



Office of the Director of
**Telecommunications
Regulation**

CONSULTATION PAPER

Future Regulation of Electronic Communications Networks and Services

Appendix Financial Profile of ODTR

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1 Introduction

The Office of the Director of Telecommunications Regulation (ODTR) was established on 30 June 1997. The functions of the Director are specified in the Telecommunications (Miscellaneous Provisions) Act, 1996. These functions relate to the regulation and licensing of the telecommunications industry including radio and broadcasting transmission. As the licensing authority for the use of the radio frequency spectrum in Ireland the ODTR oversees the issue of licences for use in television, radio, mobile cellular phones, cordless telephones, radio navigation systems and equipment used in industry, medicine and commerce. In September 2000 the Office became responsible for the regulation of postal services.

Other European countries have agencies that carry out similar functions as the ODTR. However in a number of cases these functions are spread across several bodies. For example, it is incorrect to compare the ODTR to Oftel in the UK (with 238 staff) alone without reference to the other agencies operating there. In the UK, regulation of the Telecoms industry is carried out by the Office of Telecommunications (Oftel); radio spectrum management, licensing and enforcement is carried out by the Radiocommunications Agency (RA); the UK postal industry is regulated by Postcomm (which has been charged with introducing competition into the market) while the function of Postwatch is to protect, promote and develop the interests of all customers of postal services in the U.K. Additionally, some ODTR functions in relation to broadcasting are performed in the UK by the Independent Television Commission (ITC). In fact a correct comparison of staff levels with the UK, excluding the ITC element, would indicate a ratio of 117 in Ireland to 840 in the UK. Similar considerations apply in The Netherlands.

This Appendix outlines at a high level the financial profile of the ODTR in the context of the future funding of the activities of the Office. The ODTR is

funded wholly by income received from the broadcasting, radio and telecommunications and postal industries. A 5 year summary of income and expenditure is detailed below.

2 Five Year Income and Expenditure Summary

	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002*</i>
	€m	€m	€m	€m	€m
INCOME					
<i>Recurring</i>	7	13	17	23	24
<i>Non-Recurring</i>		1	30	2	4
Total	7	14	47	25	28
EXPENDITURE					
<i>Recurring</i>	6	14	13	15	14
<i>Non-Recurring</i>			3		4
Total	6	14	16	15	18
SURPLUS					
<i>Recurring</i>	1	(1)	4	8	10
<i>Non- Recurring</i>		1	27	2	(0)
Total	1	0	31	10	10
* Unaudited					

Income and Expenditure is shown in more detail in Section 4 of this appendix which provides a more detailed analysis of the recurring and non-recurring income streams of the ODTR. At present over 50% of the recurring income of the Office comes from licence fees with the remainder coming from the Telecom Levy and other sources. The principle elements of expenditure comprise employee costs and technical advice which represent in total in excess of 70% of total costs.

3 The Cost of Regulation

The Office is conscious of the necessity to ensure that the cost of regulation is kept to a minimum. The Office is also committed to the wider public sector principles of efficiency, effectiveness and value for money. Our commitment to these principles is evident by our implementation of our performance management system which aims to achieve continued high performance and our strong organisational values – integrity, impartiality, professionalism and effectiveness – which are reinforced consistently throughout the organisation. As mentioned above, in some European countries, the functions of the ODTR are carried out by a variety of agencies whose functions may not exactly correspond to those of the ODTR. However, the statistics below which compare the ODTR to a range of other NRAs provide very strong indications that ODTR activities are efficient and that cost levels are among the lowest in Europe. Comparative data is taken from the latest publicly available annual reports of individual NRAs, or from data published on their web sites.

