Commission for
Communications Regulation

General

Trends Survey Series – Wave 2, 2005

Residential Telecommunications and Broadcasting Survey Report

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An Coimisiún um Rialáil Cumarsáide
Commission for Communications Regulation
Abbey Court Irish Life Centre Lower Abbey Street Dublin 1 Ireland
Telephone +353 1 804 9600 *Fax* +353 1 804 9680 *Email* info@comreg.ie *Web* www.comreg.ie

Contents

1 Introduction 2
1.1 Summary of Key Findings 2
2 The Fixed Line Market 3
2.1 Competition in the Fixed Line Sector 3
3 The Mobile Market 5
3.1 Mobile Penetration and Type of Subscription 5
3.2 Competition in the Mobile Sector 5
3.3 Using Mobile Phones While Abroad 6
3.4 The Purchase of Mobile Services 7
4 Fixed and Mobile Complaints 9
4.1 Fixed Line Complaints 9
4.2 Mobile Complaints 9
4.3 Operator Code of Conduct 10
5 Internet and Broadband Usage 11
5.1 Access to the Internet 11
5.2 Connecting to Broadband 12
6 Broadcasting 15
6.1 TV and Radio Penetration 15
6.2 Digital Television Services 16

1 Introduction

Since January 2003, ComReg has commissioned Amárach Consulting to carry out a Trends survey on a quarterly basis. The survey is conducted to gain insight into the attitudes and perceptions of residential consumers in relation to a range of electronic communications services provided in Ireland and to track these perceptions over time. We hope that such analysis will provide a useful source of information on end-user experiences of the market.

This survey of 1,000 residential consumers aged 15-74 was conducted in Ireland between the 25th of April and the 20th of May 2005. The survey involved face to face interviews carried out in respondents' own homes at 101 different locations nationally. A guide to the margin of error for this survey is contained in the presentation of survey results by Amárach, but is typically +/- 3% for questions where all respondents answered. It should be noted that the data contained within this report is based on the responses provided by survey participants, and while providing useful insight into residential consumer experiences, it is not directly comparable to data collected from telecommunications operators as presented in the ComReg Quarterly Review.

This report highlights the main findings and trends for Quarter 2, 2005. The complete presentation of survey results by Amárach Consulting is published on our website, www.comreg.ie.

1.1 Summary of Key Findings

- Consumers appear to generally understand that using their mobile phone while abroad involves additional cost, but knowledge of the specific cost is low. Most respondents who travelled abroad use their mobile phone flexibly to minimise the costs associated with roaming, although few choose to manually select the mobile operator who will offer them the least cost roaming.

- Around 17% of respondents have purchased advanced services such as ringtones, games and downloads over mobile in the last three months; such activity is highest among the 15-24 year old age group where 43% had purchased a service, most popularly ringtones.

- Household take-up of broadband continued to grow in the 3 months to June 2005. The percentage of households using narrowband connections has consistently declined according to survey data collected over the past 12 months. Higher income households are more likely to have home Internet connections than lower income households.

- Digital TV penetration in Ireland remains relatively high, with subscription most popular among 35-44 year olds and higher income groups. Purchasing of services over TV remains low, with 8% of respondents with digital TV having purchased a service in the last 3 months. Pay-per-view sports events and movies remain the most popular choices for purchases over TV.

2 The Fixed Line Market

2.1 Competition in the Fixed Line Sector

ComReg measures awareness and incidences of switching behaviour in the residential and business markets as a barometer of competitive activity within the telecommunications market.

In seeking to establish levels of competition within the fixed line residential sector respondents were asked which operator provided their fixed line telephone service. The following table summarises information on the main operators in the market.

Which of the following companies do you use for your residential phone services? n=760	
eircom only	82%
Smart Telecom	6%
BT Ireland (formerly known as Esat BT)	2%
Other (these include Chorus, Vartec, Cinergi, Tele 2, Newtel)	6%
Don't Know	4%

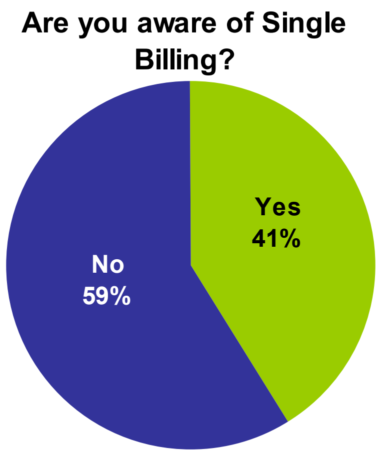
Figure 1: Residential Fixed line Telephony Providers

The Trends Series respondent data for the residential sector is reasonably consistent with data collected for the ComReg Key Data report[1] which calculates eircom fixed line market share at around 80% for the residential and business markets combined.

