



Office of the Director of
**Telecommunications
Regulation**

MEDIA RELEASE

3rd December 2001

Irish Telecommunications Market liberalised rapidly over the last three years

The ODTR today Monday (3rd December 2001) issued a quarterly report for the period July to September 2001. The report indicates that although the market has been open for less than three years, one fifth of total turnover is now in the hands of new entrants and prices have fallen substantially. New Entrants hold 20% of the fixed line market, mobile penetration rates stand at 75%, one third of the population has access to the Internet at home and the cable companies are now rolling out a digital television service.

According to the Regulator Etain Doyle "While the market opened very rapidly in the first two years , in the last two quarters of 2001 it does appear to have stabilised. The Telecoms sector is going through a period of correction and realignment. In this challenging economic climate it is important that we seek to press ahead on all fronts – fixed, mobile, satellite and other new technologies. We need to iron out any difficulties to ensure that we keep up momentum and continue to bridge the gap in terms of bandwidth needed for the future. The major challenge ahead in the telecommunication market now is broadband provision."

Revenues however continue to grow year on year. Total revenues for the fixed, mobile and broadcasting markets at the end of September 2001 are approximately £2.5 billion (€3.2) per annum. This reflects a 2% increase since the last quarter. This

figure has increased by 26% since September 2000. The sector now accounts for 3.1% of Irish GNP up 0.2% since September 2000.

Enabling competition provides real benefits for the consumer in terms of price, choice and quality. Recent "Eurostat Statistics Focus" reports show that the price of communications in Ireland has reduced by more than any other EU country for the twelve month period October 2000 – October 2001 i.e. approximately 9%.

100% of the population has a choice of operator for local, national and international fixed line calls by using carrier pre-selection. Most recently all telecom and cable operators have been required to put in place a code of practice for dealing with customer complaints. In January 2002 the ODTR will publish for the first time data collected under the Measuring Licensed Operator Performance programme which will provide detailed statistics on how each Telecoms operator performs against predefined parameters such as service provision, fault management, consumer complaints and billing issues.

The ODTR today also published the results of a survey conducted by Irish Marketing Surveys on small and medium sized enterprise, which examines their attitudes to telecommunications services in the Irish market.

The Survey confirms that companies are benefiting from liberalisation with two in three indicating their telecommunications costs have decreased or stayed the same in the past twelve months. One in five respondents switched their fixed line supplier with their main motivation being to gain cheaper prices. However, there is still a very strong belief by SMEs that the telecommunications market is more competitive than 12 months ago..

42% of respondents believed that they would be investing in telecommunications in the next twelve months. There has been a very substantial increase in ISDN usage with 56% connected compared to 38% a year earlier. The survey shows that 88% of respondents are connected to the Internet. A recent Ofcom survey in the UK showed that 61% of UK SME's are connected to the Internet. This is very encouraging and would suggest that Ireland's SMEs are taking the e-commerce challenge seriously.

According to the European Commission, Europe's telecommunications sector is still growing strongly despite the global economic downturn. The fastest expanding

sector in revenue terms is the mobile services market. Mobile penetration continues to rise dramatically with substantially higher rates in every single state since last year. Ireland is no exception.

Irish mobile penetration rates have increased to 75% this quarter up 5% from the last quarter. With approximately 2.8 million mobile subscribers, the three mobile operators in the Irish market Eircell Vodafone, Digifone and Meteor now have 58%, 40% and 2% market share respectively. The number of SMS messages sent this quarter has increased. There has been a 150% increase in the number of SMS messages sent between now and this time last year. The popularity of SMS is evident by the fact that on average each mobile subscriber sends 46 SMS messages each month.

The ODTR SME survey shows a lower level of switching by SME's in terms of their supplier of mobile services, with only 13% switching supplier in the past 12 months compared with 19% switching in the fixed line market.

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Quarterly Report

Key market indicators include:

- Total revenues for fixed, mobile and broadcasting markets at the end of September 2001 stands at an estimated IR£2.5 (€3.2) billion per annum on an annualised basis, an increase of approximately 2% since the last quarter. This figure has increased by approximately 26% since September 2000.

- The telecoms sector is now estimated to account for approximately 3.1% of Irish GDP (2000)¹ an increase of 0.1% since the last quarter. This figure has increased by 0.2% since September 2000.
- The new entrants share of the fixed line market is approximately 20%. The market share held by new entrants has increased by 3% in the past 12 months.
- In the period up to the end of September 2001 2 additional basic licences were awarded, bringing the total number of Basic licences to 39²
- 23 of the 45 General licensees and 20 of the 39 basic licensees are operational in the Irish market³.
- The Irish mobile penetration rate is now 75% as at November 2001, an increase of 21% since this period last year. This figure is 5% higher as compared to the figure given in the last quarter.
- There are approximately 610,000 cable/MMDS subscribers to *basic television services* in Ireland. Approximately 1 million households are passed.
- The total number of employees in the telecoms sector is approximately 17,000. The fixed, mobile and cable markets account for approximately 79%, 15% and 6% of the total figure respectively. There has been a decline of approximately 2% since last quarter.

