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Communications Regulation

Irish Communications Market

Quarterly Market Commentary

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An Coimisiún um Rialáil Cumarsáide

Commission for Communications Regulation

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1 Foreword

This report, covering the period July to September 2002 is the final review of the Irish Communications Sector for 2002. I am pleased that the year has ended on a stronger note with CPS figures growing by 10% in the last quarter. Ireland's mobile subscribers topped the three million mark in the period under review and despite difficult trading conditions, OLOs maintained their market share at 21%. While DSL roll-out is proceeding rapidly, take-up is slower with some 2,000 lines ordered by the end of October of which 10% were new entrant lines.

Key regulatory developments during this quarter included the issuing of papers on price cap; on the rates and scope of *eircom*'s RIO; a decision on "off book" pricing investigation in respect of *eircom* together with consultation papers on accounting separation and costing methods for mobile operators and universal service requirements for An Post. A report on the Future Delivery of Broadband was issued in conjunction with a conference held on the 'Regulatory Challenges and Opportunities for the ICT Sector' where speakers from both regulatory and research backgrounds addressed delegates on issues relating to the new EU framework and market perspectives.

We carried out our third SME survey, conducted by the Market Research Bureau of Ireland Ltd (MRBI), in October/November 2002. The results of the survey suggest an increasingly competitive environment with one in four SMEs switching their fixed line supplier in the last twelve months, compared to one in five last year. See section three of the report.

This Quarterly Report is the first document to be issued by the Commission for Communications Regulation (ComReg). The telecommunications market has now been fully liberalised for four years. The contribution of the regulatory body to the economy is most visibly seen through the role it has played in facilitating the transformation of the Irish telecommunications market which has been carried out by the market players. Through the introduction and promotion of competition, the overall Irish telecommunications sector has developed substantially in terms of price reductions and revenues. Revenues have increased from €1.9 billion to €3.5 billion, reflecting a massive increase in use of services at all levels – voice, data and mobile – over the years, while prices have fallen from amongst the highest in Western Europe to average levels for most services. I would have wished to see them lower, but note that, the Irish telecoms sector is not immune from cost pressures in the economy. There has been major investment in the cable/MMDS infrastructure in Ireland, with 68% of cable/MMDS households now passed for digital TV. The expansion of satellite television in the Irish market accounts for most of the 24% of households now subscribing to digital TV. Increased productivity and efficiency that a competitive market brings has facilitated substantial improvements in price, choice and quality. It is noted that employee numbers were 12,000 in 1997 and 15,300 this year, but the trend is downward now and it is likely that numbers will fall further with increasing productivity gains. Positively impacting on Irish businesses, through the spurring of competitive pricing, the liberalised market has contributed to lower costs for Irish firms, attracting higher-value investment which helps build our knowledge based economy.

It is essential that Ireland's communications industry, as one of the key engines of the Irish economy, continues to rapidly evolve and develop in line with best international practice. ComReg will facilitate this development to ensure that the Irish Communications market can be as competitive as possible and that Irish consumers receive the highest quality products and services from the widest choice at the best price.

The continuous performance of ComReg will remain a priority for the organisation; the ODTR received several important management performance awards during 2002. It was awarded the Irish Institute of Training and Development (IITD) National Training Award for public sector services organisations. This was followed by winning the 2002 “Excellence Through People” national standard for human resource development. More recently, the ODTR was one of four organisations to be short listed for the Irish Times/PA Consulting ‘Management Awards’, which gives recognition to organisations that achieve outstanding results through excellence of management practice. The results of this ‘Management Award’ will be announced in February 2003. ComReg will endeavour to continue this strong performance and management development.

A number of restatements have been made in this report, reflecting revisions received from operators which have impacted some of the comparative data. I would like to thank all those operators and organisations who have contributed information and comments for this review and I appreciate their efforts in facilitating the publication of this document. I continue to encourage all operators to complete the questionnaire sent to them on a quarterly basis to ensure as complete a picture as possible of the Irish market can be presented.

**Etain Doyle,
Chairperson
Commission for Communications Regulation.**

2 Market Overview

This section of the report provides analysis on the main trends and developments in the various sectors of the Irish Communications market and is based on the information contained in the Key Data Report. For more detailed information on the sectors please refer to the Key Data Report.

Total revenues for fixed, mobile and broadcasting continue to grow, with an increase of 4% since last quarter. This growth is attributable to increases in both the mobile and broadcasting markets

Fixed

There is further evidence of activity within the market since last quarter with a 10% increase in the number of CPS lines. Fixed line revenue has remained stable, while other licensed operators (OLO) market share remains at 21%, consistent with previous quarters. Two operators ceased operations during the quarter and one new licence was issued.

Mobile

With three million mobile subscribers in Ireland the penetration rate now stands at 77%. Although the market has shown signs of stabilisation in recent quarters, the penetration rate has increased by 4% in the last 12 months. Meteor's share of the market has decreased by 1% during the quarter while Vodafone and 02 retain 97% of the market. The growth in the number of SMS messages sent each quarter continues, with each mobile subscriber now sending on average 65 messages each month. This is up from 63 per month in the last quarter and from 42 messages per month for the same period last year.

Internet¹

According to a survey carried out by MRBI, 50% of Irish adults (aged fifteen and over) have Internet access at home. Nearly two in five personally use the Internet at home, with higher than average usage amongst younger people. PSTN is the predominant access technology for residential Internet access, while 6% use ISDN. Half of those who have access at home have purchased something over the Internet. Email at 92% is the most popular use amongst home users while at 76% 'travel information and bookings' is the most popular e-business category.

