



Office of the Director of
**Telecommunications
Regulation**

MEDIA RELEASE

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Telecoms Regulator decides on “Beauty Contest” to award Third Generation Mobile Phone Licences

Etain Doyle, Telecoms Regulator, today (Wednesday 26th July 2000) announced that the competition for the selection of licensees for the next generation mobile phone technology (3G) will be a comparative selection process also known as a “beauty contest”. She also published a report on the first round of consultation on the issues relating to 3G, and indicated that she favours the issue of 4 licences, including one reserved for a new entrant to the market.

The Regulator said, “I am convinced that the optimum competition format for selection of the licence for delivery of 3G services in Ireland is a beauty contest. Conscious of the ODTR’s commitment to the delivery of competitive prices, choice and quality in the Irish telecoms market and the need to provide the regulatory framework within which these will be achieved by telecom operators I believe that the “beauty contest” will best secure these objectives.”

The competition will be designed to meet the requirements of the Licensing Directive which outline the need to award licences according to objective, transparent, non-

discriminatory and proportionate selection criteria giving due weight to the need to facilitate the development of competition and to maximise benefits for users.

The Director has considered in detail two particular methods for running a competitive process for the award of licences, i.e.

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- **Comparative selection** or “beauty contest” where there are measurable indicators set out against which applicants can be judged, and
- **Auction**, where the licence is awarded to the highest monetary bidder.

Comparative selection process have been used extensively throughout the EU for the award of mobile telephony licences and have been used in Ireland as the basis for awarding both the second and third mobile telephony licences. The advantages of this method are:

- The competition can be designed to ensure that critical success factors such as speedy roll-out and the extent of coverage can be requested and marked on a comparative basis, thus encouraging applicants to excel in this crucial area;
- In considering the development of effective competition in the market, supply side considerations, such as the ability of 3G operators to roam on 2G networks and the entitlement of third parties to access mobile networks (MVNOs, resellers, etc) are very important. Through a comparative selection process there is an opportunity to request offers from bidders and, by marking these in a comparative fashion, to encourage the voluntary commitment to allow access.
- Performance Guarantees may also be invited from bidders and scored on a comparative basis to underpin commitments.
- There is considerable experience and expertise already available in this type of competition which will ensure a speedy and effective process;

The Director notes the view that auctions can provide for a high level of transparency in the process of awarding of licences. She agrees that this is the case, but does not consider that comparative selection process is inadequate in this regard. She intends to ensure that the greatest possible transparency consistent with the effectiveness of the

process and protection of commercial secrets, is provided for in the competitive process.

The Director also acknowledges the concerns that have been raised, following the recent UK 3G auction, about the potential impact an auction procedure may have on prices. This is particularly important in the context of the Irish market. Given the small size of the Irish market and its population density, the per capita fixed cost of building telecommunications networks is likely to be higher than in other larger markets. While the auction just concluded in the Netherlands has resulted in much lower fees than those in the UK 3G auction, if fees proportionate to those charged in the UK were realised in Ireland, this, together with high fixed costs, might reduce the feasibility of achieving the objective of low price to consumers.

The level of fees will be established later taking account, inter alia, developments in 3G competitions elsewhere in Europe. The consent of the Minister for Finance is required on fees, and this will be sought at the appropriate time.

She continued “ it also has to be recognised that the mobile market in Ireland, as is the case elsewhere in Europe, is not effectively competitive. Therefore, having examined these issues in detail, I wish to avail of the opportunity to include factors which are fundamental to the introduction of effective competition, such as provision for third parties to access mobile networks (MVNOs, wholesale rates, etc). Key requirements such as these can best be achieved through a comparative selection competition that invites commitments to such requirements with attendant performance guarantees from bidders.”

I propose that there will be preliminary pre-qualification round. This is to ensure that the licences for use of this highly strategic spectrum resource are awarded to the strongest players willing to provide the kind of commitments necessary to deliver a competitive, leading edge 3G telecommunications services to the Irish end-user.

Due to the complex issues involved, it has taken longer than planned to reach this decision and with the preliminary round it will be necessary to extend the timetable

for the award of licences by 2 to 3 months beyond the original deadline of February 2001 announced earlier this year.”

The response to the preliminary consultation, which was carried out in April 2000 is also published today and a detailed consultation document seeking views on key issues for consideration in the forthcoming competition will be published in the next few days.

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Introduction of 3rd Generation Mobile services in Ireland: Response to the briefing note and request for views. The paper is now available on the ODTR website .www.ODTR.ie - Document 00/48

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Notes for Editors

1. Third generation (3G) represents the next major step in the evolution of mobile communications. What principally differentiates 3G services from their current 2G (i.e. GSM) counterparts is the emphasis on data rather than voice services. The principal enablers of 3G mobile are availability of new radio spectrum and the development of a global family of standards under the banner “IMT-2000” (International Mobile Telecommunications 2000).
2. 3G services will combine mobility with the wide bandwidth that is today only available over fixed networks. Data speeds of up to 2 million bits per second will be feasible, over 200 times faster than today’s mobile phones.
3. A total of 155 MHz of radio spectrum is available for 3G mobile services in Ireland.
4. Comparative selection has historically been the most common approach to awarding licences where demand exceeds supply. The procedure involves defining a set of criteria against which applications are judged. The applications, which most closely meet the defined criteria, are awarded the

licence. The criteria may include economic, technical service related or other factors.

5. The decisions on 3G licensing are taken within the framework of the EU Licensing Directive¹ and Licensing Regulations². The Licensing Regulations are the domestic transposition of the EU Licensing Regulations. The relevant provisions of these instruments are:

- a) The Director has the power to limit the number of licences to be issued for 3G operations to the extent required to ensure the efficient use of radio frequencies.
- b) Where the Director proposes to limit the number of licences in accordance with her powers the Director is required to:
 - i) give due weight to the need to maximise benefits for users and to facilitate the development of competition;
 - ii) enable all interested parties to express their views on any limitation,
 - iii) publish the decision to limit the number of licences, stating the reasons therefor;
 - iv) review the limitation at reasonable intervals, and
 - v) where appropriate, invite applications for licences.
- c) Where the number of licences which may be awarded for a particular service is limited, the Director shall award licences according to objective, transparent, non-discriminatory and proportionate selection criteria giving due weight to the need to facilitate the development of competition and to maximise benefits for users.

¹ Directive 97/13/EC of the European Communities on the common framework for general authorizations and individual licences in the field of telecommunications services (the 'Licensing Directive')

² European Communities (Telecommunications Licences) Regulations, 1998. These regulations transpose Directive 97/13/EC, the Licensing Directive.