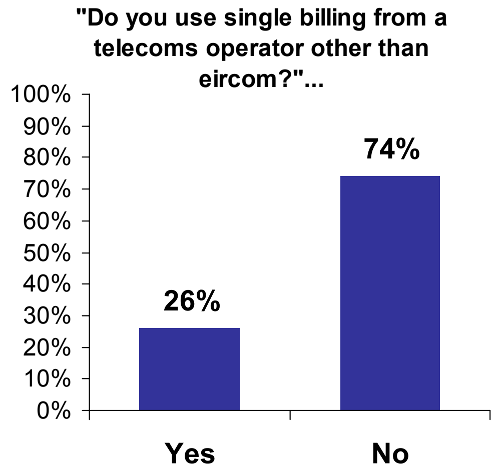
In terms of competitive activity, 14% of respondents have considered switching their fixed line provider in the last three months, and 13% of respondents suggested that they would either probably or definitely change to another telephone provider in the next three months. Half of all respondents said they will not switch to another residential provider in the next three months, with the over 65 age group least likely to switch.

Following previous surveys where consumers identified having two bills from two fixed line providers as a reason not to switch operator, ComReg introduced a wholesale line rental product which would allow alternative operators to offer line rental and call charges on a single bill to customers. This service has been commercially available since June 2004 and has been adopted by almost 115,000 subscribers by the end of March 2005. Respondents were asked about their awareness and take-up of single-billing. The following charts outline information provided by respondents.

[1] ComReg Document 04/43



n=760



n=308

Fig 2: Awareness and Take-up of Single-Billing by Respondents

Awareness of single billing by alternative fixed line providers remains the same as in the previous three months, however take up of the service among those who are aware of single billing has risen from 18% to 26%. Those most likely to use single billing are in the 45-64 age group. While not specifically addressed in this survey, a previous ComReg consumer survey[2] suggested that respondents who switch operators did realise benefits, in particular cheaper international calls. Respondents in the ComReg annual consumer survey in 2004 also suggested that a promotion offered by an alternative operator was a motivating factor for switching operator.

[2] ComReg Document 04/30c

3 The Mobile Market

3.1 Mobile Penetration and Type of Subscription

The Trends survey examines attitudes to and usage patterns for mobile in the residential sector in Ireland. Mobile penetration in Ireland is generally highest among 15-44 year olds and lowest among the 65-74 year old age group where only 35% of respondents indicate having a mobile phone. When asked about which mobile service provider they used, respondents' overall responses broadly reflected the market shares published in the ComReg Quarterly Key Data report for Quarter 1, 2005[3]. In comparing overall market share figures among specific demographic groups, subscribers from higher income groups are more likely to be Vodafone subscribers; O2 is more popular among 25-34 year old respondents, and Meteor is more likely to attract a younger customer profile – around one-third of its customers are aged between 15 and 24 year old- although its overall market share is small when compared with Vodafone and O2.

Respondents were also asked about how they paid for their mobile phone service. Overall 80% of respondents said they used pre-paid top-up cards, with this being most popular among 15-24 year olds (95%), 65-74 year olds (92%) and lower income groups (91%). Those most likely to receive a monthly bill for their mobile service were male (27%), aged 45-74 (30%) or in higher income groups (33%). The higher incidence of pre-paid subscriptions in the sample is reflective of the survey sample being confined to residential consumers only. The ComReg SME survey of 2004[4] found that only 6% of surveyed SMEs used a pre-paid mobile service suggesting that business customers are more likely to subscribe to a post-paid service than the residential sector.

3.2 Competition in the Mobile Sector

The following charts indicate instances of consumers switching mobile service provider in the last three months. In June 2003 Mobile Number Portability (MNP) was introduced allowing mobile customers to switch provider while retaining their existing phone number. The following charts show that 6% of mobile customers switched provider in the last 3 months. Of those that did not switch, a further 9% of respondents said they had considered switching provider over the same period.

