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Commission for Communications Regulation

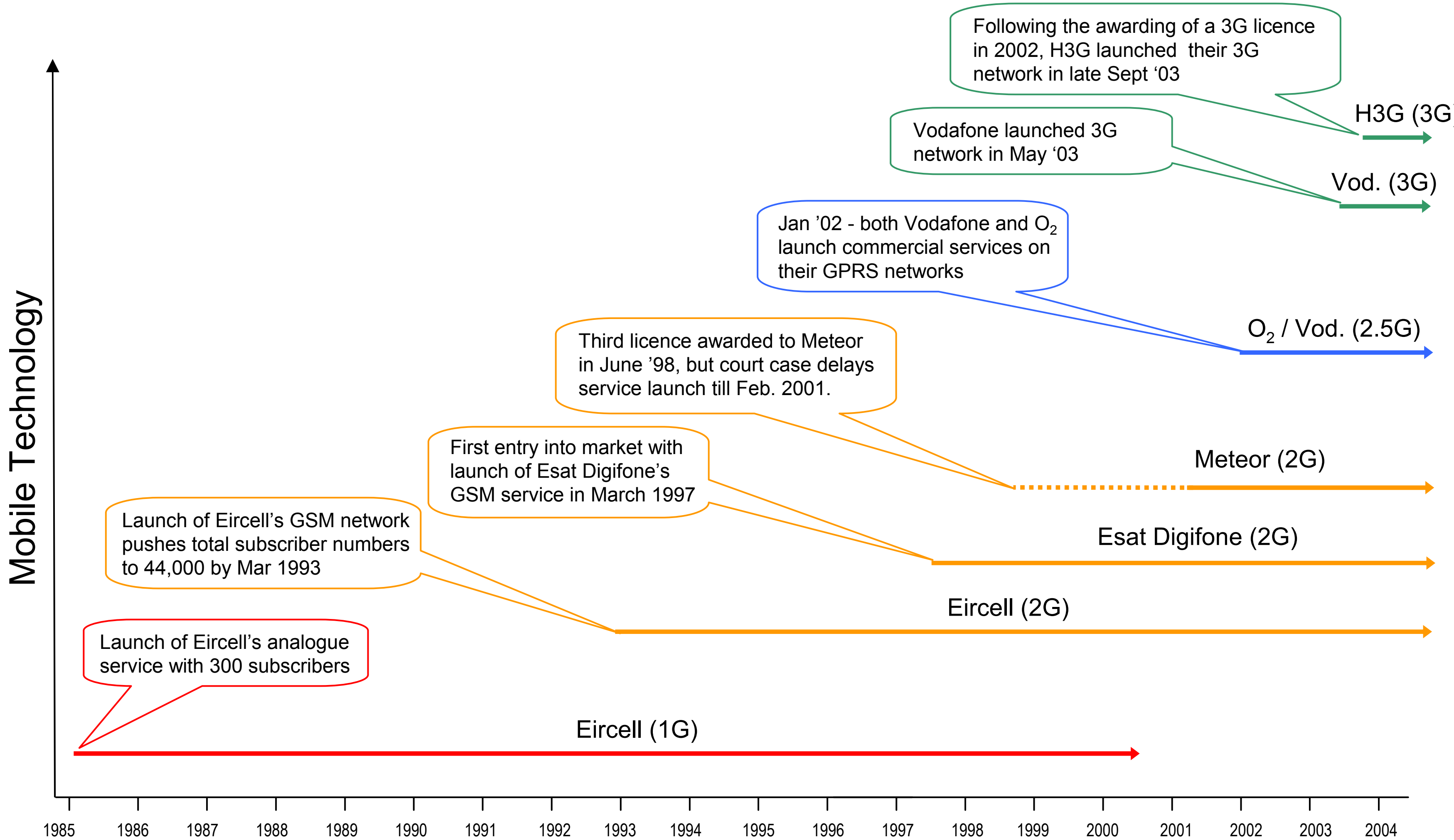
Presentation to Oireachtas Communications Committee

Review of the Mobile Phone Market

ComReg Presentation

2nd October 2003.

