

THE TRIBUNAL RESUMED AS FOLLOWS ON WEDNESDAY, 22ND

JANUARY, 2003 AT 10:00 A.M.:

CONTINUATION OF TAPE OF ESAT DIGIFONE PRESENTATION FOR
SECOND GSM LICENCE.

MR. MARTIN BRENNAN: Thank you Denis, you will have
noted my team doesn't applaud.

Secondly, I suppose what you'd like me to say is we
have no questions and come back next week and sign the
licence but I can't do that. You know that we sent
you a list of questions with a letter on the 5th
November. What I would like to do is to take those in
the order in which they arise. Some of them may not
need to be dwelt upon because they may well have been
covered already but let's start with the first one
which is the question of the impact on your business
case of other mobile technologies with particular
reference to the examples given. Would you like to

MR. DENIS O'BRIEN: Yes, what we were going to do is
distribute the questions because no one person has all
the answers here, so if we may deal with question one
and ask, I'll ask Arve to, first of all, give an
initial response from his experience in a commercial
sphere and secondly, Jan Edvard, our chief executive,
who is also going to give a reply. Thank you.

MR. ARVE JOHANNSON: I will only shortly say that, in
fact, the most important part is customers, not the
technology. And we believe that there is a natural

evolution in technologies all the time. We see the DCS 1800 coming up as an extension in a way of GSM and sometimes we even call it GSM 1800 and to some extent, that will be a benefit for a GSM operator. In most countries we will see that also the GSM operator will get the DCS licence because it's in the congested areas, it's more or less a requirement sometimes that you get more frequencies also than the 1800 megahertz band. And I think I will leave to Jan Edvard to expand more on the details of the various technologies and where it gets us.

MR. JAN EDVARD THYGESSEN: Thank you. Well, regarding the DCS 1800 is like Arve said, it can be looked at as a part of a GSM, extension of GSM. In a few years probably, for example, in Scandinavia, already the bands, 900 band, GSM band will be full. I think when we reach a penetration of about 30 percent it will be difficult to grow the business further on in the 900 band. And therefore we see that what will develop is technology on the terminal side, that it's possible to have terminals that can switch between the GSM 900 and GSM 1800. And we expect that current GSM operators also will get the licence in the 1800 band to keep up the capacity and that will be, I think, as I understood it, the case also here in Ireland. But we also see that it will be given separate licences for the DCS 1800 and that of course will

increase the competition and we had taken care of that in our Business Plan. We think that increase of competition will of course bring the prices further down.

MR. DENIS O'BRIEN: Would you like to just add the impact of *Leo, Tetra and DECT maybe as well.

MR. JAN EDVARD THYGESEN: When it comes to DECT.

DECT is what we call, it's not region built into it, it's what we call it an access technology and we see, in fact, in Scandinavia at the time that there will be field tests with dual mode DECT GSM terminals so that PABX users, for example, can use their dekt mode inside their firms and houses. And then the phone automatically or via manual instructions refer to the GSM mode when you come outside. So what we see then is that it makes it it will help the customer to have a cheaper service and the usage in the PABX access.

We don't think that will have much impact on our Business Plan, because it will only, people will only use the dekt terminal instead of their fixed phone inside their firm houses.

When it comes to Tetra, this is a dedicated network for, specially for data and, of course, GSM can transfer data. What we see that so far dedicated data, a data network had very little impact on the normal cellular business. From our experience based

on a dedicated network solution in Norway, Sweden and some other countries, shows that it is very difficult to get this business profitable and we think that will also be the case here. It will not affect the GSM business very much.

When it comes to lower orbital satellites, we see that this is mainly for use outside the coverage of cellular networks, normal cellular networks because of mainly the low capacity of this network and the price that has to be paid per minute. I think the maximum capacity when we calculated it in Norway would be, for example, 5,000 users or something so that will have no impact on this business, I think, but it will of course increase the possibilities for the users to have coverage worldwide. Thank you.

MR. PETER O'DONOGHUE: Denis, if I may add that we did look in our financial model at the impact of the introduction of new technologies like DCS 1800. In our financial model we have allowed for a tariff reduction of 8 percent in the year 2004, so we have reworked the model bringing back that tariff reduction to the year 2000 and the impact would be an IRR dropping from 18.2 percent to 15.23 percent which we would consider sustainable.

MR. MARTIN BRENNAN: Thank you. Any further questions from Michael?

MR. MICHAEL ANDERSEN: I think a follow-up question

concerning the DCS 1800 because you state explicitly in Volume 2 of your application and elsewhere that you assume that both GSM operators will be licensed to operate the DCS 1800 networks at the same time as the new operator and you have just said that you say actual, "a new or third licensee based on the DCS 1800 technology." How then is the DCS 1800 taken into consideration in your own business case as presented in the application?

MR. DENIS O'BRIEN: Hans Myhre, our director of engineering will answer that question. M

R. HANS MYHRE: Thank you. As far as I remember from the RFP from the Department, it was said that the two existing operators should have access to the DCS 1800. As Peter said here, we don't know anything about, I won't say it like that, we don't know that much about the future so that's why we haven't taken the DCS 1800 investment into account in our Business Plan for the time being. And so the answer is that it is not taken into consideration or it is not dealt with in a way that we can track an impact in the business case.

MR. DENIS O'BRIEN: Other than what Peter has described, I believe that is the answer. I think it would be a separate investment in many ways, it would have to be looked at that way because to launch a DCS 1800 was going to require capital. I mean, I think looking forward we'd be happy to make that investment.

MR. JAN EDVARD THYGESSEN: May I comment on that?

Because that also the Business Plan depends on the licencing conditions because in the licencing conditions is that your only need to roll-out the DCS 1800 network in the highly populated areas, whereas needed for capacity reasons, then it will not affect the Business Plan very much. So you can hardly see it on the investments, so...

MR. MARTIN BRENNAN: Thank you very much.

The subject of windfall gains. Windfall gains, I suppose, by definition are unforeseeable or unquantifiable in a precise way. Nevertheless, in this particular business they could arise in possibly at least three ways: One would be a rapid reduction of the interconnection regime faster than you might have anticipated in your Business Plan; another possibility would be a rapid winding down of international tariffs and a third possibility could, for example, be your eventual winning the right or getting the right or inheriting the right to bypass Telecom Eireann for international. So we'd like you to tell us a little bit more about your thinking in that area.

MR. DENIS O'BRIEN: Arve Johannson, would you like to deal with this?

MR. ARVE JOHANNSON: No, I think I'll leave it...

MR. PETER O'DONOGHUE: I think I might be better.

MR. DENIS O'BRIEN: Peter O'Donoghue, our director of finance.

MR. PETER O'DONOGHUE: Given that this is an area I have thought long and hard about because as an accountant, we like the future to be predictable rather than uncertain.

So when we thought about this question, first of all we said, "Well what's a windfall gain?" So we had to put some stake in the ground and we defined the windfall gain in-house as something that would give rise to a 35 percent increase in after tax profits for at least two years consecutively. So with that definition in mind we actually went around to each of the lines in our operating PNL, both on revenue and cost sides, and looked at what could give rise to this impact on the PNL. Now, we looked at the increase in the number of subscribers. In fact, that's a windfall loss in it because if they sign on commission in the way our model is structured, we look at the interconnect costs but then on the other side it depends on what year that happens because we have also interconnect revenues, so there could be a compensating offset there.

Then there could be such things as well as maybe even the Corporation Tax rate. We have assumed the Corporation Tax rate of 38 percent in our model. The way Corporation Tax is changing in Ireland, that could

well be lower. Maybe the people in the Department of Finance could give me some help on that issue.

We would see principally where a windfall gain could arise is through greater use by existing subscribers and that is one area where we have done a number of calculations. We think that our predicted use is a reasonable figure. The people sitting here on this side of the room have a lot of experience in startup situations. Being an accountant and probably having a conservative outlook, my view with any startup is that any unforeseen gains are usually offset, more than offset by unforeseen losses and costs and offruns. As a mechanism for handling those gains, we have actually set out a plan where if we had a windfall gain we would look at such areas as reducing our own tariffs as at repaying or annual licence fee, investing in education and investing in the arts. So I think it's better that we actually have a mechanism for handling windfall gains as to trying to predict where they are coming from.

MR. BRENNAN: Just a moment, on the subject of interconnection you talked about possible offset. I would have thought that any incoming licensee would have thought that was a win/win. You'd get more for lend to mobile and pay less for mobile to lend so there is real potential for windfall gains if that's the correct way of looking at it.

MR. PETER O'DONOGHUE: On a net basis there is a win/win situation, I'll agree with you.

MR. BRENNAN: Any follow-up questions on that?

Question number 3 was possibly dealt with to a very significant extent in the presentation. Do any of my side want to probe that a little? Is it okay if we move on?

Number 4 is a little different because what number 4 is about is how you deal with the risk that it doesn't go as you foresee it. We'd like to hear a little bit on that please.

MR. DENIS O'BRIEN: Hans Myhre, director of engineering, will deal with most of this question but I think other people will have something to contribute as well.

MR. HANS MYHRE: Thank you, Denis. Yes, the risk is as well said earlier here, something we will try to reduce as much as possible and as it has been presented, we have been through all the key issues as we see it from a risk point of view. We have been through the site acquisition. We see that that loss initially the most risky part of the project. We have, and we think that is solved. We have the purchase of equipment which we also feel we have under full control. We have the interconnection which I personally feel as something we have not quite solved yet because since we haven't got the licence, we

haven't got the possibility to go into interconnection discussions, deep interconnection discussions with Telecom Eireann. And I think some other of my colleagues can add more on that, but our experience is that to get into complete interconnection agreement, it might take up to one year.

Our experience is that we will make, temporarily, agreements with Telecom Eireann so we can start operation and I see this as the interconnection issue, not unsolvable, and I also expect that the Regulatory will be able to assist if we get into complicated discussions regarding this.

The distribution failure, another part

MR. DENIS O'BRIEN: I think maybe Barry, Barry Maloney could you maybe handle the distribution failure, that particular issue.

MR. BARRY MALONEY: To be honest, Martin, in terms of distribution side, we believe the risk of failure on that particular aspect is negligent to nonexistent quite honestly. The feedback we have received from the people that we have talked to, the letters of intent we have, the support of our bid from Harry Moore's: we are the only bid they supported. Quite honestly, we believe from a commercial distribution perspective, the risk is nonexistent and I am quite confident on that.

MR. DENIS O'BRIEN: I think there'd be a greater risk

if we tried to do the 300 dealers, which was in Phase 3, all on day one. So we have tried to trim our sail a little bit at the very beginning to we end up with 100 quality dealers in the initial stages. We are also conscious, looking at other markets, that we have to get in to the dealers that already handled Eircell. Otherwise, that is a particular channel that will close, will be closed to us.

MR. BRENNAN: Can I take it then that it's your view that the question of bottlenecks in the supply of hand sets is a thing of the past?

MR. DENIS O'BRIEN: Quite definitely. Maybe you'd come in here, Jan, and maybe just give your own experience in Norway about handset supply.

MR. JAN EDVARD THYGESSEN: Yes, I think that was a problem up to last, early last spring. At the moment I cannot see any problems with the handsets.

MR. DENIS O'BRIEN: It is also our policy not to favour one handset manufacturer, so we will not be handling handsets ourselves so even if you take our direct channel, basically, you know, if there is a customer out there who has maybe a 50 handset requirement, we will put him into our local distributor rather than handling the handsets ourselves.

MR. MICHAEL ANDERSEN: Just a following up question concerning the price of handsets and distribution

failure, it is understood that you are a conscientious and that you are confident in this area so it may be it will be easy for you to answer the question that goes like this: What will you do if it turns out that the incumbent here, Eircell, here does the same thing or approximately the same thing as Telenor is doing in Norway and you have seen Telenor do in Sweden, to give comparatively high commissions, let's say much higher than you presented this afternoon in your slide show, what will then be your reaction? Could we then foresee a distribution failure from your side because then we might say that if all the potential distributors from whom you have got strong indications maybe they could be bought by higher commissions from the incumbent in this country.

MR. DENIS O'BRIEN: There is two impacts. One is obviously a financial impact, which Peter O'Donoghue will reply on, but in terms of the practical things that you have described, Jan Edvard will reply as chief executive.

MR. JAN EDVARD THYGESSEN: I am not sure if I understood your question. We know that in Norway, Sweden and also we saw it in Denmark I think in the late '93, that very high commissions were given. Those commissions given in Norway for the last months were $\frac{1}{2}$ higher than we have in our Business Plan. And I think if it's a competition going on. If you

are going to be in that competition, you have to respond if your competitor's commission is more than you and so it's a normal case, I think, and I don't think it will be any problem with supplies of terminals in that case. I think what I have seen at the moment is that the manufacturer have really streamlined their production and the terminals are flowing out.

MR. MICHAEL ANDERSEN: Yes, but if you look at, for instance, maybe *Netcom in Norway, *Europolitan network in Sweden and *Sonofone in Denmark, they have all experienced that it is much more difficult to reach the distribution channels and to have the success with the distribution channels than they expected, and for that reason I just put a question mark on the confident position you have, because even though you have commitment or indications from distributors, you might experience the same thing as GSM two operators here as Sonofone, Europolitan network and Netcom all have done in Sweden, Norway and Denmark.

MR. DENIS O'BRIEN: Arve, maybe if you could come in.

MR. JARVE JOHANNSSON: Basically the strategy we have for distribution is similar to the one Telenor has in Norway and not the one that Netcom has in Norway, which has been very, very successful in gaining loyalty among the dealers and basically it's a

temporary measure. I mean everybody in this business or is here eventually to make some money. So if it's very heavily subsidised for a period of time, it will eventually go over it again in a way.

One other aspect that is actually helping us is the price of handsets is coming down as well over the years. So the amount we have stated here might even, in the long run, be sufficient to get the 10p handset price even in Ireland.

MR. MICHAEL ANDERSEN: But we will have to respond, I mean that's a message. We are not going to let it happen that we are the loser.

MR. PETER O'DONOGHUE: Could I add from the financial side, in trying to rechart a 66 page financial model in my head. If we increased our contribution of 100 per handset in 1996 it would cost us 142,000, it would cost up over 5 million in 1997, that's at 100 if we were to contribute to the cost of each handset, just to give you some kind of indication.

MR. HANS MYHRE: Can I comment on the market side.

Since we realise that it is crucial to come in at the operator's distribution outlets immediately, we already have 102 Eircell agents which are interested in dealing with us and a lot of the 80 agents that we have in the first phase are currently, and our expense from Scandinavia then will be current Eircell dealers and our experience from Scandinavia is when second

operators come in and try to avoid the first operator's distribution channels, it's not successful. That's why we want to go in at the first operator's distribution outlets.

MR. MARTIN BRENNAN: I don't think we can spend all of the afternoon on the distribution failure question but I have one follow-up question, Marius has another. To come back to the business of handsets. You tell us that the bottleneck in supply ended in the spring time. But my question is that the bottleneck in demand, the explosion in demand is in the fourth quarter when you expect to launch, so there may be some risk at that time of the year, in particular, since we have seen the figures for various markets in the fourth quarter. Is there any necessary contingency plan fore handset availability in that critical period for you?

MR. JAN EDVARD THYGESEN: I think I have to use the same answer as I did before. I think the suppliers have really streamlined their production worldwide. Motorola, Ericsson, Motorola are building new factories. Of course it could happen and then we have a problem, of course, because we can't make handsets ourselves.

MR. JARVE JOHANNSSON: But I would like to add that if it really becomes a shortage in the supply of handsets, we will of course try to use all the

bargaining power we have and we can establish that from many countries and we would represent a much bigger bargaining power in handset purchase than, for instance, Telecom Eireann could.

MR. BRENNAN: Thank you. Marius I think still has had a little...

MR. MARIUS JACOBSON: It's also a question about the terminals. Do they not feel it is a joker here and that is, in the introduction of half rate terminals you can run a certain situation where you really need half rate terminals here in Ireland. And if it is so that half rate terminals is going to be introduced, then all will want to have half rate terminals because that's the latest technology. So in my opinion, there probably could be a joker here with half rate terminals and I am not thinking of hybrid terminal with full half rate but a real half rate terminal.

MR. DENIS O'BRIEN: Jan Edvard, you are on or Hans Myhre maybe just to give a fresh

MR. HANS MYHRE: I think what we have experienced so far in the authorisation of half rate is at the moment the half rate terminal will be later than first expected because of the quality of speech. So as far as I know at the moment, we will not see half rate terminals before late '98 or something. And I think non operators do want really to produce them because of the problem with the quality. The quality, the

quality you can of course increase the capacity of your network by using microcells, that increases the cost of course of the network, but it is and it is not only the operators who said that the quality is poor, it is a reality when you come to that because they do, the operator, they do not want to have half rate quality because it costs money in the infrastructure.

I might have a small comment. I don't know if any of you were at the GSM world conference in February.

There Ericsson, as a terminal manufacturer, stated that the quality of half rate codex on mobile, on terminals were not good. And that was from their point of view and not from an operator's point of view yeah, it could be a policy of course. Another thing is that the network is also milled for the time being for full rate codex so I think you will have problems of half rate going to Northern Norway and Northern Finland probably where you will not replace the full rate terminals.

MR. MARTIN BRENNAN: Thank you. I am anxious to press on. I think we have aired the subject. The second last bullet point I don't think you need to deal with but the first part of the last one in relation to leased lines. Have you any dependency on leased lines in remote areas? I think you have a little.

MR. DENIS O'BRIEN: Yes, we do and maybe Hans will come in.

MR. HANS MYHRE: The plan we made is based on our own backbone network which is an SDH ring around Ireland and with microwave connections to the actual base station, so we don't see any need for leased lines except of course from the interconnection with, between our switches and the PSDN network where we have defined a rather large amount of point of interconnect based on the tariff structure we have got from Telecom Eireann.

MR. DENIS O'BRIEN: We will be ordering them early though.

MR. MARTIN BRENNAN: Okay, I think we can leave the building of the microwave links to the next part of the discussion because John McQuaid will probably go into it in more detail in the final hour.

And my own view is that question number 5 has already been fairly adequately covered. Do you agree with that, Andersens? Yeah.

And indeed I think 6 is also true, you have dealt with question number 6 in quite some detail.

But question number 7 is one that we are particularly interested in. You know, the question of where the Minister's priority clearly is to have a really sharp approach to competition and not have the market settle down into what could be a cosy duopoly where people track each other, keep an eye to what the consumer says about...

MR. DENIS O'BRIEN: Do you think we could operate in that kind of a market, Martin, with our relationship with Telecom Eireann? Okay. Per Simonson will reply on this critical issue of duopoly.

MR. PER SIMMONSON: I think it's important first to stress that we have a proven will to compete. First of all, as Denis mentioned, Esat Telecom has the proven track record of promoting real competition in the Irish telecommunication market and that's evidenced, they have been reducing customer charges in their services by up to 30 percent.

Another strong point I think is that look at the duopoly market in Norway which Telenor is one of the players. That's at the highest penetration level in the world and I think that's also providing evidence that we are competing in the duopoly situations.

In terms of the strategy of the company. First of all I think that the services that you have seen here presented by Barry has shown that we are taking a quite innovative approach to service development. And our experience from other markets that such an approach will drive the first operator to improve their own product and service quality and equipment, so we think that's an important factor for increasing the competition.

Secondly, if you look at our initial tariffs, we feel that they are at very competitive levels and the

reduction compared to Eircell is at an average of 25 percent.

Thirdly, we do provide for an annual tariff reduction of 3 percent, which means that we are budgeting a substantial tariff reduction over a period of time.

Apart from the tariff and the price question, and the fact that we will be competing also at the quality side, I think it's very important to stress that the way we are structuring our distribution in itself is an important factor for growing the competition. We will have a large number of distributors and we will not have exclusive geographic areas for distributors. So distributors will compete amongst themselves or against each other.

Even though the levels are maybe slightly lower than in Norway, the provision we are providing them for selling our services will allow them either to discount the terminals or introduce other aspects of competition like adding value to the services or other dealer designed incentives and promotions. The point is, we are leaving it up to the interface between the distributors and the customers to really get the market place working and that's what we have seen has driven competition in other markets as well. Thank you.

MR. MARTIN BRENNAN: Just a slight follow-up question and I know that this discussion is about Esat Digifone

and not Esat Telecom. But we have heard a lot in recent years about per second billing and in your business case, you are talking about, and in your response to written inquiries, you are talking about 30 seconds eventually going to 10 seconds and that's one of the signals that causes us to ask these kinds of questions. Would you like to comment on that?

MR. DENIS O'BRIEN: Per will also handle that.

MR. PER SIMMONSON: If you look at the business case in itself, it's designed on a per second billing basis basically because the calculations are the air time and it has been deducted from current use of Eircell customers and that's not to the rounded up minutes, it's actually per seconds. We have taken it down by 8 percent to find our initial air time. So that's in the business case.

But however, of course, this is a high risk factor and we would like to allow ourselves a 12 to 15 months period of time to ensure ourselves that the air time figures will be met if you are very sure about it but we will allow that security margin ourself and then we will commit to a per second billing and I might add also that this could be subject to negotiation between ourself and you for the licence conditions.

MR. DENIS O'BRIEN: I think one of the points I'd make is that a leopard can't change its spots. You know, we have always approached it on a reasonably

aggressive manner because the level of investment and the fact that it's going to take a number of years to even get to a break-even stage so I don't believe that we would let, put on the handbrake in four, five years time and go into what you describe as a cosy duopoly.

MR. MARTIN BRENNAN: Could I ask Andersens if they have any follow-up questions to that discussion? Okay.

The next question is the opposite side of that coin.

We have dealt with it to some extent already. The question of an aggressive low price strategy from the existing operator. Is there anything you want to add on that or can we take it that we have discussed it enough?

MR. DENIS O'BRIEN: I think we have tackled that one for you.

MR. MARTIN BRENNAN: I don't disagree. Last question for this part of the discussion is about the various possible impacts of full liberalisation in the year 2000 which is now stated, the Government's stated position in the question of liberalisation. I am sure you will have something to say on that subject.

MR. DENIS O'BRIEN: Arve.

