Office of the Director of
Telecommunications
Regulation

MEDIA RELEASE

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Irish Telecoms Market to take a major leap forward. Competition will drive change and maximise consumer benefit.

New legislation necessary to meet the demands of the dynamic telecoms market.

Etain Doyle, Telecommunications Regulator in an address to the International Communications Users Group today (14th June 2000) indicated that the Irish telecoms market is poised for a major leap forward . With more and more players active in the market and additional means of accessing the market , increased competition will ensure that Irish consumers benefit from lower prices, more choice and better quality services.

Speaking at the conference, the Regulator said “Price is a function of costs and competition . Prices paid by other operators for interconnect and leased lines have fallen substantially and more cuts should follow . Major developments increasing competion including carrier pre selection, fixed wireless access, the arrival of Meteor, the third mobile operator into the Irish Market, local loop unbundling and the licensing of Third Generation mobile services are fundamental to the development of real competition. I believe that the impact of such developments will fundamentally alter the existing marketplace.”

She continued “ The regulator’s job is to open up markets, keep them open and flexible until competition is so well established that they remain open and flexible of their own accord. Operating within a clearly defined framework set out in law, but statutorily independent, my role is to move markets forward fast to the benefit of users.”

Referring to the latest quarterly review of the telecommunications market issued by the ODTR today she said “my role as regulator is to promote the rapid growth of competition. Of the 70 licensed operators in the fixed line market, 45 have commenced operation. I am very pleased to report that the latest figures available to my office indicate that new entrants share of the fixed line market is now over 10%. This is supported by the significant growth in eircom’s wholesale traffic (competitors traffic carried on eircom’s network) which grew almost 15 fold from 48 million minutes in the 12 months to March 1999 to 752 million minutes in the 12 months to March 31st 2000.”

“However, effective competition depends not only on customers being offered a choice of supplier but also on consumers having enough information to make the right decision on their supplier. I would ask organisations like the International Communications User Group to work with us in helping to ensure that consumers are well informed and understand the benefits that these services can bring.A major project on comparative performance indicators of licensed operators is underway and the first results will be published next year. New services developed by my office with the industry, including number portability and carrier pre-selection make it easier for consumers to exercise choice. “

Number portability allows consumers and business to retain their telephone number when they change operator. This means that disruption to consumers who wish to change service provider will be minimised in future. Carrier pre selection, introduced in January this year, allows customers to choose alternative suppliers without the inconvenience of having a router box installed. This again reduces the cost and inconvenience to consumers when switching operator, thereby increasing the scope for competition.

The development of the telecommunications market is the cornerstone of Ireland's highly successful technology driven economy. In a recent study by Legg Mason, Ireland was ranked among the top four countries in the world in terms of creating a very hospitable environment for high growth prospects in the new information economy. Indeed Ireland, according to Legg Mason appears to have set in place the necessary foundations for telecoms sector that is conducive to continued growth. They identified telecommunications, Internet and Electronic Commerce as the necessary building blocks for the development and growth of the new information economy with the first been a pre – requisite for the second and so on.

Commenting on new legislation promised by the Minister for Public Enterprise, Etain Doyle, Telecommunications Regulator said " I am very committed to the national objective of being at the forefront of telecommunications development and I look forward to the new legislation promised by the Minister. The global telecoms market is one of the fastest growing markets and if we do not progress at an advanced rate we run the risk of falling behind. In the absence of new legislation at EU and/or Irish levels we are likely to be increasingly constrained in pushing our agenda forward. Already we are at the margins of our legal capacity in respect of unbundling the local loop- an area the Minster intends tackling in the forthcoming legislation. Enhanced and simplified enforcement powers also signalled by the Minister will make a difference to our ability to ensure all decisions are quickly and effectively implemented."

ENDS

The Irish Telecommunications Quarterly Review Document Number ODTR 00/44 can be viewed on the ODTR website www.odtr.ie. Some highlights of the review are attached.

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The Irish Telecommunications Market Quarterly Review
February – May 2000

Highlights

The resolution of a number of protracted legal proceedings has facilitated the prospective entry of several new operators into the Irish Telecoms marketplace.

Third Mobile Operator

On the 18th May 2000 following nearly two years of legal proceedings the Supreme Court unanimously backed the Director's original decision to award the third mobile licence to Meteor. The licence will be issued shortly. The arrival of the third operator should bring about a significant reduction in mobile charges right across the board.

Wireless in the local loop licences

Six of the seven licences are almost ready to issue and the remaining one will be awarded by the end of July. These licences will facilitate the delivery of high quality telecommunications in rural areas. The introduction of these licences should facilitate increased competition and choice resulting in lower prices and the availability of better quality services.