[3] ComReg Document, 05/43

[4] ComReg Document, 05/05a

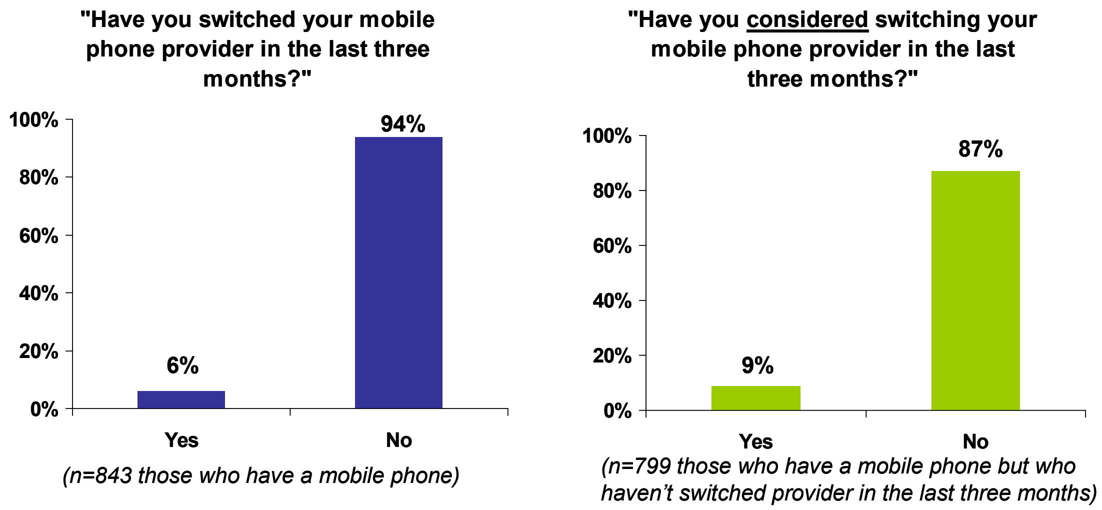


Figure 3: Switching Behaviour and Consideration of Switching Mobile Operator.

3.3 Using Mobile Phones While Abroad

This survey explored in more detail respondents' experience of international roaming on mobile and in particular how they use their mobile phone while abroad and their awareness of the costs involved in international roaming.

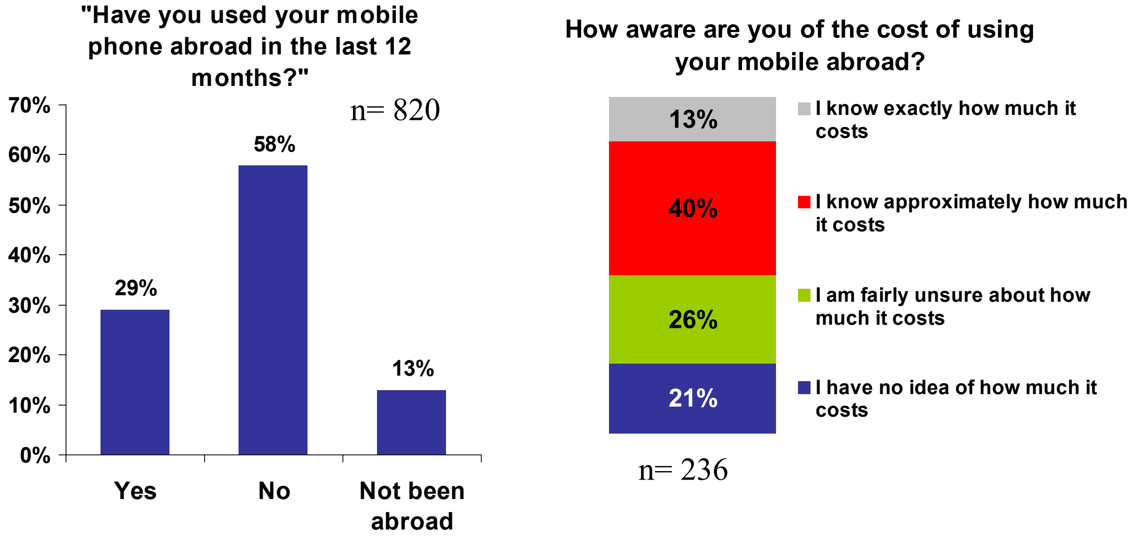


Figure 4: Instances of People using their Mobile while Abroad and Awareness of Cost

Results show that 29% of respondents with a mobile subscription had used their mobile phone while abroad, while 58% of respondents with a mobile subscriptions had not used their phone internationally. Respondents who had used their mobile while abroad in the last twelve months were asked about their awareness of the cost of using a mobile phone while abroad. Of those who claimed they were aware of the cost, the majority had an approximate understanding of roaming costs. It would appear that consumers understand that roaming involves additional cost; however the exact nature of those additional costs is generally not known.

