



Office of the Director of
**Telecommunications
Regulation**

COMPETITION FOR A THIRD MOBILE TELEPHONE LICENCE (DCS 1800 & GSM) IN IRELAND

INFORMATION MEMORANDUM

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INFORMATION MEMORANDUM

1. Introduction

The Director of Telecommunications Regulation has launched a competition for the award of one additional licence to provide a mobile telephone service in Ireland. The licence is for a combined DCS 1800/GSM service and its term will be fifteen years. It is expected that the winner will be known in May 1998.

This competition provides a unique opportunity to enter into the most vibrant and rapidly growing economy in Europe, with a predicted average annual growth rate of at least 5% up to 2005. In particular, the Irish telecommunications market offers significant potential for growth. Mobile penetration currently stands at about 11% and the fixed telephone line penetration rate is about 38 per 100 population.

The purpose of this memorandum is to provide all interested parties with summary information on the licensing process including the overall objective, a description of the process itself and the proposed licence framework. The appendices set out the legal and regulatory framework for the sector and the competition. Details on the licensing process are contained in the tender documentation which is available from the Office of the Director of Telecommunications Regulation (ODTR) upon payment of a non-refundable fee of IR£5,000.

This document is an information memorandum only and the conditions of the competition are laid down in the tender documentation which shall prevail over this memorandum.

2. Objective of the Competition

The overall objective of this competition is to increase competition and choice so that the Irish consumer benefits from lower tariffs and the availability of high quality services. The introduction of competition to this market has already resulted in a significant increase in the penetration rate for mobile telephony with lower rental charges and call tariffs. It is anticipated that the arrival of a third operator will accelerate the development of the market.

3. Licence Framework

3.1 One Dual Technology Licence

One National combine DCS 1800/GSM licence will be awarded from this competition. In taking this decision, the Director has given careful consideration to a number of factors including the objective of this competition, EU legislation requirements and frequency spectrum availability.

The overall objective of this competition is to stimulate further competition in the mobile sector for the benefit of the end user. An additional nationwide licence would best meet this objective. DCS 1800 technology is less effective in providing coverage in rural areas compared to GSM. A combined DCS 1800/GSM licence would therefore provide the best means of achieving nationwide coverage. However, there is limited GSM spectrum available and accordingly, only one combined licence can be issued at present. The existing GSM operators will have the opportunity to apply for up to 2 x 14.4 MHz of DCS 1800 spectrum each thereby creating the prospect of three combined national DCS 1800/GSM operators.

Ireland will have approximately the European average number of mobile licences after this competition. While the Director believes that this will result in effective competition in the Irish market, it is not intended to close off the market definitively at that point.

3.2 Review of Spectrum

The Director is to conduct a review of the available spectrum. This review will include a public consultation and will analyse the economic, competitive, technical and legal issues involved in relation to existing and potential uses of spectrum. If appropriate further competitions will be held.

3.3 Spectrum Allocation

Third Operator

The new licensee will be awarded a minimum of 2 x 14.4MHz of DCS 1800 spectrum and 2 x 4.8MHz of GSM spectrum. There is an option to take up the spectrum on a phased basis.

Eircell and Esat Digifone

In line with ER requirements the incumbent GSM operators will not take part in this competition. The Director believes that the new operator should be given a headstart in the use of the DCS 1800 spectrum. The Director will consider applications from Eircell and Esat Digifone for DCS 1800 spectrum and such spectrum would not be made available before 1 January, 2000.

3.4 Coverage and roll out requirements

The following mandatory coverage requirements shall apply:

- The third operator shall provide a national coverage of at least 1/3 of the Irish population, using DCS 1800 spectrum within two years of issue of the licence.
- The third operator's combined DCS 1800/GSM network shall as a minimum provide national coverage of 80% of the Irish population within four years of the issue of the licence.

3.5 National Roaming

With combined DCS 1800/GSM spectrum allocation, the third operator is expected to be able to achieve national coverage without the Director imposing mandatory

national roaming. However, operators are free to enter national roaming agreements if they so wish.

3.6 Site and mast sharing arrangements

Sharing of sites and masts will be encouraged within the framework of existing or proposed national and EU legislation.

3.7 Interconnection

The regime governing interconnection will be based on the Interconnection Directive and the national legislation transposing that Directive into Irish law. It is understood that these regulations will be enacted shortly. The 2nd mobile operator has recently negotiated an interconnection agreement, including rates, with Telecom Eireann. The third operator will be free to negotiate its own interconnection agreement.

3.8 Licence Fee and Spectrum Access Charge

A once-off administrative fee of IR£1,500,000, which will cover the administrative costs to the ODTR of the licensing process, will be charged to the third operator.

In addition to this fee, the applicants will be invited to bid any figure up to and including an amount of IR£10,000,000 in respect of the spectrum access charge. This reflects the fact that spectrum both DCS1800 and GSM, will be set aside for the use of the third operator.

The administrative fee, and spectrum access charge bid, are payable on grant of the licence.

