

# **eir Submission for Joint Oireachtas Committee on Communications, Climate Action and Environment Meeting**

*Tuesday, September 18<sup>th</sup> 2018*

## **Confirmed attendees:**

Carolan Lennon, Chief Executive Officer

Gary Healy, Director of Regulatory and Public Policy

## **Introduction**

eir welcomes the opportunity to discuss with the Committee broadband availability across Ireland and the investment planned for the network.

## **eir's ownership and management changes: Telco owned, Irish led**

eir is the principal provider of fixed-line and mobile telecoms services in Ireland. The company has approximately two million customers and operates the most extensive network in the country providing a range of advanced voice, data, broadband and ICT services to the residential, small business, enterprise and public sector markets. open eir is the largest wholesale operator in Ireland, providing products and services to more than 40 wholesale customers and 400,000 end users, across a range of regulated and unregulated markets.

eir is also a major contributor to the Irish economy spending over €1 billion annually.<sup>1</sup>

In April a consortium led by the NJJ Group, which is owned by the French telecoms entrepreneur Xavier Niel, completed the purchase of eir, which has led the company into a period of exciting development and innovation. The NJJ team has a wealth of international telecommunications experience which is already proving to be of huge benefit to both eir and its customers. NJJ has a proven track record of investment in telecoms infrastructure and enhanced customer propositions.

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<sup>1</sup>Including eir's operating costs and capital expenditure.

## **eir record investment and business update**

As Ireland only national provider of telecoms infrastructure, eir invests hundreds of millions of euro every year to build and maintain our network and no other telecoms company in Ireland is anywhere close to matching eir's historical or on-going level of investment in networks right across the country. In the past five years, eir has invested €1.5bn of its own capital in its infrastructure across Ireland, more than any other national telecom operator in Europe relative to their revenue.<sup>2</sup> To give some idea of the scale, the Irish Government has allocated €1.6bn of capital spend to maintain and develop the National Road network over a similar duration.<sup>3</sup>

As a result of eir's investment, 2 out of every 3 fixed broadband connections in the country uses the eir network and our overall fibre broadband rollout has now passed 75% of all Irish homes and businesses.

The eir mobile network currently delivers 4G mobile coverage to 96% of the population in Ireland and is nationwide coverage serving all counties in Ireland.

## **eir's commitment to invest in rural fibre rollout**

In April 2017 eir entered into an agreement with the Department of Communications, Climate Action and Environment (DCCA) to pass 300,575 specific premises with high-speed fibre broadband, or FTTH technology supporting broadband speeds up to 1gigabit (1Gb/s) or 1,000megabits (Mb/s). During the NBP procurement process the DCCA had written to all operators asking for any plans to rollout high-speed broadband in rural Ireland so they could adjust the NBP intervention area accordingly. This is in line with the rules covering state aid. The department received rollout plans from a number of companies but eir was the only one which committed, by agreement with the department, to deliver additional investment and eir has actually delivered on that.

eir will pass an additional 30,000 homes and businesses in rural Ireland as part of this investment, bringing the total premises to 330,000 and the total private capital investment up to €250m.

By June of this year eir had passed 195,000 premises as part of this rollout, of which 175,000 relate to the original agreement. By completion we will see more than 300 business parks, over 1,000 schools, over 28,000 farms, and over 47,000 SMEs passed with high-speed future-proof fibre technology.

The properties and areas included in the original investment were notified to the department before the programme commenced and properties that were not deemed to be in an area that could be served on a commercial basis were subsequently included in the State Intervention area to be served by the National Broadband Plan.