In managing the cost of roaming, respondents were asked about the nature of their mobile use while abroad. The following tables outline how respondents select their network and use their phone while abroad.

When using your mobile abroad, which of the following best describes how you select the network you use? n= 236	%
I use the network that appears on my handset	68%
I manually select which network to use	15%
I sometimes select, but normally use the one that appears on my handset	12%
I sometimes use the network that appears on my handset but normally select	2%
Don't Know	3%

Figure 5: Selection of Roaming Network and use of Phone while Abroad

Which of the following best describes how you use your mobile phone while abroad? n= 236	%
I mainly use text messaging while abroad	44%
I only keep my phone for emergency use while abroad	34%
I use my phone as normal while abroad	18%
I receive calls only on my mobile while abroad	4%

Figure 6: Consumer use of mobile phones while abroad

The responses suggest that respondents tailor their use of their mobile phone to minimise the cost of roaming while abroad by limiting the number of voice calls they make, or by using their mobile phone for text messages only. In addition to using their mobiles flexibly while abroad, customers may be able to reduce costs further by manually selecting a mobile operator offering preferential roaming rates. ComReg published an International Roaming Consumer Guide in November 2004, to provide consumers with some general information with regard to using their mobile phone when abroad. The points raised in the guide aim to assist consumers in using their mobile phones in the most cost-efficient manner when in other countries.

3.4 The Purchase of Mobile Services

Respondents were asked if they had purchased services such a ringtones, pictures and games via their mobile phone in the last three months. Overall, 17% of respondents had purchased a product or service over mobile, most popularly, mobile ring tones. Results from the 15-24 year old market differ significantly from the overall market; 43% of respondents in this age group had purchased a mobile service in the last three months, of which 37% purchased a ring tone. While the purchase of services over mobile remains relatively low within the population at large, it is anticipated that levels of activity for this market will increase with the launch of 3G and i-mode services which will offer a fuller range of content-rich services.

Have you purchased any of these mobile services in the last three months? n= 820	**All respondents with mobile phone (n=820)**	**15-24 year olds with mobile phone (n=210)**
Ringtones	13%	**37%**
Games	4%	12%
Picture messaging	3%	8%
Music	2%	7%
Wallpaper/Icons	2%	7%
Subscription services	1%	2%
% Have used a service	**17%**	**43%**
% Using none of these	83%	57%

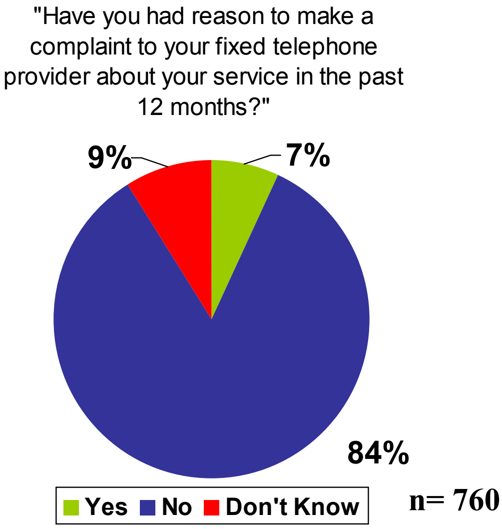
Figure 7: The purchase of mobile services

4 Fixed and Mobile Complaints

In this wave, respondents were asked about incidences of making a complaint to either their fixed line or mobile supplier, and their satisfaction with the handling and resolution of their complaint.

4.1 Fixed Line Complaints

Levels of complaints to fixed line operators represent around 7% for those who have a current fixed line subscription.



Complaint Type	%
Fault with the line	52
Error on bill	20
Complaint on cost of service	12

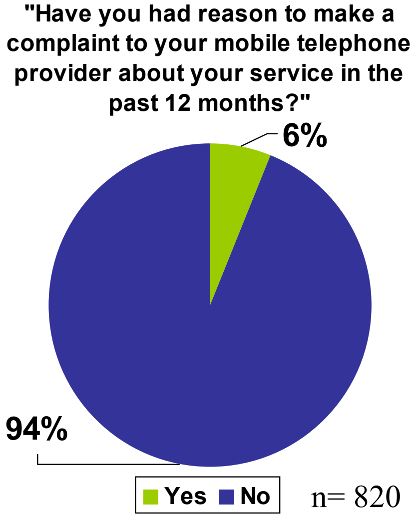
NB: Small Base n=56

Figure 8: Percentage of respondents making a complaint to their fixed line service provider and types of complaints reported.