MR. JARVE JOHANNSSON: Yes. This is the situation we are preparing for in all markets we are active both at home and abroad. We have touched upon a few aspects of it related to new technologies and possible new operators in the mobile field. We consider the GSM

service basically a mobile service, mainly mobile voice but also mobile data, meaning that we are not that much seeing an impact of such fixed line technologies and services, for instance, the cable tv because we think we compete with the other mobile services.

We have, I think, covered the DCS 1800. We consider it a beneficial add-on to the current GSM operations. Basically we will have capacity for more subscribers in the congested areas as a, in a way a substitute for GSM in that area. We do expect to see dual mode handsets also in a few years time. But basically it means more penetration of mobile users in general. So we had about 23 percent here. In our long-term planning in Norway we consider altogether we will have about 80 percent mobile users eventually, meaning most of the voice communication will be mobile. And that's why there's plenty of room for DCS in this scenario, not destroying this business case.

MR. DENIS O'BRIEN: When will the 80 percent come through? What time?

MR. JARVE JOHANNSSON: Well, in our Business Plan in Norway, we expect it to be about two million mobile users in the year 2000 and we are ahead of those figures now. That means a penetration of 50 percent. Then I think it's only a few years when we reach 80 percent, every grown up person will have a phone, then

of course you are dependent on a DCS 1800 for high capacity spots.

MR. MARTIN BRENNAN: I think you are probably aware that in our case not 80 percent of the population are adults but Michael Andersen has a follow-up question.

MR. MICHAEL ANDERSEN: Yes. I would like in the final part of this section to combine question number 9 with question number 1.

As you saw in question number 1, there was also an ETC where you had the opportunity maybe to comment on the convergence between fixed network communication and mobile communications, sometimes labelled under the acronyms of FPLMTS, UMTS or IMT 20,000 or whatever, the acronyms are largely irrelevant because they all illustrate the same convergence. How do you see that convergence in your business case and have you is that also part of your strategic thinking to exploit the forthcoming convergence?

MR. DENIS O'BRIEN: Jan Edvard.

MR. JAN EDVARD THYGESEN: Well, it's always difficult to predict the future. A lot of things will happen I think after year 2000. I think the competition really will lead to a lot of new creative ideas coming up and the costs going down for the benefit of the user. If it will come up some universal service, I don't know. To me, I have my mobile phone today is a GSM 1800. Nobody calls me at home. They always call me at the

GSM 900 because they reach me there and so I wonder, why shouldn't it be like that for everybody, that they have their GSM 900 or GSM 1800 phone? So what I see also from among our friends, that happens, and I think we get the personal phone and do not necessarily need the fixed line for the normal phones. What fixed line business will go into, I think, is more for types of video distribution and that kind of services.

MR. MICHAEL ANDERSEN: Marius, you had a follow-up question.

MR. DENIS O'BRIEN: Can I just ask, have we answered that question for you? Because it was a bloody tough question.

MR. MICHAEL ANDERSEN: Okay, I'll return to it once Marius has had a chance to pose another question.

MR. MARIUS JACOBSON: It has been, as with development, that you started with analogue and that was the first generation. Immediately when you have introduced the analogue, you started the development of GSM and now GSM is implemented and now we have started the next development of Phase 3 or Generation 3 and that's universal system. And my question there is, because I am just like you, it's very difficult to predict, but where do you see GSM ODCS 1800 because it could be a point of the UMTS or FPLMTS, what you call it, and then you only need a satellite component in your cellular system. It is also set by the Leo

operators that they have found out that their terminals should be there should be a hybrid one where they have, or it could be radium and at the same time they have the actual cellular system and then in fact you have a universal system.

MR. DENIS O'BRIEN: I think you are also making the point in terms of manufacturers because the EU is particularly interested in the manufacturers getting involved in putting these low or built satellites in place.

MR. MARIUS JACOBSON: So therefore I see there has been a lot of investment in Europe and I but yes, that is also my question too. Do you see GSM as the, *sway, grounds or earth component of the universal system? Because there has been such a lot of investment and it will be very it will be so expensive to build-up a brand new system again. Thank you.

MR. JAN EDVARD THYGESEN: I thought that was part of my reply because I said why shouldn't everybody have a GSM phone in their pocket based on either the GSM 900 or GSM 1800 because 1800 is only GSM on another frequency. So it would be a part, a very important complement of a universal service in the future, I think.

MR. MICHAEL ANDERSEN: I am not entirely familiar with the Irish Business environment at all, but the reason

why I would like to combine question number 9 and question number 1 was that one could imagine that once the full liberalisation is in place, then you had some new business opportunities as you have a consortium comprising two different operators, one with fixed networking experience and the other bringing some mobile experience to the party. So for that reason, I was interested in getting to know whether you had looked into this future convergence issue also in the light of your combined fixed mobile combination?

MR. JAN EDVARD THYGESEN: Yeah, of course there will be lots of new more innovative services that may be a benefit also to the users, but for the operators, of course the liberalisation. I didn't go through all the points we have listed here, we just dwelt on the DCS 1800 but of course all the other aspects of liberalisation like the long distance national operations, special band services, the international gateway operations, the direct connections to DTPLBX, they are all to the benefit of the GSM operators so we there will be big pluses on those. Of course we will pursue the opportunities we see in this market and having Esat Telecom as one of the partners is an excellent opportunity to really develop one of the businesses in an integrated manner when the market is liberalised.

MR. BARRY MALONEY: Maybe if I could just add. I

think the other issue is the amount of work and focus that's been put in to get this business going. We have been very focused on that discussion as opposed to strategically how can we take the business forward in the next five years plus? But it is this obvious thing to get into should we be granted in terms of where and how could we develop these strategies?

MR. DENIS O'BRIEN: I have a further point in terms of local loop in terms of getting, you know, in terms of that opening up in terms of delivering our calls. We don't see much of an advantage there because if you look at cable here, two thirds of all cable homes are dominated by one company which is tied to Telecom Eireann and then you have another provider, another two or three providers but they are small providers based really in Limerick and Cork. So we don't see much benefits really going in other words, to get to cheaper local loop prices and this is totally unlike what the experience is like in the UK because we know from our other business that, you know, we have people coming to you everyday saying we will take your traffic and deliver it in the UK for a lot cheaper than we have at the moment.

MR. BRENNAN: Thank you, Denis. Yes, I think while we have to look a little into the future, and 2000 is not very far away, we have now spent enough time on futurology. We should probably move onto the third

part of our agenda and it is our practice for the third part of the agenda to hand over the control of the meeting largely to Michael Andersen and let him drive it from here forward. I will only interject when I can't resist the urge.

MR. MICHAEL ANDERSEN: Thank you, Martin. Well, this part of the section will be structured in different sections really which partly corresponds to the way in which you have submitted your application. So we will move ahead with some questions under a different heading and I will try to convey to you whenever we are switching from one topic, from one heading to another heading. I'll just briefly provide an overview of the different headings we have.

One is general business case questions: that comes across all aspects of business cases mainly.

Then we will move on to marketing like questions.

The next part then will deal with financial questions.

Then we'll take some questions that are management like and partly connected to financial aspects. And last but not least, we will deal with some technical questions.

And there is, as Martin Brennan said earlier this afternoon, you are welcome to take some time to discuss internally among your team members before you answer the questions.

The first question is general though, and it has its

basis in the fact that Eircell, the incumbent, is already in commercial operation with TEX 900 and the GSM one network. Taking that into consideration, they have of course some, we could call them first mover advantages and first mover disadvantages. Well, as a potential licensee within the area of GSM two, you will also, in case you get the licence, have some disadvantages and some advantages as the potential second mover. What we now would like you to respond to is to how you see your second mover advantages in the Irish market.

MR. DENIS O'BRIEN: Okay. I'll deal generally with this point and then, you know, the team will also come in. I think, first of all, because this is such a critical question, do you mind if we just have a quick session together for one moment.

I think we really hold the positives, in our view. Because first of all, what we know of the market is that people are not necessarily used to a very high quality network at this time. So we are going to enter the market with 80 percent of the population already covered and we think we'll even exceed that, so straight away, anybody who becomes a customer of Esat Digifone, when they use the network, they will see that we will have a very high quality network in place.

We also think that we will very, very quickly begin,

even though Eircell have rapidly increased the number of cell sites and filled a lot of holes, there are still a lot of holes so we think that within a year we will be on an equal footing with them in terms of bill to bill, and the same quality network if not a far greater quality network because of what we described to you in terms of our policy of filling in the holes and having a continuous service throughout the country. So that's a big advantage and we think that is the only way to enter the market.

If we decided to go into Dublin or the east coast or whatever, I don't think that would wash with the consumer because they can go and buy Eircell services and get a much greater coverage straight away. So straight away that's been our fundamental and we have decided to take advantage in the time process because there has been a hell of an hiatus between when the licence was first discussed so we have used that time to try and close the gap on Telecom Eireann quickly so that's the major competitive advantage.

The whole area of customer service in this country, apart from one or two examples like Superquinn and maybe Esat Telecom and some other major people who have made reputations in the service area, we think that that's going to be very important. If you ring Eircell at the weekend you can't get any customer service. We'll have 24 hour service. So we think

that because we are going to really treat the customer properly and make, of course, our proposition very, very simple, and that's why we have used the brand name 'Digifone' phone. We haven't mentioned GSM because we don't want to make it complicated for the customer. We believe that we are marketing a mobile telephone service and we want that to be synonymous with the brand name Digifone.

So those are three critical factors you touched on and obviously you know quite rightly about distributors maybe deserting us if there is a price war. Now, yes, that could happen, but I think from, you know, the Telenor experience and we are highly dependent on them because their mobile experience in this particular area is that the distribution, we believe, is going to be important and that's why such an emphasis is on it in terms of phasing it in rather than trying to do all things all in one go. And the training of those distributors in our product, in the understanding of those products will be, you know, at convenient times and will not be rushed so that we can really colonise the distributors to become believers in selling the products.

So those are the four areas and of course pricing is the thing that's going to underpin everything because we are 25 to 30 percent lower than Eircell at the moment. But I think as the market this is going to

be a very, very competitive battle and I think if Eircell drop their rates down by 40 percent, well then we have to go in and obviously match them.

MR. MICHAEL ANDERSEN: Okay. Thank you, this answer leads me forward to a follow-up question and the follow-up question deals with what type of strategy you want to pursue. I mean, there are several types of strategies. You could opt for a strategy as a differentiator. You could opt for cost leadership strategy. You could opt for a nearby strategy in principle and you could also opt for market leadership, just to mention let's say four different types of strategy. A fifth type would be a follower type of strategy. We'll reject that immediately.

What we can see from your application, and now I am trying to do a little bit of interpretation, is that you do not opt for the strategy labelled "market leadership" in a sense that viewed in a quantitative sense, you will only reach 49 percent of the GSM market in the year 2009 in the far end of your business projections. So my question really will be simple to answer with just a few words, if you could tell us which strategy you are opting for, which strategy you are pursuing of the strategies I mentioned. If you should pick and choose just one strategy and not say you'll do everything.

MR. DENIS O'BRIEN: Barry Maloney.

MR. BARRY MALONEY: You will notice in the presentation of how, I call it go to market, what's your "go to market" strategy in terms of where you want to get to? And what we try to do is balance it between what's practical to have in place at the time that the GSM licence and at the time of launch and there we have stated we want to be very focused on the existing GSM channel in terms of the Eircell agents and also in terms of large accounts. We already have relationships established through Esat. The timing from there, as far as we are concerned, is as quick as we can get to mass distribution. That's where we want to get to.

Now, in putting together a robust Business Plan and making sure we have a responsible plan, you have to temper that with enough conservatism to make sure we can meet the responsibilities we have to the funders of this project and to the return we have.

The point I want to make is that we move off those steps driven by how quickly the market develops and what we can do to instill it and grow it and that was the marketing piece we want to put behind it. So I would say our strategy is mass distribution as quick as we can get there. What we didn't want to do is say we can go from zero to 80 percent market share in that time frame because that is the piece of reasonableness and robustness in terms of what the Business Plan can

take to date.

MR. DENIS O'BRIEN: It's the case when you look at other markets around the world, its most unusual to see the new operator come in and take more than 50 percent share. It's, you know, we don't want to be blue skying it but we won't we'll be doing everything to get over that threshold.

MR. BARRY MALONEY: The other point I'd like to make, you might have remembered some of the comparisons I made about our marketing budget and how it relates to a market of this size. We will be very, very aggressive in growing the total market. It will have the impact for both operators and we will be trying to take as much market share as we can possibly get.

MR. DENIS O'BRIEN: There is one strategy that's maybe not described but maybe is fairly evident is that there is a certain amount of flair and thought gone into this in terms of branding and everything. So we would see how ourselves as innovators in the sense that it won't be the normal sort of telecom stuff that is fired at the consumer; that we think that we can develop the market much better using this kind of flair and knowledge of consumer markets in Ireland to be a real advantage.

MR. BARRY MALONEY: Some of the examples that we have shared with you we have shared with our potential distribution partners and said, do you know, what do

you think this will do in terms of stimulating demand in the market? The excitement with this type of consumer approach is incredible. The issue is always now how can you take that and match to a business plan that's doable, realistic and meets the responsibilities that we have in total?

MR. MARIUS JACOBSON: I appreciate the answer so far, but I would appreciate even more if we can make it as a first choice. I mean, if you have to answer just with picking and choosing one strategy label, whether it be cost leadership, market leadership, strategy as a differentiator or a follower type of strategy, which strategy is the underlying philosophy of your business case?

MR. DENIS O'BRIEN: Market leader.

MR. JAN EDVARD THYGESEN: But I should also mention that a differentiator from the beginning will be the quality of the network, of the service. As I told you, we have a basic philosophy of establishing a no hole network, no hole network.

MR. JARVE JOHANNSON: And I would like to add as well, it's impossible in this market place to establish cost leadership over time in a duopoly. It's absolutely impossible, so we have to differentiate and we will do that based on the image, the brand image, the customer service, the quality of the network and the promotion of all of this. So all in all, it's going to be a

market issue.

MR. MICHAEL ANDERSEN: Okay. Thank you. I think we'll move to the next section of questions then under the heading of "marketing". And I will pose some of the questions and my colleagues will then come in from time to time.

In the marketing part of your business case, you are dealing with the notion of an S curve assumption and you use the wording "market ceiling" in your marketing part of the business case. How is that to be understood? I mean, do you then see that you reach a kind of a ceiling in the year 2009 or how is it to be understood?

MR. DENIS O'BRIEN: Do you mind if we take time on this question?

MR. MICHAEL ANDERSEN: No.

MR. DENIS O'BRIEN: Thanks.

MR. DENIS O'BRIEN: Sorry, Per Simmonson.

MR. PER SIMMONSON: Basically the methodology has been applied for determining first, the total market or the * and secondly, the market share is based on a computer modelling programme developed and used extensively in different European markets and I am not quite sure if you really want to get into detail in how it's been applied, but the ceiling is basically based on macro economic assumptions of working population, total population, and a few other economic

criteria which leads to what we believe or what we know today will be the ceiling. But I mean, that ends up with a penetration of 23 percent in year 2005. The problem with all market forecasting is when you base it on the past, you will need to adjust it and if you look at all market forecasts for mobile communications, they will have been revised almost every year because of that. So this is what we feel is the most solid material we can use in order to find a ceiling and to find a share in the total addressable market. So the ceiling is to be understood as the total addressable market as we see it at the moment.

MR. DENIS O'BRIEN: This was one of the most difficult areas for us, to be honest with you.

MR. MICHAEL ANDERSEN: Is that understood, that it is a moving ceiling?

MR. PER SIMMONSON: The ceiling as we know it now.

MR. MICHAEL ANDERSEN: Okay. The next question is partly answered or reference has been made to it earlier. It's concerning your billing in 10 seconds increment, the non per second billing basically and the 30 second units as an initial charge. How do you see the marketing of these charges or these metering principles really? Are they easy to market?

MR. DENIS O'BRIEN: My initial answer to that is yes, because of our own experience in Esat Telecom where we charge people by the second and we find it a big

advantage, and also is a very good way for pricing as well to be developed. Per will develop what our business case actually explanation on this issue.

MR. PER SIMMONSON: I understood your question to ask how we market the initial

MR. MICHAEL ANDERSEN: How you market an untimed through metering principle both the 10 seconds and the 30 seconds and the reason some of the background to this question is that Esat has heavily criticised the non time through metering principles in the fixed network in this country.

MR. PER SIMMONSON: First of all, I would just like to say that it's our very strong intention to move to the per second metre or the per second metering and billing and we see the obvious marketing advantages of that, both given what Esat Telecom is doing today and both in terms of communication to the general public. If you want me to elaborate on how we market the other time, I would actually like to discuss it before we answer that part of the question.

MR. MICHAEL ANDERSEN: I think we can leave it as it is, but I heard something in the previous session that, or part of your presentation like you would be willing to discuss this metering principles during potential licence negotiations. Could you elaborate a little bit on that?

MR. DENIS O'BRIEN: In our business case we have

billing by the one second. In other words, our financial projections are worked that way but in terms of our offering, we are not offering that initially.

So there is a difference and what we are happy to do is make it a condition of the licence that we would make it straight away billing by one second.

MR. MICHAEL ANDERSEN: Yes, but what about the 30 seconds then? Does that also apply?

MR. DENIS O'BRIEN: In that case it wouldn't apply.

MR. MICHAEL ANDERSEN: Okay. We'll move to the next question

MR. MARTIN BRENNAN: Sorry, Michael, as Chairman of this group I want to fully understand what I am hearing about this. Am I now hearing a new proposal going from 30 and 10 to per second billing from launch or are you simply saying that you are willing to lock into a licence condition committing you to go to per second billing at a future date and if so, what date?

I'd just like to know exactly what I am hearing.

MR. DENIS O'BRIEN: Okay. Because I think we are a bit confused as well. Can we just take a minute.

Okay?

What we are saying is that we believe that it wouldn't be prudent initially to go to one second billing straight away, in other words on launch. But that we are happy to make it a licence condition that we would, within twelve months, go to a per second

billing, so I hope that clarifies does that answer

the question?

MR. MICHAEL ANDERSEN: It does only partly answer the question because one thing is the metering principle and we fully understand that now, that within you will accept to be bound in potential licence to switch to per second billing within twelve months.

MR. DENIS O'BRIEN: But we also, I should say, will have a billing system capable of doing that. I mean we have talked the thing through.

MR. MICHAEL ANDERSEN: That's not disputed because you write that in the application. But what about the 30 seconds then which is a call, a type of call setup charge?

MR. DENIS O'BRIEN: We need just a second, okay? When we go to the per second billing which would drop that 30 second limit. So in other words, within the twelve month period that we agree, if we are fortunate enough to get this licence, whenever we move in, the licence condition to a one second billing, we would then drop that 30 second.

MR. MICHAEL ANDERSEN: Okay. We will move on then. Unless, Sean, did you have any questions for clarification here? Okay.

The next question is dealing with the fact that you have stated in your application that you would like to have the right or you assume you have the right to fix

the tariffs for incoming calls. Can you elaborate a little bit on that?

MR. DENIS O'BRIEN: Per Simmonson.

MR. PER SIMMONSON: Can you please make it a bit more precise reference please?

MR. MARTIN BRENNAN: I think I have the reference fairly convenient. It's in your financial volume actually, we are raising it go now because it fits with the other questions. It's 2.5 on page 8 in fact of your financial volume where you say: "It is also anticipated that Esat Digifone will have the right to set its own tariffs on incoming calls." And we are baffled by that. We really don't know what you mean.

MR. PER SIMMONSON: Can we have a little time on this please?

MR. DENIS O'BRIEN: Arve will answer. It's simple enough.

MR. JARVE JOHANNSON: Yeah, I think that's fairly simple but maybe Jan Edvard will do it for me because I believe the answer is obvious. Because on the incoming call we would like to be the entity deciding how much we will take for completing this call basically because it's completed in our network.

MR. JAN EDVARD THYGESEN: May I try also to give some explanation? We see it always a problem when you start to discuss interconnection and I think it's a learning process from the players in this market.

What we have seen that has evolved in this market is that regarding interconnection, during time it is established a solution where each player takes his part of transport of the network and the part are generating the calls put them, all transport parts into his metering so to say and transfer the money, and that's why this, how this should be understood.

Was it clear?

MR. MARTIN BRENNAN: I think it's partly clear. It seems like it's part of your strategy for future interjection negotiations but you then seem to have in this page two different assumptions in relation to the same subject. One is, that you assume that the 8.8 will go up to 14.7 by 1997 and you make a separate statement then about assuming that you'll have the right to set your own tariffs on the delivery to you of incoming calls. Which one are we to take or do you not see them necessarily being in conflict?

MR. DENIS O'BRIEN: We'll just look at that page for a minute because we are trying to deal with it in the abstract.

MR. MARTIN BRENNAN: You could perhaps press on to another question while you are considering it if you like.

MR. DENIS O'BRIEN: Will you give us an easy question then?.

MR. MICHAEL ANDERSEN: Yes, we will indeed. In your

marketing section, page 46, you outline some discounts from 5 to 10 percent. You write more specifically that "the discount plan will provide discounts of between 5 to 15 percent of the normal monthly rentals and air time rates depending on the number of subscriptions and the monthly volume of air time."

We have difficulty with combining this with the tariffing of your package plans so we would like to know, is this a discount? Is that already taken into account or will it be implemented in the future, maybe as a binding part of the licence condition?

MR. BARRY MALONEY: The intention behind that was to allow for the reality in terms of we are dealing with large accounts, big companies, we are going to have multiple users in various cost centres with one to one users all over the country. The reality is those people are used to getting quantity discounts and quantity breaks so really that is a statement saying we understand this to be a business practice that we will need to be able to respond to in terms of dealing with our large accounts.

MR. MICHAEL ANDERSEN: Okay. That's clearly understood. Maybe I should word my question a bit differently then. Is this an aspiration or is it a commitment?

MR. DENIS O'BRIEN: I think it's a commitment and it would be our view that it's a commitment and a

reality. I mean we have already spoken to very big users and they have all said, listen like, for example, we have been talking to the Bank of Ireland, you know, they have said "can you give us some sort of a scheme?"

MR. BARRY MALONEY: A volume discount.

MR. DENIS O'BRIEN: A volume discount. So if you want to bind us in the licence on this particular initiative, we would be happy to meet that condition.

