

Presentation to the European Parliament

23 January 2007

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3rd Market Entrant - Challenging Dominance

- **2½ years ago – 6% market share, 99% prepay**
- **Now 17% market share, 90% prepay : Penetration up from 86% to 104%**
- **Over 750,000 customers – 250,000 added 2006 – higher share of net adds than competitors combined**
- **Competing against major multi-national operators well established in the market: Vodafone and 02/Telefonica**
- **New market entrant : 3**
- **Challenger brand – Successfully driving competition across all market sectors**
- **Retail Prices Down, ARPU's Down, MOU's UP**
- **Wholesale Competition in place : National Roaming moved from O2 to Vodafone**

Creating Competition

- Meteor has created a competitive market where a duopoly once held 95% market share
 - Constraint on the “big two”
 - Customer Champion
 - Innovative price plans and products
- Competitive strength based on ‘level playing field’
- National Roaming removed coverage advantage of established networks

**Clear Demonstration That Consumers Demand Quality
And Service Level Parity**

The Need for Regulation

- Accepted: International Roaming wholesale rates need to be reduced
- Accepted: This should reduce retail rates and will benefit the consumer

However...

- **High international wholesale tariffs are determined by large operators with power to control access and pricing**
- **This is done currently through 'Group' access, Alliances that control membership and traffic steering**
- **Large operators will move to recoup lost revenues by competing unfairly at wholesale level**

This will further squeeze independent and non-aligned operators and significantly impact their ability to compete in their national markets

Impact of Current Proposal

- Reduction in larger wholesale profits leads to drastic reduction in wholesale revenues and internalisation of wholesale traffic
- One price internally, another externally – real cost savings enjoyed by group members only
- Margin squeeze – smaller operators adversely impacted
- Result = market displacement / reduction in national competition

Commission's Position

There does not appear to be any acceptance that there is a need to ensure non-discrimination so that the international roaming regulation does not have an unintended negative impact on national competition

- Wholesale rate will be high enough to enable wholesale competition
- The 'No-Change' argument – The same discriminatory practices exist now

Impact of the Regulation

- Margin Control the key issue – Current high retail margins of large operators allow competitors to pay higher wholesale rates and remain competitive at retail level by accepting lower margins
- Regulation will mean loss of margin control as a tool to beat discriminatory practices and remain competitive
- There will be increased discrimination and squeeze on smaller competitors leading to a significant reduction in competition in the national markets
- International Roaming retail prices may come down, but domestic prices will rise as competition falls away

The proposed regulation will threaten the survival of non-aligned competitors and hasten the day when Europe is dominated by 2 or 3 major mobile groups

