

END OF YEAR REVIEW

Alex Chisholm, Chairperson of ComReg

2010 has been another challenging year for the electronic communications sector as companies, businesses and consumers have tried to deal with the effects of the recession. Customers in all segments have sought to reduce their communications costs, and operators have, in the main, reduced prices and cut their own costs. It is welcome to see evidence of more effective competition and choice in the communications market, and of the enhanced value being obtained by consumers who shop around to get the most suitable package for their needs. The evidence of improved value and service in the business market is also welcome - and very relevant to the overall competitiveness agenda.

It also needs to be recognised that operators need the prospect of future profits to justify the very substantial investments required in infrastructure. A growing and profitable market, clearly and effectively regulated, will provide the context in which the private sector will invest in the 'Next Generation' networks – both fixed and wireless – that are needed to carry the enormous volumes of data that consumers and business users are now generating through their usage of Internet services.

Notwithstanding the difficult economic backdrop, demand for broadband and mobile services has continued to increase over the year, illustrating the popularity of these technologies with Irish consumers and businesses. Cable and mobile broadband have grown strongly in the year, and together now account for nearly half of all broadband customers. The reduction in the overall value of the market appears to have ceased, with industry revenues slightly ahead over the last quarter. During the year the telecoms sector in Ireland invested in the region of €500 million in infrastructure and new services.

There has been further consolidation in the sector as Imagine acquired Clearwire Ireland and Ripplecom took over Ice Broadband. There was a high level of innovation in the market as a number of operators launched new and improved services. In the consumer market, highlights include Eircom's new faster broadband service, Imagine's new WiMax offer, enhanced LLU-based offerings from companies such as Vodafone and Magnet, as well as faster, richer mobile and cable broadband offerings. In the mobile segment, 2010 has also seen the launch of new Mobile Virtual Network Operators Postfone and Just Mobile, and the launch of eircom's e-mobile brand. In the corporate market, the launch of eircom's new NGN Ethernet service, together with associated product offerings from the likes of BT, COLT and Verizon, offer business users very high speed connectivity at significantly reduced prices.

Ireland's electronic communications sector will play a crucial role in the country's journey of economic recovery and it is imperative that ComReg plays its part by enabling the sector to grow, develop and innovate.

BROADBAND

Broadband take-up has continued to grow and now at the end of the year there are some 1.6 million subscribers using broadband technologies in Ireland. Ireland's broadband take-up grew by 16 % in the year to September. There was strong take-up of mobile broadband, with annual growth of 35%, and of cable broadband, whose growth rate of 36.5% was the 2nd fastest rate in Europe. The National Broadband Scheme operated by Hutchison 3G Ireland, with funding from DCENR, has extended the availability of broadband services to a further 235,000 properties.

ComReg has been working with its stakeholders in Government and industry to further develop and enhance Next Generation Broadband. Through its regulatory approach ComReg has supported cross-platform competition, investment and innovation. Eircom's new Ethernet product, offering high bandwidth services for businesses, and their Next Generation Access trials scheduled to take place in Sandyford, Dublin and Wexford Town next year, are encouraging signs of its commitment to fibre-based technologies. For its part, UPC is upgrading its network in the major cities and towns to provide greater bandwidth and faster speeds to consumers. LLU-based services from companies like Vodafone, Magnet and Smart have made real inroads into the market, with growth in the number of unbundled lines of 60% in the year to September. Wireless operators such as Imagine and Digiweb have used alternative technologies to offer additional choice and value to customers.

MOBILE

At the end of this year there were over 5 million mobile phone subscribers, giving Ireland a mobile penetration rate of 116%. Average Revenue Per User (ARPU) has fallen by 9% over the last 2 years, to €38.50, as Irish consumers are being more cost-conscious when it comes to spending on mobile phone services. The prevalence of online social networks and their use for messaging and chat is also likely to be substituting for some voice and text traffic. More fundamentally, there is more choice and competition in the mobile market, with five mobile phone networks and three mobile virtual network operators.

ComReg has made a number of interventions in the mobile market in 2010 to improve its functioning, notably in relation to Mobile Termination Rates, which will now be reducing considerably, in line with the trajectory in other EU countries. ComReg also participates in the EU regulatory process with regard to roaming rates for consumers using their mobile devices while travelling in Europe.

CONSUMER ACTIVITIES

Protecting and informing consumers is one of the cornerstones of ComReg's legislative mandate. Informed consumers are a key part of driving competition in the electronic communications and postal sectors. ComReg provides a wide range of information to consumers in order to protect their rights and ensure they have the fullest possible information prior to choosing a communications service. ComReg is now responsible for the regulation of

the Premium Rate Services sector and is implementing a new mandatory regime for all operators. In addition, consumers are being advised of their rights to protect themselves from unwanted service subscriptions through a targeted media campaign.