MR. MICHAEL ANDERSEN: The problem for us then is that you stated in, I will not say a weakly way because that's slightly negative, but you worded a little bit unprecise because you write from 5 to 15 percent depending on, and then a number of conditions. So it's a little bit intransparent for us, if I may use that phrase.

MR. DENIS O'BRIEN: It wasn't designed that way I can say. The range is 5 to 15 percent. I think if somebody came to us and said "listen, we want to buy service for ten phones," they would get a different price to somebody who may have maybe 50 to 100 phones.

So I think we need to have flexibility in the business case to follow that through and maybe it is a bit vague for you, but it's not really by design. It's just we don't know yet what the market is going to tell us. Are you looking to see whether this is going to be a fair and open discount?

MR. MICHAEL ANDERSEN: Yes, in a sense that we would like to read something which is as precise and transparent as possible and what we can see is what should I call a bracket and some conditions that

MR. DENIS O'BRIEN: I think just to, obviously from your point of view and the Department's point of view, if you wanted to make that, tie it into the licence, it's just that we actually can't predict the scale of you know, how, you know, whether these volumes, we'll have to do them or not.

MR. MICHAEL ANDERSEN: Okay. So your answer is that it is meant in binding or committing way but you can not specify it more at this stage.

MR. DENIS O'BRIEN: That would be absolutely correct. Thank you.

MR. BARRY MALONEY: However, what we could offer is if you wanted us to come back with some kind of a written response to that more particular, we'd be happy to do that.

MR. MICHAEL ANDERSEN: No, we don't want that at this stage. Well, you now have the possibility to return to the previous question.

MR. PER SIMMONSON: Okay. I can see it now when I read it now there is a small conflict between those two paragraphs. I think it's basically ring twisting. I think there is too many Norwegians writing it, but the first one, the first of the two paragraphs we were

referring to our basic view and if we change the wording in the second paragraph to, "we will have the Esat Digifone will have the right to set its own interconnection fee on incoming calls." Would that solve the problem for you?

MR. MICHAEL ANDERSEN: I don't fully understand. What will you change?

MR. PER SIMMONSON: If you go to the revenue per minutes on page 8, and the second paragraph, or the second section under 'revenue per minute': "It is also anticipated that Esat Digifone will have the right to set its own interconnection fee" meaning that the part their own part of the network.

MR. MICHAEL ANDERSEN: So you change 'tariffs' to 'interconnection accounting rate' or something like that.

MR. DENIS O'BRIEN: That would be in consultation with the Regulator.

MR. MICHAEL ANDERSEN: That's understood then, okay.

We will now move to another question within the marketing part and that's a question concerning roaming. As you know, roaming is specifically mentioned in the RFP document and my colleague John *Bruel has a question.

MR. *JOHN BRUEL: You have mentioned in your proposals three different categories of countries where you have priorities, first priority, second priority and the

third priority for roaming. But as we read the proposal, you don't come with any commitments or clear statements about roaming agreements which you expect to have in place or commit to have in place at launch.

Is that properly understood?

MR. DENIS O'BRIEN: Hans?

MR. HANS MYHRE: I don't remember exactly the wording we had, but our aim is to have as many roaming agreements available, or agreed, signed and operational at the time of launch. The reason for putting up the categories is that we might get some problems in the timing of them, because I have worked with roaming agreements for some years earlier and for the time being it seems to be a piece of cake when you are, say when you are in business, but it is always start-up problems and our aim is to sign, as I said, both the category or the first level of priority, the second level of priority at the time of launch. It's very difficult to say or to guarantee that you will have all of them available at the time of launch. But we are that's why we put up the priority list.

MR. DENIS O'BRIEN: The priority really would be within Europe but really nobody wants to talk in that level of detail until they know who the licence holder is.

MR. HANS MYHRE: I will just add that we have a lot of confidence or a lot of experience writing roaming

agreements but we also know, as I said, that it might be some sort of insecurity in the * because we are depending on the other part.

MR. DENIS O'BRIEN: I mean, all we can do is really confirm that is one thing that is high up on the agenda and we see that as a critical part of our proposition to our customers to offer them roaming.

MR. BARRY MALONEY: And you will also notice that we have it included as a part of our service package.

The issue we have is, until we have the licence nobody will sit down and talk to us and negotiate with us on a serious basis so it's a chicken and egg situation.

They say as soon as you get the licence come back and we can make progress. While you have no licence, we really don't have the time to deal with this.

MR. DENIS O'BRIEN: But we'll be leveraging off Telenor's existing relationships.

MR. HANS MYHRE: I think that no one can commit themselves to say that the roaming agreements from that and that operator is available at a certain time.

I have been in this business with the roaming for the last fifteen years, in fact since 1982, that is thirteen years, and it is depending on the other part.

I have been fighting with Poland NMP network for three years. We haven't made it yet.

MR. MARTIN BRENNAN: I would just like to interject in the first instance, we are a bit into the last half

hour. That's just an indication to everybody where we are, but just briefly to stay with the roaming question. In your indication in one of your charts today of services included in the monthly rental charge, you include international roaming. Does that I don't fully understand what that means. It's hardly that you are giving free international roaming.

MR. DENIS O'BRIEN: No. It means by the time of launch we are committed to having the roaming agreements in place, is that if somebody is paying a charge for having that one particular service, that it's there for them.

MR. HANS MYHRE: Maybe I can add. The reason why international roaming was put on that chart was that I have experienced that some operators put an additional charge for the possibility to have international roaming and we have never ever had that philosophy in Telenor or in the Nordic countries at all so it just means that we have the access to international roaming free of charge.

MR. BARRY MALONEY: As part of the package, as part of the standard package is the key issue. It's not a separate charge line item.

MR. MICHAEL ANDERSEN: I would just like to develop a bit on it because I don't have full understanding because you say you leverage off Telenor, does that mean that in the interim period while you haven't

established your own agreements, roaming agreements, then subscribers will still be able to roam through Telenor? What do you mean by that?

MR. HANS MYHRE: No. What I mean, I am sorry for being a little bit unclear in how I mean it. What I am saying is that we are using the expertise of Telenor personnel for the handling of the roaming matters. So both for the roaming agreement, for the technical discussions and for the negotiations, everything regarding that. But it is a one to one relation. You have to establish a roaming agreement between Esat Digifone and all the other operators and you have to both have the agreement, you must have all the technical matters with them and that takes time.

MR. BARRY MALONEY: The other point I think is important to make because Telenor have been in this for so long and they have the relationships established, when it comes to negotiating for Esat Digifone, we want the people who have been doing this to leave the charge here to get us up the priority list quicker but the fundamental issue is until we have the licence, nobody is interested in talking to us because they all have other priorities.

MR. HANS MYHRE: Maybe I can add, that there is four countries for the time being who is a world leading of roaming agreements and these four countries are, well, north of what do you say, the Danish border towards

Germany. It is in fact the four Telecom mobile operators in the Nordic countries, we have okay, except for Iceland. So we are in fact we have that experience. That is the reason for this statement.

Thanks.

MR. MICHAEL ANDERSEN: Okay. I think given the time we have allocated to the remaining questions, I will leave out some questions concerning value added services and distribution etc. and then move to financial, some financial questions we have. Is that okay, Chairman?

So now you will have a financial question if that's okay. And it is on solvency and we have remarked that in your business case or in your application, you are presenting yourself as having a solvency degree less than zero percent for three years and we would like you to elaborate on that.

MR. DENIS O'BRIEN: You mean to say we are going to be making losses in the first three years?

MR. PETER O'DONOGHUE: You see, you look at the Business Plan, you see that we have actually negative capital for a period of about three years and so what we have looked at, this is an operation and how it can be funded and it's funded through equity and through debt finance and that's from a business plan point of view and we are quite confident that this type of business can carry that ratio of debt to equity. Now

that's on a business plan point of view.

On the other hand, if you look at it from statutory point of view, because it's illegal to have an insolvent company trading, so we would see this as a technical issue. What we would technically from a statutory point of view in complying with Irish Company Law, what we would do in this situation, we would receive parent company guarantees to support the Esat Digifone over this period of time which would satisfy the legal requirements here in Ireland so that the, any liabilities undertaken by Esat Digifone would be underwritten by Telenor and Communicorp. So if that required a quasi injection of capital or a capital to be put in a separate account, we'd be willing to do that.

So really in our Business Plan, we have looked at, from a point of view of just a commercial entity, how much debt and how much equity we have to put in but from a statutory point of view, we would put procedures in place to ensure that we are not breaking the law.

MR. ARVE JOHANNSON: I would like to say that it's pretty certain that we can finance this on a project finance basis on the equity debt ratio 40 to 60 so the question is more of a technical nature regarding the company law.

MR. BILLY RIORDAN: You are saying that operationally

you can actually get over this hurdle but technically you are going to have to take steps to regress the balance so it will never be that way.

MR. PETER O'DONOGHUE: Exactly.

MR. MICHAEL ANDERSEN: So, okay, you have assurances that you will not go bankrupt. Thank you for that.

We will now move on to the next question which is a combined financial and management question and it will be posed by Billy Riordan from the Department of Finance.

MR. BILLY RIORDAN: Sorry, this question relates really to the letters of financial support and particularly the ones from Advent. Advent, in that letter, say that they have invested $\text{€}10$ million for 25 percent of the company and then at some stage in the proposal it says that they have $\text{€}19.5$ million invested for 34 percent. I just want to clarify, have they, in the interim, invested an extra $\text{€}9.5$ million for the extra 9 percent equity?

MR. DENIS O'BRIEN: They have invested a total of $\text{€}19,500,000$ since last October, which is completely apart from this new investment which will come and is guaranteed if we receive this licence.

MR. BILLY RIORDAN: Okay. The reason that was throwing me off was the letter said something different. This was a letter that was addressed to Martin on the 10th July. And it says that certainly

the funds managed by Advent International invested a total approximately $\text{€}10$ million in Communicorp and it leaves it the at that. They are committed to investing an extra $\text{€}9.5$ million.

MR. DENIS O'BRIEN: They have actually done it.

MR. BILLY RIORDAN: That's the clarification I was looking for really.

Then really a follow-on from that was that Advent have said they are providing up to $\text{€}30$ million to Communicorp.

MR. DENIS O'BRIEN: 30 million, I think it's pounds.

MR. BILLY RIORDAN: Sorry, you are right, IR $\text{€}30$ million. I am wondering in what form will that funding be put into Communicorp? Will it be loans or will it be equity?

MR. DENIS O'BRIEN: It will be equity. That's what we have negotiated on. So in other words, at the moment, Advent will probably go up to about 47, 48 percent if we win this licence. So the business will be, remain Irish controlled.

There is also a second thing and that is that there is a three to one voting ratio to the Irish investors.

MR. BILLY RIORDAN: So every one of their shares is worth three of yours

MR. DENIS O'BRIEN: No. In fact the Irish content, we have three times their votes. It's a three to one so and that really protects the Irish content and that

has been there from the very, very beginning of the relationship with Advent.

MR. MARTIN BRENNAN: I'd just like to ask, in the sense of Advent having 47 percent of Communicorp and if I remember correctly also one of the institutional investors for the 20 percent. That still doesn't give them anything like leverage.

MR. DENIS O'BRIEN: No, absolutely not. Because that's one of the things that we have raised the finance on. In other words, like as in Irish indigenous companies, you can not raise that kind of capital in this country. It's extremely difficult unless you go to the public markets. So we have raised it privately and indeed all of the money has come from European pension funds. So what we have tried to do all along, and it's been our goal, is that the company would remain Irish and that's the reason why, you know, we have insisted on these voting requirements for the Irish investors, that they have three times the number of votes Advent have. It's also likely that the Irish institutions will probably go into a vehicle together just for simplicity that there would be that 20 percent block so the Irish institutions again would control that block effectively in terms of equity terms.

I don't know whether we mentioned this in the presentation, but it is our aim to drop down to 32

percent, in other words, to share the ownership through a capital markets entry here in the country now. We are not saying that we are going to do that immediately because it's totally unfeasible to believe we'd do it immediately, but we have an agreement with the institutions whereby they would assist in marketing, taking in the shares in Dublin and I think that's a tremendous advantage to our proposal.

MR. BILLY RIORDAN: When you say dropping to 32 percent, who is dropping?

MR. DENIS O'BRIEN: In other words, Telenor AS would be dropping down to 32, so they would lose 8 percent.

Communicorp would lose 8 percent as well. That would mean that the Irish investors, institutional investors and the public would go up to, I think it's 31. So, you know, you have even a greater Irish content going forward. Sorry, it's 6 percent.

MR. BILLY RIORDAN: You will drop each of your interests by 6 percent, to 34 percent? Very magnanimous of you. So basically Advent essentially ends up with roughly 20 percent of the licence if you take the 5 ballpark percent that they have through their

MR. DENIS O'BRIEN: Yeah, 20 will be right.

MR. BILLY RIORDAN: Plus the 47 percent.

MR. DENIS O'BRIEN: As I stress, the main thing from our point of view is that the company maintains is

an Irish company. Okay.

MR. MICHAEL ANDERSEN I'd just like you to repeat for me the Advent's interest in Communicorp. You say that is going to be up to, was it 47 percent voting power wise or

MR. DENIS O'BRIEN: Equity. It's going to be up to 47 percent equity but in terms of voting, the other 53 percent has three times the votes of Advent. So we, you know, the Irish shareholders in Communicorp will always have control of Communicorp.

MR. MICHAEL ANDERSEN: Okay. But that also means that if you have what they have right now up to 46 and that escalates up to $\frac{1}{2}$ 30 million, then you have to have some other capital in from some other side as far as I can see.

MR. DENIS O'BRIEN: No, no, because the full capital requirement for the investment is initially 21.6, I think it is, plus a line up to 30, so they have said day one, they are guaranteeing $\frac{1}{2}$ 30 million.

MR. BILLY RIORDAN: So you have a little bit of fat in that. You have, in fact, from the point of view you have about $\frac{1}{2}$ 8,500,000 of fat in that particular commitment.

MR. DENIS O'BRIEN: Yes, but it's an irrevocable commitment of fat, if you know what I mean.

MR. BILLY RIORDAN: I used the term first.

*SPEAKER: Sorry, just one question on that, Denis, do

I understand there is already an agreement in place

between Communicorp and Advent on that?

MR. DENIS O'BRIEN: Yes.

MR. MARTIN BRENNAN: That is not the same as the

letter of the commitment we have seen in the

application?

MR. DENIS O'BRIEN: Well, we thought that you'd want

to hear that directly from Advent, hence they wrote

you a letter to say that.

MR. MICHAEL ANDERSEN: Okay. I think that that's all

for the financial part, okay.

Then we will move on with some questions under the

technical heading and due to the lack of time, I will

give the word to you John so that the technology

division has the chance to come forward with some

questions now.

MR. *JOHN McQUAID/BREEN: Thank you. Yes, I have some

questions on your backbone radio network. First of

all, let me preface my questions by saying that the

Department has decided not to initiate discussions on

the detailed assignment of radio frequencies for the

fixed links until after the licence has been awarded.

You will appreciate the difficulty we would have if we

were having detailed technical discussions with the,

up to six bidders.:

MR. DENIS O'BRIEN: On/off, we have a fella chasing

you or chasing your officials, so it's on/off.

MR. *JOHN McQUAID/BREEN: You can take it though that we are doing preparatory work and that we will be geared up the day after the licence is awarded.

MR. DENIS O'BRIEN: Okay.

*MR. JOHN McQUAID/BREEN: Now, the first question I have is relating to spectrum below 20 gigahertz and I note your comment on the bottom of page 33 which you may wish to refer to. In the event of the Department being unable to provide links in the frequency bands below 20 gigahertz, how will this impact on your radio network plan? And that would be a worse case scenario. And I note you say on the bottom of page 33 that frequency licences in the lower frequency bands below 11 gigahertz will be obtained promptly. That that's one of your basic assumptions.

MR. HANS MYHRE: Thank you, I have to admit that I have been never been a frequency expert nor a transmission expert so I don't know all the details about this, the backbone network and the frequency discussions, so I don't, please apologise if I can't answer in detail and I can go to my colleagues and get the more appropriate answer later.

I have to say I have to discuss it on a more general level, in the initial, at least. We have made a backbone network or we have decided the backbone network assuming some frequency bands and when you go into the details, we need to know more exactly which

frequency band and our intention was to go, as Denis mentioned here, go into discussions with you to have at least, you know, in which part of the frequency band we, or which frequency bands which we could expect to get access to when you are talking about the backbone network because that has an impact on the ordering of the backbone network and we are just now in the progress of, we just sent out in fact last week an invitation for preselection of these type of suppliers but we haven't gone into detail on that yet, but we will, and I have to apologise, Denis, we need to go into some rough discussions with you rather quickly to have, to be able to get some views on these frequency bands we can expect for the future. But we will not go into the details, that will be very difficult for you to see six bidders coming and knocking on your door and well, trying to get their piece of the cake.

MR. JOHN McQUAID/BREEN: In summary perhaps we will say, and my colleague Aidan perhaps can substantiate this, that we don't envisage a problem in the bands above 15 gigahertz based on the sort of demands which we have seen from you. Certainly below 10 gigahertz spectrum utilisation is quite high and spectrum is at a premium and there is no way that we can sort of guarantee you that in every case we will be able to make radio spectrum available to you. We can not give

you what we haven't got.

MR. HANS MYHRE: I see that. I don't know if anyone

I think we take your advice into account and I will

bring it back to my colleagues.

*MR. JOHN McQUIAD/BREEN: I think we will both have to

be fairly flexible in this area.

Just to move on then to the sort of network itself.

Your own backbone network, which is fairly extensive

and which you are building from scratch yourself and

which the successful roll-out of the project will very

much depend on, how much work have you done on

planning the implementation of this network? Now we

have heard what you have done on sites, but there is

quite a bit more to it than that. You have got to

sort of agree you have got to have a detailed plan?

You have got to agree the frequencies with us. You

have got to order the equipment at the one end and you

have got to have the equipment network ready at the

other end before launch to commission all your

equipment and to system test the whole thing. So sort

of how much attention have you given to the

implementation.

MR. DENIS O'BRIEN: It was planned separately, as

such, from the sites, the cell sites. We put

particular emphasis on the backbone network. We have

18 planning permissions lodged. I think we have four

of them already back positive. I think why our guys

were trying to find out frequencies and that is because we are, you know, we are really trying to set the tender for the equipment to speed up that process because as you say, it is a really important part of the whole roll-out and in terms of getting to Phase 1 coverage quickly. I think maybe we might have to, you know, if we don't fully have the backbone network available, well then we would be looking at alternative means of connecting.

*MR. JOHN McQUAID/BREEN: And what would that be?

MR. DENIS O'BRIEN: Either try and do a deal with some of the other backbone operators in this country or else lease lines.

MR. HANS MYHRE: Maybe I can add. We have made rather extensive investigation of this staged network. We have made, as Denis said, we have identified the site. We have made a line site survey on this and we have done the basic work for the planning of the staged network. So what remains is the purchasing of this and as a part of the purchasing, we need also to know about the frequency band, at least have some views on that. As you say, it is a delivery on time and it is rather critical and well, we will work on that.

MR. MARTIN BRENNAN: We have about seven minutes left so we'd like to know can you stay on the most critical questions and the briefest answers.

*MR. JOHN McQUAID/BREEN: Okay, I have one or two more

questions as well.

You propose using an SDH based network, backbone network. We presume that that is STM 155 megabytes band that is so, that's a lot of capacity, 63 to megabyte links per 155. How do you justify your requirements for this level of capacity?

MR. HANS MYHRE: The reason for this is that we found this as the most, I don't know if I can say the most economic, but the most attractive from a time point of view and to be, to establish such a network and we would like to be independent of the roll-out network both for the transmission and for the base stations. So it is a way of being independent of what we, in commercial terms, call third parties. So we would like to build up a network and the asset is made or constructed so we have an overcapacity, we have a huge capacity in the network. We found that as the most attractive point, way of doing it especially from a time point of view and independent point of view.

*MR. JOHN McQUAID/BREEN: Can you confirm it that is a 155 megabyte SDM one or is it a sub-rate that you are using?

MR. HANS MYHRE: I can't, I am sorry, I am not an expert on this, but I will be glad to come back very quickly on that. I can make a telephone call to my colleague.

*MR. JOHN McQUAID/BREEN: It's not essential. It's

not essential.

I have just one other minor question, it's more a curious one which followed from the presentation. It was said that when, if a drop out occurs, that you will give a one minute credit. And I am just wondering how you do this and how you avoid fraud with people pouring off their terminals or screening their terminals rather than legitimately terminating the call?

MR. JAN EDVARD THYGESEN: That's handled in the billing system and you can't avoid fraud. But if you turn on the terminal, then the seeing it goes to the network and on the record going to the billing to be recognised as a dropout. If you take out the battery, for example, then you can

MR. MICHAEL ANDERSEN: Okay. Marius Jacobson has a question concerning frequency coordination.

MR. MARIUS JACOBSON: It is always a problem for frequency managers when you are in all areas and also for operators and you have, among other things, said that there is no agreement between the radio agency in London and the Department here in Ireland concerning the frequency aspects. And do you see any problems in the coordination between your system and the system in Ulster? But also you said that there will be a very very good coverage, maritime coverage, do you see any problem with the Isle of Man? Thank you.

MR. DENIS O'BRIEN: It's part of the Peace Process discussions at the moment. But in terms of the detail, Hans.

MR. HANS MYHRE: I am sorry, I don't know that much about Isle of Man, I know they have some cats without tails. But I think that the, that we have focused rather heavily the boarder towards Ulster and we have, our planning goes that we will have say less signals or channels towards Northern Ireland than we would normally have. I think that based on the experience we have seen in the Nordic countries, especially between Copenhagen and Malner, I think we are we don't have any problems on that. And we will for sure solve it.

MR. MARTIN BRENNAN: I want to say, given that this is all Ireland football weekend, we are going into injury time so there is only time for one more question.

MR. MICHAEL ANDERSEN: Okay. In fact we had more questions, but we will not manage to pose them all.

The last one then should be on service provision. You write in your application that you will not use service provision at least in the beginning. Can you elaborate a little bit on that since it has been the main trend in the European countries to penetrate markets with a low initial penetration by way of service provision and since it is strongly recommended EU solution to penetrate or to develop markets.