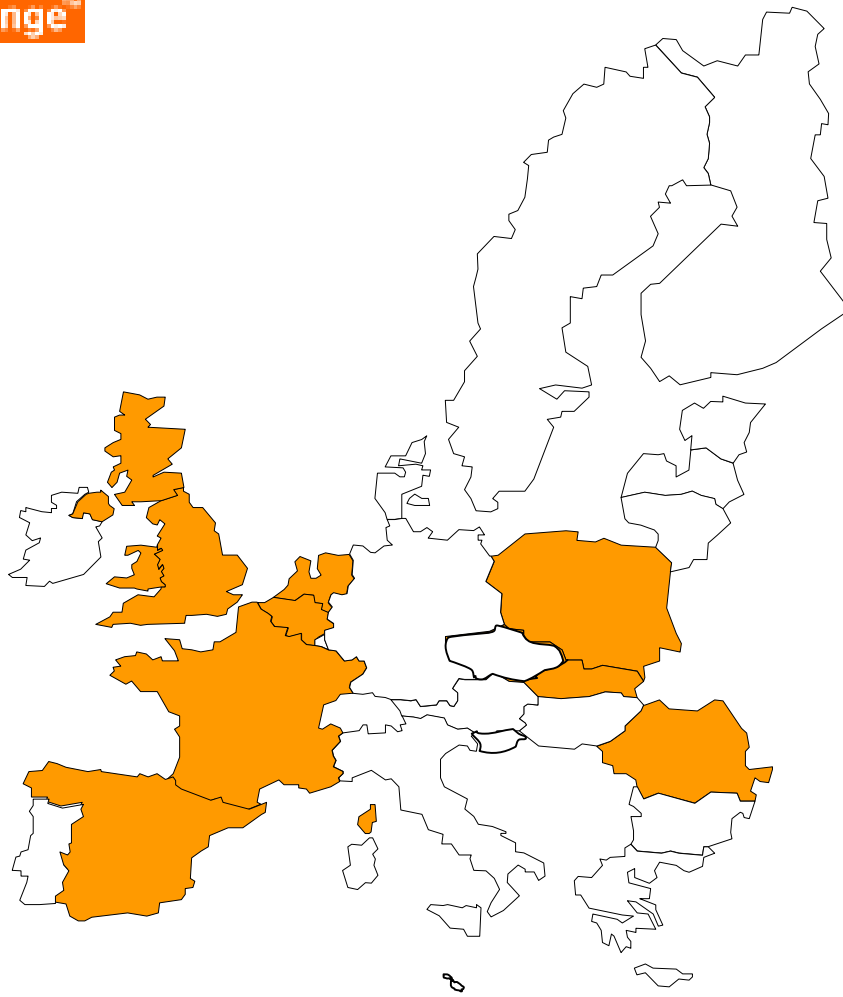
The Solution

- A National non-discrimination provision that prevents squeeze on independent national competitors
- This would apply only where a Group or Alliance operates in the same market as an independent competitor
- It would not prevent wholesale competition between the larger operators
- It would ensure fair access and the survival of competition
- Any regulation should ensure that competition can continue
- Regulation should protect the consumer interest and viability of national competition

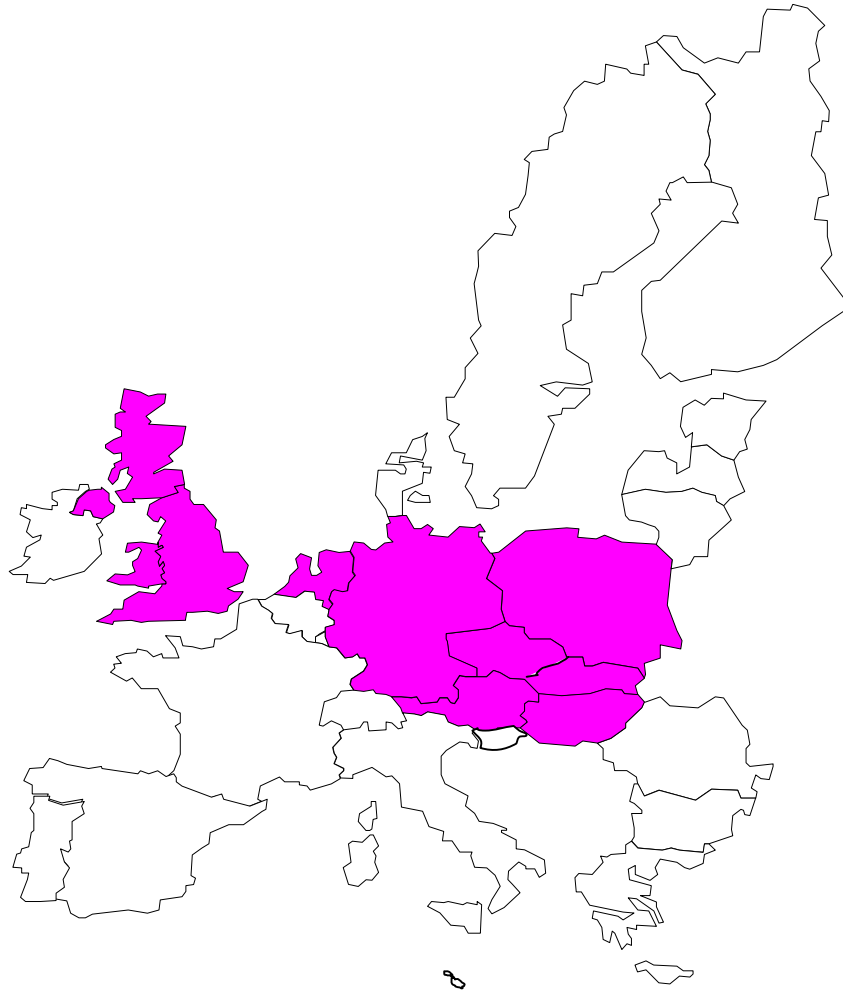
National Non-discrimination is a recognised regulatory tool to ensure access and competition – why can it not be used for the same purpose here?