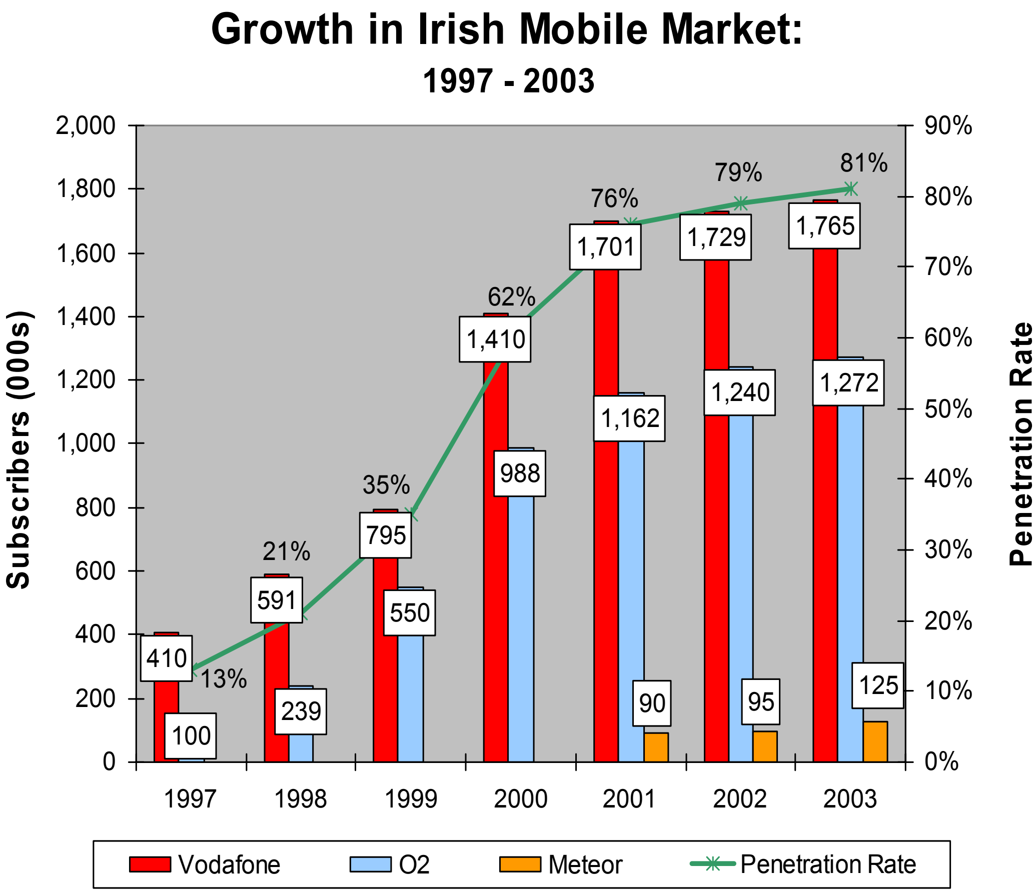
Irish market has developed significantly with the adoption of new technologies and the entry of new players



To date, subscriber growth has been the key driver of market development in the Irish mobile market

- Driving operators' revenues, rising penetration has been the key influence on the Irish mobile market.