MR. DENIS O'BRIEN: First of all, we have an open mind on the whole area of service providers. In terms of our strategy, if it does arise, and I should say even in the last few weeks we have had a lot of interest where people have come to us and said "listen, we want to set up as a service provider," now maybe not on the formal lines as what has happened in the UK but effectively they are saying to us they want to be a service provider and I think we would have to have a very open mind on that.

We had one particular case where one company here that retails phones on a direct basis came to us, but we just felt that they weren't not necessarily well organised enough to really handle our product, but again, that they could get organised because they are talking to maybe a UK company. So we have an open mind on this question, and it really depends the level on interest in the market but we will deal with all comers very, very fair and square.

MR. MARTIN BRENNAN: Thank you very much. I have consulted with my colleagues. The time is more than up but they have no critical questions that crucially need to be addressed now. We have had, I believe, quite a good exchange. Thank you for coming along. As I think I said at the beginning, any future communications should be at our initiative rather than yours in the sense that if we need further information

we'll ask for it in writing and that's the way we'd

like to leave it.

MR. DENIS O'BRIEN: Do you think that the process, I mean, what is the process between now and when you make your decision? I know we are not communicating with you. So well sorry, we are not going to send in any further material for you to review. So...

MR. MARTIN BRENNAN: Simply we will complete the evaluation and the Minister has a political commitment to produce a result by the end of November and I can't say any more.

MR. DENIS O'BRIEN: Okay. All right. Thank you.

THE TRIBUNAL THEN ADJOURNED FOR LUNCH

THE TRIBUNAL RESUMED AS FOLLOWS AFTER LUNCH:

TAPE OF PRESENTATION OF PERSONA FOR SECOND GSM LICENCE.

CHAIRMAN (MR. MARTIN BRENNAN): I suppose just to tell you who the people are and what their respective roles are, perhaps.

Starting from the top, we have the four Andersen management team. At the far end is *Jule Fetterson, Marius Jacobson, Jan *Bruel and Michael Andersen. They are the Andersen team for this week. Here closer to me then you have Jimmy McNeill from the Department of Finance and Billy Riordan, who is also with the Department of Finance. And their respective roles are, perhaps, Billy is an accountant; on the far side

here, Fintan Touhy, who works immediately with me on this project; from our technical services Telecom Radio Technology Division, John McQuaid, who is in charge of that office, John Breen and Aidan Ryan.

Then you have Margaret, who works with me; Aid O'Callaghan, who works with Sean McMahon on the regulatory side, and Sean McMahon himself. Maeve McLoughlin will be joining us shortly when she finishes something else.

Not all of the people are directly members of the project team who will take the eventual decision, but those who are will try to be here for as much of everybody's presentation as possible. There are one or two exceptions to that where I know now, for example, that Sean McMahon has something else to do briefly at 5:00, but he will be represented continually by Aid when he is not here himself. That is the general plan.

We would welcome copies of any slides or visual material but no more than that. The purpose of this meeting is not to have revised applications or new applications, it's to have an exchange which enables us to better understand the application.

We believe that a three-hour limit on all presentations is in the interest of fair play, rather than have one having three-and-a-half and another having two-and-a-half. We have set three-hour slots

for each of the applicants - we see the presentations in three separate segments: approximately one hour for your opening presentation, approximately one hour for discussion of the written questions which were sent to you on the 5th of September and approximately one hour for a general dialogue where we may well have some other applicants' specific questions to raise.

We will try, in the interests of order, I suppose, to take the final session in the order of the volumes of the applications; in other words, starting with marketing, technical plan, management financial plan, et cetera, to have some semblance of order. You will appreciate that with two-hour slots which are fixed, there is a certain onus on the Chair to push on the discussion so that we cover all of the items, both from your point of view and from our point of view.

It's not in anybody's interest to have a situation where there are unanswered questions or untouched subjects, so I hope you will understand if I have to push on the pace now and then.

The content of the first hour, of course, is completely within your discretion. When it comes to the last hour, we will understand if you have to have slight pauses for reflection. It's not to embarrass anybody, it's not doing your, sort of, Easter orals in your Irish for the Leaving Cert, it's to enable us to understand aspects of your application.

The final thing I wanted to say, by way of introduction, is that the subject of security interception, which always arises in the telephone business, we do not regard as particularly germane to these discussions at this time. That is a subject that we will discuss in detail with the eventual winner. We don't believe it's necessary. And it would be much the same for anybody, anyway; it's not going to disturb the business case.

In general, we would prefer to avoid further contact with the applicants originating with the applicants.

If we feel it necessary to ask follow-up questions of detail at all - and we hope that this will not be the case - but if it is the case, we will aim to do so quickly and in writing, but we would like the communication to be at our initiative rather than yours for the remainder of the selection process.

With that, it's over to you to start with your presentation. Thank you.

MR. TONY BOYLE: Chairman, ladies and gentlemen, thank you very much indeed. First, perhaps just to respond in terms of how we would propose addressing the issues that you have raised. There is a folder here for everybody which gives copies of the business cards for the team plus a brief biography and then copies of the slides which we are presenting today, the slides part of our formal presentation, and in addition, some

slides which we have prepared for your questions. I recognise that you may not answer or ask all of those questions but they are in the folder and it will be available at the end. So from our standpoint, we are quite happy to take questions whenever you would like to do them. So really, I think but obviously that is something which you may make a decision on. So if I may just go up and start. Would you like is it necessary to use this for recording purposes, Chairman?

CHAIRMAN: For recording purposes. There should be one switched on; there is one on the podium as well.

MR. TONY BOYLE: Yes, I would like to talk here.

Thanks very much. Just for introduction, my name is Tony Boyle. I am Chairman of Persona Digital Telephony Limited, and I am very pleased, on behalf of the team, to have this opportunity to present to you today our proposals for becoming the second GSM operator in Ireland.

First, may I introduce the team. And representing the board of Persona we have Thomas Jarnay, John McSweeney, Hans *Kerpatra and myself. We then have Martin Keogh who is marketing director for Persona; Phil *Dowsen, financial controller; Robert *Chalam, technical manager on switching, and Paul Carney, technical manager on RF.

In addition, we are pleased that you were able to

accommodate our request to have *Ausa Ericsson, who has been in charge of production. Just in case Murphy's Law applies as you know in Ireland, Murphy's Law often does apply, but hopefully our production will be swift and, if it's not, hopefully you will then see how we cope in a contingency situation.

Persona was first conceived in September 1992 - and I say that just to emphasise how long we have been at this - but, indeed, our commitment and our experience in the mobile market goes well beyond that.

In 1969, my partner Michael McGinnley and myself joined the mobile radio business of Phillips, then called Pie, Pie Telecommunications, in Finglas here in Dublin. So we were at the forefront in developing the mobile business here in Ireland in days long before cellular, or indeed paging was just starting with two-way radio and other mobile communication systems.

In 1978, I started the Motorola operation in Ireland as a green field site to start their mobile communications business, and today they are by far the largest employer in the mobile business in Ireland.

Subsequently, as UK managing director first and then as European vice-president for Motorola, I was pleased to have played some little role in bringing that investment and commitment to Ireland.

In July '91, Sigma Wireless was formed when I returned

to Ireland, and today we are just over 150 people, specialist in the mobile business, and we export now, to over 40 countries, mobile communication products, antennas, peripherals with research development, manufacturing sales and service.

That is a little bit just by way of background.

Probably yesterday morning I broke the good news to my wife that I was working yesterday for probably the 26th weekend in the last 26 of the GSM project, but she says "well, what is going on?" I said we are just doing a little bit of a rehearsal for tomorrow. And she is a real Dub, which I am sure the locals will recognise, and Dubs have a great habit for being straight to the point and fairly simple. And she says "would you not just stand up and tell them if you want to hang wallpaper you don't hire a plumber." That was her method of explaining - simply, you know, just tell them you are experts in the business and your experience. Obviously it's a lot more complex than that, but that was her simple solution. We did practice, so we will say a little bit more than that today, and our team will.

Perhaps just a little bit about the history of

Persona. I mentioned we started in September 1992.

On October the 28th, '92, we received a study from McKinsey which he had committed into the Irish market, and I believe that is part of the supporting documents

in the bid. This was their first analysis of the market in Ireland, trying to put into perspective the European and worldwide experience and how that would apply to the Irish market.

On the 4th of December, '92, we first met with the department secretary, Mr. McDonagh, who is now in a different department, but that's how far back our discussions went in terms of trying to put forward a position on this opportunity here for Ireland.

During 1993, we went through many phases of a network design and business plan design to look at how we would see the business opportunity here in Ireland and how we would pursue that opportunity. We entered into many discussions with cell-site providers, including the Electricity Supply Board, and at the time talked to everybody who had potential landbanks in the country recognising the key importance of cell-site and cell-site locations. That was so. Throughout '93 we went through many versions and many variations on our technical plan and on our financial plan to the optimal position that we believe we have achieved today.

In July 1994 our company was formally incorporated; Persona Digital Telephony Limited was formed and in August '94 we signed an agreement with Unisource Mobile to join our consortium and, therefore, they brought with them a very broad pan European experience

and, very importantly, an experience for us of the consumer market which started to really focus our mind very closely on this as the big growth opportunity.

So that is a little bit about the history. Sorry, I should have mentioned then after the contest was announced in we had been in discussion with the electricity board since 1993, after the contest was announced, the board formerly of ESB decided to enter the contest and then went through a process and decided to join the Persona consortium. Finally, together after three years of intense work, in excess of 100 man-years' commitment to the project, which there has been, Persona Digital Telephony came together with four key entities, each contributing, in our view, significantly to the business opportunity.

If I may just talk a little bit about our strategy, and our strategy can be summarised in two words, and they are mass market. And everything we have done has been geared towards establishing a mass market for mobile communications in Ireland. We believe we have the strategy and plans in place to achieve that.

Let me just show you what we think are the four key elements of our strategy, and Martin Keogh, our marketing director, will talk in a lot more detail later. Let me just touch on those key elements. The first element we believe is coverage. Seamless (?) national coverage for hand portable we believe is an

absolute prerequisite and we have designed a system which gives extensive coverage throughout the country, and we will tell you more detail of it, and a system which is geared at hand portable and with extensive inbuilding hand portable coverage. The system which we have optimised through many iterations in our network design, and again we will tell you about how we have done that and optimised and proven that.

Also, importantly, at launch, international roaming to 45 operators in 30 countries by way of our relationship with Unisource Mobile.

Second key element of our strategy is quality. There is one common strategic theme through all of the four principles of Persona, and that is fundamental commitment to quality and customer service. The ESB is independently assessed as being the most customer-focussed of the State and semi-State organisations and consistently voted that way. Sigma Wireless, while a small indigenous Irish company, operates, in our view, to the highest international standards.

We have the Q mark for quality, we have ISO 9001, and just recently, in March of this year, we received the Taoiseach's award - the Prime Minister's award - for enterprise, and that was the national award, the best company in the country in the large medium/large manufacturing sector for enterprise, as a recognition

of our commitment to quality. So we think a very strong emphasis.

Unisource Mobile have total commitment to total quality management, in particular learning through their principles and building upon the experience of key leading operators such as *Talia.

Finally, let me mention Motorola, who have become, without question, the industry benchmark for quality and customer service. The six Sigma programme and the total customer satisfaction programmes have achieved them a reputation which is now envied and adopted by many other competitors.

So this common thread of quality and customer service which we are inheriting from our principals, we feel is the second key item which will fuel the common market or the mass market.

The third element is distribution. Again, we have to have the right product and the right offering, but, importantly, our customers will want to buy it where they want to buy it. So we have put in place a very comprehensive distribution strategy to ensure that our products and our service are available on a nationwide basis with very strongly supported, and that our customers, as I say, can buy the product precisely where they want to buy it.

We built this strategy upon independent service provision and following closely the EU recommendations

of the green paper, and we believe that this will stimulate competition and growth in the market. And ultimately, competition, growth and choice for the customer again are key factors in stimulating the mass market for mobile.

This, indeed, will lead into the fourth part of the jigsaw, which is lower prices. Our research, our market research consistently indicates that for the mass market, and indeed for Ireland, to achieve the penetration levels that happened that exist in other more developed markets, prices must come down.

We will our tariffs, which we have pitched, represent a 37 percent saving on today's tariffs, and, importantly, benchmark us with the most competitive tariffs in Europe.

The independent service provision will also ensure an aggressive competitive market for handsets and service as providers will have the opportunity to differentiate and to provide subsidies to ensure that the barrier to entry the key barriers to entry of handset price is addressed, particularly in the early years.

So these four elements together are what we believe is necessary to develop the mass market for mobile in Ireland. All our plans are built around that, and Martin Keogh, as I say, will give you full details in his presentation.

Let me just turn quickly, if I may, to the principles of Persona, because again, as I said earlier, we believe our expertise and our commitment to mobile is one of the fundamental strengths of our consortium. Sigma Wireless is the indigenous Irish mobile company. As I mentioned, we have 150 people and export to over 40 countries. We are the market leader today in the distribution of mobile products and we have a nationwide distribution system with both conventional dealers and the newer type of retail outlets selling mobile phones, pagers and other mobile communication projects solely focussed in the mobile business.

Motorola has been a strategic investor in Ireland since 1978. Today, has centred all of the European, Middle East and Africa manufacturing for mobile, radio and paging products is centred here, and they are on track to double their size in the next five years.

Their worldwide centre of excellence for GSM software engineering is based here in Cork. All systems supplied by Motorola are supplied out of Cork. We have on hand a centre of excellence here in Ireland, should Motorola be selected.

Importantly for this application - and perhaps something for which Motorola is less well-known but nonetheless has very strong credentials - Motorola today, as an operator, has 22 operating licences in 15

different countries, and has a subscriber base of 800,000 customers live today on their networks. Unisource, Unisource Mobile joined our consortium, as I said, in summer of '94, and today have, on their systems live, 3.2 million of the total customer base of 13 million customers in Europe. So that's 25 percent of the customers live today on mobile communications operate on networks of Unisource and the Unisource alliance. Clearly, a very strong qualification, and, as we see it, the leading, in our belief, the leading pan European operator as attested both by their subscribers and by Financial Times' measure of equity pops, which puts into context the number of licences and the equity held in each of those licences. And there is a further back-up slide in that if you wish, in the package. Importantly, again, for our particular vision here, have the experience of building the mass market as they have already done it, in particular in Sweden.

Final part of the equation is Electricity Supply Board. They are the national electric utility. They bring here, firstly, a reputation for customer service, as we previously said; they have the second largest Telecom infrastructure in Ireland today in place; they have a retail presence on a nationwide basis which can be of significant benefit for the product and for the service; they have existing assets

and infrastructure which can be leveraged into this, thereby ensuring a return to the Electricity Supply Board, and today they serve 1.4 million customers. So a very significant part of the equation again, four parties together believing creating what we believe is the very cohesive team which has the technical capability, which has the experience, understands the market and can accept this complex challenge.

What I would like to do now is just pass on, if I may, to Martin Keogh, our director of marketing, who would like to tell you more detail about our strategies and plans. After that, Hans Kerpatra will tell you about the finances and the overall business case, and John McSweeney will wrap up with our implementation plans. If I may pass you to Martin.

MR. MARTIN KEOGH: Unlike our Chairman, I actually bite a depth of modern technology, says he; it's bound to go wrong now.

Good afternoon, ladies and gentlemen. When I introduced myself in England I always introduce myself as Martin Keogh because I have learned over the last 18 months I am actually Martin Keogh.

You have heard about our vision, the vision that everybody shares here in Persona for achieving the mass market here in Ireland for mobile communications.

All of our plans are aimed at achieving that single objective. What I'd like to do now is elaborate those

four key elements of our strategy and show you how the plans we put in place dovetail to create a coherent hole.

The first requirement, of course, is coverage everywhere; it's the primary requirement for any mobile service in any market. But in Persona, when we put together our coverage plans, we were consciously juggling three balls at the same time. The first ball we were keeping in the air was the need to establish a breadth of coverage and to establish that breadth of coverage as quickly as possible.

The second ball we had in the air was the need to establish a certain depth of coverage or quality of coverage, and I will talk more about what I mean by that in a few moments.

And thirdly - it's a difficult ball to keep in the air - we needed to establish sufficient capacity on our network to ensure that our customers were always able to get the quality of service they required, no matter where they would be.

Before I show you in detail what our coverage strategies should be, it's worth reiterating that, throughout, we have based our design on two-watt hand-mobile service, so we are aiming to create a completely personal portable service.

For this coverage schematic shows you, if you like, our approach to the headline issue of the breadth of

coverage we can achieve, and it shows you five phases of roll-out which, of course, are not discrete phases of roll-out; we are working to achieve all five at the same time, but they recognise the prioritisation we have made in the market towards covering specific areas.

And our launch area in yellow covers the major population areas of Dublin and Cork, of course. But importantly, at launch we will also cover via roaming agreement with Cell-net coverage in the North of Ireland as well. The second phase of our roll-out is clearly linking those two areas together on the major roads between Dublin and Cork and the major corridor between Dublin and the North.

By the end of 1996 we will have achieved 75 percent population coverage, and eight months later, by the end of August of 1997, we will have achieved 93 percent population coverage, again based upon two-watt hand-portable phones.

If you consider using our service based upon eight-watt car-mounted phones, we can actually offer you 98 percent population coverage. Now, I don't think that schematic actually does the network plan justice, and what I have here is a copy of the final network planning plot that was included in the proposal, which is generated by our network planning tool, Plan It, and you can see from there, with the

signal strengths, that the whole of Ireland is very well covered, including the more rural areas of Galway and some of the more tourist areas, which we believe are equally as important to our marketing proposition as the major population areas. And that copy is in your proposal.

The second ball I mentioned we will be juggling is that of quality of coverage. And again, a rapid roll-out is all well and good, but if you don't underpin that speed of roll-out with a certain quality of coverage, then you run the risk of undermining your marketing proposition. So we have specifically not rolled out a thin and quick network; we have rolled out a considered, tailored network design. So where we have coverage, our customers will be able to use the phone everywhere. So, for example, we have targeted all major commercial areas to receive high quality inbuilding coverage. Equally, we have targeted all residential areas greater than 5,000 population to also have high quality inbuilding coverage.

Outside those areas we will offer high quality street level coverage based upon our two-watt hand-portable.

At the same time, we are conscious of needing to create sufficient capacity on a network. As I mentioned, particular areas of concern here are the centre of Dublin and, latterly, the centre of Cork,

and we have in place plans to utilise micro controls in the centre of Dublin to ensure that those customers gain the same quality of service throughout their lifetime with us as they achieve in the early days. Now, that, of course, is not an easy task, balancing those three balls, and over the past three years we have been through many iterations. Our colleagues in marketing, technical and finance have all put their viewpoints together and the result is a balance between those various requirements, and it represents a network of 196 base stations with 14 BSCs in eight locations, supported by four MSC switching centres, plus, of course, all the necessary support systems to keep the network running 24 hours a day, 365 days a year. And we will talk in some more detail later about the plans that we have in place to ensure we can deliver against that network.

The second point I'd like to mention, the second key element of our strategy, are our plans for lowering prices for mobile service here in Ireland. Now, again what we have done here is not just made it on one single headline tariff, what we have done is address the entire ownership cost of adopting mobile telephony, and we have put together price packages which attack each of those elements and offer value for money in each of those areas.

Equally, we haven't just addressed the market as a

homogenous hole, we have looked at the Irish market and we have segmented it in many ways based upon specific customer needs and requirements and we have endeavoured to design tariffs based upon meeting those customer needs and requirements.

What I would like to do now is talk through our launch tariffs, some of the key elements of our launch tariffs, our commitment to those tariffs, and briefly touch upon some of the plans we have for the future.

You have heard before, that, in average, our prices will be up to 37 percent cheaper than those offered by Telekom Iran, and that represents a range of tariff options. We virtually managed to address five key segments in our business plan, but we have based those five segments upon two core tariffs: Business Persona, aimed at current users and variations upon those current users; and Individual Persona, which is our vehicle for opening up new market segments.

Let's look at Business Persona first. Business Persona will save 30 percent on current cost of Eircell's business packages for a typical business user. Here is how it does it: You will notice again, as I mentioned earlier, we have attached each of the key elements of the ownership equation. You will notice that there is no connection cost. This graph compares the current cost from Eircell, as an index of 100, and the cost on Persona, as a relative index, in

red.

We will charge no connection fee for the first two years of our service. That is a commitment. When we design the tariff, and looking at the particular business market, their prime concern is the money-for-nothing element of line rental. They view that as an outgoing for which they get very little return, so we have made to place great emphasis on reducing that cost. Our line rental will be 15 pounds a month compared to 20 pounds a month, which was the special offer that was launched with Eircell GSM.

The second key element for a business market is the usage cost. We have designed a single tariff of 16 pence per minute throughout the day, and we have done that for very specific reasons. Our market research has shown us that business people don't feel a peak and off-peak supply is very appropriate to their needs. Business doesn't start at 8:00 in the morning, business doesn't stop at 6:00 in the evening; business is where the businessman happens to be. So we have opened that up completely by offering a single tariff rate.

Another crucial element of the ownership for business customers is the cost of making mobile-to-mobile calls, which typically attract the same national rate.

We have introduced a concept called 'Extended Persona', whereby calls to nominated Persona numbers

can be made for just five pence a minute off-peak.

And we have a variation on that tariff I will talk about later which is even more attractive for the business customer. We will commit to this tariff.

This launch tariff will not be changed for two years after our launch.

But if we are going to address the mass market, we need to look at new market segments and, again,

research has shown the key to attracting domestic users or consumers onto this service is to lower the monthly rental, the money-for-nothing fee. And we

have done that not by offering $\text{€}25$ a month, which is the Eircell personal tariff, which is hardly, in our view, a consumer price point, we are offering a

$\text{€}12.50$, including VAT, line rental. For that $\text{€}12.50$ our customer receives $\text{€}2.50$ worth of calls inclusive,

and that is a typical bill that the first bill that

a new customer to Persona will receive. Again,

firstly, there will be no connection charge for the

first two years of our service. The system access to

line rental is $\text{€}10.33$, which, including VAT, is

$\text{€}12.50$. Within that there is $\text{€}2.07$, excluding VAT, of

inclusive calls. This customer has made additional

calls on top of that and, with their itemised bill,

the whole bill comes to $\text{€}17.57$. That is a very low

monthly bill for the first use of our customer,

particularly when you compare to the Eircell personal

tariff, which has a standing charge of $\text{€} \frac{1}{25}$ a month.