Cable/MMDS & Satellite

Total digital subscribers in Ireland now represent 24% of all households with a television, a 2% increase since last quarter. Increases in both cable/MMDS digital subscribers and satellite digital subscribers have contributed to this growth. Total cable/MMDS revenues have increased by 5% since last quarter.

Tariffs

Irish PSTN and leased line tariffs changed little relative to those in comparator countries in the last quarter. Ireland increased by one position in the international residential PSTN basket and fell by one in the international business PSTN basket. New mobile baskets for low, medium and high users were included this quarter. For the first time SMS messages were included and comparisons are based on the lowest available tariff in each country. Ireland lies in 3rd position for the pre paid basket, 7th for the low user post paid basket and 11th for the medium user and high user baskets.

¹ Until Q2 2002, the statistics used in this report were supplied by Nielsen who used a different methodology. The MRBI (and EU statistics) show higher levels of Internet penetration and a sharply increased trend for 2001.

3 SME Survey

During the quarter the ODTR commissioned MRBI to examine the attitudes of Irish SMEs to telecommunications services in the Irish market. The interviews were conducted in October / November 2002 with 305 SMEs.

3.1 Summary

The results of the survey suggest that SMEs are very aware of the choices available to them in the fixed line market and that operators are actively approaching them in an attempt to win over some or all of their fixed line business. Price remains the main incentive for SMEs who have switched their fixed line supplier and it is just as likely for SMEs to move back to the incumbent operator as well as switching from the incumbent to OLOs, and amongst operators. It is more likely for SMEs to switch their fixed line supplier than their mobile supplier.

SMEs believe that the telecoms market is more competitive than twelve months ago although seven in ten indicate that they feel that their telecoms costs have increased or remained the same in the last year. In terms of investment a marginally lower proportion of SMEs intend to invest more in telecoms compared to the same period last year.

The number of SMEs who have ISDN lines has grown very substantially since our first survey in 2000. ISDN is the predominant technology for SMEs accessing the internet (45%), experience in other countries would suggest that companies are likely to upgrade to DSL at the appropriate price levels. The results of our survey show that 25% of SMEs are likely to subscribe to DSL at some stage in the future. Given the growth of ISDN, we would expect to see increased demand for DSL services. Though this would perhaps depend on more competitive prices for DSL, as the ODTR broadband survey in September 2002 showed that the cost of DSL remains an important consideration amongst SMEs.

Of the respondents who installed their leased lines in the last 12 months (5%) only a small percentage (14%) had a SLA with their supplier; maybe because over half were not aware that they could get a SLA.

The majority of SMEs have a contract with a mobile operator for their mobile services and use their mobile phones abroad for work purposes. SMS is not widely encouraged as a means of reducing the cost of international roaming.

The results of the survey are outlined below.

3.2 General Attitudes to Telecommunications

In measuring overall reaction to the telecommunications market, companies were asked to what extent they agreed or disagreed with a series of statements related to the market. Table 3.1 illustrates the percentage of SMEs who agreed with the statements.

Table 3.1 SME attitudes to the telecommunications market

<i>Question</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
<i>I believe that there are savings to be gained by changing my telecommunications supplier</i>	58%	47%	78%
<i>When choosing a telecommunications supplier, I place more importance on the quality of service than the price</i>	64%	72%	67%
<i>I believe that the telecommunications market is more competitive than it was twelve months ago</i>	85%	84%	95%

3.3 Investment in Telecommunications

Although the majority of SMEs believe that the telecoms market is more competitive than twelve months ago, 71% indicate that their telecoms costs have increased or remained the same in the last twelve months. In relation to investment 36% of SMEs intend to invest more in telecoms in the next twelve months compared with 41% in 2001. Table 3.2 illustrates the services / devices that SMEs are most likely to invest in.

Table 3.2 Services / Devices SMEs intend investing in

<i>Services / Devices</i>	<i>2002</i>	<i>2001</i>
<i>Internet / Web Development</i>	70%	82%
<i>More Computers / hardware</i>	61%	n/a
<i>New phone system / upgrading existing system</i>	47%	6%
<i>Mobile Telephony</i>	37%	57%

3.4 Use of Telecommunications Devices or Services

Nearly all of the SMEs surveyed have a PSTN line while over half (51%) have an ISDN line compared to 38% in 2000. The majority of SMEs have at least one mobile phone (83%).

SMEs rely less on leased lines with 15% currently using at least one leased line. Three in ten SMEs installed their leased lines in the last 12 months while half of those experienced difficulty with the delivery of their leased lines². Although the survey suggests that a small proportion of SMEs experienced difficulty with the delivery of their leased lines, the average delivery time of leased lines from *eircom* to OLOs has improved in the last year falling from 44 days in October 2001 to 20 days today.

Over half of SMEs who installed their leased lines in the last twelve months were not aware that they could get a SLA with their Leased Line supplier, while only 14% actually had a SLA.

² Given that SMEs are not large users of leased lines (i.e. not the main market) this figure is not wholly representative.