3.9 Annual Spectrum Fees

The GSM spectrum will be made available at an annual fee of IR£10,000 per paired 200 kHz channel for each of the first two years.

For the DCS1800 spectrum the annual fees will be imposed on tiered basis up to a maximum of IR£10,000 per paired 200 kHz channel for the first two years.

After that period the Director reserves the right to revise these fees.

4. The Licensing Process

The competition will be administered by the Director who has established a Steering Group, which is responsible for the management of the selection process and the evaluation of applications. Andersen Management International of Copenhagen have been appointed to assist in the competition.

The successful applicant will be selected by way of open tender using the 'best application' method. According to the best application methodology, the application which is awarded the highest marks in the comparative evaluation process will be ranked first. The evaluation will be in accordance with the evaluation criteria explicitly outlined and weighted in the tender document.

The tender document comprises four chapters: a detailed description of the process; detailed requirements in relation to the form and content of the applications; a description of the regulatory, commercial and calculatory assumptions to be applied; and a draft licence.

Following purchase of the tender documentation, applicants will have the opportunity to submit written questions on the competition to the ODTR. The ODTR will respond to these questions individually and will aim to ensure that responses are issued within eight working days of receipt of questions. All questions and responses (without identification of the questioner) will be circulated to all applicants. The final date for receipt of questions is 27 February 1998.

The date for receipt of bids is Friday 27 March 1998 at 2.00pm (local time). Applicants will therefore have approximately four months in which to prepare and submit bids. The evaluation stage will last approximately two months and it is anticipated that the successful applicant will be informed in May 1998. Applicants will be required to make a presentation to the ODTR during the evaluation stage.

The timetable below sets out the key events:

Event	Date
Launch of Competition	2 December 1997
Question and Answer Phase	2 December 1997 – 27 February 1998
Deadline for Receipt of Bids	27 March 1998
Evaluation of Bids	Approx. 2 Months from 27 March 1998
Announcement of Successful Applicant	May 1998

The Director reserves the right to alter the above dates.

2 December, 1997

Appendix 1

The Irish Telecommunications Sector – Regulatory and Legal Framework

The Director of Telecommunications Regulation

The regulation of the telecommunications sector is carried out by the Director of Telecommunications Regulation appointed pursuant to the Telecommunications (Miscellaneous Provisions) Act, 1996. The Office of the Director of Telecommunications Regulation is independently funded and independent in the exercise of its functions. The Director has responsibility for the exercise of powers accorded to national regulatory authorities pursuant to EU and national legislation. Further powers will be conferred on the Director as the developing EU regulatory framework for telecommunications is formally adopted.

Radio Frequency Spectrum

The use of radio frequency spectrum in Ireland is governed by licences issued pursuant to the Wireless Telegraphy Acts, 1926 to 1988. The appropriate authority for assigning spectrum in Ireland is the Director of Telecommunications Regulation. Operators will be expected to use the spectrum in an efficient manner.

The Minister for Public Enterprise

Responsibility for national telecommunications policy and, in particular, for the Government shareholder role in respect of Telecom Eireann is exercised by the Minister for Public Enterprise and her Department.

The Irish Telecommunications Market

Liberalisation Timetable

The timetable for the implementation of full liberalisation of the sector has been agreed by the Irish Government with the European commission and is set out in Commission Decision of 27 November, 1996 concerning the additional implementation periods requested by Ireland for the implementation of Commission Directives 90/388 and 96/2/EC as regards full competition in the telecommunications markets. Accordingly, the establishment of telecommunications infrastructure was liberalised on 1 July, 1997, international interconnection of mobile networks will be allowed from 1 January, 1999 and, finally, restrictions in relation to the provision of voice telephone services and public telecommunications networks will be lifted from 1 January 2000.

The Irish Telecommunications Market

Ireland has a population of 3.62 million people, a fixed telephone line penetration rate of 38 per 100 population and a mobile telephone penetration rate of about 11%. There are both analogue (TACS) and GSM mobile telephone services currently in operation in Ireland. These are provided by Eircell Limited - which has approximately 330,000 customers for its mobile services of whom approximately 197,000 are GSM customers with the balance being analogue customers; and Esat Digifone, which launched its GSM service in March, 1997, and has achieved a customer base of 80,000 as at November 1997. In addition, some 47 service providers have been licensed to provide liberalised telecommunications services and a number of companies are also involved in proposals to provide telecommunications infrastructure under licence.

Appendix 2

Legislative Background to this Competition

The licence will be awarded by the Director under the Postal and Telecommunications Services Act, 1983, as amended.

Under section 4 (9) and (10) of the Telecommunications (Miscellaneous Provisions) Act 1996, the Minister for Public Enterprise may specify public service requirements which she considers necessary to include in the licence. The Director has consulted with the Minister for Public Enterprise who is satisfied with the requirements specified in that regard.

As required under section 111 of the Postal and Telecommunications Services Act, 1983. The Director has also sought and obtained the consent of the Minister for Finance for the licence free and spectrum access charge.

The European Commission has also been advised of the Director's proposals and account has been taken of its views.