Respondents were asked to score satisfaction with the resolution of their complaint on a scale of 1 to 10, where 1 rated as "highly dissatisfied" and 10 as "highly satisfied". The mean score for complaints relating to faults with the line was 5.61, a score indicating a medium level of satisfaction, while the satisfaction score for other complaints was marginally lower at 4.66.

4.2 Mobile Complaints

6% of respondents had complained to their mobile service provider in the last 12 months. Around 60% of these complaints related either to problems with a handset or poor signal.



n= 820

Fig 9: Instances of complaints made to mobile operator

Of those that complained, respondents were asked to rate their level of satisfaction with the resolution of their complaint out of ten, where a score of one ranked as very dissatisfied, and 10 ranked as very satisfied. The average score on this rating was 5.18, suggesting a medium level of satisfaction with the overall resolution of their complaint.

4.3 Operator Code of Conduct

ComReg has asked telecoms operators to implement a Code of Conduct for handling consumer complaints. Each operator's code sets out the procedure for making a complaint and the level of service that a customer can expect. The code of practice should be accessible to customers and published on the operator website. All respondents with a fixed line connection were asked if they were aware of their provider's Code of Practice. Only 20% of respondents were aware of such a code, with awareness highest among higher income groups and those aged 55-64. In addition to ensuring all operators make their Code of Practice accessible for consumers, ComReg is currently undertaking research and initiatives into levels of awareness across a wider range of consumer rights issues with relation to the telecommunications industry. One such initiative is the launch of an Internet based tariff comparison tool for consumers to evaluate packages based on individual usage and need.

5 Internet and Broadband Usage

5.1 Access to the Internet

Respondents were asked if they had a PC or Internet connection within the home. According to the survey results, 64% of higher income groups have a PC within the home, with 53% of higher income households having an Internet connection. This compares with 37% of lower income groups having a home PC, and 25% of this group stating they have Internet access at home.

The CSO report, "Information Society Statistics- Ireland 2004"[5] indicates a comparable relationship between income and the likelihood of PC and Internet penetration in the home. While the income group classification used by the CSO does not provide the basis for direct comparison with ComReg's survey, the CSO data suggests that in homes where there are two "economically active" individuals in the home, or where the participant interviewed is in employment, Internet and PC penetration will tend to be higher than in single-income households, or in homes where the survey interviewee is unemployed.

Overall, 30% of those currently without an Internet connection intend to get Internet access in the future. This is highest among 35-44 year olds (47%), higher income groups (40%) and those who already have a PC in the home (63%). The following table lists the key reasons cited by respondents for choosing not to subscribe to Internet at home.

Why do you say you won't get the Internet at home? n= 443	%
Do not have a PC at home	36%
Too expensive	24%
Lack of skills	24%
Do not need it	15%
Already have access from work/colleague/other location	11%
Lack of useful content or services	4%
Security fears/fears of viruses	1%
Other	7%

Figure 10: Why do you say you won't get the Internet at home

For those with an Internet connection in the home, the following table outlines the main methods of connection.

[5] http://www.cso.ie/releasespublications/documents/industry/2004/ictireland2004.pdf

How does your <u>household</u> connect to the Internet? n= 365	**Q4 03**	**Q4 04**	**Q1 05**	**Q2 05**
Standard telephone line/Regular dial-up	84%	73%	63%	61%
ADSL /Broadband connection	2%	6%	16%	22%
ISDN line	7%	8%	15%	10%
Through a mobile phone via WAP or GPRS	0%	1%	0%	2%
Broadband via a Cable modem connection	1%	9%	2%	1%
Other	-	1%	-	-
Don't know	5%	3%	3%	2%

Figure 11: Types of Internet connection within the home.

eircom remains the largest provider of Internet services in Ireland with 84% of respondents citing eircom as their Internet provider. The results also indicate a continued migration from narrowband Internet connections to broadband in the residential sector over the last year. Broadband connectivity in the home has been heavily marketed by service providers in recent months. Promotional/free trials, increased download speeds, and high profile advertisement campaigns have all raised public consciousness about the potential benefits of broadband in the home. Operators are also beginning to bundle DSL and voice services together as a single service- e.g. Smart Telecom, BT Ireland.

