

Broadband Blues

The price of broadband internet access is now quite competitive in Ireland relative to other countries. But take-up still lags the European norm.

BASIL MILLER finds out why

THE LATEST BROADBAND benchmarking study from Forfas relays a set of mixed signals about the uptake of broadband services in Ireland, especially by business. Forfas, the national policy advisory board for enterprise, reports that Ireland has made substantial progress in a number of key areas, including a rapid growth in DSL, improvements in DSL coverage and substantial reductions in the cost of DSL services. Says the agency's chief executive Martin Cronin: "Business broadband continues to grow, with an estimated 30% of SMEs now having a broadband connection. Ireland continues to be competitive both in terms of international and inter-regional connectivity."

That's the good news. The bad news is that roll-out of broadband continues to be an issue and Ireland has slipped further behind both average and leading countries. The report estimates that, compared with the average elsewhere in Europe, there is a "broadband deficit" in Ireland of up to 360,000 connections.

Forfas is puzzled that as the cost of a broadband DSL connection has fallen substantially, there should have been far greater sales by the two main operators, Eircom and Esat BT. Current entry-level DSL prices have moved Ireland "from being among the most expensive to being among the

cheapest for residential customers, with substantial reductions for small business customers over the past year too". Medium and large businesses which use broadband or leased lines with bandwidth of over 2Mb per second fare less well, with pricing in Ireland still relatively expensive compared with our Europe peers.

The report puts the slippage in Ireland's comparative position down to two main factors. First is the lack of growth in technologies that compete with DSL, especially cable, which is very strong in other countries. The two major cable companies, NTL and Chorus, are just emerging from severe financial problems and haven't been pushing cable broadband aggressively.

The second limiting factor, according to Forfas, "is a lack of competition and innovation within the DSL market". Says Cronin: "After installing DSL in 40 exchanges, Esat BT's programme appears to have stalled due to the difficulty and cost of local loop unbundling and co-location."

The total number of DSL lines in November 2004 was about 90,000, which is 75,000 more than one year earlier. Nonetheless, Ireland's uptake ranks 18th out of the 21 countries surveyed by Forfas, ahead of only Hungary, the Czech Republic, and Greece. Broadband uptake is estimated at 2.3% per capita, against an average of about 11.3% across Europe. To conform to the average across the 21 countries, Ireland should already have 450,000 broadband connections of all types.

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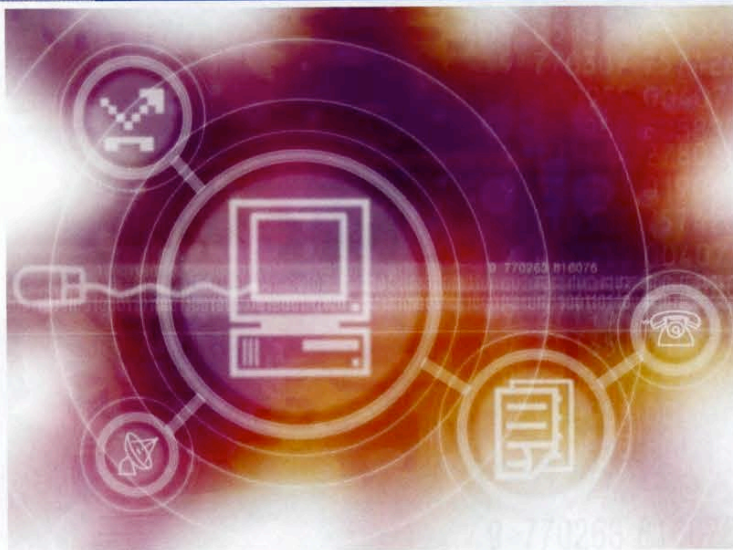
SMALL FIRMS DSL

	'Entry-level' Services 0.25-0.5Mbit/s Price €	Basic Broadband Services 0.5Mbit/s Price €
US	24	24
Netherlands	28	42
Korea	31	31
France	33	57
Ireland (Eircom)	36	43
Ireland (Esat BT)	30	100
UK	36	44
Japan	37	37
Portugal	39	32
Canada	41	60
Sweden	42	49
Austria	44	128
Belgium	45	124
Czech Republic	48	110
Denmark	50	68
Finland	51	61
Germany	55	60
Greece	56	73
Spain	56	90
Luxembourg	57	70
Italy	58	70
Hungary	59	56

Source: Forfas

Features **Broadband**

Though Forfas's own figures show that the price of entry level broadband in Ireland is competitive (see table), the agency believes that the wholesale price needs to be reduced so that rival players to Eircom get a better margin and are therefore incentivised to push harder for new sales. Says the Forfas report: "ComReg should continue to put pressure on Eircom to reduce local loop unbundling charges further, so that other companies can access local exchanges and provide innovative services. And government departments and local authorities should reduce the high charges involved in rolling out infrastructure by cable and telecoms operators."



Though Forfas expects most broadband growth in 2005 to come via DSL connections, the agency underlines the need for competition from other platforms. "Ireland's position could start to deteriorate again in the next few years, primarily due to the lack of inter-platform competition," says Forfas. However there are some signs that more inter-platform competition is emerging.

For instance, NTL Ireland and ESB Telecom have entered in to a new agreement that will see the rollout of NTL broadband in Galway and Waterford. Under the agreement ESB Telecom will supply high-quality bandwidth services between major nodes on its network to NTL.

Graham Sutherland, managing director of NTL Ireland, says: "The agreement adds further momentum to our broadband expansion programme. This agreement also supports the government's desire to roll-out broadband to the regions and NTL is determined to be a major player in all such initiatives."

BROADBAND ANYWHERE

ONE OF THE REASONS broadband take-up in Ireland is so low is that in much of the country DSL is simply not available. That's because DSL availability is determined by proximity to telephone exchanges. But there are alternatives - if users are prepared to pay the extra cost.

Electroplus, a cable and satellite company that recently launched its e3 Broadband satellite service, plans to connect approximately 20,000 homes across Ireland to broadband by satellite in year one, and to steadily grow this figure. The company is targeting the 50% of Irish householders who cannot avail of conventional DSL broadband services; e3 Broadband packages start from €30 per month and its 2Mbps package costs €100.

Irish Broadband is another wireless broadband supplier. The company offers six wireless broadband options to SME customers. These range from Breeze 1Mb Lite, costing €40 per month, to Breeze 3Mb Plus, which has a monthly charge of €250. Both options also have an additional €149 installation fee. Irish Broadband's network spans Dublin, Cork, Dundalk, Drogheda, Galway, Limerick, and Waterford.

For rural communities, self-help might be the only way to go. The Department of Communications runs a group broadband scheme that is similar to group water schemes i.e. some of the capital cost is under-written by the department. The scheme is open to all smaller and rural communities of less than 1,500 people and up to 55%

funding is available for the scheme.

For example, Rathdrum Development Association in Co Wicklow has recently linked up with Eircom for a scheme that will give broadband coverage to 60% of households in the area through DSL. Eircom is receiving a grant of €6,300, which is 18% of its capital investment in the scheme.

The Kilfinnane Business Community Group in Co Limerick has done a deal with Ildana Teoranta which will see 80% of households in the area get access to fixed wireless broadband within the next two months. Ildana's grant aid is €8,900, or 30% of its capital costs. The first phase of the group broadband scheme is currently closed and the second phase is due to be launched early in 2005.

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