Let's put some of those claims in context. This graph shows you the average cost of ownership for a business customer of a digital service in various European countries.

This shows quite clearly that, here in Ireland, Eircell, with its GSM service, has already made some strides forward, particularly as it became aware of the impact of competition. It has lowered its prices and it currently offers its service just below the European average.

When Persona launches based upon the same basket of calls, we will offer a service which compares very favourably to the prices contained in the Scandinavian countries, which are regarded as being the most competitive in Europe, and again, it's important to note that not only do we commit to those tariffs for the two years after launch but, thereafter, there will be real reductions in those tariffs, so that our positions on that curve will be moving to the left over time.

It's also interesting to compare the prices that we propose for Persona with some of the prices that currently pertain in the UK. There you have a four-network market with many and various services, including PCM. And our prices compare favourably - in fact, are cheaper than all of the prices in the UK,

including those offered by PCM. So Persona will offer you PCM-type services and benefits here in Ireland. Just a final headline, if I may. When we launch our service, Persona will offer the cheapest peak national call rate of all operators. Sixteen pence a minute compares very favourably to 20 pence a minute from Telekom Iran, 22.3 free from Eircell tax and 25p from Eircell GSM, so a highly competitive tariff. But if we are going to create a mass market, if we are going to address the mass market, we cannot help but consider the question of handset prices. It is absolutely crucial that the barrier (?) entry represented by handset prices is reduced in the short-term to achieve our objectives. Now, these prices are already reducing; they are reducing as the Irish market develops, they are reducing as a range of handset suppliers become interested in the Irish market and set up distribution operations, and they will reduce as GSM as a standard becomes more widely accepted around the world and as the volumes and that in agendas causes economies of scale. But we in Persona think that's not going to happen quick enough for our purposes and we will insist in this process by establishing a reward structure through our distribution routes which allows connection bonuses to be paid such that the consumer and the business customer will be able to buy a

handset for £150 for a typical business phone and £125 for a typical consumer phone. Now, again, these price points are crucial not only for creating the demand in the market but also for establishing your present distribution. £125 pounds excluding VAT is £149 including VAT. That is your first crucial retail price point.

Very briefly, I would just like to touch on a few plans we have for future tariff innovations. Team Persona is a variation on Extended Persona, which will be a particular interest to user groups within an individual company. Persona home-town is a tariff variation where we will offer cheaper rates for calls made to a specific location no matter where you are dialing from, and, in the future, we will offer high volume discounts automatically to our customers to encourage loyalty and to encourage usage, so we won't just sit still, we will continue to develop.

Everything I have mentioned so far has been on the demand side of the equation - products, prices, and so forth. That is all well and good, but unless you balance that with a supply side of the equation, then we won't achieve our objectives in the market. So we have paid great attention to creating the correct distribution strategy to support our objectives. In doing so, the objectives we have for our distribution were to create competition and choice in terms of

handsets, in terms of services, in terms of customer distribution and, of course, in terms of prices. We need to put phones in places where people want to shop. We want to make our service easy to sell so that retail outlets, for example, are very comfortable with dealing with us and we want to make it easy to buy so that domestic customers are not intimidated by the thought of adopting our service. Crucially, we want to apply the Persona quality objectives into the market consistently and we need to do all that in parallel to building a network so we have our distribution in place when we launch, again not an easy task but we have the strategy and the plans to deliver that.

As you have heard mentioned, our distribution strategy is based upon the concept of introducing service provision to Ireland. Now, this is not an off-the-shelf strategy, we haven't just looked around the rest of Europe and said let countries close enough to Ireland, that will do; we have drawn upon the experience of our principals in operating in many countries, in many different environments, and we have drawn the lessons from those markets to create a strategy which addresses the specific needs for Ireland and those needs were embodied in those objectives we set ourselves.

This slide represents that strategy in terms of a

value chain between ourselves and the customer. We, Persona, as the network operator, of course, sell air time to the service provider as a discount to the recommended retail price, and the service providers are then completely free to repackage it, reprice it and sell it in whichever way they feel fit. You will also notice we have in place a service provider called Person-to-Person. This is Persona's in-house arm's length independent service provider, and I will talk about the reasons behind that in a moment.

The structure gives a focus for existing expertise within the Irish market, allows specialist dealers to move backwards of the value chain and establish their own service provision operation; indeed we will encourage them to do so. One of the problems that it shows dealers will face is the need to invest money in terms of billing support, customer care, and so forth. If they require us to do so, we will subcontract those services from Persona at a commercial rate and allow them to reduce that barrier to entry. We have separated the reward structure as such that the rewards are balanced down the chain between the service providers, the dealers and the outlets and the customer; the customer benefiting from greater choice.

The role of the Person-to-Person is absolutely crucial. Person-to-Person allow us to set quality standards in the market and give us a degree of

influence in the market. Crucially, it also ensures that our launch distribution is in place.

If I just click through this slide very quickly. It just summarises the points I made on the previous slide.

We recognise that there is a lot of work to be done to get this distribution strategy in place, and we have made great strides to achieving some of those areas of work. We have already had preliminary discussions with potential service providers, both local companies and currently-set-up international service provision operations. As a result, we have been able to put together a draft contract setting out the terms of service provision. We have defined the implementation and remuneration programmes to allow that to happen, and, crucially, we have specified the technology requirements to support service providers, and they form the body of they are included in our tender for the IT and support systems.

Moving on to quality focus. Now, you have already heard about the absolute commitment of our principals to every aspect of quality management and total customer satisfaction, and each of them has helped Persona to put together a comprehensive programme to address those issues. Our philosophy is best encapsulated in this statement: Persona will be the best in class in providing personal communications and

service, thus earning the loyalty of our customers and partners and a reputation for being a company in which people trust. It is a clear statement of a commitment. But again, we have taken that a stage further. We have set up a whole range of quality measures and quality metrics with which we will assess our own performance, examples I have shown on the screen in front of you. Now, I won't go through them all in detail. Just taking one example, the registration process, we will guarantee that 95 percent of all our customers will be registered within 30 minutes. Now, we will measure our performance against that, we will rectify any shortfalls, we will redefine the measure to ensure that we have constant learning and improvement and then we will go around the whole cycle again and again and again so we will constantly improve. We will also require our partners to meet these quality standards as well, and they will form part of the contract for service provision.

I would like to close this section on our plans and strategies by showing how we have glued these four blocks together, because, as we all know, without glue a jigsaw will fall apart. On their own, these four elements form a coherent strategy, but if you bind them together with a comprehensive and consistent mass marketing business approach, they become a compelling hole.

Now, again, I must reiterate that we haven't addressed the Irish market as a homogenous hole. I have told you before about the tariffs we have put together and how we use those to address specific segments, but, together with our technical colleagues, we have also come up with a range of services, recognising the fact that not everybody in Ireland wants to eat plain vanilla ice-cream. So when we launch we will not only offer voice telephony, we will also offer CLI for our on-net calls and, as soon as the technology allows, we will offer CLI for all calls. Each of our customers will have a complimentary voice mail subscription so that if they are out of coverage or their battery is flat or the phone is turned off, the calling party can always complete the call.

We will have extensive roaming in place - 45 operators in 30 countries worldwide at launch. We will provide for point to multipoint information services from a range of third party suppliers. We will offer data services, basic data services to allow PC to PC interworking across our network. We will offer short messaging, both as an alert function to tell the customer he has a voice mail, for example, or as a subscription service, so the customers can send messages from handset to handset. But the final element pulling all that together, of course, is a flexible yet consumer-orientated brand. Now, we

believe we have created that brand with Persona. We haven't called ourselves Selly-techy (phonetics) phone, we haven't called ourselves a hard impersonal technical name; we have settled for a name which we hope is warm, which is appealing, which is personal. Persona is personal. But again, we haven't just done that in isolation. We recognise that to build a comprehensive communication programme, the brand has to be flexible enough to put across a variety of messages. Persona does just that. It allows you to create pure teasing or awareness-generating advertising; Persona, the freedom of choice with the shadowman will achieve.

As you develop your service and move into the market, it allows you to become much more specific and informative with your advertising. So we are linking personal phones with Ireland with Persona and you have the body text to explain the cost of your service or the advantage of your service. And again, as you move further on, it gives you the scope for some more lifestyle-type advertising where, again, you could run this ad as a lay in the paper with body text, or ultimately you could just drop the body text and just link Persona to freedom; the freedom of choice, which is lifestyle-dominating.

We have also set in place plans for extensive cooperative advertising and communications, again as a

way of encouraging service providers and dealers to work with us. We have set aside money to help them create a share of the market and, again, our brand is flexible enough to support that cooperative approach. Another example here of Persona being very clearly linked is being stocked in the outlet of, say, a branded dealer from another service provider, *Telco, and again, ultimately, just the use of the shadowman motif links this service provider's customer service charter very clearly with the Persona service offering. So you will see a very flexible but very informative brand, and we haven't underestimated the task either. In 1994, some two million pounds was spent on advertising all aspects of telecoms here in Ireland; about 15 percent of that was on mobile. This year it is, in all likely, to be about three million pounds; about 40 percent of that will be on mobile. Who knows what it will be next year; it will be more. We have set aside three million pounds for our launch here which should guarantee us a sufficient share of voice to get our message across.

I hope I have been able to show you that we have put together a cohesive and comprehensive strategy to achieve our vision of creating a mass market for personal wireless communications here in Ireland. By implementing these plans, we are confident that we will help grow the market from its current levels of

penetration of under 4 percent to, ultimately, close to 30 percent.

We would now like to explain the business decision built on these plans and also the way in which we intend to implement them. Thank you very much.

MR. HANS KERPATRA: Good afternoon. My name is Hans Kerpatra. I am a director of Persona. As Martin said, I would like to take you through in a little bit more detail how we brought together the various elements of our strategy into a cohesive business plan, which I think, overall, is very well balanced, it's robust, it's something that all the partners are very happy to sign up to.

Let's start off here, demonstrating our assumption on market share as we develop this market. Our market share increases over time, gradually, so you have a maximum of 40 percent of that overall mass market was demonstrated in the previous line. So we are not assuming that Persona will grab the lion's share of this market, we are assuming that the introduction of competition will cause Telecom Eireann, will cause Eircell, to become very competitive. I think it will be very good for them and together we will end up growing this market to a significant extent.

In any one year, we don't assume any more than 45 of the new customer ads during that year.

We have assumed, in our business plans, that there

will be an introduction of a third licensee at some stage, probably using DCS 1800, launching sometime around the year 2002. So that is factored into our assumptions on this marketplace. And the network is a customer growth that builds up relatively gradually over time, and ultimately, by the end of the period year 2010, results in about 400,000 customers on the Persona network.

This is just a schematic demonstrating our business plan. The red bars are the annual free cash flows and the green line is the cumulative cash flow. You can see here in the early years we have got the first of all the licence fee here, which we pay this year, if successful, before we have done anything, and then the significant capital expenditures in the early years. You also notice in the latter years our free cash flow is relatively constant. We are not assuming a very rosy picture of the future to make our business plan work. We think it's a very realistic overall business plan with a cash flow breaking even in year four and a cumulative cash flow breaking even in year eight.

This graph, it really just tries to take all the line items of the business plan and show them in a slightly different way. So we have discounted all the major line items back to the present value in today's money. So here we have the present value of the cash

inflows I am sorry, the revenue line, and cash outflow, the major expenditure items. And we spent a great deal of time and preparation in putting together our whole proposal and we spent a great deal of time validating and making sure we have a very good understanding of each of these line items.

So first of all, the all-important revenue line; we have obviously brought together the experience of the various partners in Persona, the local experience of Sigma Wireless, the international operating experience of Unisource and Motorola and spent a great deal of time validating this present number so that we all feel comfortable. So we have used the tariff packages outlined in the previous presentation. We have taken our minutes usage assumptions that we have taken right the way through the whole planning period and we have put those together in a cost to the customer in any one year. We have related those to the affordability in Ireland, basically the gross domestic product, and then we have looked at that over time, as we gradually penetrate further and further into the market, and compared it with other points, date points we know already from more developed marketplaces, and we feel we are right on the line of penetration versus affordability.

We have taken a second approach, which is to look at building up from the ground, looking at the various

segments within Ireland, which would be the target segments for our service, and building up the numbers of potential customers that would be in those segments and the affordability of the service to each of those segments, and we believe, again, and the full details are included in the marketing proposal submitted to you, but that also gives a good anchor to our revenue numbers.

Thirdly, we went up and conducted some primary market research, and that, again, has given us a comfort on this revenue line.

If I move to cash outflows. The operating expenses: I think we have enough expertise to feel comfortable that we have formed very prudent assumptions on these. The capital expenditure here is obviously dominated by that upfront capital expenditure to get the network up and running. Here we have taken our network design to a very detailed and evolved level. We have not put together a planning business design or planning network design; it's a design we wish to go ahead and implement, so we have gone out to our potential equipment vendors with very detailed specification and had quotations back from them to back our capital expenditure and we feel comfortable we have taken that to a very high degree of research.

The particular distribution strategy we have chosen, as you can see it results in some large payments out

into the distribution channels, and again, within the principles of Persona, we have a great deal of experience of operating indirect distribution. Within Motorola, they operate a European-wide re-seller operation called Motorola Telco, which is active in the UK, France and Germany, so we have built an entirely separate business plan for a re-seller, taking the sort of investments that they will have to make to enter this market, taking the very detailed breakdown of revenue items that we are providing as a network operator in terms of revenue share and upfront bonus and we have built a business plan or we have gone around many loops of this until we have got something that is a fair balance for the re-seller, we believe, and a fair balance for us as the network operator. And again within the principles of Persona we have, particularly within Unisource, a number of operations which are very comfortable, and with a great deal of experience of operating indirect distribution from the network operating standpoint, particularly in Holland.

If we look at some of these items here, there is a significant set of expenditures which we have contracted as of today with the ESB. There is a signed contract in place to take account of various site and microwave services which would be detailed in a more detailing segment, but these are now

contractually signed up. Overall, that gives the business plan internal rate of return of 19.6 percent gain, which is something that all the principals in Persona feel very comfortable with.

If we look around the group, we do have a very powerful connection backing in Persona. The total net worth of the principals is 24 billion pounds. To put that into context in the project, somewhere of the region of 80 to 90 million. In fact, that is just as an aside. That 24 billion, if it was a collection of $\frac{1}{2}$ 10 notes stacked one on top of the other, would be 75 miles high. Of the equity contributions of the project, 40 million have all been signed up and ready from the principals.

We have been working, or rather, AIB have been working exclusively, as Allied Irish Bank, with us for a period of 18 months. They have been privy to our business plans as they have developed and they have gained quite a considerable degree of understanding of our overall business proposition, and they have been comfortable to make their support in terms of debt provision available to us. So we have project finance ready and available to run with.

So overall, I think the message I would like to leave with you is that the plans that you saw earlier, in terms of the strategy and market plans, have been very carefully brought together into a business plan which

I think is well-balanced, robust, and we have the finance and the strength ready to bring this project off.

With that, I'd hand over to my colleague John who will talk you through the implementation proposal.

MR. JOHN McSWEENEY: Good afternoon, ladies and gentlemen. I think with a name like John McSweeney, most of you here will have a lot less difficulty in pronouncing it than you might have had with Hans.

I intend to run through the implementation phase with you, and what I hope to achieve, in outlining this implementation, is to demonstrate how the unique blend of the skills and experiences of the individual partners come together and combine to give Persona, which we now are, a very distinctive competitive advantage on all the other applicants in the race.

Persona will launch service on the 1st of June, 1996.

That is our commitment. Before I go any further, I'd better be aware that Martin Brennan told us this particular presentation was being recorded; so for the avoidance of doubt, we are committed to the 1st of June, 1996, provided the award is the 30th of November of 1995.

Our confidence in being able to implement such an ambitious launch date is based on three fundamental tenets: Infrastructure and the control, the independent control of that infrastructure; the state

of preparedness that Persona is now at after three years of planning; and the track record and credibility of the individual consortium members and, indeed, of Persona as a body.

When Persona and ESB joined forces, a data bank of 10,000 sites was made available to Persona, because that is the number of sites that ESB either owns or controls in this country. So it made it quite easy for the technical people in Persona who had worked out an extremely good radio frequency plan and radio implementation plan to superimpose that plan over the database. The result of this was that the sites are selected to fit the network design and not the other way around, which I believe is a significant advantage. Indeed, using this template, the result is that 156 out of the total 196 sites that will be necessary will come from ESB and already are contracted exclusively to Persona.

In addition to these sites, ESB operates back a backbone microwave network, and I think is unique outside of Telecom Eireann in this country in doing so. We have committed and contracted the use and the capacity on this site to Persona. Some upgrading will be necessary over time but, already today, the capacity for the launch is there and available. Thus, Persona control the majority of the infrastructure required to implement a 1st of June, 1996, launch

date. That control has two advantages: One, it will help us in the speed of roll-out, but I think, equally importantly, it gives Persona an independence of operation that eventually is going to be extremely important in the competitive arena. We will not be holding to people in a way that others may be.

To start with preparation: The implementation team is already in place, and those names in white - it may be rather difficult to read but you will be getting a handout later on, and it's included in that. The people who are with you this evening are outlined in white there, including a representative from each of the principals and some of the management, which are already in place.

Also in the preparation there are I want to outline to you some of the pre-award activities that have been going on, and they range from the planning validation and engineering design of the various phases through planning permissions right down to the procurement, which, of course, really began at the beginning of the bid preparation because the prices that are included in our bid are the indicative prices received from the equipment manufacturers.

We have, also, a significant amount of work completed.

All of the 60 launch sites are already identified and the first 48 are under contract. Again, these are from ESB.

The environmental position has been very carefully evaluated and prepared. This is as a result not only of the quite unique experience of our partners in Sweden and in Switzerland in particular, countries that have a very high regard for both the environment and health issues, but also regarding ESB's own experience in dealing with planning officers and planning authorities around this country. There has been extremely detailed negotiations and consultations with the planning officers in regard to the submission of planning applications.

A report Furbairt has been commissioned, and particularly and specifically to deal with the health and environmental issues, and all the information gleaned from our partners in other countries has been submitted to Furbairt. That particular report is due to be released on Friday next, and, on its release, the first 48 planning applications which are now prepared will then be lodged.

We have also got the infrastructure tender which is prepared and ready for issue under the European Union rules.

And finally, the sites. The contracts with ESB are already in place to include the sites and the microwave capacity.

The third critical tenet of implementation is track record. At last count, there are 51 national GSM

operator licences worldwide; this consortium, or members of this consortium, operate 14 of them. And our confidence in achieving the June 1st launch date is based not just on wishful thinking but also on the track record of our partners, because in Hungary, Unisource actually launched in 100 days from award of licence, and in Lithuania Motorola were able to launch within five months. Therefore, ladies and gentlemen, as I said, this launch date is not just a figment of our imagination but a result of control of the infrastructure preparedness that has been built over three years and a track record that we believe is second to none.

I will now ask our chairman, Tony Boyle, just to do a short summation. Thank you.

MR. TONY BOYLE: I recognise, Chairman, that we have almost reached our hour, so we will be very brief and perhaps just try to summarise, perhaps, some of the key issues and some of the key reasons why we believe Persona should be selected for this.

I have mentioned previously the expertise of our principals that has come together in an independent company here which is structured, is in place, will operate at arm's length from, but does have strong support and commitment from its principals. With this, we believe we are the experts in mobile. That is our core business. We have been in it for a long

time here in Ireland and we are supported by many international experts.

We have a clear strategy, which I hope we have outlined to you here today; strategy which we have evolved over three years. It is based upon knowledge of the market here, intimate knowledge, as I said, gathered over 25 years of my experience and our experience in the market, supported with the international experience of our partners.

We have the preparation carried out, the management team is in place, the team that would take this project up to launch. The team is in place. You see here today eight members of that team but you see in our bid the full list of the team and their credentials, and they are all experienced people in the mobile and the telecoms business.

We are serious long-term investors. We know what it's going to take. This is not a project without challenge; it is a complex challenge. We are committed, we know the extent of what it will take.

You will see our returns, our acceptable long-term returns. That is what we are committed to. We are not here we are not speculators for a licence, we are not jumping on the bandwagon of an attractive, or potentially attractive, business, because we have been in the mobile business all our life. That is our business, so we understand it. We are committed to

succeed. Obviously, for all of this, this has to work for the department, for the government, for the customer, and not least of which for the second operator. We are committed to that success and to bringing what we have said, mass market to mobile in Ireland.

Finally, and when asked about this quite often, I think it's important to say we do not apologise, but we are committed to Ireland. That's not the reason we are not looking for a licence based upon that but we have a track record of commitment. We have been here, we will continue to invest in Ireland, all of our principals. But we are very committed to the Irish market and we have been here for a long time.

They are just some of the reasons why we feel why Persona. Thank you.

CHAIRMAN: Thank you, Tony.

I forgot to mention, by the way, at the outset, that there is some coffee at the bottom table. What I would suggest, rather than interrupt the flow of the meeting, is that people not go all together but on sort of a need basis and help themselves to a cup of coffee.

I just wanted to understand, before moving on to the questions which we sent to you last week which arose from our discussions, having read all of the applications, your commitment about the launch date

linked to the licence date, I want to understand whether a week's slippage in one equals a week's slippage in the other, in the following sense: our commitment right now is to have a decision on the licensee by the end of November. It is almost inevitable that there will be some period for licence negotiation beyond that. Even if we were early with our decision, the real likelihood of having something on the 30th of the 11th, a licence signed, is pretty remote, so if you could answer that one and then we will move on to the other list.

MR. TONY BOYLE: The reality is that clearly what we have quoted was six months' elapsed time, would be our view that it is a six months' elapsed time. However, the other side of this story is that we have not stood still since the submission was launched. We have an active project office which today is progressing quietly a lot of the issues in terms of we talked about procurement, we talked about site selection, we talked about planning permissions, we have talked about the we have human resource teams identifying people, so a lot of our activities are underway. That is an around-about way of saying, really, in terms of a guarantee to you, to the department, Chairman, we would say six months' elapsed time, but, you know, the more preparation we have, the more ability we have to telescope the project, but I would not offhand just

give you an open commitment.