5.2 Connecting to Broadband

Currently 23% of respondents who have Internet access in the home have some type of broadband Internet connection, with DSL as the most popular broadband service. When weighted up to the total number of households in Ireland, this response rate suggests that 8.4% of all households surveyed have a broadband connection in their home. This measurement of penetration by household varies from the approach used in the ComReg Quarterly Report where broadband penetration is measured on a per capita basis. Those using any form of broadband connection (DSL, cable and wireless broadband customers) cited high download speeds, always-on Internet and simultaneous use of voice and Internet as the key attracting features of broadband.

Of those who currently use a narrow band Internet service, 34% of these respondents said they had considered moving to a broadband service. These individuals recognised faster download and connection speeds, better value for money and the simultaneous use of phone and Internet as the potential benefits of broadband. However, over half of the narrowband users surveyed have not considered moving to a broadband service, despite already having an Internet connection in the home.

These results suggest that the reasons for consumers not considering broadband are both broad and increasingly complex. In addition to the large number of respondents who do not currently have a home Internet connection, and do not intend to connect to the Internet in the near future; a large proportion of home Internet users remain unconvinced about the potential benefits of broadband in the home. Survey responses suggest that a number of factors inhibit the adoption of broadband by residential users including being unable to access broadband services, satisfaction with their current narrowband connection, or not using the Internet enough to gain benefit from a broadband connection.

In addition to initiatives undertaken by the industry as a whole, the Department of Communications, Marine and Natural Resources is currently implementing a number of schemes to address broadband demand nationally. The Community Broadband Scheme enables local communities to work with a broadband service provider of their own choice, or to draw up and implement their own broadband plan, with the aim of launching a broadband service for residents and small/medium sized businesses in their area. In addition, the telecommunications sector and the Government have jointly committed €18 million towards the rollout of broadband to all 4,100 primary and secondary schools as part of the Schools Broadband Access Scheme.

ComReg recognises that there are a range of challenges in relation to the roll-out of broadband in Ireland. Developing the penetration of broadband in the home among residential users is a multi-faceted and complex challenge. Progress needs to continue to be made to ensure availability of broadband to all consumers as well as renewed emphasis on demand stimulation, education and training of users in the benefits of broadband.

While broadband is most popularly conceived as broadband DSL, provided by a fixed line telecoms operator, a number of alternative operators currently offer wireless broadband through the FWALA (Fixed Wireless Access, Local Area) scheme introduced by ComReg in 2003. This scheme provides an alternative platform for broadband, particularly in the regions. ComReg has issued 111 regional licenses for wireless broadband to 10 operators to provide wireless broadband access at regional and local level. The following map outlines the areas covered by current operators under this scheme.

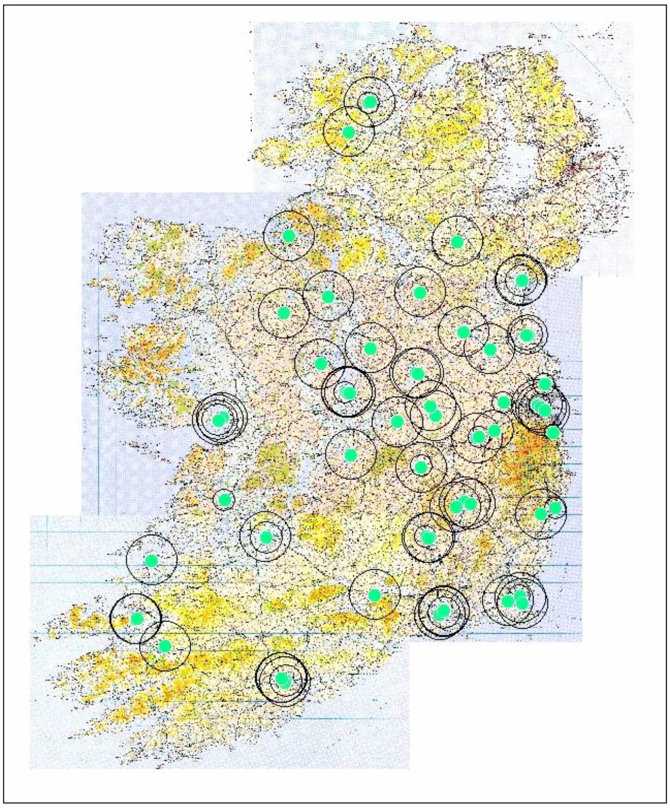


Figure 12: Map of regions covered by FWALA licenses. Source: ComReg

A further alternative to DSL in the residential market is broadband using cable. Cable broadband subscriptions have grown significantly in the last 12 months, from around 5,000 subscribers in March 2004, to almost 12,000 subscribers in March 2005. Cable subscriptions currently represent around 8% of broadband subscriptions in the Irish market.