In June 2010, ComReg re-designated Eircom as the Universal Service Provider until the end of June 2012. ComReg also notified Eircom that it was not satisfied with the quality of service provided by Eircom in the provision of its Universal Service Obligation (USO). In response, Eircom has committed itself to undertaking a Quality of Service Performance Improvement Programme, and it has also committed to investing to meet its obligations in relation to Universal Service. Implementation of the Performance Improvement Programme is underpinned by a €10 million performance bond. Separately, ComReg has published a consultation paper on the funding of the USO.

In March 2010, ComReg unveiled a new business information portal on its consumer website www.askcomreg.ie with the specific purpose of providing information about electronic communications services to small businesses and small office/home office consumers. In total some 500,000 visits have been made to ComReg websites, mainly by consumers with queries about communications services or wanting to undertake price comparisons on our www.CallCosts.ie site.

Earlier this month ComReg published a new Quality Standard for Complaints Handling to help drive further improvements by operators. The Commission has also intervened on behalf of consumers to assert the right to individual notification in case of contract changes, and their right of assent in relation to changes in billing medium.

SPECTRUM AND INNOVATION

Managing and developing Ireland's radio spectrum for the benefit of Irish business and society is one of ComReg's key responsibilities. In December 2009, ComReg published its proposals for the liberalisation of the 900 MHz band currently used for GSM purposes, and for allocating spectrum made available by impending licence expiries through use of a spectrum auction. Developments over the course of 2010 have enabled ComReg to propose extending the scope of this auction, so as to include both 800 MHz and 1800 MHz spectrum alongside 900 MHz in a multi-band auction of liberalised spectrum in 2011. If implemented along the lines currently envisaged in ComReg proposals, the amount of liberalised spectrum made available to the market would be more than double the spectrum currently allocated to operators at 900 and 1800 MHz, offering substantial benefits to consumers, industry and the overall competitive dynamic in the market.

During the year ComReg issued 25 Test and Trial licences to a number of organisations. A wide range of technologies were tested under this scheme. In particular, ComReg facilitated Ericsson by permitting it to conduct the first real life test of LTE or 4th generation mobile phone technology in Ireland. The tests proved the capability of this technology as a provider of high-

speed broadband services which can support high-definition TV and other high bandwidth services.

POSTAL

As the regulator of the postal sector, ComReg continued its preparation for the full liberalisation of the postal market in 2011. A key element of the new EU directive is to ensure that all business and residential consumers wherever they live in the State have access to a range of letter and parcel services at affordable prices. ComReg also continues to engage with An Post to ensure it secures further improvements in the quality of its postal delivery: while An Post has made efforts to improve quality, and service quality has improved, more needs to be done to reach the next-day delivery standard of 94% for single piece priority mail.

CORPORATE

In June, ComReg published its most recent Strategy Statement for the forthcoming two years. It sets out our strategy for the electronic communications sector and for our organisation. Further Strategy Statements will follow shortly for Spectrum and Postal.

ComReg participates actively in the EU regulatory policy fora, notably the Body of European Regulators for Electronic Communications, which ComReg Commissioner John Doherty has Chaired this year, and the Radio Spectrum Policy Group, for which ComReg Commissioner Mike Byrne has been Vice-Chair this year, and will be Chair next year.

ComReg has implemented the reductions in public service pay required by national legislation, has secured reductions in the cost of services provided by external providers, and internally has undertaken a number of steps to economise on discretionary expenditures and to further improve efficiency and effectiveness within the organisation. Some of these initiatives are also of direct benefit to consumers and firms with which we interact, such as through our enhanced platform for handling PRS contacts, and the enhanced e-licensing process for wireless telegraphy licence applicants. ComReg is also working closely on sharing resources and learning with others, including through the Economic Regulators Network, and the Public Service Agreement Agency Group under DCENR.

Looking ahead, key tasks for ComReg in 2011 will likely include our proposed Spectrum Auction, the regulation of Next Generation Access networks, and proposals for the future evolution, and financing, of the Universal Service in telecommunications. ComReg will also need to implement new legislation for Postal, as well as Regulations arising from transposition of the revised European Regulatory Framework for electronic communications. These actions will be in addition to our core ongoing responsibilities for licensing, monitoring, compliance, and so on, and our heavy international workload, which must be maintained effectively even within a resource-constrained environment.

We will need to continue to use all the powers available to us to promote competition, investment and innovation, while safeguarding the interests of consumers, so that the communications sector can play a full and positive role in the economy, and users of all kinds can benefit from the advanced communications services that are now so fundamental to the way we live.

Finally, all that we have been able to achieve in 2010 has been through the commitment and professionalism of our staff, and on behalf of the Commission I want to express public appreciation for this. I also want to acknowledge the long and distinguished service given to ComReg by my colleague John Doherty, who completes his second and final term as Commissioner this month.