MR. HANS KERPATRA: The intention we have is that, providing a decision is made and one winner has been and that winner will be Persona, in the case of our commitment, made at the 30th of November, than the launch date of the 1st of June sticks.

CHAIRMAN: Ok. Thank you. I think what we should then do is take the questions in the letter we sent to you on 5th November or 5th September. Some of them you may feel you have dealt with adequately in your presentation. Just for the moment, perhaps, we should see what you have to say about the first one. I think the timescale inevitably means approximately five to six minutes per question with a few spare minutes if one develops. So if you'd like to address the first one, please.

MR. TONY BOYLE: If I could please ask Martin to address that.

MR. MARTIN KEOGH: Is there any particular priority you would like to place on this, Chairman, recognising that some of them might be of more importance than others or...

CHAIRMAN: I think for the moment we will start at the top and work our way through the list and I will try to push the timescale on a bit.

MR. MARTIN KEOGH: Ok. When we considered the impact of new technology in the business case, what we were

conscious of doing is actually considering the technologies not in isolation, because a technology on its own is not really the major factor when it impacts on our business case; the key determinant is perhaps more the licence regime, and my colleague Thomas Jarnay will speak a little bit more about that in moment. When you consider a new technology, the impact is primarily driven by the marketing strategy adopted by the company employing that technology, but, of course, by its very nature, that strategy will be constrained by the nature of the technology. Certain technologies lend themselves to certain strategies; others don't.

If you look at the some examples you gave us to consider, I think I would summarise those by looking at this slide. I hope that is clear enough for you.

And really, what I have tried to do here is to say what sort of marketing strategy do those marketing technologies lend themselves to. And I have created two axes here; on the X axis, a measure of the degree of wide area coverage that the technology can really support, and, on the Y axis, more a measure of whether that technology can support open access or a wide appeal service, as perhaps to user groups or niche markets. And see very clearly our business case is based upon GSM being a wide area, open access wide appeal service.

If you consider the other technologies in turn, well, DECT, the Digital European Cordless Telephony standard, currently is only really positioned as offering on-site or very locally mobile service. Now, again, it can have a range of appeals there from open access wide appeal for, say, an office building with a DECT system, or you could pick up a handset on the way through to, of course, user groups as well. You might have individual departments which might have a DECT system in their organisation. It doesn't lend itself so well to a wide area service and, as yet, we have seen no applications for DECT being used for local loop telephony, for example. So I think DECT we can push very much to the left side of that equation.

Tetra, the sort of digital PMR standard, is very much a niche market - it will be a niche market when delivered. It will be delivered, we are sure it's coming, but it's going to address the dispatch type of market, closures of groups very much a niche appeal, wide areas certainly by definition. But unless it's very aggressively priced, which is hard to see from experience of PMR in the past, it's difficult to see that having any real substantial impact on GSM because of the very nature of its technology.

Low earth orbit systems such as *Iridium, Global Star, *Imsat P, and so on, where we can speak with some authority on Iridium because as we of course are

heavily involved in that as Motorola, it is specifically designed at a completely different market segment to GSM. It's designed at covering wide rural areas with very little infrastructure and servicing very price-insensitive customer groupings. Now, it could have some complementary usage over time; as you have dual mode handsets, for example, you might roam from a Leo-based system when you are travelling in rural areas through to a GSM system in a country like Ireland. But given the fact that we will create 93 percent population coverage or 98 percent based upon car kits it's difficult to see the added value that Leo can offer here. I should also actually make the point about DECT - there is quite an attractive complementary usage of DECT in the future as well if they have dual mode handsets where you could effectively intra-network roam between DECT in a building and GSM for wide area.

DCS 1800, of course - as we hope is responded to sufficiently in a written question you sent us - of course does have a direct impact on your business case, and we have modelled that quite carefully, and the overall impact is negative in that, whilst the introduction of a third operator does create more competition in the market and does create enhanced market growth. That effect is offset by the fact that it takes an increasing market share over time.

The final thing I have shown on this chart, if you will, is how GSM might well move in the future. Even GSM phase 3 specifications, as we understand at the moment, will provide the functionality that allows you to deliver tetra-type of functionalities, so we can expand our scope within the market quite comfortably. So in broad terms, DCS 1800, yes, has a direct impact, which we have factored into our business case; the others very limited impact. But, Thomas, perhaps you can add something.

MR. THOMAS JARNAY: Thank you, Martin. Well, let me add it from a regulatory point of view. It's been outlined to us that the regulatory regime will make room for a duopoly situation for the new operator and the inherent operator for a period of seven years, while subject to EU rules, there may be a licensing of a DCS 1800 service and, of course, that licence then, perhaps, it would be three of them, two of which would go to existing operators and another additional licence being awarded.

This regulatory regime is, of course, fully acceptable to us and it's in line with our thinking and, as outlined by Martin here, we view the other technologies mentioned in your question as complementary.

And the one final thing to add to it is that, of course, we would assume and not expect ourselves to be

outruled from, of course, applying for or in any way using those technologies, should we so wish, to develop our business, but I believe that has not been indicated in any communication.

CHAIRMAN: Thank you. We could, perhaps, unless Andersens have a question arising from that, we could move on to the next one. Yes, Marius?

MR. MARIUS JACOBSON: We have an ETC in the question, so therefore I am permitted to ask for something.

Let's see, ERM system - European Radio Message System - where do you find this one in your

MR. TONY BOYLE: Well, if we would position paging, we believe paging is a very complementary mobile service, it is a very affordable entry point service, and we see that paging is complimentary to mobile communications. And as our experience is that entry point communications and indeed as people become more sensitive to communications, then there is a role for paging and, in many instances, this could be with people having a mobile phone and a pager or, in some instances, purely a pager only, as an access point.

We launched consumer paging here in Ireland last year and for the first time we have brought it has opened up a mass consumer market for paging, so while the penetration is still very low, in the course of eight months the paging market here has grown from 16,000 customers to just under 30,000 by introducing

calling party pays consumer paging, so it has proven that there is a market as low entry point, it's both small businesses and it's private individuals, for comfort, for security, for knowing the baby-sitter is there, but it is a very and it is and we see it as part of the whole mobile communications tool.

CHAIRMAN: Could I just remind people to switch on the microphones when speaking. Number two indicates that we can't afford to spend even that much time on each of the succeeding questions. I think the the next one can be pretty quick, in any event. And then perhaps 3 and 4 could be taken together.

MR. TONY BOYLE: Yes, indeed. Phil, could you take the next question, please.

MR. PHIL DOWSEN: Yes. Phil Dowsen, I am the financial controller of Persona.

The area of windfall gains is a funny sort of area and, as Martin said, I think we can dispense with it fairly quickly. By nature, windfall gains are unforeseen and unplanned, and we haven't reflected any benefits from windfall gains in our business plan. I would say that as an accountant, and accountants are famed for their belief in the principle of prudence.

I have been asked, though, to take an educated leap into the dark, which is something that accountants aren't actually so good at, and I have only come up with two areas that I would like to discuss now. The

first of those two areas is a potential windfall gain in the area of interconnect costs. There is a feeling amongst our principals that the interconnect costs that they are presented with in the RFP are on the high side, and as we have said, our principals have extensive experience in operating GSM and other networks worldwide. Our bid does address the potential reduction in interconnect costs. And what I would like to do is just reiterate Persona's commitment: in the event that interconnect costs come down, we have committed that we will pass through any benefits in that area directly to the customer. I don't think I need say any more on that.

The second area that we have identified is a change in the fiscal structure. This, maybe, is not so important in the business where people were able to offset VAT costs, but when we are talking about mass market, as we have already today, VAT is important, because you have end users, customers who can't offset VAT. What I would like to do here now is make a further commitment, which is if the VAT regime changes, then the customer, again, will benefit. We will keep ex-VAT tariffs as they are. It obviously has no effect on us as Persona because we will be fully registered for VAT.

I said I have only come up with two potential areas, and maybe I was being slightly flippant in saying that

is what an accountant can do in terms of stretching his mind.

It is difficult to comment on other areas, but I'd like to just leave this question by saying that we are prepared to commit in those two areas to making sure that the customer benefits.

CHAIRMAN: Could I just ask you to clarify a third area which is clearly relevant, is a strong downward trend in international payments to Telecom Eireann or the ability to export international yourself in the medium term, whether the same type of commitment would apply? And secondly, is it your belief that a significant downward trend in Corporation Tax would go to the bottom line?

MR. TONY BOYLE: I think if I could just take both those issues, if I may, because we hadn't quite considered them with Phil. With regard to the international, we had assumed that that would be coming potentially that was going to come as part of deregulation in the year 2000, so that issue will be addressed later in the section which talks about the impacts of deregulation on our business case. We had I think it was clarified that that would not happen until deregulation. So if I could park that question, it will be covered by Hans later on, that topic of what would happen in the event of deregulation.

In the event of reduction of corporate tax rates, realistically our goal and our programme is after tax investment return. We would seriously look at that issue. I think we would have to obviously balance the tax positions of the company, but the principal, the principal of our goal, of what we set up, our return and our investment is an after-tax return.

CHAIRMAN: Thank you. Unless Andersens have any further questions, I would like to move on to 3 and 4, if that is possible.

Ok. The subtle difference between 3 and 4 is 3 tells us a bit more of the state of your concern of the issues, and 4 is more to do with the impact of delays in the whole environment area, and so on, on your launch date. If you would like to tell us any more on those two.

MR. TONY BOYLE: Our concerns for the environment, Martin, if I understand you, is that right

MR. MARTIN KEOGH: I was fiddling with the remote control.

CHAIRMAN: It's really to deal with questions 3 and 4. Question 3 is further information on how you will deal with the environmental aspects and 4 is more to do with the impact on launch of potential delay, and so on.

MR. PAUL CARNEY: I am the RF manager for this project. And I feel trapped up here; I normally like

to move around and move my hands, so I am a bit constrained. In any event, I will try to deal with these issues as briefly and as succinctly as I can.

With regard to what I have called site environment, which is the selection of base station sites, I think we are in an enviable position in that we can choose from something like 10,000 ESB sites. That allows us to pick sites that are, by definition, light industrial. They are either transformer stations, depots generating sites and they are generally removed from housing. It also means that we have the owners' permission to move into those sites immediately, so we have the site selection and site acquisition aspect out of the way.

Unfortunately, not all ESB sites fitted optimally into our radio plan so we have had to go outside of ESB for some sites.

I will try and deal with the risk on those later on under question 4.

So site selection I think we have gone through. We are looking for sites that are, as I say, nonresidential, are in a light industrial or infrastructure category, and we are doing this from a very pragmatic point of view, so we realise it will probably be easier to get planning permission to build a tower in those sites than if we were to put a site bang in somebody's back garden. We will be flexible

on site design - we realise that no one design fits every possible scenario. And we have options. The options are to mount the antennas on roofs, build a lattice tower, use a monopole tower. And we have architects from ESBI and civil engineers working on the sites at the moment, trying to arrive at an optimal design for each site.

We will have a minimal antenna system, nothing at all to compare with the Telecom Eireann four antennas per sector lots on the landscape that are there at the moment. We will have two antennas per sector. We will have a minimal configuration at the top of each tower and we are considering a single antenna per sector - the cross-polarisation antenna, but at the moment that is not quite proven in the real world.

But we recognise, right through our site selection and site design mind process, that we must cooperate with the local authorities. The local authority planning officer is the arbiter as to what is good for the environment, and we are very lucky to have, on our side, experts from ESB who have worked with the planning authorities in the past, albeit on transformer sites and overhead cable runs.

We have developed quite an insight into the thinking of local authority planning officers. We have prepared a brochure, by way of a visiting card, for these planning officers, which we have titled 'In

Partnership With People of Ireland', which seeks to put forward, by way of a visiting card, only not by way of total explanation, where we stand and what our commitment is on the environment. And we will have within Persona, working in the project office, an environmental officer who will be charged with making sure that we adhere to these aspirations, because the future, going forward into the future, we have ISO 9000 for quality, we will have ISO 14000 for the environment, and it's recognised that, unless you make a commitment to the environment, you won't prosper.

Just as today you must make a commitment to quality or you won't sell, into the future you must have this commitment to the environment. For instance, we must buy base stations that can be returned or disposed of environmentally when their useful life is finished.

We can't just dump base stations in the canal anymore.

Those days are finished.

So from a pragmatic point of view, we are committed to the environment.

If I might move on to the second part of that question, which concerned itself with health effects.

MR. TONY BOYLE: Just perhaps while Paul is gathering his thoughts there on that, I think maybe one thought that is worthy of mentioning, that Sigma Wireless has - indeed the company which we acquired, Phillips, was designing antennas in Ireland since 1956 and is

probably recognised as one of the leading antenna and RF engineering design companies in Europe. And should we be successful - this was a company known as Fingelas owned by Phillips - should we be successful, hopefully Sigma would at least also be on the tender list for providing environmentally-friendly antennas for this environment, for this situation.

MR. PAUL CARNEY: The whole health issue is a complex field, it's a serious field, and it certainly shouldn't be trivialised.

There is a natural concern amongst people about radiation. It's a total European concern. And at the moment, the existing belief is that GSM is safe, but nonetheless, nobody wants a base station in their back garden.

I can quite it's quite true that 900 megahertz radiation does not cause cancer, it does not cause birth defects, but we all know you shouldn't touch a transmitting antenna. No-one in this room is going to go up to a high gain base station antenna and put his hand on it and say "this is friendly". It's not. You will damage yourself in the heat effects of radiation from that antenna.

Now, we recognise that when it comes to looking for planning permission, we are going to come up against these genuinely-held beliefs that radiation is in some way harmful, and we must allay those fears. So as

Hans mentioned, we have commissioned a Furbairt report which will pull together all of the research, all of the medical evidence, and produce a document which applies specifically to the Persona proposal and which will seek to allay fears that within a radius of a base station there is absolutely no harm or no danger to the public whatsoever. And at the moment, and this I have to stress is for the moment, it looks like within a ten-metre radius of an antenna sorry, outside a ten-metre radius of an antenna, there is absolutely no danger to the public at large, and, as most antennas will be 15 metres up in the air, there is no danger to people on the ground.

And we will have this report next Friday and we will certainly send a copy of it to the Department of Communications.

But that is the public. We have a duty of care to our own employees. We can't let our own be very careful about the public and have our own guys climbing towers and exposing themselves to radiation, so we must put in place a set of guidelines for people working on towers and for people working on rooftops where there are antennas, and that really means laying down some form of restricted access campaign and a campaign whereby we will switch off the base station if someone went or was going to work on the antennas or going to be close to the transmitting elements.

Taking the second part of the question, which concerned the handsets. At the moment there is a generally-held belief that handsets are safe, but there is no real research or no formal research or no GSM specification at the moment. There is research in progress which I think will seek to characterise radiation from a handset antenna and ultimately enter into the GSM standards. It's an industry issue, it's an issue that Persona will stay in touch with and, whenever a recommendation emerges from GSM, Persona will certainly implement it and Persona will certainly keep its customers aware of the research and what is happening in this field.

Moving on to question 4, which concerned the risk or a risk assessment of various events. I have drawn this chart which I if I might read the top line, it may not come across quite well. I have the risk here; the risk for launch, the risk for roll-out, or an assessment of risk at launch, an assessment for risk at roll-out, and what I have happily called plan B, which is the alternate - what we would implement if something did go radically wrong.

I have to say that Martin Keogh will cover the distribution failure or the risk of distribution an upset in the distribution plan, separately, immediately when I finish here.

Let's us take site acquisition. Our sites fall into

two categories. 80 percent of our sites are ESB and, because we have tried to go for the optimum coverage rather than suboptimum coverage at the moment, we are forced to take 20 percent of our sites from non-ESB owners. On acquiring ESB sites, we see no risk whatsoever - in fact, the sites are there, we have access to them as of today. There is no risk whatsoever. On non-ESB sites, even though we are at an advanced stage of negotiating with people for roll-out, there is still a moderate risk that a guy will turn around and say "sorry, I don't want these antennas on my roof, go away". In that case, the option is either to look for an alternate site, which will be time-consuming, or to go to a suboptimum ESB site, and remember, I said there is 10,000 ESB sites, so in every neighbourhood there is some suitable ESB site. I have put down assessed the risk as moderate for the same occurrence during roll-out, simply because, until we have a guy signed up, we don't know what he is going to do.

I am sorry, I have if I might just I was talking and I had an old version up there, it shows you how this cage has me trapped.

I am sorry, for the non-ESB sites I have assessed the risk at low, for both launch and roll-out.

Going forward to planning permission. The big change in the chart was on the previous chart I had assessed

the planning risk as low, but that was a bit facile.

There is quite a moderate risk that the planning process will be protracted. That is facing up to the real world. People have these genuine health concerns that I spoke about; people will naturally object to having antennas in their neighbourhood even though we will be at existing light industrial or infrastructure sites. And if planning permission does look like going awry or being delayed, we have the option to go to a second ESB site, even though that might be suboptimum.

On the question of interconnect, there is absolutely no technical risk on interconnect. We have talked to Telecom in great detail and we don't see that there is going to be a problem whatsoever. Phil mentioned that there will be possibly some discussion on the interconnect pricing, but I am not qualified to discuss it.

On the backbone, ESB microwave backbone is there. The microwave that we need for launch, this is a Dublin to Cork capacity is actually in place and is being commissioned next week. So I don't see a risk there whatsoever for next April/May when we will be testing this microwave system, when we, Persona, will be looking for capacity on this microwave system.

Similarly, I don't see any problem with the roll-out.

On Persona-owned microwave, there are two risks: One,

even though we have done a map survey and have planned a microwave system based on certain paths, those paths might, in practice, not be viable. That risk is low but, nonetheless, it exists, and the options are to go for a second path to route through a repeater or to lease lines from Telecom. All of those alternates exist and are readily available.

A second probability with microwave is that the licence application - this is the permission to use a specific frequency - might be protracted. I think that is specifically true where we are looking for a low frequency, like 7.5 gigahertz, where there will be a need to coordinate for the Department of Communications to coordinate our frequency application with, perhaps, uses in Britain. At launch we are not using any low frequency microwave, we intend to use just 23 and 38 gigahertz, so the risk is low. During some roll-out we will be looking for some 7.5 gigahertz frequencies, so the risk I have assessed is moderate.

In either case, if something does go awry, we have the option of using second path or of leasing lines from Telecom, and, in each case, we have put lease lines from Telecom as a low option because of the high cost of leasing lines from Telecom.

The last scenario painted in your question is what can go wrong with lease lines? At launch, I don't see

that anything could go wrong. Telecom have plenty of capacity in Dublin should we require to bring lease lines into a site; at the moment we don't intend to, but, if we did, I think there is plenty of capacity.

Down the country there is a low risk where we might possibly want to bring lease lines into a site that is far away from a main road. The option or plan B is to use backbone, our own sorry, is to use backbone microwave or Persona-owned microwave into that site.

MR. TONY BOYLE: I suppose, Chairman, if I could summarise very briefly on the key issues there. From a site acquisitions point of view, the risk is minimal, if not at all. ESB sites are committed; ESB will purchase or enter into arrangements for Persona with non-ESB sites. That has been arranged.

Nobody only God can guarantee planning permission in this country. We know that. Our approach to it is to take a very pragmatic levelheaded, slow, steady, consultative approach with the planning authorities, and that is what we are doing. We are taking their concerns into account before lodging the planning permissions. We are nearly there. Furbairt report will be the last thing necessary; on receipt of that they will be lodged. But it is after a lot of consultation. We are minimising the risk; we are not eliminating it.

CHAIRMAN: Thank you. I know we are running behind

time already but I would like to give John McQuaid the opportunity of responding to any of that, or to ask further questions. If you'd like the chart back up, I am sure it could be back up. If you have you anything?

MR. JOHN McQUAID: I was perhaps going to raise a question or two on this issue in the third part, but we can deal with it now.

My original question was, in the event of being awarded the second licence, how soon after could you provide the department with a detailed draft plan of your backbone radio link network?

Now, from what you have said, a number of things have been said. First of all, you are going to have 60 launch sites. Not all of those I would be surprised if all of those 60 launch sites were located with nodes on the ESB network. And you also said that the capacity for launch is there and available, so I have a little difficulty understanding, given that you haven't come to us yet for spectrum, and indeed we won't be doing the detailed work on that until after the licence is awarded, how you have the capacity for the 60 sites at the moment?

And the second part of my original question was - and I think you have partially answered it - in the event of the department being unable to provide a large number of links in the frequency band below 10

gigahertz, how will this impact on your radio network plan?

MR. TONY BOYLE: If I just take it overall to coordinate that answer. Firstly, our proposal is that we use the ESB backbone for the main backbone network.

That is already licensed and under licence, I understand, and is operational. It's just coming operational. They are in the process of transferring from analog to digital, and the Dublin to Cork element of that for the backbone switches on next week. That is the so it is again in our proposal we propose using Persona-owned links for the tails, for all tails. It is outlined as a detailed plan in our proposal which outlines the detailed microwave plan for 23 and 38 gigahertz links for all of the cell site linking, spur-linking, so there is a backbone plan for the capacity which we have taken under contract from the ESB on their licenced backbone network.

And then there is the spur links which would be invested in by Persona and, as part of our capital investment, would be invested in by Persona for the spur-linking.

Finally, if there is a problem on the 7.5 gigahertz links for some of the spur-linking, and I stress it is only for the spur-linking to individual cell sites, we would first look at the possibility of using higher frequencies with repeaters and intermediate sites, and

there is a number of a contingency figure and indeed a number of those sites already identified where we would use higher frequency just to minimise the use of lower frequency links. That is already in our proposition, and, as a fall-back alternative, we will of course use lease lines.

SPEAKER: Could I just come in on something there, and John is quite right: the ESB, of course, will have to get the department's permission for the use, commercial use of the backbone microwave network, but we are assuming that if you give Persona the licence, that that will be inbuilt in it because it's an intricate part of it. We are also assuming that the use of existing infrastructure is, of course, the correct way for the department to act, and not have yet a third infrastructure built in the country, but ESB would need the commercial permission from the department on the backbone site.

MR. JOHN McQUAID: Just a final comment. I understand what you said and I deduced from it that you will need some additional links from some of the sites into the backbone and that if you are successful in being awarded the licence you will be in to us very quickly to work out the detailed spectrum issues for those links?