6 Broadcasting

6.1 TV and Radio Penetration

This survey wave also investigated consumer experiences of the broadcasting market in Ireland.

Respondents were asked about how many working televisions and radios they had in their households. 99% of respondents had at least one television within the home, and 98% of respondents a working radio. The average household had 2 radios and 2 televisions within the home.

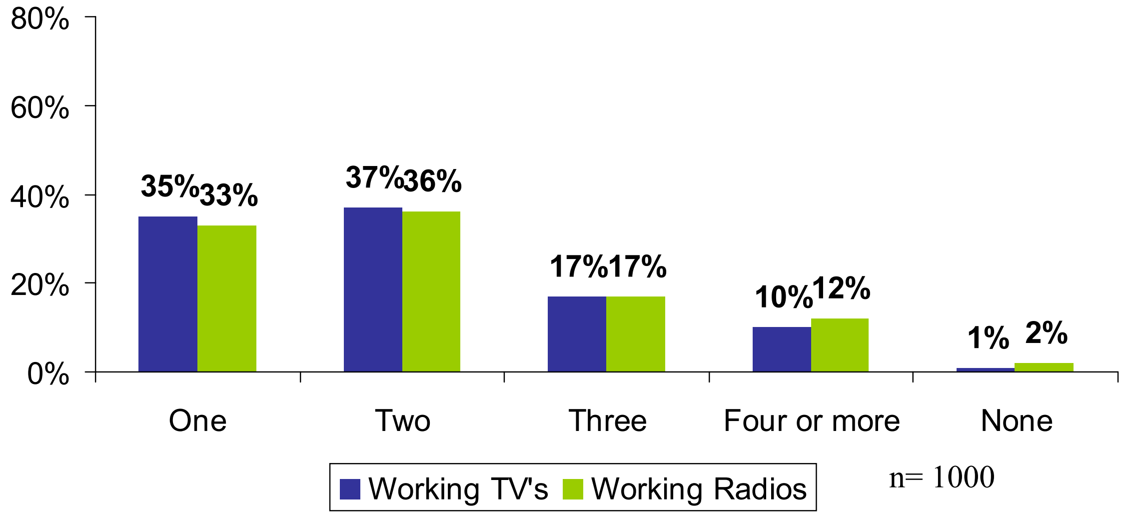


Figure 13: Number of Working Television and Radios within the home.

63% of respondents said that they received their television service through some form of Pay-TV. The following table outlines the breakdown of broadcasting service providing to respondents homes.

How do you receive your television service? n= 992	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
Cable/MMDS from Ntl / Chorus	39%	41%	43%	44%	41%
External aerial or TV's own aerial	36%	35%	36%	28%	32%
Satellite dish	27%	24%	22%	25%	22%
Community mast/deflector	3%	2%	3%	2%	4%

Figure 14: Types of Television Services in the home

These figures broadly align with the market data published in the ComReg Quarterly Key Data Report and reflect the total market based on service provider data. Most Pay-TV subscribers subscribe to the basic package only (57%) with additional sports and movies packages being the most popular add-on packages. Those who do not currently subscribe to a Pay-TV service cite expense (43%) and satisfaction with their current television package (31%) as their main reasons for not considering a Pay-TV service.

6.2 Digital Television Services

25% of respondents currently have digital Pay-TV services, either over satellite or through a cable provider; digital television penetration is highest among 35-44 year olds (32%) and higher income groups (32%). The penetration of digital TV in Ireland is relatively high in comparison with other European countries. A survey carried out by the European Commission in 2004 calculates digital penetration in Ireland at 25%, while the European average for 2004 is 14%.