3.5 Telecommunications Suppliers

eircom remains the dominant supplier for SMEs in the fixed line market while Esat BT and Worldcom have the largest share of the OLO market. As illustrated in Table 3.3 *eircom*'s share of the local, national, and international call markets has remained relatively stable since our last SME survey in 2001. Vodafone remains the predominant supplier of mobile phones to SMEs.

Table 3.3 Telecom Supplier

Supplier	2002	2001
Fixed:		
<i>Local Calls:</i>		
<i>Eircom</i>	80%	79%
<i>OLO</i>	20%	21%
<i>National Calls:</i>		
<i>Eircom</i>	80%	78%
<i>OLO</i>	20%	22%
<i>International Calls:</i>		
<i>Eircom</i>	80%	78%
<i>OLO</i>	20%	22%
Mobile:		
<i>Vodafone</i>	55%	57%
<i>02</i>	36%	44%
<i>Meteor</i>	1%	n/a

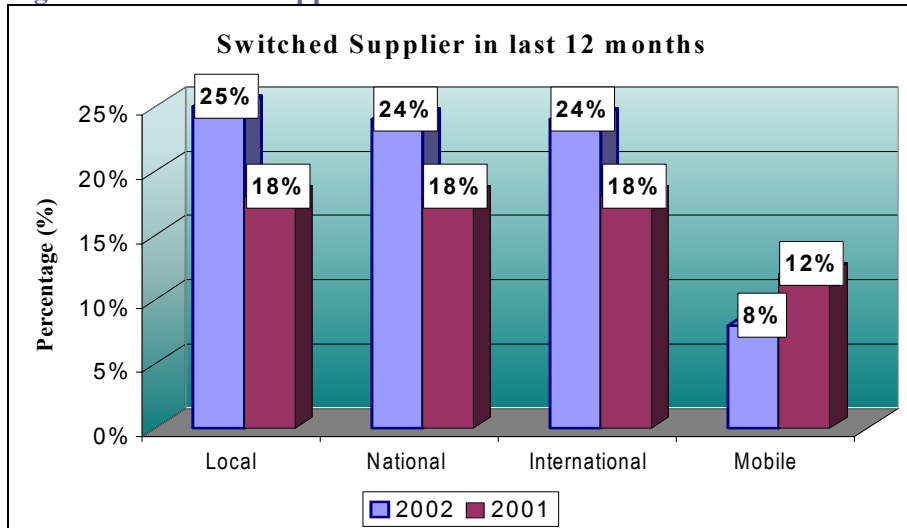
3.6

3.7 The Competitive Environment

The survey results suggest an increasingly competitive environment with one in four businesses switching their fixed line supplier in the past 12 months compared to one in five in 2001. The main reason for switching was cheaper calls, but there was also some dissatisfaction with the service received from their previous supplier.

Figure 3.1 illustrates that SMEs are more likely to switch their fixed line supplier than their mobile supplier. One in ten switched their mobile supplier in the last twelve months, compared to one in four who switched their fixed line supplier. Those who didn't switch their fixed or mobile supplier were largely satisfied with their current service levels.

Figure 3.1 Switched Supplier in the last 12 months



3.8 Carrier Pre Selection (CPS)

As illustrated in table 3.4 three in four companies are aware of CPS and one in five currently uses the service.

Table 3.4 Awareness and Use of CPS

<i>Awareness and Use of Carrier Pre Selection</i>	<i>2002</i>	<i>2001</i>
<i>Aware of the service</i>	76%	78%
<i>Currently using the service</i>	20%	21%
<i>Used it in the past but not now</i>	14%	15%
<i>Considering using the service</i>	7%	10%
<i>Considered using the service but will not be using it</i>	14%	25%
<i>Have not considered the service</i>	41%	27%

There seems to be significant activity amongst operators in this market with three in five SMEs approached by an OLO regarding switching some or all of their fixed line business.

It can be seen from table 3.4 above that 14% of those surveyed used CPS in the past but not anymore. The main reason given by respondents for discontinuing with the service was that they were approached by *eircom* with a better deal (26%).

Almost half switched part of their fixed line business from *eircom*, at some stage, while half have switched back. Those who switched back were largely prompted to do so following an approach by a sales person from *eircom* (57%).

In the last twelve months a quarter of SMEs switched their fixed line supplier primarily to save or reduce costs.

3.9 Mobile Phone Services

One in five SMEs have experienced difficulty with the quality of service from their mobile operator, with poor coverage cited as the biggest difficulty. Most SMEs have a contract with their mobile operator (79%) while only 3% use pre-paid mobile phones.

Nearly three quarters of SMEs use their mobile phones abroad for work purposes although 45% are not satisfied in relation to the cost of using their mobile abroad. 60% of all respondents are aware of the cost associated with calling another network. SMS is not encouraged as a form of mobile business communication.

3.10 Internet

The Internet is widespread among SMEs with 84% connected. As illustrated in Table 3.5 ISDN is the predominant access technology increasing by 6% since our survey last year. In relation to DSL, approximately 25% of SMEs have indicated that they are likely to subscribe at some stage in the future.

Table 3.5 Access technology used to connect to the Internet

<i>Access technologies</i>	<i>2002</i>	<i>2001</i>
<i>ISDN</i>	45%	39%
<i>PSTN</i>	44%	52%
<i>Leased Line</i>	6%	4%
<i>DSL</i>	3%	n/a

Table 3.6 illustrates the key Internet application used by SMEs. E-mail is the most widely used application with SMEs not yet fully engaging in higher bandwidth applications.

