

Avoiding a nightmare scenario on broadband

John McManus

The chairman of Eircom, Peter Dannon, will shortly be making on the floor of Ministers for Communications Minister Eamon Ryan trying to persuade them to let him have the go.

The details have to be full and that the public has been established. Eircom will spend billions on a network upgrade and a new one. The Eircom network will have to be combined with the Postnet and the local area network and together they will build a next generation telecommunications network for the island of Ireland and everybody will be happy.

Bibcock & Brown, the Australian private equity firm that owns Eircom, are happy because they will be able to cut off the returns and return money to their investors. The Government will be happy because it gets a more progressive and more business friendly state. Because he gets quicker better changes telecommunications.

It sounds good but the real test of course is that each the Minister would do will in give Dannon, where Eircom and the Government will compete to give the rural areas of Ireland. Ireland's rural areas has a very small population. While competition is generally a good thing, there is a strong argument that a mixture of Ireland's rural areas cannot support two competing fibre networks as well as the various other networks. No one, for example, would make a case for constructing a second electricity distribution system.

The real issue is whether a deal can be done that reflects the lessons that the Government has learnt about private equity and Eircom in particular since it flayed off the State photo company in 1999.

The nightmare scenario for the Government would be to enter into some sort of deal with Bibcock & Brown involving the merger of the two networks and to see the Government-funded network sold on, refinanced or subcontracted to some other form of financial engineering to turn a few dollars for Bibcock & Brown.

And it would be foolish to underestimate the Australian firm's appetite for such deals. One deal work it emerged that they have come up with some financial plans to sell off and lease back Eircom's mobile phone mast network.

A single sale of the Government network to Bibcock & Brown - which is unhelpful to the Government's preferred option - really has to be ruled out on the basis of having spent millions on the Metropolitan Area Networks to achieve some level of service in the rural areas. It is likely it would be foolish in the extreme for the Government to let things revert back to the way things were prior to the bidding process in 2000. This will be a failure of the national telecommunications policy which a vital piece of national infrastructure - in the words of members of the Cabinet - is still being built.

It is probably unfair to single out Bibcock & Brown as they are in the words of the well-known advertisement - only doing "exactly what it says on the tin". No one in this day and age can claim to be shocked to see a private equity firm using money out of a company it has bought.

But if the Government is so worried about getting a deal with Bibcock & Brown they must be realistic about what they are dealing with and what are their objectives. Bibcock & Brown may be making some comforting noises about infrastructural funds and long-term investments, but fundamentally they will have to pay for the cost of the next generation telecommunications system. They cannot make it much more as they can do what they can. If the state has investing in the network that's



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Perlico to offer television over the internet

CIARÁN HANCOCK

Telecom company Perlico, which is backed by businessman Dr Michael Smurfit, is planning to launch cut-price phone calls, video on demand and television services over the internet.

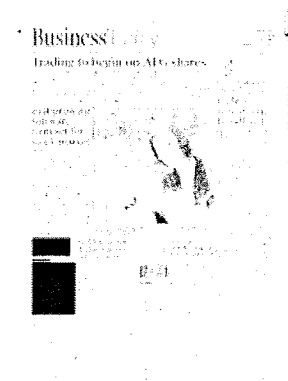
Perlico, which has 70,000 customers, said it would offer a free trial to every Irish home with broadband access in early 2008. About 800,000 homes in Ireland are expected to have broadband by the end of this year. Iain MacDonald, Perlico's chief executive, estimated that the move would require a €1 million investment by the company.

"This will be the first tangible representation of the movement of telecom services onto an internet-based delivery platform," Mr MacDonald said.

Customers will be able to purchase the services individually through Perlico's website. For €25 a month, people will be able to make unlimited calls to any landline in more than 20 countries.

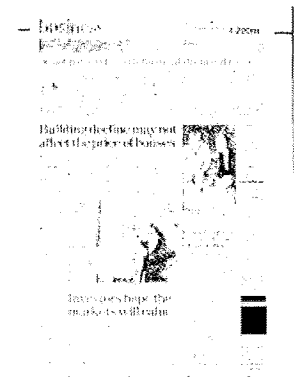
Mr MacDonald said Perlico was negotiating content rights to films and expected to have a library of 1,000 films available to download. Sports clips and live streaming of television programmes from around the world will also be available.

Perlico claims to be the second-biggest telecoms operator behind Eircom.