MR. TONY BOYLE: Yes, absolutely. Indeed, your question in terms of how quick we could provide it; we

could provide it immediately, but it was our understanding that we didn't wish to put additional work on the department for processing frequency applications for each particular applicant. We did have a preliminary meeting with the engineering section of the department at the early phase of the project while the consultation process was allowed, and, in the course of that consultation meeting, it was we got feedback in terms of what was feasible. Our plan was built around that. But today, our detailed engineering plan exists, so we could submit an application within several days, or several weeks certainly, I mean, if that was the way to go, but our feeling was that that plan would be ready, in place, and would be submitted immediately upon awarded licence,.

MR. JOHN McQUAID: We have decided that we are not going to do detailed work with each applicant until the licence is awarded but we are gearing up so that we will be well prepared, the day after the licence is awarded, to undertake that detailed work with the successful bidder.

MR. TONY BOYLE: Well, that is certainly fine with us.

CHAIRMAN: Could I ask Andersens if they have anything quick to add to that? Marius?

MR. MARIUS JACOBSON: That is a small question, but very sensitive. Health effects related to antenna

handsets, etcetera; who is responsible, the manufacturer or the operator?

MR. TONY BOYLE: I think we, as an operator, clearly have to share the challenge that the entire industry has in terms of taking this issue very, very seriously, and we would take that challenge and we would take it very seriously. Ultimately, the manufacturer has to have on under European rules, has to have responsibility for the safety of all products and devices that they ship, but we, as an operator, and we as a very committed environmentally-friendly operator, would have to clearly take a role, and we will be taking a role in this matter. But I do stress it is really part of a very wide European issue, but we would certainly be taking a sensitive role.

CHAIRMAN: Thank you. Could we then move on to question 6, and I believe, in your case, a lot of the information is already contained in your original application, but nevertheless, you may wish to make some quick comments on item 5?

MR. PAUL CARNEY: The only comments that are necessary, I think, Chairman, on item 5 is that we have a procurement team in place; it comprises of experts from Unisource and particularly from *Taile in Sweden, on the technical side, and ESBI experts who have experience in the procurement of capital

equipment in Ireland under EC regulations.

There is a detailed timetable worked out in terms of milestones to be achieved between now and the licence award. If you wish I will run through it?

CHAIRMAN: Unless unless Andersens particularly want you to run through it, I think we will be better saving the time. Ok, I think we are happy enough with that. I think again, subject to correction by Andersens, in relation to question number 6 we have plenty of information in this particular case; is that right, Michael?

MR. MICHAEL ANDERSEN: Yes, I think that that has been covered in the main part of the presentation.

CHAIRMAN: Ok, in that case could we move on straightaway to question number 7, please.

MR. TONY BOYLE: Ok. Perhaps we will ask Martin just to take that.

MR. MARTIN KEOGH: I will endeavour to learn my lesson and speak a little more to the point.

Really, competition in duopoly, clearly from our presentation you will see that the key method we see of introducing additional competition into this market is through service providers. I have to preface our remarks by saying, though, that if you look at our marketing strategy, and I hope the elements we demonstrated to you earlier, reducing tariffs by up to 37 percent, rolling out our network within a space of

less than two years, creating many and varied service packages, I think would class as real competition in duopoly, anyway. Having said that, the use of service providers particularly allows for additional competition, firstly in the area of handset supply, and we have spoken to all of the main handset manufacturers in Europe and they are very happy with the approach we have adopted here in encouraging an open competition for handset supply.

Service providers encourage competition for services because they are clearly free, under European Union guidelines, to offer value added services themselves. Obviously they are free to compete in terms of tariffs - it's the very basis of their relationship with the network operator, and, of course, they are free to compete in terms of distribution. They will compete with us sorry, with Person-to-Person, the internal service provider and themselves, for the best routes to market.

In order to promote that, we have encouraged service provider entry, and again, I hope - I mentioned this in my presentation earlier - there will be an arm's length relationship between Persona and all independent service providers based upon equal trading conditions, and we will encourage existing operators to move into being service providers by outsourcing IT facilities, by offering out-of-hours help desk

services, whatever else is necessary to encourage their entry.

We believe that Ireland can support around five service providers. We are not deterministic about this because, of course, if any service provider meets our quality requirements and has sufficient financial backing to give us comfort, then of course we will deal with them. But by the nature of the size of the market, we think five is probably the sort of number we will see.

In terms of does this work in creating real competition, well, the UK experience shows that SPs do work to develop the market. The UK has had a lot of criticism about the role of SPs and about the negative effects of SPs, and you have to cast your mind back to when they were first licenced in the UK, they were particularly licenced to discourage duopolistic behaviour and the operators were forbidden from dealing with their customers. And the service providers actually worked very effectively to create competition in what, at the time, was the key area, which was handset prices. Handset prices dropped from several hundred pounds, many hundreds of pounds down to 10s and 20s and 30s of pounds very, very quickly. Maybe they dropped too far but at least they reduced that barrier very, very quickly. It works because we have seen it work. A similar model has been adopted

and adapted in other countries and has worked effectively there. Our partners have experience in working in such environments, both as an operator, particularly through Unisource, but also through Motorola, with our in-house service provider, which has experience in working in this way and has developed competition as a result. And of course, the role of the regulator in this is crucial. We will be very open and very clean with the regulator. We will provide whatever quality and performance measures he requires to demonstrate that we are acting competitively. We will open our books to show that our arm's length relationship is exactly that. So with confidence about introducing service providers on top of our overall marketing strategy, you will see real competition in this duopoly.

CHAIRMAN: Thank you. Could I ask my colleagues, Andersens in particular, whether there is any follow-up question to that?

MR. MICHAEL ANDERSEN: I think that they would come in the next section when we deal with the oral questions.

CHAIRMAN: Ok. Thanks. Could we move on then to question 8, please.

MR. MARTIN KEOGH: Perhaps even the last answer almost answers this one too, I think.

I hope it was clear from our earlier presentation that Persona will not just compete on price, we will

compete on price, services, quality of our business

and our commitment to being customer-focused.

Having said that, we, of course, recognise that,

particularly in the short-term, price is crucial in

terms of establishing a market position, and we have

outlined our tariffing plans for you earlier which I

think will show we are taking an aggressive position

in the short term to establish our bridge head.

In the long term, we believe that a sustainable

competitive position is built upon your brand and the

way your brand is perceived, your distribution and its

loyalty to your service and the quality of your

overall business. A long-term sustainable sorry, a

price leadership strategy is not a sustainable

long-term strategy, in our view. Indeed, you only

have to see what happened in the UK over the last two

weeks with Mercury *1-1, which flew the flag

absolutely as being the price leader in the market and

has now had to withdraw with an enormous amount of egg

on Lord Young's face, to realise that that is the

case.

So our short-term tactics involving price will not

jeopardise our long-term strategy. And again, the

final point to emphasise here: that it would look, if

necessary, for some regulatory protection here because

if you are considering a new entrant to a monopolistic

market with a dominant, incumbent operator, there is

scope for predatory pricing, unfair competition or even cross-subsidisation, and we would look for some degree of regulatory protection against those things occurring.

CHAIRMAN: Any questions on that, Michael?

MR. MICHAEL ANDERSEN: Given that answer, can we then take it that the essences that you do nothing, is that the answer to the question?

MR. TONY BOYLE: I think really the answer is that we have anticipated aggressive competition. I think if you look at our price tariff you will see that, when we launch, Persona will be at the most affordable levels in Europe, and this is and on the basis this isn't our tariff, this isn't our basket, this is the basket as defined. So based upon the defined basket, we will be at the most affordable levels in Europe. We are anticipating aggressive pricing - we have priced down the curve 37 percent, so we are at the highest level.

I would further go on to say that in the UK market where today there are four operators, and clearly now, in particular, a very fueled, aggressive situation, one might comment that perhaps it wasn't aggressive with two but certainly with four operators there is a very aggressive pricing. We have launched our pricing at levels which is less than that market so we are not just simply sitting back coming in in a cosy situation

and waiting for somebody else to be aggressive; we are starting by being aggressive, we are starting pricing the product at where we believe the right level is to get the take-up, based upon our market research and based upon GDP and financial affordability matrix, based upon what we believe. We have looked at what consumers spend today on telecoms and we have, therefore, decided what we feel they will be prepared to spend on mobile. That is how we have pitched our pricing. So we believe we are from the start, but we will you know, so we have gone very aggressive in our pricing to start.

CHAIRMAN: Ok. Thank you. We then have some minutes for the last question on this table, question number 9.

MR. PHIL DOWSEN: It's quite the interrogation cell here.

Just to start again, I think the first thing I want to say is that our business plan, our approach to this market, has been built entirely around a long-term sustainable position in the mobile communications business. That very much reflects the credentials of the partners in Persona and it's a very clear objective on our part to build a very successful mobile communications business.

Clearly, liberalisation will have some impacts around the year 2000, bringing an open market for telephone

service in general and competition into the fixed line. That is likely to have a number of impacts. One would certainly anticipate that with additional operators coming into the marketplace with full liberalisation, that interconnect costs will come down. Interconnect costs I think at the moment represent a relatively high level in international terms in Ireland so, in the absence of anything else, that would be a positive impact on your business plan. But at the same time, I believe that the introduction of competition in fixed telephony will bring prices down, so, whilst our costs are coming down, so will the price points in the market, including those there is a certain level of premium that people will pay for mobility when you are going into the mass market, but it's only a certain premium, so it's somewhat balanced by the impact of competition general in telephony market. I think cheaper international costs, Martin, you touched on a little earlier; we certainly believe that there are a lot of potential advantages as an operator once full liberalisation comes into place to bringing direct connection and bringing the whole cost of international calls down, to the general public. And we would certainly be committed to exploiting those opportunities when they become available.

The broader issue at the point of liberalisation is

that there will be a whole series of other market opportunities potentially available. Now, we haven't addressed those today and it's not our focus. We have built a business plan and we have built an approach which is based very much on the mobile communications business, but, as our opportunities became available, we would obviously look at those on a case by case basis and build a business plan incorporating, you know, both the potential additional potential revenue sources and the additional costs to us, so we see that as a situation we would address at the time of liberalisation, depending on the circumstances that were available.

CHAIRMAN: Any questions to that from the Andersen team? Michael?

MR. MICHAEL ANDERSEN: Yes, we just discussed on this side of the table that what you have just outlined must give some windfall gains?

MR. TONY BOYLE: I think we have already made it clear that international, you know, reductions in interconnect get passed on, penny for penny, to the customer, and our gain and I have got to say that the way we see this is very clearly that the more affordable, you know at this point in time, of our 16p tariff, if we are paying 4.3 and 8.3 to Telecom Eireann, then our cost or our value added is 8 pence or an average of 10 pence, right, depending upon the

tariff basket. That is what we will make our business upon. That is what we are going to make our return upon. If a penny reduction goes to Telecom Eireann, that penny reduction will be passed on to the customer, and our benefit will be increased take-up, we hope, by the customer, increased traffic.

CHAIRMAN: Thank you. That completes the prepared questions. I think we should perhaps turn up the lights a little now because you are unlikely to be able to respond to the next set of questions with prepared slides.

I think, from our point of view, I would like to have Michael Andersen drive the next part of the agenda. He has identified some 10 or 11 additional questions to be explored. Some of my colleagues will join in the discussion here and there, I you would ask Michael to pose the first question and to drive the agenda. I will intervene to push the clock forward again as needed.

MR. MICHAEL ANDERSEN: Yes, by way of introduction, I would like to say that if you need some minutes to consider the answer to the to our questions, you are more than welcome to take your time to answer, and you should not feel, you know, embarrassed if you need proper time to answer.

Another point in the introduction is that we have grouped the questions into several headings, and the

first question will be a general business case question which covers almost all aspects of a business case, so it's a general question, whereas the other questions will be within the defined areas of marketing aspects, technical aspects, financial aspects, management aspects and also what we call other aspects. And we will clearly say to you when we move from one section to another section. So that is the way it works, hopefully.

Well, then, moving on, the first question will be a general business case question, and it will be posed by myself. So we can say that with Tax 900 and the GSM1 system of Eircell, Eircell has some first mover advantages as well as first mover disadvantages. You, if you are awarded the licence, you will also have some advantages and disadvantages as being the second mover in the potential second mover in the Irish market. And the question is, then, what are your second mover advantages?

MR. TONY BOYLE: Ok. Well, perhaps if I maybe just give some quick reaction. If you look at the overall position, we feel that what has really not happened in the market here today is the building of a cohesive distribution structure. That, we believe, is one of the fundamental flaws in the having said that, obviously we have been involved ourselves in this for a long period of time, but it has been a very

difficult process and one which has not been done with the encouragement or agreement of Eircell, so our biggest opportunity or one of our biggest opportunities is to immediately build a distribution structure which is cohesive, which is structured, which has a fair reward based upon the value added provided at the different levels that have distribution structure, so that we see as being one of the very key things. To date, Eircell has, up to date, concentrated upon building a technical network and, indeed, I would say that, right now, it's not succeeding in that because it hasn't anticipated sufficiently the demand, and enrolling at its GSM network in our view has not learned the lessons the mistakes which have been made in other countries; that you cannot superimpose a GSM system on a Tax mobile-based system and expect it to achieve the coverage, so we will stand back, we will develop a system which meets what the customers want in terms of GSM hand-portable-based system, so we will have a system which technically meets their needs and, importantly, we will build a distribution structure then to ensure that they can procure the product where they want to procure it when they want to procure it and that that distribution structure is carefully rewarded and encouraged and supported, and that, we believe, will be one of the key advantages that we can

bring to bear.

MR. MARTIN KEOGH: If I could just add to that, Tony, from a very simple infrastructural point of view. We will be building a network from the beginning, from scratch, from a green field position, and we will not be trying to adapt an existing tax system to GSM requirements with all the complications that that means. That is a decided advantage also.

Perhaps I could look at it from the marketing point of view, because that is clearly crucial in terms of establishing our position in the market. What has already been said is absolutely crucial, of course.

We have, as a product, we have a chance of a second mover advantage in terms of defining our product, in terms of network coverage, starting from scratch, targeting our areas of inbuilding coverage, defining the quality of inbuilding coverage to these key market segments. But I think, perhaps as important, or more important, than that, is Eircell so far has not grabbed the high ground in mobile communications. It hasn't positioned it yet as a lifestyle product, it hasn't positioned it yet as a product which is available or applicable to a broad range in the market. It's still very much stuck in the niche of being a business market with for high spending customers. We have the second mover advantage of being able to absolutely grab that high ground of

making GSM available to all. And indeed, I hope I demonstrated earlier that our branding strategies, our branding approach, is designed specifically to support that.

Second point as well, which is perhaps a little more abstruse: Eircell also have a slight problem in that they have close to 95,000 customers on their network.

If I was the marketing director of Eircell and I was given the competitive intelligence that Persona was going to reduce their prices by 37 percent and my MD said we have got to reduce that by the same level, 37 percent, I think my finance colleagues would have apoplexy. They would look at the bottom line and say we cannot afford to drop that level for any period of time. So it's a nice first mover advantage because they do have install base, but it's not all roses having an installed customer base; it does give you some problems in terms of your ability to compete and react quickly in the market.

MR. MICHAEL ANDERSEN: Ok. Thank you. And as a follow-up question I would like to pose a question in continuation of the 37 percent. We all know that there are a variety of different strategies which you can pursue; you could be a differentiator, you could have a follow a type of strategy, you could opt for market leadership or you could opt for a cost leadership strategy. As I intuitively read your

application, you state something which might lead us forward to believe that you will pursue a cost leadership strategy. I will just make a quotation then from part two of your application on page 67 where you state, "The key to developing the Irish market is to drive down the cost of ownership of mobile communications."

Can I take is it correctly understood that you will follow a cost leadership type of strategy?

MR. TONY BOYLE: I think it's important to put this in perspective, and if you saw, we presented four key elements of our strategy. And we will certainly not just be leading on price, but we do have four key elements, and those elements are our coverage, our distribution, our quality of customer service, but our research indicates that, today, prices are too high to fuel the market. That is the reality. We do not intend starting a spiral which will see the price going through the ground, but what we do intend doing is pricing to where we believe the market should be. We have a very clear strategy, it's something that has been learned in many very successful cellular businesses; that if you price to a volume, you will achieve that volume. So we will price we will start pricing the tariff at the most competitive levels in Europe, and that is what we believe is essential to fuel the take-up, and we will price it at

levels which are affordable, based upon...

We have studied what the Irish consumer pays today on telecoms, the average consumer, and, from that, decided what we believe the tariffs should be. So that is the issue, that is why we pitched our prices there.

MR. MARTIN KEOGH: If I could add to that a little bit. I think you are right in as much as to really support our position, we have taken on pricing, which is only one part of our total mix. We have to have very much a leadership position on costs, and that's been very much part of the way we put together this plan. We have a significant multipoint strategy from interconnect to get as close as possible to local delivery prices to Telecom Eireann. We have designed a very lean and mean structure for our network operator. We have made use of broad distribution via independent service providers which we have taken a very complete view of building that. We have taken, you know, a very cost-effective approach in using existing infrastructure, using sites that are available, so we have done the work behind our business plan to make sure we have got a very cost-effective implementation solution, we believe.

MR. MICHAEL ANDERSEN: Ok. Anybody else with follow-up questions on this part of it? That seems not to be the case.

We will move to the second section, and that is the marketing aspect. And I will pose a few questions within that section as well.

Looking at your submission and your strategy mission, which you also presented this afternoon, you definitely want to go into the mass market and develop a mass market, and you state that several times in your application. The mass market to most people, including myself, means that you will penetrate the private segment. And then I would like to draw your attention to page 78 of the marketing part of your application where you divide the penetration into private uses and business uses. It is this graph I am referring to. Can you state how many private users you expect in your own network?

MR. MARTIN KEOGH: Perhaps I could respond initially to that one, Tony. The problem with looking at private or business users in the long-term is they are the same animal. Over time, particularly as you develop the sort of service that we are talking about here in Ireland, the differential between whether somebody is using a phone for private or business, whether his purchase motivation is for private or business, becomes very difficult. The fact that a gentleman walks or a lady walks into a retail outlet on a Saturday wearing a pair of jeans and buys a mobile phone, does that mean they are a private user

or a business user who can't get to the shops except on a Saturday morning? It is, therefore, very difficult to state categorically whether they are private or business users. We have categorised it in a different way in terms of driving our market segments, looking more at levels of usage - low users, high users, peak users and off-peak users.

However, in building up the market segments we did explicitly state that there would be, if you like, an increasing overlap between these two two market areas sorry, there would be an increasing number of high use personal customers, private customers and an increasing number of low use business customers, and we attempted to model that, and the overlap I believe we spoke about was something like 75,000 customers overlap.

MR. TONY BOYLE: Maybe if I could just make one other point, Michael. On figure 852 actually shows that information, 852 shows our market share it's on page 80, so the first chart he refers to is the one which talks about total market, then it goes on in figure 852 to give Persona market share of the business in domestic customers

MR. MICHAEL ANDERSEN: But can I take it then that domestic, that means private?

MR. TONY BOYLE: Absolutely, yes, yes. Yes, I am sorry if there is a difference in terms there. It is

intended to mean the same thing.

MR. MICHAEL ANDERSEN: May I add to this. As you correctly pointed out initially it is stated that is a mission innovation that we are talking about, the mass market, and then we ended up in a number of discussions here, and I think this is very important to emphasise: behind the concept of mass market is not just a number, it's actually a vision of developing an industry, an industry that we have seen develop in other markets in other countries where we actually see a number of other entities coming, where we see a developed value chain, where we see players ask the service provision, ask the retailer, not just the traditional telecom monopoly approach, and I think that what you must pick up when we talk about mass market, especially in the light of the Middle Eastern ambition, is our ambition to create an industry, our ambition and mission of creating a number of jobs and a number of different areas of activities beyond what we will be involved in. I think that this is something that must be emphasised. Our role is a component of something much bigger but it is our vision that will set the stage for this whole industry, actually, that we are expecting. That is really a thinking behind the mass market, to create the right conditions to develop this into something much more than we are at Persona.

MR. MICHAEL ANDERSEN: Just for clarification, figure 852, to which you make reference, is that the total division among your own the business/private split among your own subscribers or is it what I believed it to be, the split the percentage of the total market?

MR. TONY BOYLE: What figure 85 the first figure, 843, which you had, identifies the total growth of the private market and then the domestic market. And then figure 852 defines what our share in what our market share will be of those market segments, but I do apologise, you are correct, that the second chart refers to business and domestic and the first chart refers to private and domestic, so obviously that is what has caused the confusion. I am sorry. But you can directly correlate one to the other, private equals domestic and that will tell you exactly the answer.

MR. MICHAEL ANDERSEN: Yes, but if we look at figure 852, then we can say that your domestic share of the market or the private share of the market is somewhat above 40 percent - 43, 44, 45 percent or something like that, but that is of the total market share, isn't it?

MR. TONY BOYLE: That is of the total private market, yes.

MR. MICHAEL ANDERSEN: That was also how I understood

it. So you foresee that you will have more slightly more private uses than business uses by the end of the planning period since the split. The total amount, the absolute amount of business and private users are approximately forecasted to be the same.

MR. TONY BOYLE: Yes, I think that is absolutely correct. The one thing I would stress and the one thing that is actually fueling this is our strategy is not to churn the existing 95,000 predominantly business users, our strategy is to gain a significant share of the new business customers, but also, importantly, to open up for the first time, in our view, in a correct way, the domestic market. So therefore, that is why our market share in the domestic market or the private market will be higher, because that will in our view, we will be doing it correctly for the first time, but obviously in the business market there is an existing customer base, you know, there will be a loyalty within that customer base and, while it may churn over time, we are not expecting we have not built our plan upon windfall gain expectations of major churns from perhaps that was an unfortunate choice of terms, strike that. But that is so that is really that is really the difference. If you look at the spreadsheet you will see that, while we gain high percentage of new customers, we don't expect the 95,000 to and this

is obviously total market.

MR. MARTIN KEOGH: What I could say is that actually our, as we define them, individual Persona subscribers, goes above our business subscriber numbers in the year 2003, and if that information isn't readily available we can certainly submit a spreadsheet with the year-by-year numbers we have assumed in each category, to you.

MR. MICHAEL ANDERSEN: Thank you. I think you have made sufficient clarification for now and I thank you for that clarification.

