

PRESS RELEASE

FORFÁS REPORT SETS OUT PROPOSALS TO ACCELERATE INVESTMENT IN BROADBAND TELECOMMUNICATIONS INFRASTRUCTURE :

- IRELAND LAGGING FURTHER BEHIND COMPETITOR COUNTRIES
ON INVESTMENT**
- NEW REPORT CALLS FOR EARLY INTRODUCTION OF VOICE
TELEPHONY COMPETITION AND PRIVATISATION OF CABLELINK**

A strategic investment programme for the provision of broadband telecommunications services to high-density enterprise areas needs to be speedily implemented if Ireland's overall competitive position is to be maintained and developed, especially in the increasingly important telecoms-based industries, according to a major new report commissioned by Forfás and published today (18th March, 1998).

The report, entitled "Broadband Telecommunications Investment in Ireland" was prepared for Forfás by Analysys Limited, Cambridge, UK. The report highlights the following strategy to accelerate investment in broadband telecommunications infrastructure :

- Promote a more competitive telecoms market through additional powers and guidelines for the office of the Director of Telecommunications Regulation to include responsibility for the “price cap”*, the review of charges, and access to the national backbone and enhanced powers of enforcement.
- The use of EU Structural Funds to accelerate the required investment in broadband to prevent any significant gap emerging between the broadband infrastructure available in core and peripheral areas (outside of the main urban centres).
- The appointment of a telecoms marketing expert to encourage investment in broadband telecoms by telecom operators and to pro-actively promote Ireland as a location for such investment in the international telecoms market.
- Changes in the guidelines and criteria used by the development agencies in evaluating projects for financial and other support to enable them to give greater weighting to the provision of broadband telecoms to businesses that are information intensive or that require high-capacity telecoms, as part of the business development plan.

*Individual tariffs cannot increase by more than 3.7% - 1996 price cap order – effective from 1 January, 1997.

- The early introduction of competition for basic voice telephony services in advance of the derogation already obtained to the Year 2000.
- An early sell-off of Cablelink to a company that would invest significantly in its development for the provision of broadband and compete strongly with other telecom operators using the Cablelink infrastructure.

The report quantifies the investment needs in respect of the provision of the broadband to meet the requirements of the enterprise sector across the country. It concludes that a £50 million investment in ATM broadband switches (technology which allows voice, data, audio, video and other kinds of telecommunications traffic to be carried on the same network), and to provide high bandwidth communications to enterprise in 22 high-density enterprise areas across the country, is required over the next two years. In addition, a further £150 million investment in fibre for the local access network is required over the next five years to provide broadband services to meet the demands of the enterprise sector. Based on current market indications this is a rate of investment in the local access network up to twice the level currently planned.

The report recommends that broadband should also be provided to small businesses and the residential sector through the deployment of ADSL (digital technology that allows broadband communications on the copper telephone

network) and cable modems on a cable television network, at an estimated cost of up to £300 million over the next ten years.

Forfás concludes that the most effective way to achieve an accelerated increase in investment in broadband infrastructure and services is through a pro-competitive regulatory framework, encouraging competition and implementing policies aimed at accelerating both investment in and use of broadband services.

In the foreword to the report, Forfás says that in order to encourage the required levels of investment, Ireland needs to convince investors that it is serious about developing a competitive liberalised market. Shortening the derogation on voice telephony that Ireland has obtained to the year 2000, compared with 1 January 1998 for most other EU countries, would provide a strong signal to this effect.

Forfás welcomes the fact that significant investment is taking place in the market but concludes that a significant acceleration in such investment is required. In addition outside the main urban areas there are particular difficulties. To achieve balanced regional development the use of Structural Funds to accelerate investment in broadband requires to be considered where the market fails to deliver in advance of demand the investment required to secure development of projects in the traded goods and services sector.

In its report, Analysys point to the fact that a competitiveness gap already exists between Ireland and other countries where broadband services are widely and competitively available. Analysys estimates that if the gap in broadband investment between Ireland and other countries remains, job creation and manufacturing and in internationally trading services firms could fall short by 25,000 over the period to the year 2010 relative to the employment potential of 100,000 estimated in “Shaping our Future : Strategy for Enterprise in Ireland in the 21st Century” – a major report published by Forfás in 1996.

Commenting on the Analysys report, the Chief Executive of Forfás, Mr John Travers, said that Telecom Eireann had played a significant part in supporting the development agencies in attracting and promoting many tele-based jobs in Ireland in recent years. More recently other telecom operators had provided support infrastructure for such job creation. He pointed out, however, that based on international developments the Analysys Report showed that a significant increase in the overall level of investment in broadband telecoms infrastructure is now even more urgently required if Ireland is to provide telecoms services, at the advanced level and at the competitive prices already available in competing countries. International experience indicates clearly that, in order to be fully effective as an important instrument of economic development, such investment requires to be established within a pro-competitive regulatory environment if the required levels of services and competitive prices to be achieved.

“This investment must be put in place in advance of demand and before similar investment by other countries. Such investment is essential if employment-generating projects are not to be lost. Investment projects in manufacturing and international services will be attracted to those countries that already have advanced services in place. In addition, the development of Irish based companies will be curtailed if competitors in other countries have access to more advanced and lower cost services, ” Mr. Travers said.

ENDS

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