



Office of the Director of
**Telecommunications
Regulation**

PRESS RELEASE

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LIBERALISATION - ONE YEAR ON IRISH MARKET MIRRORS EUROPEAN EXPERIENCE

One year after the Irish telecommunications market liberalised there are now over sixty licensed operators with over two-thirds providing services to the Irish consumer. Liberalisation has seen market size increase with a growth of 18% in voice traffic during the year. Competition has been initially fierce in the business, long-distance and international telephony sectors, but as we near the end of 1999, there are signs that competition is on the increase in the supply of local telephone services.

Launching an ODTR report on "Liberalisation in the Irish Telecommunications Market - One Year On", the Director of Telecommunications Regulation, Etain Doyle pointed to the fact that the market trends developing in the early stages of liberalisation mirrored the experiences of other European countries who had successfully liberalised. "The experience of the Irish market is similar to that elsewhere in Europe. New entrants to the market aim to establish a customer base in the higher value/volume ends of the market to establish credibility and ensure cash flow in the start up phase of the business. This is the stage the Irish market is in at present," she said. "As the market matures and these new operators become more established competition is likely to broaden across all of the different customer bases in the telecommunications market. The Irish market is beginning to see this happen with the ever increasing variety and sophistication of services being offered to all customers in the market place. It is a development I look forward to," she added.

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Competition has had a significant impact on tariffs. Very substantial price reductions were made by Eircom in 1997/8 in the run-up to full liberalisation and prices have continued to fall in 1999. Eircom's tariffs for price capped services fell by about 9% in both 1997 and 1998 and the company is expected to exceed the price cap target of CPI - 6 in 1999. The ODTR report compares movement in incumbent tariffs for National PSTN, International PSTN,

National Leased Lines and International Leased Lines in 1998 and 1999, and for incumbent operators in different countries.

While tariffs for a range of telecommunications services in Ireland have been reduced over the last year, there have also been significant tariff reductions in other countries with which Ireland competes. The various tariff baskets examined indicate that tariffs for certain services in Ireland have not fallen to a level that would lead to an improvement in Ireland's relative position to other countries. For instance, Ireland's position in the National Business, National Leased Lines, International Leased Lines and the International Residential markets has remained largely unchanged which indicates that although prices have fallen in Ireland, they have not been reduced to a level that would result in an improvement in our relative position.

In relation to services such as International Business, Ireland's position in the basket has improved while our position in relation to the National Residential Basket has deteriorated. Ireland's low ranking compared with other leading countries in the national residential market is primarily the result of new telecoms operators targeting the business sector. The ODTR has however been working on a number of initiatives designed to reduce prices further and introduce more competition, in particular a new price cap proposal for 2000 - 2002, leased line pricing and LRIC based RIO, all of which may be expected to have a substantial impact on telecoms pricing in Ireland.

Voice traffic has achieved growth of 18% during the year. The main contributor to this growth has been international traffic which increased by around 30%. Local and national traffic has experienced more moderate growth but nevertheless reached 18% and 11% respectively. In public voice telephony, a number of operators have begun competing with Eircom. These companies have begun by targeting the relatively higher margin long distance and international call markets and Eircom has applied its most muscular tariff adjustments in these areas. Four companies currently offer telephony services to the residential market.

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While the greatest level of competition is in the international call market, there has also been significant development in the local market. Competition in the long distance market is also developing strongly.

Public Voice	International	Long Distance	Local
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Operator	<i>Bus.</i>	<i>Resid.</i>	<i>Bus.</i>	<i>Resid.</i>	<i>Bus.</i>	<i>Resid.</i>
Cable & Wireless	4	6	4	6	4	6
Eircom	4	4	4	4	4	4
Esat Telecom	4	4	4	4	4	4
GTS (ITL)	4	6	4	6	4	6
Interoute	6	4	6	4	6	4
MCI Worldcom	4	6	4	6	4	6
OCEAN	4	4	4	4	4	4*
SM Communications	4	4	4	4	6	6
Stentor	4	6	6	6	6	6

*For directly connected customers only.

Table 1. Details of licensees operating in the market for public voice telephony. Sources include Fifth Implementation Report Questionnaire, 1999 and the ITU Telecommunications Indicators Questionnaire, 1999.

Other entrants are competing on the basis of calling cards. They can be purchased in retail outlets for use in public payphones. Residential and business customers can also subscribe to pre-paid card services that enable them to make calls from their own phones using alternative operators. Other companies are offering resale services. They bulk-buy minutes from larger operators and sell it on to other service providers and to end-users. This service is facilitated by a router, which is attached at the subscriber end and the company can sustain competitiveness by exploiting the volume discounts offered by Eircom and other larger operators.

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A number of operators are also competing with Eircom in public network services, such as Esat Telecom, MCI WorldCom, OCEAN, Cable & Wireless, ITL and Interoute. Operators competing in the data communications and Internet access markets include Eircom, Cable & Wireless, NTL, Ocean, Stentor, Esat Telecom and MCI Worldcom. Data communications services include national and international leased lines¹ and switched data services (packet switched services, frame relay services, ATM services etc.). ITG has been competing with Eircom in the payphone market for some years and has been joined by ESAT Telecom.

Based on information collected by the ODTR from the operators for the year ended 31 March 1999, Eircom has a market share in the order of 96% which is similar to the market share held by that organisation in the previous year. However, it should be remembered that this figure relates to an early stage post liberalisation where most of the competition would have still been concentrated in the international market. The telecommunications market has experienced increased activity in terms of marketing campaigns and customer targetting in the latter half of this year. On this basis it would not be unreasonable to assume that Eircom's market share may now be somewhat less than this figure although it is unlikely to be significantly so.

The review also contains a synopsis of the views of licensees on where the market is going. The report **ODTR 99/71 – “Liberalisation in the Irish Telecommunications Market - One Year On”** can be viewed on the ODTR web-site (<http://www.odtr.ie>).

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¹ These are fixed point-to-point connections that are used for high volume voice, data or multimedia transmission. International leased lines are generally offered in conjunction with other international carriers.