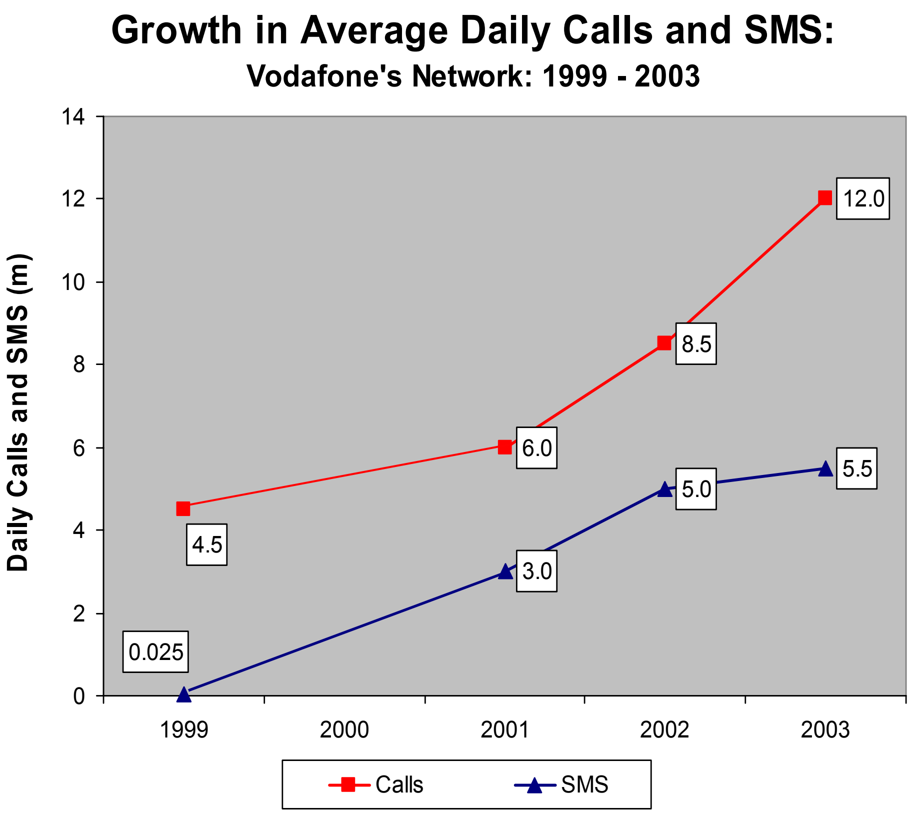
- However, with subscriber growth now slowing, operators are re-adjusting their strategies to maintain revenue growth:
    1. Focusing on selling higher value premium services; and/or
    2. Looking to encourage greater use of existing services by current customer base



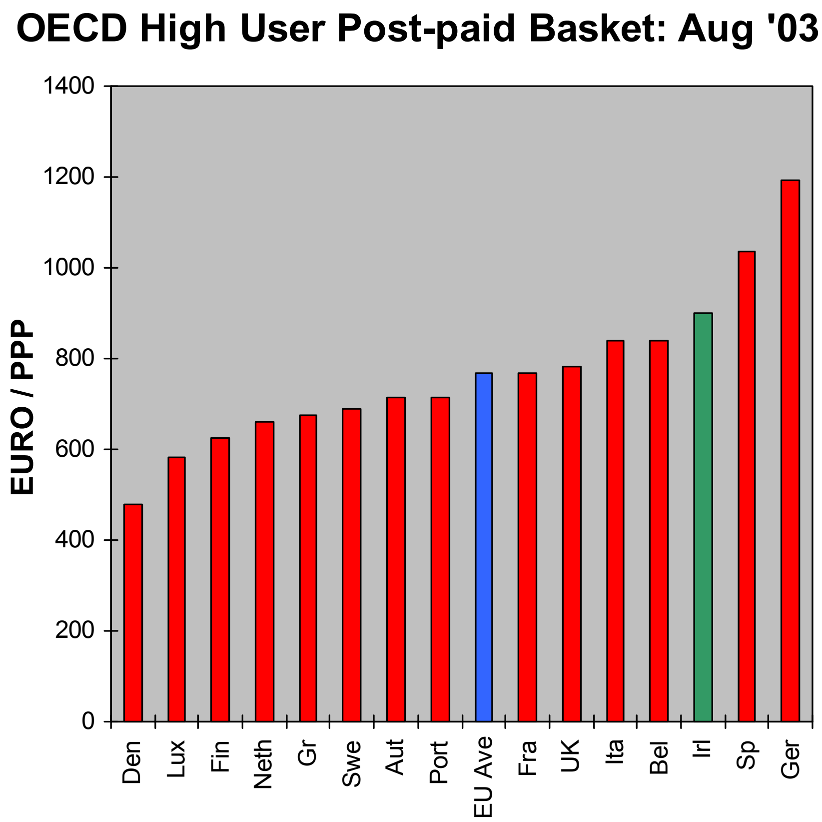
Source: Strategy Analytics subscriber estimates, ComReg Key Market Data – penetration rates