Table 3.6 E-business applications used by SMEs

<i>E-business applications</i>	<i>2002</i>	<i>2001</i>
<i>E-mail with suppliers / customers</i>	79%	80%
<i>Booking travel / accommodation</i>	61%	n/a
<i>Sourcing information</i>	58%	84%
<i>On-line banking</i>	56%	49%

Over half of SMEs have a website an increase of 4% since our survey last year. In terms of bandwidth connection, one in ten have upgraded in the past 12 months, whilst one in four plan to increase their bandwidth over the next 12 months.

SMEs appear to be increasingly interested in engaging in e-commerce with over half likely to buy something on the Internet in the next 12 months while a quarter are planning to sell something on the Internet.

4 Regulatory Developments

4.1 Fixed

4.1.1 Price Cap

The price cap is a key regulatory tool that is aimed at protecting consumers from excessive pricing in areas of the market where competition is ineffective or where there is a dominant operator. Price cap regulation is often referred to as ‘incentive regulation’ as it also encourages greater efficiencies in the provision of services by the operator concerned. When implementing a price cap it is also important to give ample consideration to the potential effects it might have on the development of competition and the impact on the investment decisions of the regulated company.

In November the ODTR issued the third and final consultation³ to be undertaken as part of the review of the current price cap that is in place on a range of *eircom*’s telecommunications services. The consultation consults on the level and structure of the price cap, the services to be included within the capped basket of retail services and the how issues such as vulnerable users and an appropriate return on capital to *eircom* should be considered. A draft tariff regulation amendment order is also published as part of the consultation.

The current price cap (which came into force at the beginning of 2000) is set at CPI – 8%⁴. This means that *eircom* must reduce prices covered by the Price Cap (mainly local and national calls and line rental) in real terms by 8% in each year. The proposal for the revised cap is to introduce a more relaxed main basket cap in the range CPI – 2% to CPI – 0% aimed at protecting customers and encouraging rapid development of competition without endangering the continued provision of high quality telecommunications services. In this proposal the current lower quartile cap will continue (until a suitable alternative tariff scheme⁵ is available) but all current sub-caps⁶ will be removed. The new price control is expected to be introduced early in 2003 depending on the introduction of an appropriately priced wholesale line rental product⁷.

4.1.2 "Off-Book" Pricing

Fundamental to the development of competition is the establishment of a level playing field for telecommunications providers which requires in the main adherence to principles of transparency and non discrimination. A lack of transparency and or discrimination in respect of prices and or discounts has a potential detrimental effect on a OLOs ability to compete on fair and equal terms in the sector, in addition to the potential negative effect any weakening of competition may ultimately have on the end user. With this in mind the ODTR carried out an own initiative investigation into ‘off book’ pricing by *eircom* and

³ Review of the Price Cap on Certain Telecommunications Services – Consultation III – ODTR doc 02/96

⁴ This included a number of lighter sub-caps for various services and a cap at the rate of inflation (CPI – 0%) on what is known as the lowest quartile bill which provided protection against substantial increases for vulnerable users.

⁵ *eircom* have proposed an alternative tariff scheme which is explained in the consultation paper.

⁶ Sub-caps (e.g. CPI + 2%) allowed *eircom* rebalance prices for some services within the main basket as long as the overall level of prices in the basket did not exceed the main cap (i.e. CPI – 8%). These are now being removed to provide greater flexibility to *eircom* and the industry in terms of pricing.

⁷ It is proposed to include the line rental and calls in a single price cap (to ensure that efficient costs are recovered in an appropriate way through rebalancing), but a prerequisite is that an appropriately priced wholesale line rental product is available to enable the further development of competition in access services, and that there is a pattern of evolution that enables competition.

price compliance following the expression of concerns that *eircom* might not be complying with its legal obligations in relation to pricing and discounts.

On the basis of that investigation and the information it has received, the ODTR has found *eircom* to be non-compliant with its legal obligations under the Voice Telephony Regulations⁸.

The ODTR has intervened rapidly to halt any continuation of the practices and to ensure that any repetition of such practices by *eircom* are avoided in the future. The ODTR has outlined to *eircom* certain undertakings and remedies which it considered essential but not necessarily exhaustive in ensuring their compliance with its obligations. ComReg will be closely monitoring the situation and will take whatever further steps necessary in the light of progress/developments.

4.1.3 Interconnect Rates

Interconnection is the term describing the connection of one network with another. The provision of interconnection on fair and efficient terms is widely recognised as an essential requirement for the creation of a competitive telecommunications market. To this end an information notice was issued in October 2002 which considered interim interconnection rates applicable for the periods between 1st October to 31st March 2002 and 1st April 2002 to 31st March 2003⁹.

The regulator has undertaken a preliminary review of the rates submitted by *eircom*, additional work and a more extensive review of these interim submissions will be undertaken shortly. The Director considered that the revised RIO rates will provide an immediate benefit to the market.

4.1.4 Reference Interconnect Offer (RIO)

During the Quarter the ODTR issued two information notices¹⁰ confirming the review and approval of proposed text changes¹¹ to *eircom*'s Reference Interconnect Offer, in line with the commitment to version control of *eircom*'s RIO. These information notices addressed *eircom*'s changes to the Sample Network Plan in Annex E of its RIO and addressed changes made by *eircom* to the RIO service schedules 205 - 210 and 221, in order for *eircom* to be compliant with an ODTR decision in D10/02 to mandate Near End handover for all NTCs (Number Translation Codes).