SME Attitudes to Telecommunication - IMS Survey

- In measuring overall reactions to the telecommunications market, companies were asked to what extent they agreed or disagreed with a series of propositions relating to the market.
- For over seven in every ten businesses (72%), there was a strong tendency to agree that when choosing a telecommunications supplier more importance is placed on the quality of service than price.
- The majority (84%) also agreed that the telecommunications market is more competitive than it was twelve months ago.
- Almost half (47%) believed that there were savings to be made by changing supplier.

Use of Telecommunication Devices or Services

¹ Figure was calculated using GDP at market price (2000) – ESRI Quarterly Economic Commentary, October 2001.

² One licence surrendered.

³ Totals for general and basic licensees revised. Torc has a basic license and not a general as included in Appendix 1 in Q02 2001.

- 56% of all businesses interviewed had ISDN lines.
- Usage of leased lines was claimed by one in seven businesses (14%), of which a quarter (25%) had been installed in the past twelve months.
- Almost nine in ten companies (89%) own at least one mobile phone. Multiple ownership is common - 17% have two, 12% have three and almost half (48%) have at least four.
- Asked whether they encountered major difficulties with services to their points of operation, almost two thirds of companies (64%) claimed that they did, with price (37%) and service levels from telecommunication companies (35%) singled out as the most widespread problems. Other issues mentioned were inadequate bandwidth availability (23%), no alternative suppliers (17%) and range of services offered (14%).

Investment in Telecommunications

- One in every three companies (30%) claimed their overall telecommunications costs have decreased in the past twelve months. A higher proportion, four in ten (38%), reported that their telecommunication costs had increased, whilst around a third (31%) reported that they had remained the same.
- Four in every ten businesses (41%) predicted that their investment in telecommunications or e-commerce would increase in the coming twelve months.
- Looking to the future, the services most likely to receive investment were Internet/Web development (82%), mobile telephony (57%) and fixed ISDN telephone lines (48%), with DSL and leased lines also receiving considerable mention at 20% and 18% respectively. New phone systems and more computers/hardware were the least likely to be considered for future investment.

Telecommunications Supplier

- Eircom dominates as supplier within the landline sector, supplying around eight in ten local, national and international users. Esat Clear and Worldcom are the only other players of note, used by 8% and 7% respectively.
- Within the leased and ISDN line sectors, Eircom emerged as the single most dominant operator.

- Close to six in ten (57%) of companies use Eircell as their supplier for mobile telephone calls, followed by Digifone at 44%; only 2% claimed to use other suppliers.

The Competitive Environment

- Suggesting a strongly competitive environment, around one in five businesses reported they had switched their landline supplier within the past twelve months. The main reasons for switching were cheaper calls and, to a lesser extent dissatisfaction with the service received from their previous supplier.
- In contrast, just one in eight (12%), had switched their mobile supplier within the past twelve months. The main reason for not switching was that companies are happy with the service currently received from their existing supplier (55%).
- For the most part, companies that had switched supplier experienced very few problems: most said they had not encountered any difficulty when switching.

Carrier Pre Selection (CPS)

- Almost eight in every ten companies (78%) were aware that they can now select an operator, other than Eircom, to carry their calls (CPS).
- One in five businesses (21%) aware of “Carrier Pre Selection” currently use the service and one in ten were considering using it. A quarter (25%) said they considered the service but will not be using it and a similar proportion (27%) had not considered it.
- Asked why they do not currently use a Carrier Pre Selection service, the main factor influencing non-users is an already satisfactory relationship with their existing supplier.

Mobile Call Charges

- Monthly subscription contracts (i.e. line rental and call charges paid each month) are the most popular types of mobile phone packages, used by seven in ten businesses (71%); this compares with one in seven (14%) who use the timeshare package (i.e. where minutes are bought in bulk and are used among the mobile phone users in the

company). Only one in twenty (5%) claimed to use the pre-paid package (i.e. after paying a one-off fee for the phone - top up is bought as and when required).

- Generally there is a high level of satisfaction with the information available on call charges, from suppliers, for using mobile phones in Ireland. A third of companies (34%) were very satisfied with the information available, whilst almost half (47%) were fairly satisfied. A lower proportion, one in six (17%), were satisfied with the information available on call charges for using mobiles abroad, followed by four in ten (39%) who claimed they were fairly satisfied.
- Use of mobile phones abroad is low, with only around one in every seven (15%) of businesses indicating frequent use of company mobile phones abroad. Around six in ten businesses (61%) claimed they never or rarely use their mobile phones abroad.
- Seven in ten businesses (69%) were aware of the difference in the cost of calling another mobile network, from their mobile phone, rather than calling the same mobile network; this compares with around one in every five (21%) of businesses not aware of the difference in cost.

Internet

- At the time of this latest survey virtually all businesses (88%) were connected.
- Most Internet users gained access by ordinary phone line (52%) and almost four in ten (39%) via ISDN lines.
- Companies were asked what type of e-business applications they used the Internet for. Two main factors emerged - 1) sourcing information from websites (84%) and 2) e-mail with suppliers and customers (80%). Less commonly mentioned, but at a relatively high level, were on-line banking (49%), e-mail within the company (45%), on-line purchasing from suppliers/orders from customers (32%) and on-line payments to suppliers/from customers.
- Approaching half (48%) of all businesses reported having a website; a further three in ten (29%) were planning to develop a website. Only a small proportion (9%) had rejected the idea, whilst one in every eight (13%) had not considered it at all. Amongst those companies that do not currently have a website, almost six in ten (58%) said they were likely to establish one within the next twelve months.