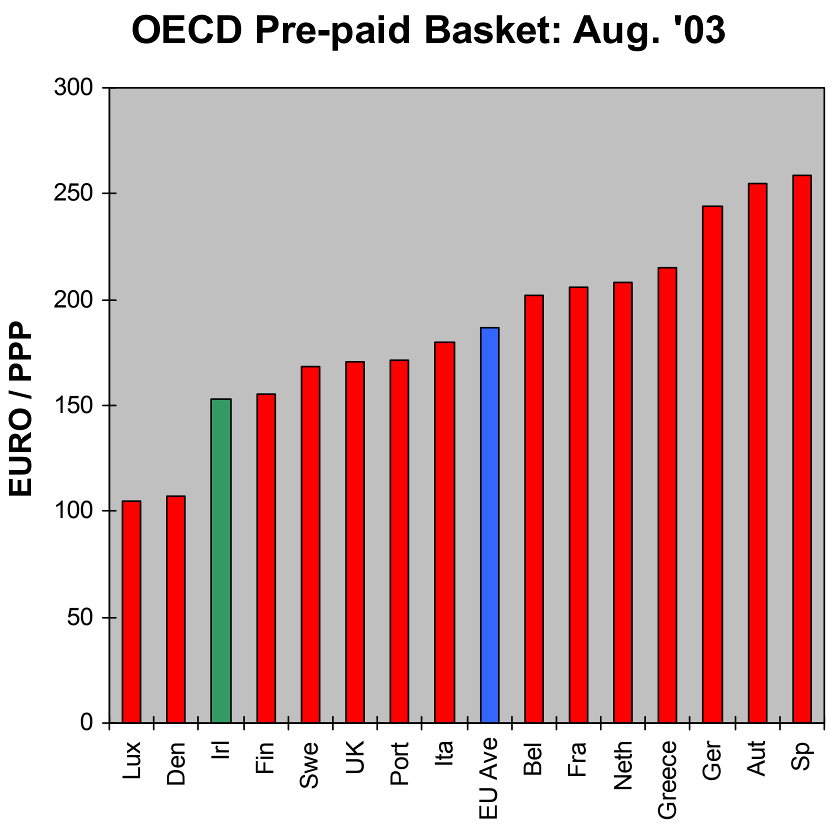
Opportunities to develop higher value data services that build on success of SMS

- SMS growth in Ireland has been phenomenal.
  - Average monthly SMS per user: Q1: 77 → Q2: 75.
- MMS – Interconnection can help market to grow
  - Mar. '03: Vodafone Live! 38k subs
- M-commerce - 5% have used their mobile phone to purchase a product or service.



International Price Comparisons – OECD baskets



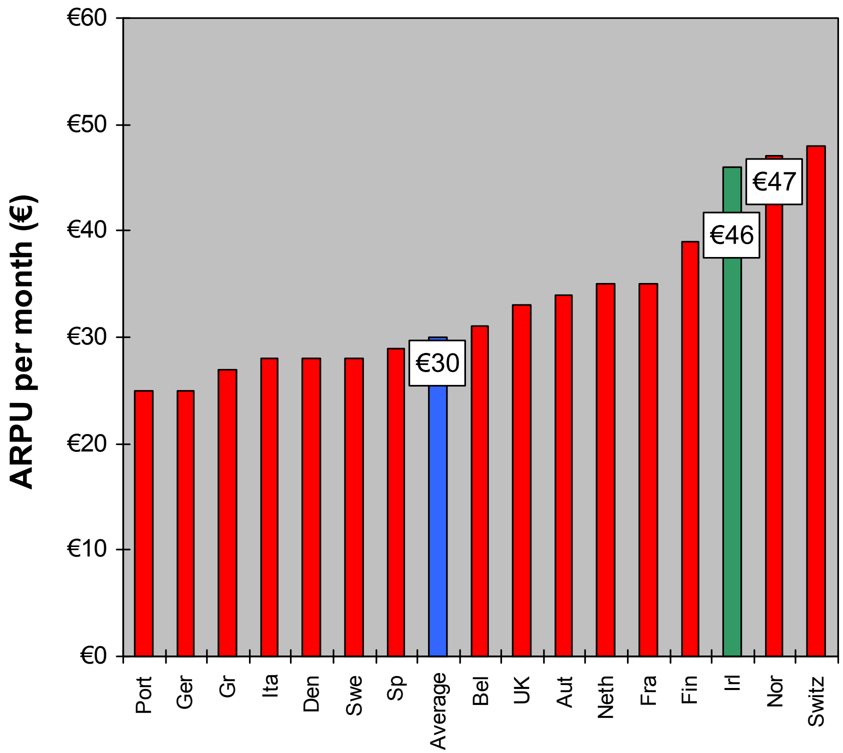


- Based on specific packages for pre-paid and post-paid respectively
- Meteor more active in prepaid market.

