses only its GSM mobile network, but mimics a converged solution. Each subscriber has a “home cell” typically a 500 metre radius. Inside the cell, the user makes calls at a highly discounted rate, comparable to fixed calls. Beyond this home cell, normal GSM pricing applies. This solution is made possible due to location-based technology which is particular to O2s network in Germany. Each base station transmits latitude and longitude co-ordinates to the handset which determines whether or not the customer is in the home zone.

The Future of Convergence

It is likely that in the future, fixed-mobile convergence will not be confined to the fixed and mobile voice services but extend to include a range of data and entertainment services. This “Martini” effect, conceives a wide range communications services being offered anytime, anywhere, will lead to currently disparate services being delivered over a single handset or portable unit. Currently mobile handsets include radio, cameras, and the capability to download music and video-clips. In the future, the converged experience will embrace services such as TV over mobile, GPS positioning and a suite of email, video and voice communication services. This mixing of communication, content and entertainment services will challenge operators and manufacturers in developing and delivering a new suite of products to meet consumer needs.

Figure 5.3 – The Martini Effect; Source: Ovum, 2004



Source: Ovum, EuroView Monthly Review Nov 04