THE INDEPENDENT

BROADBAND companies are threatening to "pull the plug" on the BBC's plans to stream its videos over the internet unless the corporation contributes to streaming costs. It says that internet giants including Tescali, BT and Carphone Warehouse are concerned about the demands the BBC's iPlayer plans would put on broadband systems, as millions log on.



EU may block net sale

THE sale of the Government-owned network of fibre optic broadband cable to Eircom would face a hard battle for EU approval, according to ALTO, the group representing Eircom's competitors.

ALTO chief Liam O'Halloran said the EU would likely object to the sale on grounds that they originally approved Irish Government investment as a means of creating effective competition to Eircom.



SoundingOff

Broadband blues

Marie McCormack contacted us with a tale of woe in connection with her broadband connection. In June 2006, she rang broadband provider Perlico and signed up to one of its deals which had a price tag of €19.99 a month. It meant she had to switch her landline, which she did, and give her direct debit details over the phone.

A week later, her phonenumber was switched over and the wait for the broadband modem started.

"I started to ring after four weeks and was told that the modem was being dispatched that very day." It didn't show up, so she rang again and again. "There was a different excuse every time" until weeks after she placed her order she says she was told by someone in customer support that she had never asked for broadband - "they had no record of it".

Furious, she said she wanted to cancel the lot. "Two days later, the modem arrived, complete with a welcome letter, and a 'sorry to lose you' letter, both dated the same day and signed by the same person. I was so relieved to have the modem that I activated it." Or at least she tried to. The password didn't work, so she rang customer service and eventually the problem was resolved. "We were up and running, except the bills were arriving by now on a monthly basis; and despite my arrangements to have them paid by direct debit, they were all in arrears."

Her bank told her that no money was going out of the account, so she rang the customer service number to verify her details. "I finally got a nice girl to tell me that my bank account details may have been incorrect, and I asked her if she could please take the correct details so we could get it sorted - she was very sorry, but that was another section, and she would e-mail them to ring me. They didn't."

By now her bills were heading for €300. McCormack made repeated calls to Perlico, pleading with them to take her account details, or at least check them, all in vain. She sent "frantic e-mails to them" but still the problem was not resolved.

Eventually she got a letter threatening to disconnect her if the bill wasn't paid. It also threatened her with court proceedings. Then a short time later a paid in full statement arrived from Perlico - and

the full amount had been debited from her current account. "After almost six months, they had suddenly found my bank account details," she writes.

She says that although she no longer had a phone service from the company, her broadband stayed active so she continued to pay for it by direct debit until June. "One morning I was catching up on college work, and the broadband went off. I rang Perlico, who told me that I was no longer entitled to broadband as I had switched providers. I said that that was almost seven months ago and asked if I could speak to a supervisor."

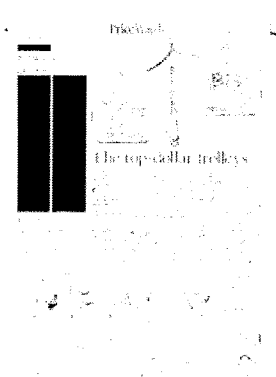
That was not possible, and she was told that under the terms and conditions she was not entitled to broadband once she had switched provider.

She pointed out that she had been left with no choice, given the problems with the direct debit. She has now received a bill for disconnection for close to €44, "which I have no intention of paying. They can sing for it. I ignored the bill. Today, they sent a text to my mobile phone asking me to call regarding my account."

She didn't call, but we did. In a statement issued to PriceWatch, the company said that "for data protection and customer privacy reasons" it was unable to comment on the specific circumstances relating to an individual customer. "However, we would like to emphasise that we take any notification of customer dissatisfaction extremely seriously and thank you for bringing this to our attention."

The statement went on to say that Perlico has investigated the case and "whereas there are some inconsistencies between our records and the account of events communicated to us, we do accept fully that this customer has not experienced the standards of customer service which Perlico strives to provide. This is a cause of great regret to us and we will be in contact with this customer to apologise unreservedly for any inconvenience caused."

It expressed confidence that all relevant issues have been rectified "and that this customer's issues have now been fully dealt with. As a gesture of goodwill we will immediately waive all charges on this customer's account."



Mooted state sale of MANs draws ire

Dick O'Brien

THE alternative telecoms operators association ALTO . . . a consortium of Eircom competitors . . . has suggested that the mooted sale of the Government-owned Metropolitan Area Networks (MANs) to Eircom could attract the attention of the European Commission.

ALTO director Liam O'Halloran said that he expected the Commission would be "very interested" in any sale, since they originally gave Government permission to construct the networks to compete with Eircom.