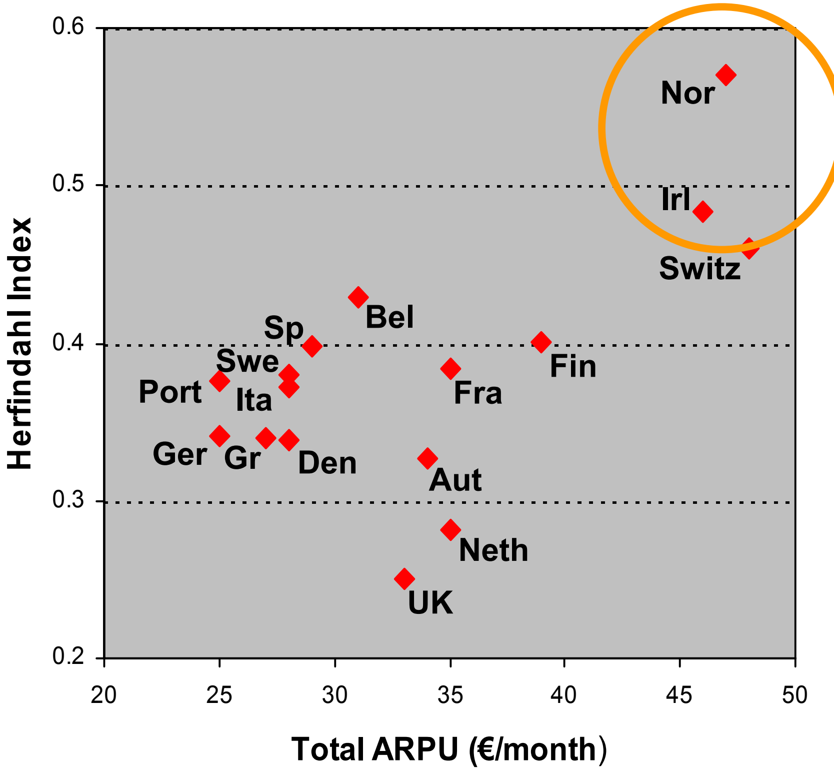
Source: ComReg, Key Market Data, Sept 2003.