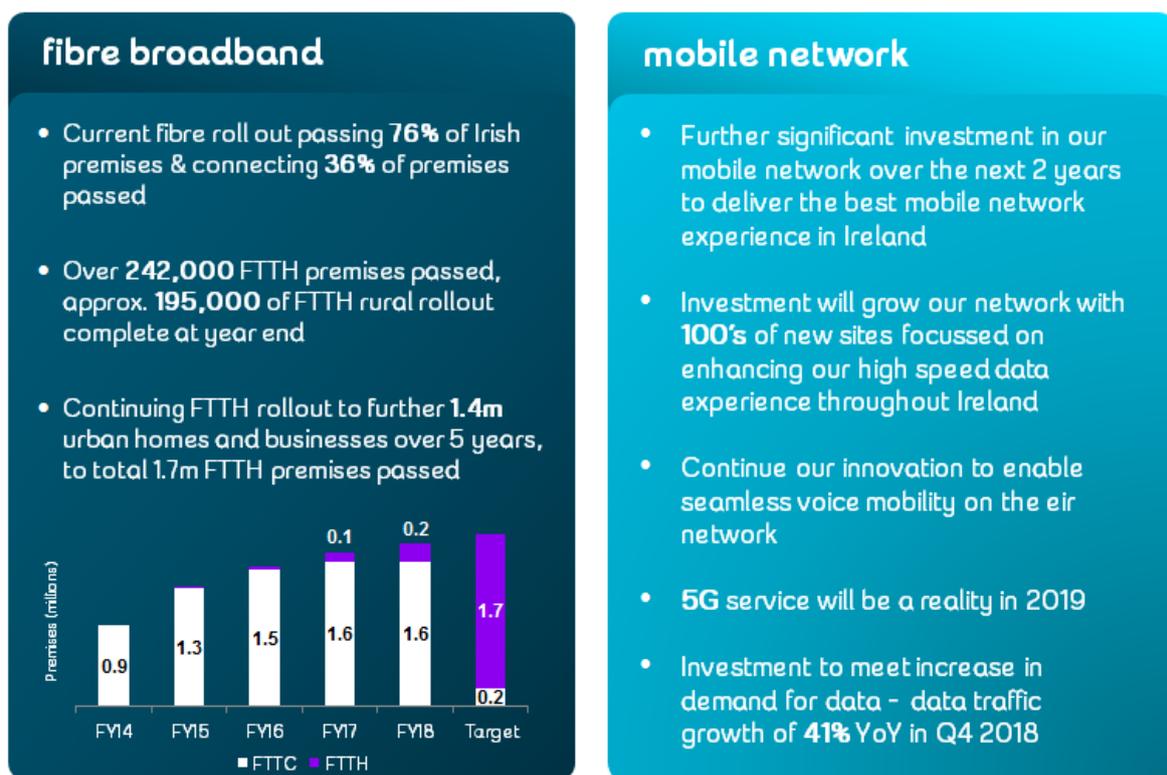
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<sup>2</sup>Analysys Mason Datahub - average domestic capital expenditure as percentage of domestic revenue from 2012 to 2017.

<sup>3</sup>Source: Exchequer Capital Tracker 2016-2021, National Roads Capital Programme.

eir is aware of the view expressed in previous submissions to the Committee that the connection fee to eir’s FTTH network is excessive and unjustified. eir believes the numbers quoted by Alto in their submission to the Committee are not a correct comparison. To be clear, eir is connecting rural households, not urban or greenfield sites and this is more expensive. eir has shared with ComReg our calculations of the costs of connecting rural households and the actual costs are in excess of the €270 charge. This charge is also low by international standards for connecting a rural home (which can often require erecting one or more poles). In comparing international benchmarks, ALTO has used misleading figures from urban rollouts rather than rural ones. In the UK, BT charges up to £500 or €550 for an FTTH connection, while its’ rural FTTH competitor Gigaclear has an installation charge of €250 and another FTTH competitor Hyperoptic publicises a charge of €300. In Sweden the average connection fee for a one-off home is €2,000 according to the European Commission.<sup>4</sup>

eir’s fibre investment, which is unmatched in scale and scope in the market, is opening up new opportunities for citizens and rural communities across the country.