Prior to construction of the networks, the Commission examined the proposal to assess if it constituted state aid that would impact on competition. In its decision, the Commission ruled that the project constituted state aid under EU law, but allowed the project to go ahead since it was designed to ensure the availability of an open network which would be neutral of any telecoms provider. It held that the EC Treaty allowed state aid which facilitated economic development in certain areas without adversely affecting trading conditions.


The Commission noted at the time that in the towns targeted by the MANs programme, Eircom was the only operator present with an infrastructure that could compete with the future MANs, which caused an absence of infrastructural competition.

A spokesperson for EU competition commissioner Neelie Kroes told the Sunday Tribune that the Commission would not comment on hypothetical deals.

O'Halloran said that an Eircom takeover of the MANs would be bad for competition in the sector. He said that it was surprising that Eircom was now so interested in them, considering that when the networks were built, Eircom criticised them as being an unnecessary duplication of its own network.

Although Eircom is believed to be contemplating selling its retail arm to concentrate solely on its network, O'Halloran said that such a split would not eliminate ALTO's competition concerns. "Competition occurs on many levels. Aside from retail, we also need competition at an infrastructural level and we believe it would be bad for the industry if we moved back towards a monopolistic infrastructural situation," he said.

Another of Eircom's competitors, Digiweb, also expressed concern. "There is an overwhelming need to support an alternative network strategy," said chief executive Colm Piercy. "It seems everyone has had about enough of the ongoing Eircom saga, being sliced, diced, polished and resold over and over. It's time for change."

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Broadband speeds fail to compute for subscribers

Maxim Kelly

A DISCREPANCY between the connection speeds advertised by broadband providers and the actual speeds enjoyed by subscribers has prompted the Advertising Standards Authority of Ireland to initiate an industry-wide probe.

The ASAI is investigating "a handful" of specific complaints brought to its attention over the past month, but in a departure from normal procedure it is also looking at advertising and marketing standards across the entire high-speed internet industry.

The main area of concern for the independent regulator is contention ratios. This is the ratio of total bandwidth available to be shared amongst broadband subscribers connected to the same local phone line. The number of people sharing a line - up to 50 households in some cases - has a massive effect on the speeds enjoyed by each customer.

The ASAI feels this aspect of broadband subscription is not being made clear in marketing and advertising material.

"We're looking at the number of customers on a line and wider advertising issues," said a spokeswoman. "Because the technology is so often dependent on individual circumstances, that does have an impact on what customers get. It's not really black and white but there is definitely an issue here," she said.

The advertising body has contacted communications regulator Comreg and the National Consumer Agency to gain more information regarding the complaints it is currently investigating. These

are understood to relate to the larger, national broadband operators rather than smaller regional providers.

The ASAI declined to comment on investigations under way.

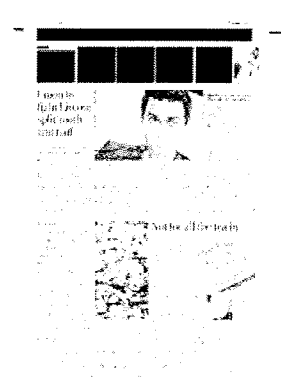
Irish broadband operators advertise generally-available standard packages ranging from one megabit per second to 12Mbps. However research undertaken by Blacknight Solutions, which runs a free broadband speed testing service at www.irishisptest.com, has found a staggering range of speeds from a truly pedestrian 0.104Mbps download speed on a UTV connection, to a jaw-dropping 59Mbps link for UCD's high-speed link.

According to Blacknight managing director Michele Neylon, the average download speed in Ireland is 1.79Mbps based on 250,000 speed tests since spring 2006. Average upload speed - how fast data can be sent 'up' from a computer to the internet - is 0.6Mbps.

Results of a British broadband survey released by consumer magazine *Which?* last week found the average speed amongst a sample of 300 customers paying for 8Mb connections was 2.7Mbps.

The UK's Advertising Standards Agency (ASA) is currently investigating complaints while British communications regulator Ofcom is monitoring the situation.

Which? editor Malcolm Coles told reporters: "It is shocking that internet service providers can advertise ever-increasing speeds that seem to bear little resemblance to what most people can achieve in reality."



Broadband

Get hooked up to fixed-line broadband in droves. There might not be a whole lot to choose from, but you could try to start an online dog trading revolution — just in time for the horse fair that begins next month. Or think about selling organic quia. You never know where you'll find customers.

BEST: Imagine £12.96 per month

AVOID: Euronet £24.99