Comparison of Headcount

Function	Irl	UK	Denmark	N/Lands	Finland	Belgium	N/way
Tele/ Post / Spectrum	117	238 (a)	160	118 (b)	220	193	180
Post Only		29 (c)					
Spectrum Only		573 (d)		325			
Total	117	840	160	443	220	193	180

^a Telecommunications only

^b Telecommunications and Post only

^c Postcomm

^d RA

The Office started with 45 staff on temporary transfer to the Office from the Department of Communications. This approved number was increased to 95 a year later following extensive discussions to enable the Office to deal with the earlier than planned full opening of the market as well as other issues. More recently, the ODTR made a business case to the Department of Communications, Marine and Natural Resources to increase staff numbers in the ODTR to 120. The case was accepted by both the Department of Communications, Marine and Natural Resources and the Department of Finance and, as a result, the request was approved. The new number is intended to reflect additional demands on the Office including:

- the implications of the new EU regulatory framework to be introduced in 2003 which will involve significant additional work particularly in relation to market definitions,
- the significantly increased workload of the Office with a range of additional regulatory activities in mobile, wireless, and other areas,
- the assignation of responsibility for postal regulation,
- the increasingly complex nature of our operating environment,
- the increase in our international responsibilities.

Overall costs have been held more or less constant since 1999 with total recurring expenditure in both years amounting to approximately €14m.

Comparison of Total Cost (€m)

Function	Irl	UK	Denmark	N/Lands	Finland	Belgium	N/way
Tel / Post/Spectrum	14 (a)	30	14 (b)	25	28	23	
Post Only	9 (c)						
Spectrum Only	107 (d)		28				
Total	18	130	30	42	25	28	23

^a Telecommunications only

^b Telecommunications and Post only

^c Postcomm

^d RA

Although countries such as Portugal and Germany are not shown above, costs incurred in those countries are also significantly higher than Irish levels.

4 Detailed Five Year Income and Expenditure History

(Rounded to nearest €Million)

	1998	1999	2000	2001	2002*	Note	Section Ref
INCOME	€m	€m	€m	€m	€m		
<i>Recurring Income</i>							
Telecom Licensing	1	1					N/a
Telecom Levy		4	5	6	6	1a	5.3
Cable, MMDS & Deflector licensing	4	3	4	4	4	1a	5.3
Non Public Radio Networks						1b	5.4
Radio Spectrum Licensing (incl 2G, FWA etc)	2	5	7	12	12	1c	5.8
Other Income (mainly Postal Levy & Bank Interest)			1	1	2		N/a
Total Recurring Income	7	13	17	23	24		
<i>Non-Recurring Income</i>							
Spectrum Income			27	2			
Administration Fees		1	3		4		
Total Non-Recurring Income		1	30	2	4		
Total Income	7	14	47	25	28		

Notes

- Under the proposals in the main paper the revenue streams shown up to 2002 would be superceded in the following way
 - Turnover based Administrative Charge
 - Cost based Administrative Charge
 - Fee for Right of Use based on Spectrum Pricing
- No income from 3G Wireless Telegraphy fees were booked in 2002. These are forecast to total about €3m per annum on an ongoing basis. Similarly no income for 3G Spectrum Access fees (which are one off amounting to €102m) was accrued until financial year 2003

Notes (Continued)

- 3) If fees from Cable operators were harmonised with other turnover related administration charges then receipts from these operators would fall to approximately 6% of their current level.
- 4) Since no charges are currently levied on broadcast transmission networks (such as RTE), or for the use of numbers and also no revenue has been received from satellite operators, no such potential extra revenues are reflected in the numbers above.

	1998	1999	2000	2001	2002*
	€	€	€	€	€
EXPENDITURE					
Employee Costs	2	3	3	5	5
Technical Advice	3	5	5	7	5
Premises	0	1	1	1	1
Subscription to International Organisations	0	0	0	1	1
Other	1	5	4	1	2
Total Recurring Expenditure	6	14	13	15	14
Expenditure related to Non-Recurring Income			3		4
Total Expenditure	6	14	16	15	18

* Unaudited

Average Headcount	56	60	70	80	95
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