A third information notice¹² was issued in October whereby the Director confirmed that *eircom* could launch a new interconnect product in its RIO – *eircom* 1892 Internet Access Service and Operator 1892 Internet Access Service in a phased manner. The 1892 code allows for “pay-as-you-go” (PAYG) or “Free serve” type models for customers to access

⁸ ODTR Document no. 02/87 – Decision Notice (D16/02) “off book” pricing investigation in respect of *eircom*'s provision of voice services.

⁹ ODTR Document no. 02/85 Information Notice – Interconnection Rates in the Irish Telecommunications Sector: Interim Rates to apply from 1 October 2001 to 31 March 2002 & to 31 March 2003

¹⁰ Information Notice - RIO Text Change, Version 2.4 to 2.5 (ODTR 02/97); Information Notice - RIO Text Change, Version 2.5 to 2.6 (ODTR 02/98)

¹¹ On the 22/08/02 and 09/09/02, *eircom* posted proposed text changes of their Reference Interconnect Offer from version 2.4 to version 2.5 on its website thereby notifying all interested parties of the proposed changes in line with Decision Notice D10/02 (ODTR Doc 02/55).

¹² Information Notice - Introduction of New Service, version 2.3 to 2.4 (ODTR 02/99)

the Internet. It allows the customer to pay for the telephone calls to access the Internet but the customer does not pay any subscription fees to the Internet Service Provider (ISP).

4.2 Conference

In September, the ODTR held a National Conference in the Royal Hospital Kilmainham, which was attended by over 150 delegates from industry, public agencies and various interested parties. The title of the Conference was ‘Regulatory Challenges and Opportunities for the ICT Sector’ and speakers from both regulatory and research backgrounds addressed delegates on issues relating to the new EU framework and New Market Perspectives. The key note address was given by Eli Noam – Director of Columbia Institute for Tele-Information and Professor of Finance and Economics at Columbia University, who provided his analysis of business and policy strategies in the telecoms sector. Copies of all presentations made at the Conference are available for downloading from the ComReg web-site: http://www.comreg.ie/odtr_national_conf_2002.asp

At this conference the ODTR presented its new report on the ‘Future Delivery of Broadband in Ireland’¹³. It is hoped that this report, which contains analysis of broadband developments at home and abroad, can further inform the debate on broadband delivery and requirements in Ireland. As well as providing market, policy and regulatory overviews, the report also includes independent analysis from telecom consultants Ovum on the cost of rolling out broadband networks and from market research specialists MRBI on the likely level of demand for high-speed Internet services. Interested parties were invited to submit their comments on the issues raised in the report and the ComReg is currently reviewing the feedback it has received and intends to issue a response shortly.

4.3 Mobile

4.3.1 *Mobile Accounting Separation and Costing Methodologies*

Separate accounts provide an analysis of information derived from financial records to reflect, as closely as possible, the performance of parts of a business as if they were operating as separate businesses.

The preparation of separated accounts assists in ensuring that charges are cost based, transparent and non-discriminatory, which in turn promotes a competitive environment. Publication of accounts that are transparent allows other operators to understand how the SMP operator's revenues relate to costs, provides confidence that interconnection arrangements are equitable, and certainty that there are no anti-competitive cross subsidisations.

The ODTR began a consultation process on accounting separation for mobile operators in October 2002¹⁴. The purpose of this consultation process is to outline the information that the Director expects the SMP mobile operators to prepare and present in the Separated Accounts.

¹³ ODTR Document no. 02/79 ‘Future Delivery of Broadband in Ireland’.

¹⁴ Mobile Accounting Separation and Costing Methodologies – ODTR Doc 02/86

4.4 Radio Spectrum and Technology

4.4.1 Proposed Amendment of FWPMA (Broadband) Licenses

Fixed Wireless Access (FWA) is one of several technological platforms that can provide access to broadband public telecommunications networks. In order to ensure that the benefits of broadband access are available in all regions and across all sectors of society, proposals have been made for amendments to the FWA licenses¹⁵ held by *eircom*, Esat BT and Chorus¹⁶. These amendments have been proposed to allow for changes arising in respect of obsolescence where it is apparent that technological changes have taken place. The amendments also allow for the swapping of named sites and/or counties for others providing that the overall numbers of sites and/or counties covered remain the same. Also reflected in the amendments is where non-compliance with the licence obligations occurred and the operator was unable or unwilling to supply the office with timely information on appropriate alternatives within the framework of the licence, specific sanctions are proposed as indicated. Together with this a new scheme to allow for local area FWA licensing on a first come first serve basis is currently being devised and will be open to all operators requiring spectrum for wireless broadband services.

4.5 Numbering

4.5.1 Numbering Conventions 2nd Revision

To ensure transparency and certainty to number holders and to those seeking access to networks and services the National Numbering Conventions provides a framework within which the National Numbering Resource is managed.

In September 2002 the ODTR published, in draft form, Version 3 of the National Numbering Conventions¹⁷ and invited views from interested parties on changes or new text including the following topics;- mailbox numbers introduced in the fixed network, text messaging short codes and exclusion of the use of over-length numbers. The definitive Version 3 will be published following a report on the main issues raised during this consultation.

4.5.2 Irish Telephony Numbering Scheme Status Report – October 2002

The Irish Telephony Numbering Scheme is a public resource made up of all numbers that may be dialled on a public telecommunications network in Ireland. This resource is managed and administered by ComReg.

