



Office of the Director of  
**Telecommunications  
Regulation**

**MEDIA RELEASE**

**17 April 2002**

**Telecoms Regulator Welcomes Launch of High Speed Offering by *eircom*: Agreement reached on long standing issues, facilitating competitive DSL development: Reduced interconnect costs: Court cases discontinued**

Etain Doyle, Telecoms Regulator, today welcomed the announcement by Eircom that it is to launch its new wholesale 'bitstream' and 'i-stream' retail (DSL, high speed) internet products. The bitstream product is being launched today. She also announced that she has approved new *eircom* proposals in relation to prices for Local Loop Unbundling (LLU).

In parallel with this, she has approved final prices for interconnection services provided by *eircom* (known as the Reference Interconnect Offer or RIO) for periods up to 31 March 2001. Rates for the four month period to 31 March 2000 are to remain unchanged from previously announced interim levels. Rates for the year to 31 March 2001 are approved at levels which are, on average, 13% below interim levels (€4.8m reduction). Higher than anticipated volumes and lower than anticipated costs contributed significantly to this reduction.

She has also confirmed that *eircom* intends to discontinue legal proceedings launched by in 2001 against ODTR decisions in relation to RIO and LLU.

*eircom* has developed revised bitstream offerings which respond to the regulatory and competition problems raised by the proposals made last year. There is a new pricing structure which the regulator is satisfied meets the regulatory requirements. In addition to new pricing, *eircom* has also confirmed that it is making special arrangements to ensure that competitors may have access to the necessary complementary services to launch bitstream services.

The new pricing for LLU services, based on new submissions from *eircom* replaces the interim pricing set out in the ODTR Decision Notice of April 2001, and also pricing for certain ancillary services announced by *eircom* later that year.

There are positive and negative changes in the pricing, but in the overall, they represent a reduction on the current charges offered by *eircom*. The new prices will apply retrospectively, and in order to provide certainty to the industry, also for the current regulatory year to end March 2003. The Regulator also announced that a new industry group is to be set up very shortly under the Chairmanship of Professor William Melody of Delft University to develop a LRIC model for the access network, and LLU charges will be reviewed in the light of outcome of this work.

The regulator said – “I am very pleased by these developments which I believe may indicate a more open approach on the part of *eircom*’s new management. The introduction of competitive broadband DSL services is a welcome step in the development of the Irish communications market. Esat Telecom is well advanced on its programme for introducing LLU in 40 exchanges in Ireland. I look forward to operators providing significant benefits to Irish users and consumers in terms of enhanced service offering and competition.

The finalisation of interconnection rates is of considerable benefit to new entrants and Irish rates now compare favourably with those in force right across the European Union. *eircom*’s decision to discontinue its legal proceedings is particularly welcome as this will greatly enhance stability and certainty within the Irish telecommunications industry.

With these old items out of the way, all industry participants can now concentrate on the real business of serving the consumers, both business and residential in 2002 and beyond”

**ENDS**

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### **Note to Editors:**

Documents issued today:

- ODTR 02/36 D4/02 Local Loop Unbundling: Review of eircom's Access Reference Offer
- ODTR 02/37 Eircom's Wholesale Bitstream Reference Offer – Information Notice
- ODTR 02/38 Interconnection Rates in the Irish Telecommunications Sector – Information Notice.
- ODTR 02/39 D5/02 Interconnection Rates in the Irish Telecommunications Sector- Decision Notice D5/02 on rates to apply from 1 December 1999 to 31 March 2000.
- ODTR 02/40 D6/02 Interconnection Rates in the Irish Telecommunications Sector- Decision Notice D6/02 on rates to apply from 1 April 2000 to 31 March 2001

### **1. DSL Technologies and Local Loop Unbundling**

DSL (Digital Subscriber line) is a technology that allows higher capacity communications including internet access over conventional telephone lines (local loop network). Conventional telephone lines provide for typically 56kb/s (kilobits per second being a measure of the data rate that can be transmitted down the line using conventional modems) while DSL services typically supports between at 500kb/s and 2000kb/s depending upon the type of product offered. Higher capacity provides for greater speed in transferring data.

The 'local loop' is the physical circuit between a customer's premises and the telecom operator's local switch. Traditionally, it takes the form of a pair of copper wires for each normal telephone line. Unbundling the local loop involves enabling other operators to install their equipment in incumbent exchanges to manage and sell services using the incumbent's local loops.

DSL technology may be installed by the incumbent in its switches and used by it to sell wholesale or retail high capacity services (e.g. eircom's bitstream service) whilst still providing a standard telephone service on the line, or if the *eircom* local loop is unbundled, another operator may install such equipment in *eircom* switches and devise and provide its own end-to-end higher capacity services to customers (Line sharing or Full unbundling). (It is also technically possible for another operator to use an unbundled line without DSL enhancement, but there are simpler ways of providing such services and it is not likely that an OLO would choose to do this.)

Under the EU's unbundling regulation, *eircom* is required to provide certain types of access to OLOs. The two main types are set out in *eircom*'s Reference Access Offer.

- **Full unbundling** - The OLO has direct access to the local loop and can decide how to use it (within its physical limits). The link between the main distribution frame (MDF) and the local switching equipment in the incumbent's premises is re-configured to become a link to the new entrant's switch, and the new entrant takes over the operation of the local loop. Typically, ordinary telephony services would not be provided over such a line, with the whole of the line being used for high speed access.
- **Line sharing**, The incumbent continues to provide ordinary telephony services over a copper pair while an OLO delivers broadband services using higher frequencies on the same loop. A device known as a 'splitter' separates the two types of traffic. The local loop remains a part of the access provider's network.

**Bitstream access** - ODTR Decision Notice D6/00 set out the framework for introducing bitstream access in Ireland and required *eircom* to offer a wholesale service when offering a retail service. Bitstream involves the following:- *eircom* installs a high speed access link to a customer's premises (e.g., by installing its preferred ADSL equipment and configuration in selected switches) and then makes this access link available to third parties, either OLOs or its own retail arm, to enable them to provide high speed services to customers.

## **2. Reference Interconnection Offer**

Interconnect is the term describing the connection of one network with another. All operators have to connect with *eircom*'s network to take and deliver voice and data calls. The RIO sets out *eircom*'s stall of interconnection services for OLOs and the charges for those services. Individual operators can then choose the elements they require to build their services. Following a consultation with industry, the ODTR fixed the arrangements for setting RIO charges. These charges are fixed annually for the forthcoming year, initially on an "interim" basis and then on a "final" basis in the light of complete accounting information from *eircom* provided normally some six months after the end of the financial year. In 2001, following 18 months extensive work in an Industry Advisory Group in establishing a bottom-up LRIC model to validate *eircom*'s top-down LRIC model of its core network, interim charges were determined by the ODTR on a LRIC basis for the first time for the periods December 1999 to March 2000, and April 2000 to March 2001. These were challenged by *eircom*, but that challenge is now to be discontinued. New rates have been submitted and accepted by the ODTR, which are now the final rates for these periods. The current interim rates continue to apply for the period since April 2001.

LRIC - LRIC is a method of determining what the cost to a telecoms operator should be to operate a network on the assumption that it is efficient operator employing modern technology. These costs will be different to the extent that an operator is inefficient. As a costing method it is designed to ensure that any costs arising from the operator's inefficiency will not be passed on to its customers. Conversely it should provide an incentive to the operator to become more efficient.