3G Licences

During this quarter the Director outlined the proposed timeframe for the introduction of 3G mobile services in Ireland. The ambitious timetable provides for the publication of competition details by October, the running of the competition from November 2000 to February 2001 and the awarding of the licences by end February 2001. .

Regulatory framework for Access in the Mobile Markets

There is a consultation underway which seeks views on various forms of access including the resale of mobile airtime, independent service provision, indirect access and mobile virtual network operators. It considers the benefits such operators can bring to the Irish consumer, how they may stimulate competition and the regulatory framework within which they operate. The consultation process ends on June 16th. The Director will consider the responses before taking regulatory action in the area.

Market Overview

The Irish telecommunications market continues to expand rapidly with almost all segments of the market experiencing increased demand.

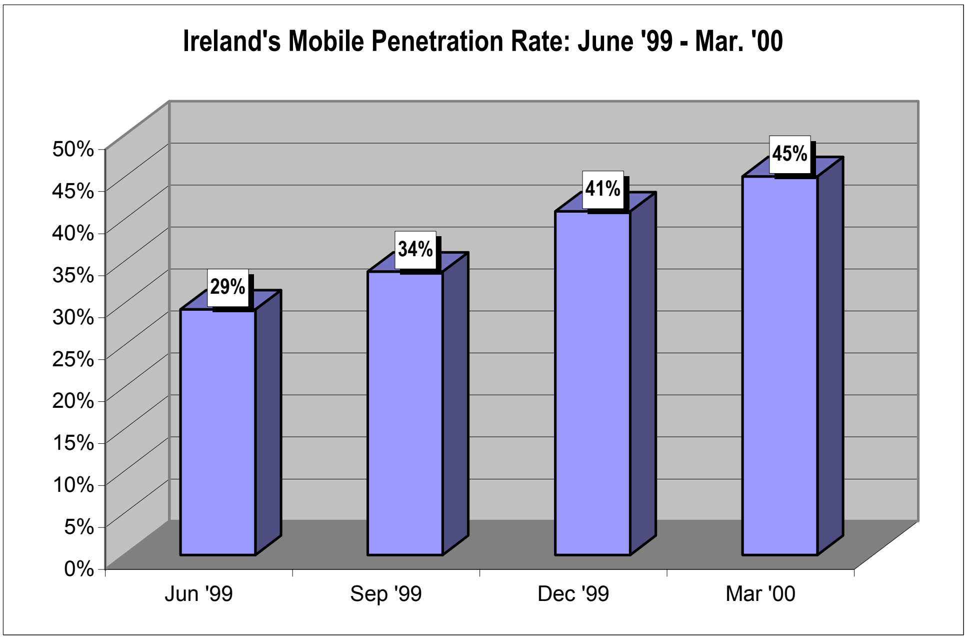
Employment in the sector continues to flourish with the 10 largest operators employing over 15,000 people.

New entrant's market share of the fixed line market is now over 10% .The ODTR expects that new entrants market share should continue to rise, encouraged by carrier pre-selection and the imminent introduction of geographic number portability.

Eircom's wholesale traffic (ie competitors traffic carried on eircom's network) grew almost 15 fold from 48 million minutes in the 12 month to March 1999 to 752 million minutes in the 12 months to March 31st 2000.

Mobile Communications

Ireland's mobile penetration rate maintained its upward trend into the new year rising from an estimated 41% at the end of December 1999 to 45% at the end of March 2000. Spurred on by a combination of falling prices and new product offerings the total number of subscribers has climbed to just under 1.7 million. Eircell is the larger operator and holds approximately 63% market share compared to Digiphone's 37%. The biggest driver in the mobile market continues to be in pre paid customers.



Internet and Multimedia.

According to research undertaken by Neilsen during April 2000, c.19% of Irish household memberscurrently have access to the internet of which just under half actually use it . This compares to 52% of American household members who have internet access with two thirds using it while in the UK 31% of household members have Internet access but as in Ireland just under half used it. Irish home users spend less time online than their counterparts in the UK or US. According to Nielsen's research the average Irish home user spends just under 4 and a half-hours a month surfing the net compared to 5 hours in the UK and over nine and a half in the US. The results indicate that the price of basic telecom access is one of the main drivers of Internet usage. Having to pay for local phone charges depresses heavy usage and discourages users from logging on frequently.

Reference Interconnect Offer (RIO)

The RIO sets out eircom's interconnection services for other licensed operators and the charges for those services. .In April the ODTR concluded a further review of eircom's RIO, issuing a decision. Arising out of this decision eircom will now be required to offer service level agreements against delivery of interconnect circuits and will for the first time be required to pay penalties for failing to deliver on timeframes specified.

Unbundling the Local Loop

In April this year the Director issued a decision on Local Loop Unbundling. This provides for the rapid introduction of bitstream access by April 2001 and also sets the groundwork for investigation full physical local loop unbundling and line sharing local loop unbundling.