In October 2002, in accordance with ONP Regulations¹⁸ and Interconnect Regulations¹⁹, the Director published an information notice listing, in summary form, the purposes for

¹⁵ Part 5 of the General Telecommunications Licences FWPMA (Broadband) licence operating in the 24.5 – 26.5 GHz Frequency Band.

¹⁶ ODTR Document no. 02/91 Part 5 General Telecommunications Licence – Esat BT; Document no. 02/90 Part 5 General Telecommunications Licence – *eircom* ltd; Document no. 02/89 Part 5 General Telecommunications licence - Chorus

¹⁷ Numbering Conventions 2nd Revision – ODTR Doc 02/82

¹⁸ European Communities (Application of Open Network Provision to Voice Telephony) Regulations, Statutory Instrument No.445 of 1997

¹⁹ European Communities (interconnection in Telecommunications) Regulations, Statutory Instrument No.15 of 1998

which certain numbers have been designated²⁰. The information published relates only to access codes or short numbers for the first five digits dialled. Designations included two short numbers that have been allocated to provide access to State emergency services (999 and 112).

This document updates and replaces the previous version which was issued in July 2000²¹. It takes account of decision notices and designations that have occurred since the publication of the previous version and also takes account of the reduction in the number of Minimum Numbering Areas (MNAs), which is being reduced from 128 to 106 since the publication of the Directories in 2002.

4.6 EU Framework

4.6.1 EU Directive – Authorisations

The new EU Directives which are due to come into force in July 2003 require a review of the way that the National Regulatory Authority (NRA) in each Member State is funded and for the setting of fees and spectrum rights. In order to ensure that licensees can measure the impact of such charging principles on any financial projections they make and to ensure that the charging regime is appropriately framed for the future, the ODTR has announced the first round of detailed consultation on these new legislative measures²².

The purpose of the document is to review the current fee regime for the regulation of electronic communications in Ireland, having regard to the functions of the Office, consider the implications of the new EU legislation and seek views in relation to the broader principles underlying future charging regimes. One of the key changes that the new Regulatory Framework introduces is to extend the scope of coverage beyond telecommunications networks and services, to include all electronic communication networks and services as one.

Following analysis of the cost of regulation in a number of EU countries, Ireland emerges as having one of the most efficient National Regulatory Authorities (NRAs) with the lowest cost and staffing levels of those examined. Responses to this consultation will be taken into account in developing specific proposals for a future fee regime, which will be the subject of a further consultation in early 2003.

²⁰ Irish Telephony Numbering Scheme Status Report October 2002 – ODTR Doc 02/84

²¹ Irish Telephony Numbering Scheme Status Report July 2000 – ODTR Doc 00/50

²² ODTR Document no. 02/102 – Future Regulation of electronic communications networks and services – Charging principles for Authorisations and Rights of use.

4.7 Statutory Instruments

4.7.1 *Wireless Telegraphy (Experimenter’s Licence) Regulations – SI 450*

These Regulations provide for the issue of annual and short-term licences for apparatus for wireless telegraphy used for the purposes of conducting experiments and engaging in self-training in wireless telegraphy.

4.7.2 *Wireless Telegraphy (Fixed Wireless Point to Multi-Point Access Licence Amendment) Regulations – SI 467*

SI 467 provides for the amendment of the Wireless Telegraphy (Fixed Wireless Point to Multi-Point Access Licence) Regulations, 1999 (S.I. 287 of 1999) under which licences are issued to keep and have possession of apparatus for wireless telegraphy for the purpose of using FWPMA for the provision of the telecommunications access networks and services. The Regulation provides for an amendment of the fee structure for apparatus in the 24.5 - 26.5 GHz frequency band.

4.7.3 *Postal Levy*²³

Under Section 6 of the Telecommunications (Miscellaneous Provisions) Act 1996 (the “Act”), as amended by the Regulations²⁴, the Director may make an order (“levy order”) imposing a levy on universal service providers²⁵ for the purposes of meeting expenses properly incurred by the Director in the discharge of her functions in respect of postal services.

Following public consultation²⁶, estimates of postal expenditure for the year July 2002 to June 2003 amounted to €2.5m which incorporated an amount of approximately €1.3m per annum to meet the cost of placing a contract to monitor quality of service. This contract is now in place and total estimated postal expenditure for the year July 2002 to June 2003 amounts to €1.1m. In light of this, the Director proposed to make a new levy order to cover this levy year, and subsequent levy years, so that the provisions of such an order will accurately reflect the currently estimated cost of regulating postal services. During the quarter the ODTR undertook a further consultation²⁷ to aid in determining this new levy. A response to the consultation and revised levy order were completed on 29th November 2002.

²³ An SI number has not been issued for this document as yet

²⁴ The European Communities (Postal Services) Regulations, 2000 (S.I. No. 310 of 2000)

²⁵ The Regulations have designated An Post as a universal service provider and the Minister for Communications, Marine and Natural Resources may designate one or more additional postal service providers as a universal service provider having an obligation to provide all or part of the Universal Service.

²⁶ Levy on Providers of Postal Services, ODTR 01/55

²⁷ Levy on Providers of Postal Services, ODTR 02/93

5 Consumer Focus

5.1 Consumer Complaints

The ODTR has an established framework on the Codes of Conduct for the handling of complaints by cable and MMDS operators²⁸ and a similar framework for telecommunications operators²⁹.