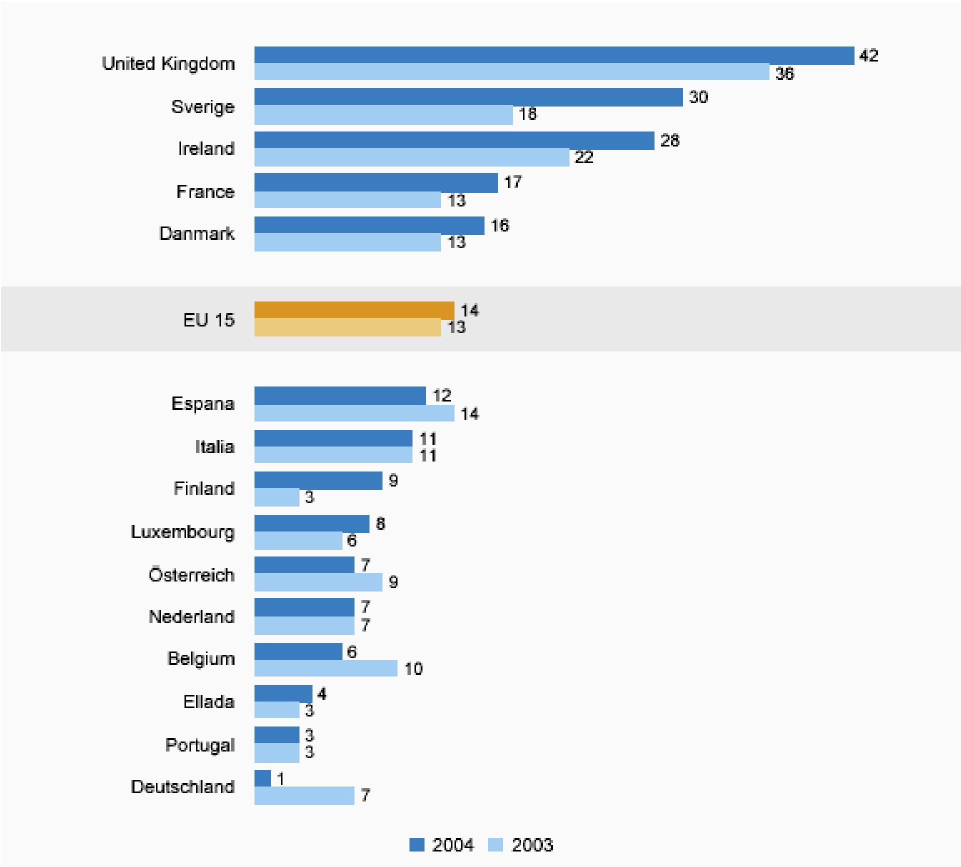


Figure 15: INRA Telecoms Indicators, 2004[6]. Digital TV Penetration in Europe.

The following table outlines responses provided when digital TV subscribers were asked about their main reasons for switching to a digital TV service.

[6] INRA Telecoms Services Indicators, Full Report, p.16 http://europa.eu.int/information_society/topics/ecomm/useful_information/library/studies_ext_consult/index_en.htm#2004

What was the main reason for getting digital TV? n= 248	%
More choice and variety	64%
Better reception/sound quality	20%
Family pressure	5%
Special offer	5%
Recommended by somebody who had digital TV	1%
Other	6%

Figure 16: Reasons for Subscribing to a Digital television service

79% of digital TV subscribers have realised value from their digital television service, considering it better than their previous experience of Pay-TV. Respondents who currently do not subscribe to a digital service claim that the key reason for lack of interest is that they are satisfied with their current range of channels (65%). In addition, 11% of respondents felt they did not watch television enough to gain value from a digital subscription.

The Trends Series results and the ComReg Quarterly Key Data report show that growth in the Pay-TV market appears to have slowed in recent quarters which may indicate that continued growth within this market will be challenging. The Digital TV market is mainly comprised of current Pay-TV subscribers migrating to digital, rather than additional customers being attracted by a digital offering. Slowing market growth for digital TV services in Ireland is mirrored by a similar slowing of growth rates in the UK. A recent Ofcom report[7] estimates that while digital television penetration in the UK is 62%, this has only grown by 2% over the last 12 months. This may suggest the need for future innovation in the delivery of services for digital TV providers to attract additional subscribers going forward.

There is a marginal increase this quarter in the number of respondents who have purchased a service over their television, 8% in Quarter 2 compared with 5% in Quarter 1. The market remains small, and the increase this quarter may not be statistically significant. It would appear that consumers are currently more willing to purchase content using their mobile than over a digital TV service, and that mobile as a payment tool has been adopted more easily by consumers to date. 25-34 year olds were most likely to a purchase via TV, with 16% of respondents in this age group using the service in the last 3 months. This differs from the age demographic of consumers likely to purchase content over mobile, where 15-24 year olds are most likely to purchase. Movie and sports events remain the most popular services purchased over TV.

[7] OfCom Digital Television Update 2005
http://www.ofcom.org.uk/research/tv/reports/dtv/dtu_2005_q1/?a=87101