Regulation Without Protection

- Disparity in wholesale charges between operators threatens viability of smaller, unaligned market players
- The “competitive force” in national markets dissipates
- Large operators control both national and international markets
- **REAL** choice is diminished



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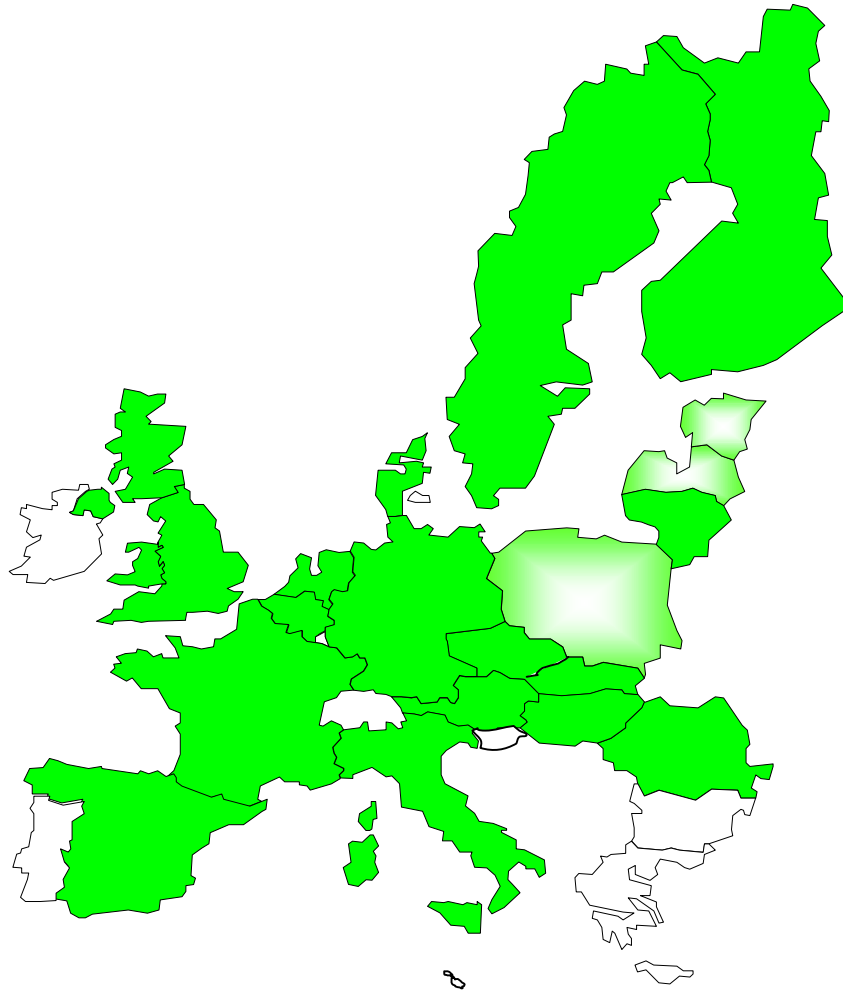
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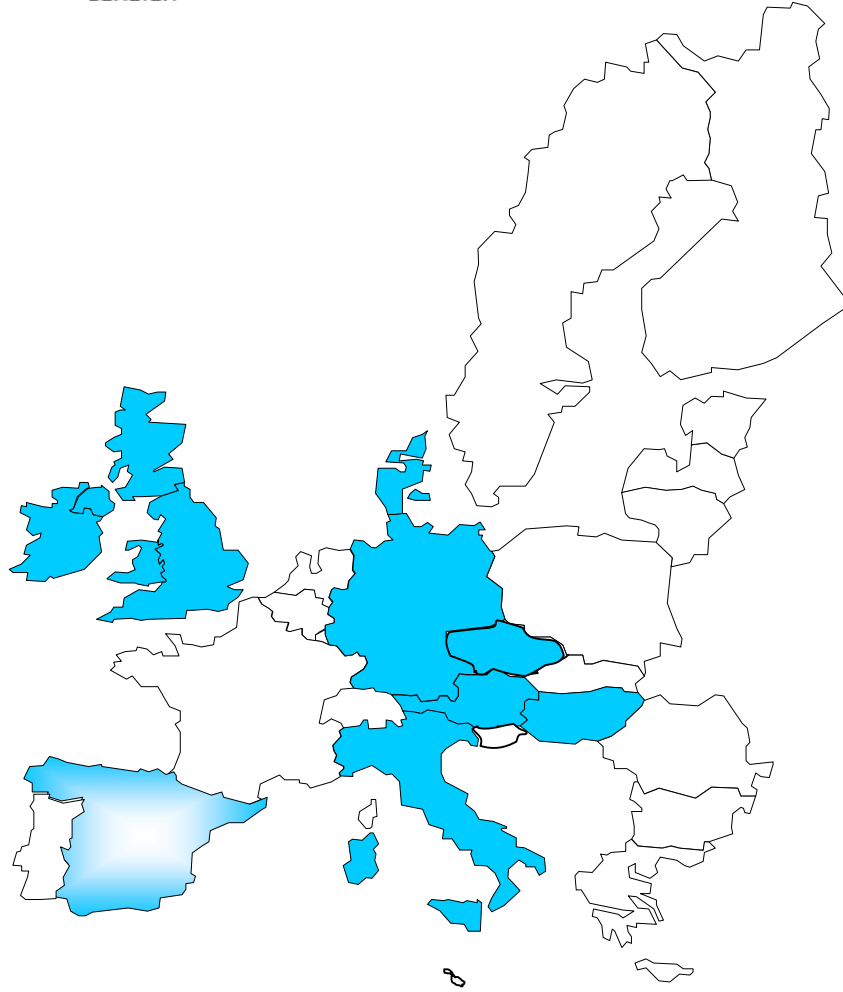