As in Q2, the majority of complaints received in the fixed line category in Q3 relate to billing disputes, many concerning disputed charges. A similar trend was experienced in the mobile category. Customer service problems featured prominently in the broadcasting category in this quarter, common issues including long call hold times, missed service appointments and lack of feedback by the operator to their customer. Table 5.1 illustrates the volume of complaints received in Q3 compared to Q2.

Table 5.1 Consumer Complaints

<i>Complaints</i>	<i>Q03</i>	<i>Q02</i>
<i>Fixed Operators</i>	133	152
<i>Mobile Operators</i>	35	27
<i>Broadcasting Operators</i>	127	79

Most queries received during the quarter related to price increases by cable and MMDS television providers. General queries surrounding customer service and credit control issues such as disconnection along with queries on phone based CPS subscription processes were also received. Table 5.2 below illustrates the volume of queries received this quarter compared to last quarter.

Table 5.2 Consumer Queries

	<i>Q03</i>	<i>Q02</i>
<i>Queries</i>	433	477

5.2 Measuring Licensed Operator Performance

In November 2002, the ODTR published the latest update on operator quality of service performance from the Measuring Licensed Operator Performance programme. Two separate reports are available;

Consumers can avail of the MLOP business and residential report³⁰ which provides data on how fixed operators have performed on completing orders, clearing faults and processing complaints for the period covering January to June 2002.

²⁸ Codes of Practice by cable and MMDS operators for handling consumer complaints – Decision Notice D6/01 and response to the consultation – ODTR doc 01/22

²⁹ Codes of Practice for the handling of consumer complaints by telecommunications operators – Decision Notice D13/01 – ODTR doc 01/67

³⁰ Measuring Licensed Operator Performance Programme Issue 3: Business and Residential Market Results January-June 2002 – ODTR doc 02/103

A second report offers similar quality of service performance data on the supply of wholesale services from *eircom* to other licensed operators³¹. This report also contains performance data on *eircom* public payphones.

In recent months the ODTR and operators have sought to make the format and content of this report more user-friendly and further work will continue in this area. ComReg will continue to actively seek consumer feedback on the MLOP report and would welcome feedback on this current publication.

5.3 Carrier Pre-Selection

Following a major review of the framework for CPS, the ODTR is proceeding with the planning and implementation of several initiatives which should further improve the CPS product for the customer and positively influence the uptake of CPS. These initiatives include the introduction of single billing for consumers by CPS operators (i.e. as opposed to call billing by CPS operators and line rental billing by *eircom*). This involves Wholesale Line Rental (WLR) of the access line from the *eircom* to the CPS operator as a prerequisite.

After a period of negotiation with operators to finalise product specifications, industry working groups were formed to begin documenting detailed inter-operator processes to support the WLR product, and its derivative – Agency Rebilling. These products will facilitate the production of a single bill by the CPS operator, although the customer will continue to have a contractual relationship with *eircom*. The date of 31 January 2003 has been set for introduction of initial products, with further refinements likely to be added during the year.

³¹ Measuring Licensed Operator Performance Programme Issue 3: SMP to OLO Market Results January-June 2002 – ODTR doc 02/104

6 Technology Developments

One of the ODTR's roles is to help stimulate the development of the ICT market in Ireland by raising awareness of new and emerging telecommunications technologies. Our Briefing Note Series is one of the main mechanisms for doing this, and to date we have issued Briefing Notes on ten technology related topics.

In August 2001 and in March of this year we published Briefing Notes on Optical Wireless³² and Optical Access³³ in which we drew attention to developments in optical wireless for broadband access. Optical wireless, or free space optics as it is often known, can transmit high capacity data (typically hundreds of Megabits/s or even Gigabits/s) through the air, between locations up to several kilometres apart where there is line of sight. Thus, it provides a high capacity alternative to other access technologies such as digital subscriber lines (DSL) and radio-based fixed wireless access (FWA). Also it offers an alternative to fibre optic-based links to and within networks, including leased lines; one of its advantages being that there is no digging and ducting involved in deploying it.

From a regulatory perspective, in terms of encouraging the development of an efficient and competitive Irish telecommunications market, the ODTR welcomes technological innovations and initiatives that are in line with good engineering and commercial practices, including appropriate deployment of new and developing technologies. So we are encouraged to see companies in Ireland taking an interest in optical wireless and other access technologies, and applying for licences to offer services using them. For example, during this quarter Broadband Solutions, which is currently using Ethernet over optical wireless technology to provide public broadband Internet access services, was awarded a Basic Telecommunications Service Licence. Furthermore, we understand that other public network operators and service providers in the fixed and mobile sectors are using or considering using optical wireless technology, and as we reported in our Briefing Notes, optical wireless systems have been used successfully for several years in private networks in Ireland and elsewhere.

³² "Technology Developments in Telecommunications", www.odtr.ie/docs/odtr0159.doc

³³ "Optical Access", www.odtr.ie/docs/odtr02/29.doc

7 Postal Regulation

7.1 Universal Service Obligations Consultation

The key responsibility of the ODTR in respect of the postal sector is to ensure the availability of an affordable high quality Universal Postal Service. The Director is now undertaking a consultation³⁴ on the Universal Service Obligation, Tariff Principles and other issues. This paper discusses a number of important issues concerning the rights of the consumer within the Universal Postal Service, such as access to services, affordable postal prices, the guarantee of daily delivery, the publication of information of what is on offer, and complaints procedures. The paper also raises the question of why Ireland is only one of two countries in the EU without a proper Postcode system. Interested parties have been given the opportunity to make representations up to the beginning of 2003.

