Office of the Director of
Telecommunications
Regulation

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Press Release

Regulator Cautions on National Competitiveness

The Telecoms Regulator, **Etain Doyle** today warned that despite the developments made
in a relatively short time in the Irish communications industry, growing costs whether
generated both externally and internally, could erode national competitiveness if left
unchecked. She made her comments today, 19ᵗʰ September 2002, at a conference
organised by the ODTR on *Regulatory Challenges & Opportunities for the ICT Sector -
New EU Framework, New Market Perspectives* which was attended by over 180 people
representing the telecoms industry, government Departments, public sector bodies and
the regions.

 "Communications is the key engine of the Irish economy which is underlined by the fact
that 9/10 SMEs are connected to the internet mainly for research and email purposes.
However, we need to develop our use of information technology and ensure that its full
potential is realised in order to ensure that our business sector can thrive and prosper not
only in the current fragile market but into the future".

Recapping on the achievements in the market to date, the Telecoms Regulator told the
conference that five years ago, only 10% of the population had mobile phones, today we
are approaching a penetration rate of nearly 80% in addition to witnessing a 20%
reduction in telephone prices since liberalisation began in 1998. She said that while
many issues have been dealt with, the outstanding issues are the most difficult to resolve.
"But they will be because they have to be in order to sustain this vital market." Referring
to eircom she said that as the largest company in the market, eircom needs an active
competitive telecoms market in order to continue to develop.

While Ireland is one of eight EU countries who have not yet introduced FRIACO, the Regulator welcomed the new flat rate offerings by UTV, and ESAT BT.

Peter Scott of the European Commission briefed delegates on the background to the new EU Directives which will govern the regulatory structures in each Member State post 2003. The Directives are geared to making the information society accessible for all without excluding any segments of society. In particular its provisions on universal service and consumer protection are integral to ensuring the new EU Framework promote the interests of the citizens of Europe. "The new Framework will regulate the markets not the technology. It will rely where possible on voluntary action by the market players. However, the new Framework provides the Regulatory Authority in each Member State with strong powers to intervene where it is justified." The new Framework also provides for the separate rules for separate networks and services whether voice, data or broadcasting.

The Chairman of Analysys Consultants, **David Cleevely** told the conference that there are two ways for markets going forward. The first way leads to complex regulation and takes forward a market structure that is largely the result of history which has a diverse range of interrelated products linked by a complex value chain. The second way relies on standards to create new environments. "Competition is not the whole answer. Some policy issues need to be addressed." He said that regulatory policy needs to be explicit about what market structure is being aimed for.   "As broadband has huge economies of scale which supports multiple applications and services it will challenge and break established markets."

Future Delivery of Broadband in Ireland – New Research
The ODTR commissioned independent research from MRBI and Ovum Consulting to benchmark broadband delivery in a range of scenarios. The ODTR intends this latest data to act as a reference point for debate on Ireland's broadband requirements.

The main findings of the survey are:
Residential & SME Demand
- 61% of all respondents owned a pc at home with 49% having internet access
- Of home internet users, 69% stayed online for 30 minutes or less
- 33% said they did not stay on longer because they did not need to use it more often
- 45% of those online had made a purchase over the internet at home
- 82% said their connection was reliable or fairly reliable
- 85% of SMEs have broadband access
- 60% use dial-up modems, while 39% said they used an ISDN connection
- 63% of SMEs did not know their type of bandwith
- 60% of SMEs said their connection speed was just right, while 39% said it was too slow
- A broadband package costing between €40 - €60 would attract a relatively high percentage of SMEs while €30-€40 was quoted by residential users
- Content is a key factor in determining not only getting online but staying online

Benchmarking
* ❋ The Ovum Report shows that making 512kbit/s available to 85% of the population with a take-up of 65%, would involve a base cost of €450million with as much again needed for ancillary costs. For 2MBit/s this rises to €2billion and for 5Mbit/s the cost is estimated at €4.1billion. These scenarios are presented as benchmarks for discussion and debate.
* ❋ In the 512kbit/s scenario, broadband services will be primarily provided through ADSL and cable technologies in Dublin and the larger towns. As the level of service availability increases, FWA and satellite begin to make a larger contribution. And ADSL has to be enabled at smaller, more rural exchanges.
* ❋ In the 2Mbit's scenario, ADSL, SHDL and cable modem are the prime delivery technologies.
* ❋ In the 5Mbit/s scenario, VDSL and ADSL+ are assumed to be the prime access technologies. These services can only operate over local loops of about 1-2km to deliver 5Mbit/s

The ODTR welcomes views on the issues raised in the above report.

Full presentations of all speeches and a copy of the ODTR Broadband Report are available on the ODTR website at www.odtr.ie

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