ARPUs - Ireland and Norway are well above the European average

European Monthly Blended ARPUs: Q3 2003



Market Concentration and ARPUs



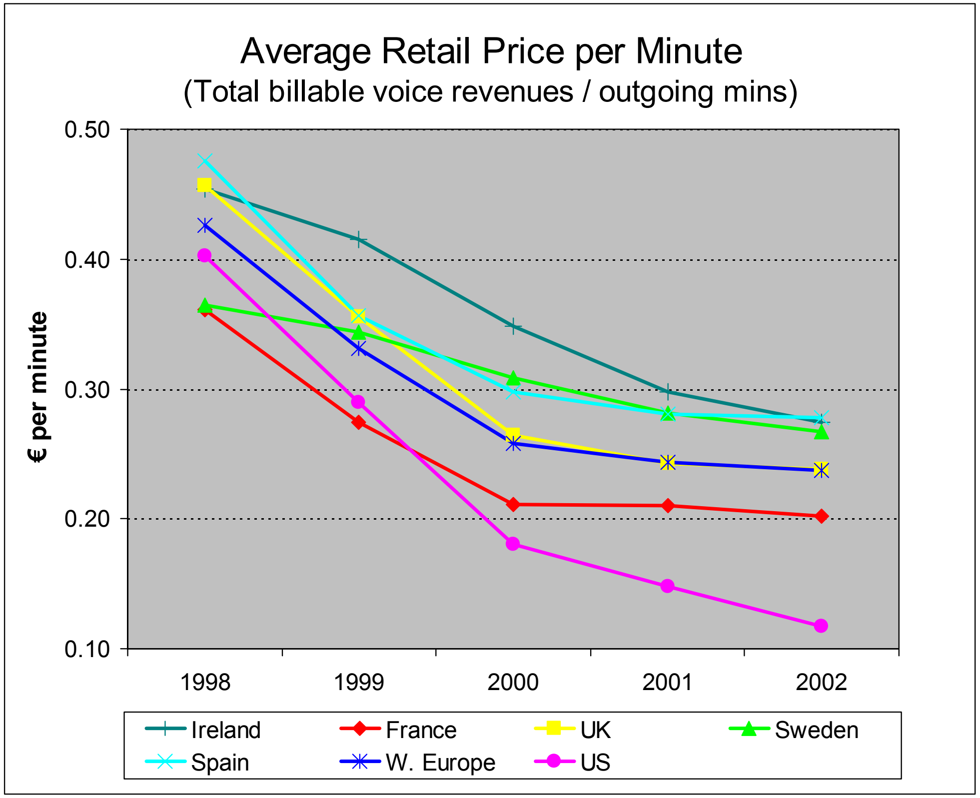
ARPU = Average Revenues Per User

Source: Yankee Group Sept 2003; ComReg 2003.

Pricing - General trend has been downward

- Technological advances, lower per subscriber costs and increased competition have fed through to significant reductions in retail prices across most major mobile markets.

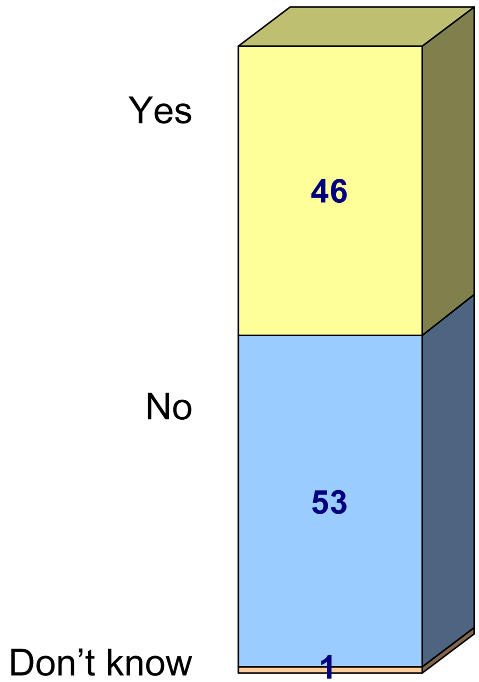
- However, unlike most other markets, Irish prices declined more slowly through the late 90s, but then continued to fall through 2000-01. This was spurred, amongst other things, by Meteor's later market entry.



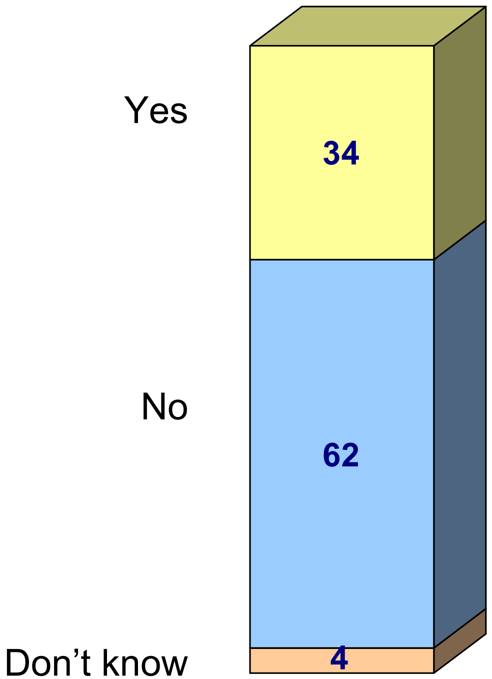
- Net result → Although absolute reductions have been significant, on average Irish retail prices still remain amongst the highest internationally.