7.2 International Outbound Tariff Consultation

Separated accounts prepared by An Post for the year to 31 December 2001, revealed a total loss of €6.7m for the year with a significant contributor to this being its international business which made a loss of €14.2m overall. While international inbound mail reported a loss, international *outbound* mail, as a whole was profitable, reporting a total profit of €5.1m. However, this figure is made up of two elements, the reserved element where An Post retains a monopoly in respect of which it made a loss of €5.6m and the element which is open to competition where a profit of €10.8m was reported on €29.3m turnover.

An Post have submitted proposals to the ODTR to rebalance the international outbound tariffs by increasing tariffs to reduce the significant level of losses in the Reserved area and implementing a mixture of increases and decreases in tariffs in the non reserved area to better reflect cost and to introduce format-based pricing. During the quarter the ODTR issued a consultation paper³⁵ aimed at giving An Post's customers an opportunity to make representations about the proposals and in particular to set out for the Director how the proposals will affect them. This paper sets out the criteria against which the Director will make her decision.

7.3 Levy Order

During the quarter the ODTR undertook a further consultation³⁶ to aid in determining a new postal levy. A response to the consultation and revised levy order were completed on 29th November 2002 (See Section 4.7.3 above).

³⁴ Regulation of Postal Services – Universal Service Obligation, Tariff Principles and Miscellaneous Issues, ODTR 02/95

³⁵ Application by An Post to Increase the Price of Outbound reserved Postal Services, ODTR 02/94

³⁶ Levy on Providers of Postal Services, ODTR 02/93

Appendix: Documents Issued September–December '02

Fixed

<i>Document No.</i>	<i>Title</i>
02/100	Interim Rates for NTC Services effective from 1 st October 2002
02/99	Introduction of New Service – Version 2.3 to 2.4
02/98	Information Notice – RIO Text Change, Version 2.5 to 2.6
02/97	Information Notice – RIO Text Change, Version 2.4 to 2.5
02/96	Review of the Price Cap on Certain Telecommunications Services – Consultation III
02/91	Part 5 General Telecommunications Licence – Esat BT
02/90	Part 5 General Telecommunications Licence – <i>eircom</i> Ltd.
02/89	Part 5 General Telecommunications Licence – Chorus Communications Ltd.
02/87	“off book” pricing investigation in respect of <i>eircom</i> 's provision of voice services
02/86	Mobile Accounting Separation and Costing Methodologies
02/85R	Interconnection Rates in the Irish Telecommunications Sector: Interim Rates to apply from 1 October 2002 to 31 March 2002 & 1 April 2002 to 31 March 2003

Consumer Issues

<i>Document No.</i>	<i>Title</i>
02/104	Measuring Licensed Operator Performance programme Issue 3: SMP to OLO Market Results January – June 2002
02/103	Measuring Licensed Operator Performance programme Issue 3: Business and Residential Market Results January – June 2002
02/83	Information Notice on Measuring Licensed Operator Performance Television (MLOP TV) Programme Results for Q2, 2002

Post

<i>Document No.</i>	<i>Title</i>
02/105	Levy on Providers of Postal Services – Response to Consultation
02/95	Regulation of Postal Services – Universal Service Obligation, Tariff Principles and Miscellaneous Issues
02/94	Application by An Post to increase the price of International Outbound reserved Postal Services
02/93	Levy on Providers of Postal Services

Radio Spectrum/Technology

<i>Document No.</i>	<i>Title</i>
02/88	Proposed Amendment of FWPMA (Broadband) Licences Operating in the 24.5-26.5 GHz frequency band
02/78	Part VI: Technical Conditions of Experimenter's Station – Amateur Radio Regulations
02/77	Part IV: Particulars of Experimenter's Station

Numbering

<i>Document No.</i>	<i>Title</i>
02/84	Irish Telephony Numbering Scheme Status Report – October 2002
02/82	Numbering Conventions 2 nd Revision

General

<i>Document No.</i>	<i>Title</i>
02/102	Future Regulation of Electronic Communications Networks and Services – Charging Principles for Authorisations and Rights of Use
02/101	Address by Etain Doyle, Telecommunications Regulator, to the Cork Chamber of Commerce: 28 th November 2002
02/92	Address by Etain Doyle at the 8 th Annual Broadband Fixed Wireless Access World Congress in Barcelona – 23 rd September 2002
02/80	Dispute Resolution Determination No. 06/02 Summary
02/81	New Market Perspectives: speech by Etain Doyle, ODTR Conference, 19 th September 2002
02/79	Future Delivery of Broadband in Ireland
02/76	The Irish Communications Market Quarterly Review, September 2002

Regulations – Statutory Instruments

<i>SI No.</i>	<i>Title</i>
467 of 2002	Wireless Telegraphy (Fixed Wireless Point to Multi-Point Access Licence) (Amendment) Regulations, 2002
450 of 2002	Wireless Telegraphy (Experimenter's Licence) Regulations 2002
02/105³⁷	Levy on Providers of Postal Services – Response to Consultation

³⁷ An SI number has not been issued for this document as yet