Graphic source: eir 2017-2018 Year-End Financial Report, September 2018

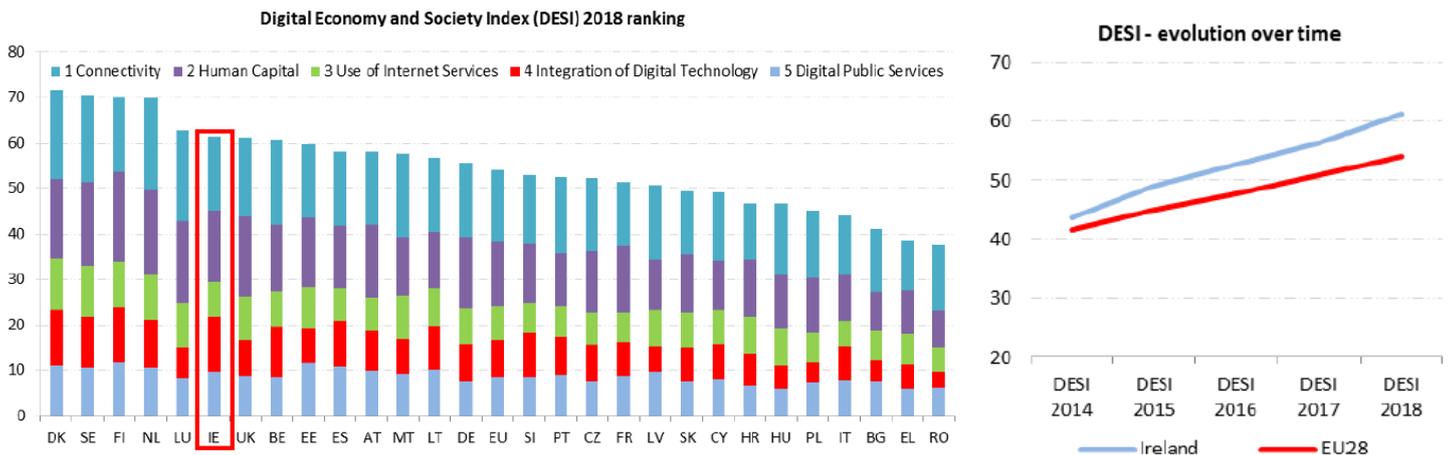
It is clear eir’s investment is making a difference for Ireland. Recent data from the European Court of Auditors<sup>5</sup> showed that the availability of high-speed broadband in Ireland has increased from just over 30% of the population in 2011 to more than 90% in 2017, an

<sup>4</sup>Source: [European Commission document](#)

<sup>5</sup>[European Court of Auditors Special report n°12/2018: Broadband in the EU Member States: despite progress, not all the Europe 2020 targets will be met](#)

improvement bested only by Italy in Europe and delivered almost entirely due to eir's fibre investment.

The European Commission's Digital Economy and Society Index 2018 (see graph below<sup>6</sup>) ranks Ireland 6th in Europe, up three places from 2017. In fact, Ireland belongs to the high-performing cluster of countries (Denmark, Sweden, Finland, the Netherlands, Luxembourg, Ireland, the UK, Belgium and Estonia).



eir is extremely proud of the dedication of all our staff whose efforts have transformed the lives of the 635,000 families and businesses that now have high-speed fibre broadband.

However, we understand the public's concern and that of the Committee that the delivery of broadband in Ireland will not be solved until every person that needs a high-speed connection can get one.

### Future investment

eir urges the Committee to recognise that as an open economy, and with threat of Brexit looming over us, Ireland needs private sector investment to continue to keep the country competitive. eir's shareholders have a strong appetite to invest in our network. eir's ambition is to be the best broadband and mobile provider in Ireland and the €1bn capital investment plan over the next five years will, we believe, be the largest privately funded investment programme in Ireland over the period. This will bring fibre-to-the-home technology to 1.4m homes outside of the National Broadband Plan State Intervention area and the programme will employ 1,000 people during deployment.

eir will also make a significant investment in our mobile network. Conscious of blackspots experienced by customer eir will add hundreds of new mobile sites focussed on enhancing our high-speed data experience in rural and urban Ireland. eir will invest in a 5G mobile network, bringing the most technologically advanced mobile data services to customers beginning in 2019.

<sup>6</sup> [European Commission: Digital Economy and Society Index \(DESI\) 2018 - Country Report Ireland](#)

## **Focus not only on network investment but on improved customer service**

eir takes very seriously issues around customer care and is determined to change fundamentally the way we interact with our customers by investing in new IT systems, additional resources and customer contact jobs.