Importance of consumer awareness

Awareness of cost difference between 'on-net' and 'off-net' calls (%)



Do you choose your operator based on the network you are most likely to call? (%)

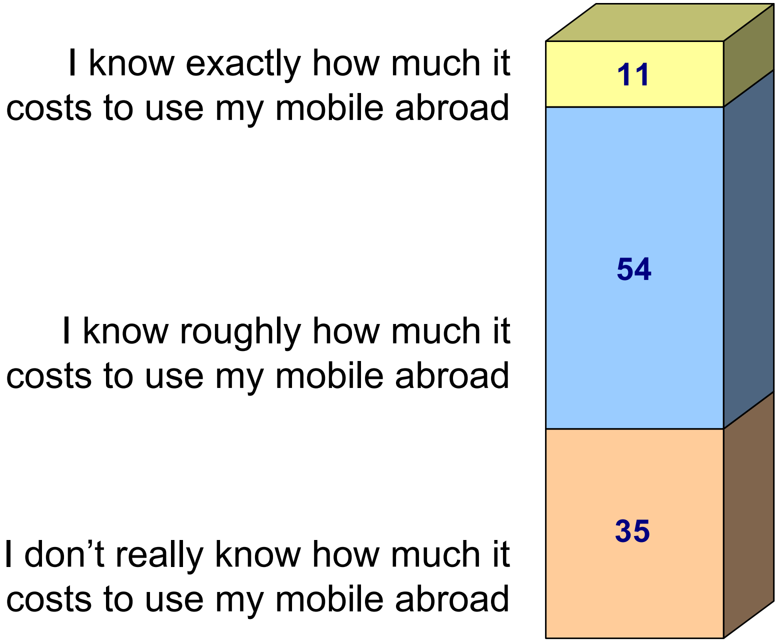


Source: MRBI, Residential Telecoms Survey, Feb 2003.

Roaming needs to be tackled on an international level.

- European Commission's enquiry into roaming charges is still ongoing.
- Commission identified national market for international roaming – essentially consumers from foreign jurisdictions would benefit from any regulatory action ComReg takes
- Problem needs to be co-ordinated at an EU level for Irish consumers to benefit
- ComReg/Oftel joint report on consumer awareness/international roaming costs– ComReg consumer leaflet on how to reduce cost when using their mobile abroad
- ComReg/Oftel cooperation on NI issues

Awareness of the cost of using a mobile phone abroad (%)



Source: MRBI, Residential Telecoms Survey, Feb 2003.

ComReg response to issues in mobile market

- **Influencing the Structure of Market – new entrants / 3G**
  - 2G competition one of first regulatory tasks in 1997 – Meteor entered in 2001
  - National roaming
  - 3G well-designed competition for markets
  - MVNO: Mandatory National Roaming : Fees : 80%+ population coverage: infrastructure sharing permitted
  - Mobile Number Portability introduced with new EU framework
  - Mobile Termination Rates – among lowest in W. Europe – some reductions passed on to users
  - Licence Coverage requirements checked as licences rolled out

New Regulatory Framework requires Market Analysis using competition law principles to establish SMP

- EU Commission defined standard list of markets to be regulated. Does not include mobile retail market:
  - *"Regulatory controls on retail services should only be imposed where NRAs consider that relevant wholesale or related markets would fail to achieve the objective of ensuring effective competition".*

Source: USO Directive, Recital 26.

- ComReg reviewing Irish situation at present. If an Irish mobile retail market is to be included, it is subject to a potential European Commission veto.

SMP = Significant Market Power.

New Regulatory Framework - Remedies available to address competition issues

- Non-discrimination
- Transparency
- Price Control & Cost accounting obligations
- Accounting Separation
- Access to Special Network Facilities
- Inter-operability

User Rights

- **Present position** :
  - Code of conduct on complaints/ itemised billing / disconnection policy
  - ComReg assessment of mobile quality of service to start shortly

- **New Framework – User Rights Directive :**
  - Outline Framework for Ireland - July 2003 - ComReg 03/86

- **Provides for:**
  - Code of practice for tariff transparency - Consultation in Nov. 2003
  - Direct link to tariff information from operators' home-page to price data from 31st October 2003
  - Full written information available on request from all operators
  - Update of Code of Practice for complaint handling
  - Refund and compensation policy
  - ComReg guidelines on minimum contract terms to be issued shortly

Mobile Market

- Mobile – recent arrival on Irish scene:
  - 80%+ users
  - Voice ….. and SMS
  - 1:4 companies on mobile email
  - 5% of mobile users bought online
  - Market Analysis underway
  - Users Rights development
  - Increased international cooperation on roaming
  - And now 3G…..