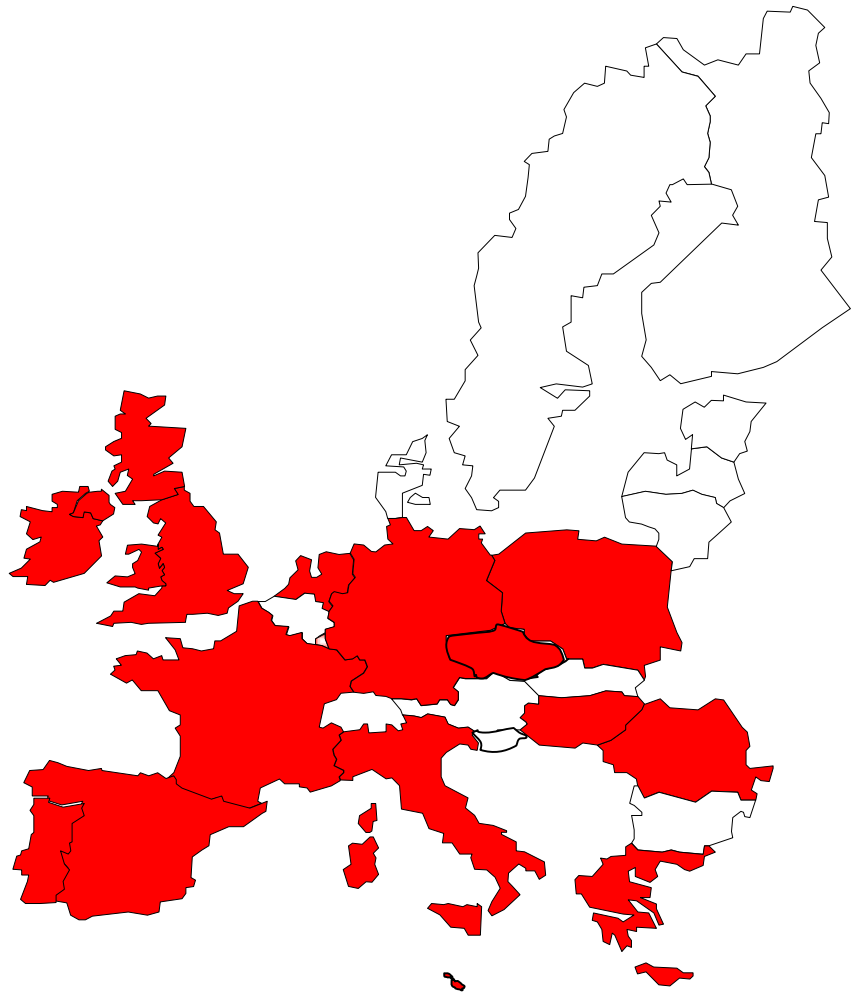
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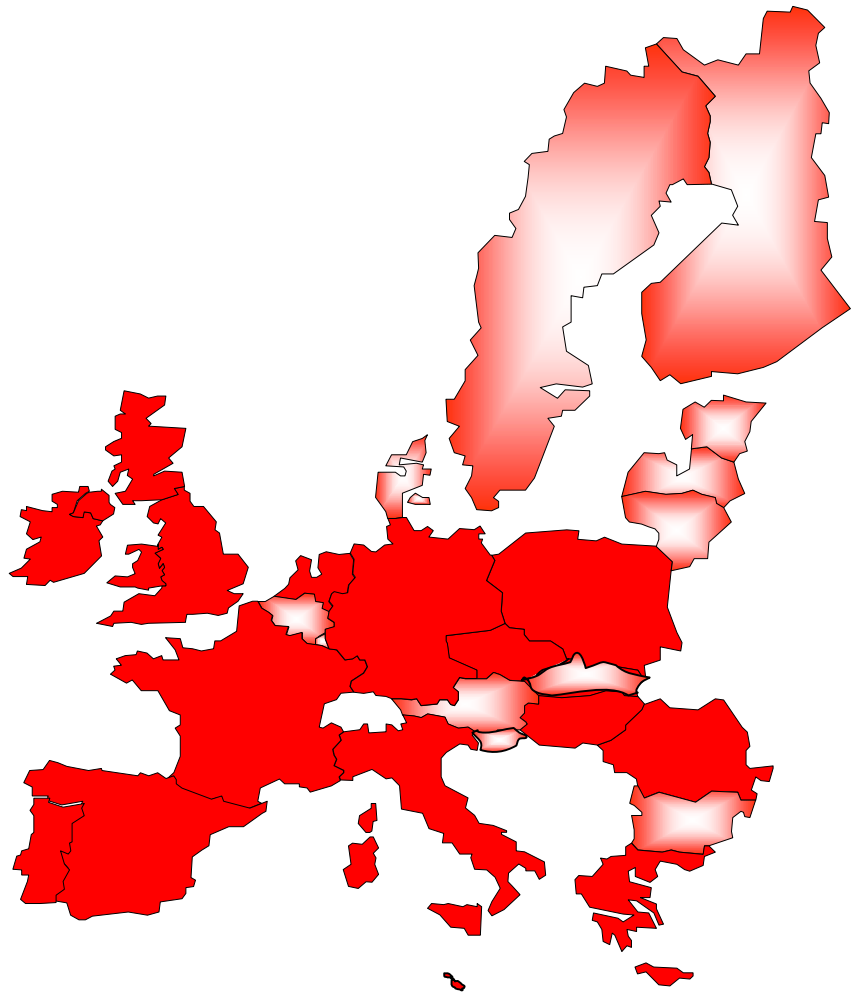
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Protecting Competition

- The international roaming regulation should benefit all consumers, not just customers of the multi-national groups and alliances
- The regulation should not disadvantage consumers by reducing competition in the national markets

Send the regulation back to the Commission with a national non-discrimination clause that will ensure wholesale and retail competition both in international roaming and in the national markets



Proposed National Non-Discrimination Provision

Meteor requests that the following provision is added to Article 3:

“The visited network shall not discriminate on the wholesale charges it levies from home networks in a Member State if an entity which is part of the same Group as the visited network is active in that Member State”.