These investment programmes, in infrastructure, IT and staff will improve significantly the lives and connectivity of the people of Ireland. It will mean more opportunities for remote working, for e-health, for online education, for home entertainment as well as offering increased opportunities for small businesses.

eir is always trying to improve the range of services offered to customers. The company continues to expand in the area of sport with the Guinness Pro14 on eir Sport.

eir is also conscious of the company's role in the Community. We will continue our important partnership with the GAA and the IFA. eir is present in every community throughout Ireland and so supporting those communities is important to us. eir has been a proud sponsor of Special Olympics Ireland since 1985. Both organisations have worked in partnership for 33 years making this the longest sustained corporate, charity partnership in the country. It is something we are very proud of. eir's employees are actively engaged in ensuring this partnership continues to deliver vital, tangible supports for our charity partner. This year we will celebrate our 5th annual eir Challenge. A fundraising initiative created and implemented by eir employees, voluntarily. The first 4 years of the programme saw eir raise almost €300,000 for Special Olympics Ireland. Next month almost 200 eir employees will take on the eir Challenge. Funds raised will go directly to support the Special Olympics Young Athletes programme. A new programme eir has helped the charity introduce to Ireland last year, bringing the age of participation down to 4 years old. Meaning that children in Ireland, born with intellectual disabilities, now have the opportunity to participate in play and training activities in a supportive and fun environment. To date, there are 97 trained coaches across the five Special Olympics Ireland Regions delivering the Young Athletes Programme in local communities.

## **The National Broadband Plan and the Rural Context**

Ireland is amongst the most dispersed populations and has the highest proportions of rural dwellers in Europe. Some 42% of Irish people live in rural areas compared to an EU average of 27%.<sup>7</sup> This reality, coupled with the geography of our environment, poses an enormous challenge to eir in making the business case for further fibre network investment in more remote areas where costs would be prohibitive. eir recognises the need therefore for the National Broadband Plan (NBP).

In January this year eir took the difficult decision to withdraw from the bidding process for the NBP. eir had invested over €7m in the bid and the decision to withdraw was very disappointing, however, as a commercial organisation, eir could no longer proceed.

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<sup>7</sup>[Eurostat: Population and employment in the age group 20-64 in the EU, by degree of urbanisation, 2015](#)

Despite leaving the bidding process eir continues to be highly engaged in the process as a provider of pole and duct infrastructure access to the remaining bidder and has spent significant time and resources to help the enet consortium. At every juncture, eir has been an active participant and supporter of successive governments' plans to promote broadband availability across Ireland. eir will continue to support government initiatives where it can and eir is working closely with enet to support its NBP bid.

## **ComReg**

eir is a heavily regulated company and many of products at a wholesale level are regulated and offered to a wide variety of companies. These products underpin the competitive retail broadband market in Ireland. Many of eir's prices from fibre access to pole and duct costs are regulated by ComReg and are generally regulated based on costs. eir publishes accounts audited by PWC annually which shows the costs behind these products.

Our sector needs a regulatory environment that aligns to national objectives to promote the roll out of high speed broadband. As a company eir needs price predictability that allows us to plan and we need to be sure there is a return on that investment which allows us to continue to invest.

eir takes our regulatory obligations very seriously. We will not always agree with ComReg and sometimes that means a very robust engagement but we believe we can work constructively with the regulator to solve our problems. Indeed eir has been working with ComReg in the past few months on regulatory governance and a lot of progress has been made. eir has been frustrated at times at the delays in the completion of market reviews and we note that the EU Commission has now intervened in that matter. eir would welcome more resources for ComReg specifically in relation to economic regulation and eir looks forward to working with the new ComReg commissioners when appointed.

## **Summary**

In summary, eir has made substantial progress in recent years, investing €1.5bn. But the transformation of eir is not complete. We need to continually improve the experience we deliver to our customers and continue to transform Ireland into a global leader in high-speed communications technology.

eir's objective is to provide the best mobile and broadband network in the country. And we are embarking on a €1bn nationwide investment programme over the next five years to make that a reality.