I will now move on to the last question in the marketing section since I think we can delete one of the questions because that has already been answered, and that will be the last question in the marketing section. And that deals with churn rate. You mentioned that before, Mr. Boyle. And the churn question:; and we can see that you, in the tables, you have provided project churn rates around 11 to 14 percent whereas you, in your application, on page 58 of the in the marketing section, say that, on average, your churn will be 15 percent. Why is it that we have this little difference between the tables and what you state in the book?

MR. TONY BOYLE: Ok, I am certainly pleased we can clarify that point for you. Our churn assumption is 15 percent of the opening subscriber base will churn

each year. This is the method which the UK industry uses to measure churn. I recognise that some industries take different measures - for example, closing customer base or average customer base. We have assumed 15 percent of the opening customer base will churn every year and you will find that is consistent in our plan. Now, you could ask what is the logic? There is many reasons for logic. For example, it is almost certain that customers will take a minimum of one year contract, so you may argue they don't churn until the end of that year. Anyway, I think it's based upon our experience and, in particular, looking at the way it's done in the UK market, we have measured it as 15 percent of the opening customer base. And that's that we recognise that, in your tables, it's done on closing customer base, I believe, and that's why in the tables it came out at slightly different, but the method that we have used is the one that is adopted today in the UK industry.

MR. MICHAEL ANDERSEN: Yes. I have a follow-up question and that is maybe even more important for us to get an answer on, and that is your statement that you have a conservative assumption regarding churn rates. Well, how do you view this when you take into consideration the churn rate in other countries where they where you have experience concerning customer

retention programmes, you have customer care experience, etcetera? Because in other countries you have a comparatively higher churn rate, at least in some countries, so how do you explain your conservatism?

MR. TONY BOYLE: Ok. I think we base our churn upon two things, and first is looking beneath churn there are two things you need to look at, and one is intra-service-provider churn, intra-operator churn and buy-and-go-away churn. It's hard to actually split it down between those three, right? Obviously in certain markets there are a lot of "scams" going on for where one service provider tries to poach another service provider's customer, being fueled largely by incentive bonuses and connection bonuses, and this is one of the potential abuses in a service provider environment. We have tried to build-in, in our draft contract, protection against that the matter you will see in the draft service provider contract. So we have certainly excluded service provider churn from our measure.

The second aspect is, of course, network churn - as I said, network to network churn, that you must make a value judgement upon that, how aggressive one network will compete with the other network to churn its customers.

And the third measure, of course, is, as I said, the

go-out-of-business or buy-and-go-away. Certainly based upon what we feel is network you know, is network churn plus, you know the go-out-of-business churn, we feel the figures that we have are very conservative but I would accept that, in certain markets, when you look at total churn, because of this service provider anomaly, that it could look worse.

MR. MICHAEL ANSERSEN: Ok. Thank you. I don't know whether anyone else in the evolution team has follow-up questions?

We then move to the next section, and that's the technical aspect question, questions on technical aspect. And we have a number of questions here. The first one, the first question will be posed by Mr. Jule Fetterson.

MR. JULE FETTERSON: Thank you. We have been investigating a little in some of the parameters who are characterising your network. They sort of cling a little together like blocking, drop-out rate and network capacity. Let's concentrate on network capacity, which is described in different places and also in the tables. Now, from a national point of view, we can easily see that network capacity is there and that it may be reasonable according to the expected number of subscribers, but we realise that, in Ireland, there is a specific problem area, if I may use that word, that is doubling in terms of capacity.

Now, the bulk of traffic that will be anticipated here will be in Dublin, the Dublin area, so I would like to ask you how did you, in your planning, make sure that capacity is not just available for the nation as such but especially in the Dublin area, just to serve this very important traffic?

MR. TONY BOYLE: Perhaps if we ask the marketing team, Martin, to specify how he defined, first of all, the need, and Robert and Paul will address as to how that was achieved.

MR. MARTIN KEOGH: Certainly, when I finish my biscuit.

MR. TONY BOYLE: You should have known the first technical question would go to marketing.

MR. MARTIN KEOGH: As I mentioned in my presentation, you are absolutely right, it's completely crucial to guarantee that not only do you have the absolute breadth of coverage you require, the depth of coverage you require, but also the capacity you require. When we built our network model in conjunction with our engineering colleagues, we modelled the distribution of traffic, taking into account the types of customers we expected to see on our network, the levels of usage they would generate and the distribution of that usage over time. So we had a temporal model and a geographical model which we overlaid together, and then by dividing that up into rural and urban areas,

and particularly the city areas, we were able to allocate that traffic across the greater Dublin area, which was the tool, if you like, that was the input on which our engineering colleagues then determined how to provide the capacity that we would require.

MR. ROBERT CHALAM: Robert Chalam, I am from Unisource Mobile. I am working in a Persona project as a switch manager, and I will continue this question where Martin ended. And so what we had in the base was a forecast on subscribers in different areas, and we did it in a two-step rocket, you could say; first, we assumed the migration of traffic from counties surrounding Dublin into Dublin, and in general it's very difficult to develop a clear view on the traffic profile of a city, including all cities. So the next step we took was actually performing a traffic measurement on existing Tax network in order to undermine what we thought was the case with Dublin, that we actually have a centralised traffic profile, with the top in the centre of Dublin. So I would say that we have considered traffic-flow into Dublin, and also within Dublin, of potential of a traffic top, top in the middle of Dublin. And the traffic measurement actually showed that today, today it looks about it for for kind of match or network, the Tax network, and we assumed that the development, and we have seen also that the early kind of a profile, it

will stay, because it's a matter of how you use the mobile phone. The only thing is that the traffic profile grows, it becomes more traffic, but the base phenomenon behind the traffic profile is the same.

MR. TONY BOYLE: So I think if I could just summarise.

We took the geographic studies, the demographic studies, to see where the population live. We obviously factored that into our model. We tried to predict the traffic patterns in terms of people travelling in and out of Dublin and where they would be, and then finally we went and did extensive testing on our testing to see where the traffic was happening today in the Dublin area. Now, the flaw in it, obviously, is predicting will that continue, and clearly that is why our whole, you know, that is that's we base it upon what is happening today. We try to postulate that, then, into the future, but certainly we have gone to the extent of the on-air monitoring of the traffic to see where the bulk of the traffic is today. Coming from that has been both our network design and our identification of the ten key micro-cell areas that we would install in the Dublin area, and we have in our bid a list of those areas where we believe micro-cells would be necessary to meet that capacity, and together with plots and coverage.

MR. JULES FETTERSON: Thank you. Ok. Then we move on

to the next question, and it's also a technical question. It will be posed by Marius Jacobson. The floor is yours.

MR. MARIUS JACOBSON: Thank you. And I think you can take your next biscuit now because the thing is technical.

And it's a question about half rate codex, and it has been a very, very long story about half rate codex in Europe, and I don't think anybody knows where it ends in the future. But you have dealt with half rate codex in your application, and specifically in volume 3 page 14 you have anticipated that person, after year 2004, will have to allocate half rate speed channels to a small proportion of customers making calls in the busy hour in Dublin. It makes me to the question: does it mean that you only expect it necessary to implement half rate technology in Dublin?

MR. MARTIN KEOGH: I think we have started off in our network design with the principle that we want to offer a very high quality service to our customers, so we have developed a capacity plan which takes us through with existing full rate technology all the way through to year 2003. I think at that point one can foresee a number of different alternatives that will be developed by the industry for increasing capacity in cellular networks; one I think is half rate coding, very clearly, and that is the one we have addressed in

our plan, but as you say, in terms of our usage it's relatively modest.

The second is some sort of dual mode handset which involves GSM and GCS 1800.

The third is just very modern cellular planning techniques in the use of micro-cells, so we are looking quite a long way ahead into the crystal ball and setting a strategy now. We think, overall, we have got an approach which is conservative. We have got a network plan that can cater for our capacities right up to, you know, somewhere into the future with full rate coding as it is today, and then we have a number of alternatives in which half rate, we think, will be one of the very realistic alternatives at that stage to develop the capacities further.

MR. TONY BOYLE: Our bid really says that unless half rate coding meets our quality standards, we would endeavour or we can meet our capacity demand from the available spectrum except in Dublin. That is what we are saying.

MR. MARIUS JACOBSON: Yes, I have already read that, but the problem is, in Dublin, where you sit, you will introduce half rate technology in Dublin, and if you do not introduce half rate technology, what I hope you will do, because then you will run into problems with roamers coming over to Ireland with half rate terminals. That was the reason why I raised the

question. Thank you.

MR. MARTIN KEOGH: Perhaps it wasn't clear, I am sorry. My it was addressing specifically your question. But in our concept for our network roll-out, it is to have dual rate capability built into it so we will be able to dynamically allocate between full rate mobiles and dual rate mobiles across the network, not just in Dublin.

MR. MARIUS JACOBSON: I think within the GSM specification for the phase 2 services and since half rate is going to be one of those, that all phase 2 mobiles will also be phase 1 compatible, and that means half rate mobile will also speak full rate, today's full rate, and whether that is will be implemented. So I am not sure, but that is what I understand today, that the half rate mobile will also speak full rate, so it's for the operator to decide.

MR. MARTIN KEOGH: Certainly from the context we have heard with the handset vendors, that is the strategy that has been outlined to us. It will be dual rate rather than half rate or full rate.

MR. MARIUS JACOBSON: Yes, once again, the problem for me is not the handsets, that's the infrastructure, because I know very well that if you have a half rate infrastructure you can also speak with full rate terminals. So it's not the problem. I think you have answered the question.

But I have another one for you, and you have also mentioned enhanced full rate technology in your application. What is your expectation to the implementation of the enhanced full rate technology?

Thank you.

MR. MARTIN KEOGH: I think this really came to our attention with the development of the PCS market in the US where I think the US operators decided that the full rate coder in GSM wasn't sufficiently high quality for their needs. It was something about American ladies' voices didn't come over very well in GSM.

MR. TONY BOYLE: Don't be sexist.

MR. MARTIN KEOGH: I think the serious point, there are obviously a whole series of developments going on in the coder and there may be an enhanced full rate coder. As the half rate coder takes advantage of certain technological advances they may roll into the full rate coder in terms of an improved service, so we are really recognising that that may be a development coming down the road in future.

SPEAKER: If I could add to that. If you look to developed markets where already they state, like a mass market, the competition will not only be held between mobile operators, it will also meet a competition towards the fixed network and the quality reference there will be the fixed network. And if you

compare those two, many are still not very satisfied with the quality of GSM, so maybe not the first step, but that is the second step.

MR. JULES FETTERSON: Half rate coder, this is a long story and we could continue, but we will stop here.

Thank you.

Nothing to add? Ok.

Then we move on to the next question, and that is also you, Marius.

MR. MARIUS JACOBSON: I have also been in the radio field, been working with radio management so, therefore, the frequency coordination with neighbouring countries is a very tricky aspect. And if you take Ireland, they have borders to Ulster, but they have also border to Isle of Man, because, as I have seen in your application, you have also rather good maritime coverage. So do you see any problems concerning frequency coordination with the United Kingdom?

SPEAKER: I think I would say we have already had significant discussions with Cell-net. And as I understand from the frequency plan, the one which would pose us most challenge is the Cell-net as opposed to the Vodafone network frequency plan in the UK. We have had very detailed negotiations with Cell-net; indeed we have a very close strategic relationship with them, and we mentioned earlier that

they have committed to have a roaming agreement in place at launch. So we have had some very close agreements, and we have, in writing, a commitment from them to work on frequency coordination. So that has to date now, I must confess that we have been concentrating on the northern border as being being an area of greatest concern, and your point is valid on Isle of Man. But what I would say is that the relationship is established, it's there, it's very cooperative, and we have already done the preliminary work to ensure that. And you will see in our bid how we have specified that which would overcome coordination with regard to the Northern Ireland border, and I would anticipate similar very close cooperation with regard to the Isle of Man.

MR. JULES FETTERSON: Thank you. I think the next question will be posed by John McQuaid.

MR. JOHN McQUAID: Yes. I have a question on billing, which I don't think you covered during your presentation. I would like to know what billing system do you propose to use and how much work will be required to interface the system with both the MSC and also to customise it for the Irish market. Now, I also note in your presentation that you are going to appoint service providers and that you envisage that they may actually do some of the billing, and perhaps you might also be able to expand how that will work

vis-a-vis your billing system and their billing to their subscribers.

MR. TONY BOYLE: Certainly. If I could, the first thing I would say is, to date, John, we have spoken with six major billing procurement suppliers throughout Europe in order to specify - and I think there is a list of those suppliers in our bid - in order to specify a system that would be suitable for the particular Irish environment. That is an environment which obviously entails connection, and needs here, in particular, looking at areas such as service provision and looking at cooperation with service provision. So firstly we have done a lot of research to find we have identified six suppliers who can meet our needs. These suppliers, a number of them have already worked with Motorola and with Unisource in various GSM networks, so the experience is proven in terms of their ability and their capability to deliver. A key part of the specification has been their ability to support, not only network billing but also service provider billing, and that is a key part of the specification and I would hope is outlined in our bid where it provides and the concept is quite simple; we would offer an outsourcing service to any service provider to print a bill on his paper. So we can do two things: one is provide him with hard or soft data to

allow him do instant billing, hot billing, regular billing, whatever period billing he wishes to do on his machine, his stand-alone machine, or alternatively, we would provide him a compartmentalised part of our system, effectively, to allow him so that we could carry out billing on his behalf on his paper to access his customer care with our billing system. Just to explain that at top level, and Robert will be pleased to give more depth, technical, if you require that.

MR. JOHN McQUAID: Software, are you confident that you will be able to do the necessary customisation and testing and system testing with the MSC and other network elements in time for the 1st of June launch?

MR. THOMAS JARNAY(?): I could answer on that. Through our experience what we know to this, that in early years you were most focussed on the infrastructure, so in that case we are giving customer service some more empathy, because many systems has been developed so far, but when you stood there at the launch day you saw there wasn't any customer service system working. So we are giving that and taking that into account very well in this process. And what we all so this, among the GSM infrastructure, the procurement of a customer service and billing system goes hand-in-hand with that so we don't waste anything or lose time.

Also, we have developed experience in we have in some projects launched from the start of the development of the customer service system in two months with development, including testing and everything. That was in a small country not as big as Ireland but, still, also the management of this process is being developed.

So we think, according to this time scale - and remember, when we have selected MSC and HLR vendors, we start down with the business process, aiming and focusing on the details of our service provider structure and all local Irish functionalities we need in the system and start with the business process.

And we then have about five months, or a little more, even, and that will be no problem.

MR. TONY BOYLE: Perhaps I would make two points, if I could, to that. John earlier talked about procurement strategy and we didn't quite fully go into it because I think you felt we had covered it. But I would want to say that the billing system is one of the key strategic capital investments that will be going to tender on the 22nd of September, right, and by the 30th of November our pert chart shows that we will have contracts signed or ready for signs with all key vendors, including billing system, subject, of course, to winning the licence. So that is one of the strategic things. And obviously we do not wish to

prejudge the outcome of the EU tender, but having said that, the one that looked to us like it was very favourable was a cap programmer system, and there is a letter of support and confirmation in our bid that that company, should they be successful, would be able to implement what we need in the time frame. Now, obviously that presupposes the result of the tender, but the principle is, suppliers identified, a particular supplier looked like offering the most the best functionality, letter of support in our bid from that supplier, but that is part of the procurement process which starts on the 22nd of September with the publication in the EU journal which is already scheduled and which will complete or will reach its conclusion on the 30th of November or 29th of November, I am sorry. So, we would not underestimate that, John, and accept your point.

CHAIRMAN: I just wanted to say that we have just about 20 minutes left. We have at least three important topics we want to air with you, so I'd ask everybody to try and accelerate. I think, John, your questions about links have been dealt with in the earlier

MR. JOHN McQUADE: I have no further questions to ask.

CHAIRMAN: Anything, Aidan, on your side?

MR. AIDAN O'CALLAGHAN: No.

CHAIRMAN: Michael, you had a question on EU

procurement rules; is that still standing? Do you need to go into that again? Do you need more information on it?

MR. MICHAEL ANDERSEN: I think we have got a sufficient answer. I don't think we will get more information. So I suggest that we move on to question block number nine, and it is within what we call the management aspects. And we might have several questions but we will try to boil it down to basically one question concerning one of your consortia member partners. And the question will be posed by Jan Bruel.

MR. JAN BRUEL: Thank you. As a member of the consortium with a bit more than 25 percent ownership, and the question is about the financial liabilities of the of Sigma. Considering that there is quite a high exposure of Persona - I think you mentioned 40 million pounds - how do you assess the relationship the relation between this significant exposure of the business case and the pressed equity of Sigma?

MR. TONY BOYLE: Let me answer, as the Chairman of Sigma. You will see in the bid a letter from KPMG. You may have seen it in supporting documents which confirms their very strong confidence on the providing of the equity that is needed for the bid. A special purpose vehicle has been created, it is in place, and since in the supporting documents, KPMG Corporate

Finance, who will be providing that element, have supplied a letter. They would be quite prepared and happy to provide any further confidence that you may require with regard to that equity, and I would say to you that, since the submission of the bid, an indicative offer for a strategic offer for an investor has been received. So it is already covered in the bid with a letter of support from KPMG and they could provide further they could provide further support to you now if you would like to see that, and if, in a very short period of time, a firm there is already an indicative offer, as I say, available for all of the finance that is needed for the Sigma equity.

MR. JAN BRUEL: Please elaborate on "strategic offer".

Can you clarify that?

MR. TONY BOYLE: Ok. Well, I mean, let me be very specific - obviously it is within these walls. AIB bank, who are the largest Irish bank, have submitted an indicative letter which would see them taking a 45 percent stake in the Sigma investment vehicle. And that's the situation. So the Sigma Wireless networks is the investment vehicle which would be putting forward the Sigma equity, and AIB bank have submitted an indicative offer to do that. We have also, I have got to say, we have also had KPMG have had approaches from other parties with regards to

providing that equity and it was based upon that that KPMG have confirmed in writing their absolute view that there will not be any problem in providing the equity. If there is any need for any further clarification, as I say, now or over the next several weeks, we can certainly provide that. That point, you would appreciate, obviously is in confidence, as I am sure...

MR. JAN BRUEL: Yes, I think sufficient information for now. Do you agree, Mr. Chairman?

CHAIRMAN: Yes, we are trying as much as possible to avoid further communication from applicants to us as a result of this week's presentation, so unless we specifically ask for something we'd prefer not to receive it.

MR. TONY BOYLE: Ok. Obviously the only other thing I would say to you: if there is any concerns, we would expect you to ask us for it, so we would very much appreciate that.

CHAIRMAN: Noted.

MR. TONY BOYLE: We can only do our best, and we will do that.

CHAIRMAN: And the next heading as well, the next heading is the financial section, and we have a question there on the tables and the financial part of the business case, and the question will be posed by Billy Riordan.

MR. BILLY RIORDAN: The question really concerns the cashflow. I noticed, looking at the cashflow, the cashflow increases radically during the period of the 15 years. And on further analysis I noticed that the dividend payment has been treated as a revenue in the cashflow, and I just thought it would be reasonable to ask you if you had any comments to make on this?

MR. PAUL CARNEY: Just to clarify that this is in the context of what appears to be a discrepancy between the business case and the compulsory tables.

MR. TONY BOYLE: I think we need some time to consult on that, if you may.

MR. PHIL DOWSEN: What I would like to say is if you have got any reconciliation that you have prepared which goes into that discrepancy which you have discovered, could I please have that and maybe spend a few minutes now having a look at it?

MR. TONY BOYLE: Sorry, I haven't. Sorry.

MR. PHIL DOWSEN: In that case it's very difficult for me

MR. TONY BOYLE: I understand that.

SPEAKER: From the point of view of clarifying commenting and really to clarify whether you saw that the business cases presented in your projections ranked priority over the mandatory tables was, in fact, the core schedule?

MR. PHIL DOWSEN: Maybe if I try and answer in general

terms, I can address the concern that you have.

Obviously we have a business model, which you have a hard copy and a soft copy of, and that is what we have used internally to drive our business case and to analyse, you know, exactly where we are going and whether we think that the returns of the project are sensible. To a certain extent we have had to fit our answers as provided in the tables around the business case that we already have and we took a considerable amount of time to make sure that the resulting tables that were submitted made sense. I am concerned that if you feel, from the tables, that we have treated dividends as a revenue item, I can only at the moment assure you that the only revenue items we would consider in a business case would be from the network, and, in fact, the network revenue is largely billed to the service providers. I think that you will have had time to look at that, our business model too.

SPEAKER: I do fully appreciate this is something that you couldn't possibly have a slide for or anything like that but just to clarify what I'm talking about.

So it's line 111 in the tender, in the tables, yes, that is really what caught my eye and then I just said I didn't really follow what was happening.

MR. PHIL DOWSEN: Can I just confirm, line 111 I think is the heading which is the accumulated cashflow?

Could you bear with me for just a couple of minutes

while I have a look at it?

MR. TONY BOYLE: Would you mind moving on to the next question and give us some time to come back to that one if that is ok.

SPEAKER: The next question really is a general one.

In your application you have expressed fairly strong reservations concerning your acceptance of the licence conditions. Are you in a position to elaborate some more on the reservations you have in that area?

MR. TONY BOYLE: We certainly didn't feel we had expressed reservations, Chairman. We obviously were asked for a point by point response to your first draft. I think we felt, in the main, very optimistic towards that draft. We expressed reservations, we felt, only in minor areas.

CHAIRMAN: Michael, would you like to take up that part of the discussion?

MR. MICHAEL ANDERSEN: Yes. If we look at the way you have worded it, you begin with a number of principles which you think should be

MR. TONY BOYLE: This is called Swedish..

MR. MICHAEL ANDERSEN: ok, ok which you think should be guiding for the final drafting of the licence, and, combined with your comments, your detailed comments to more or less each paragraph of the licence where you also worded in a somewhat strong manner, we take it, in combination, interpret it in

such a way that you indeed have some strong reservations concerning the licence?

SPEAKER: I think we all share the view that the licence and the licenced conditions, as we put it down, are a very important part of the, hopefully, continued work that we will have in front of us, and, for that reason, perhaps being the one partner of the consortium that have been having these discussions with the Russians, with the Hungarians, with Italians, with a number of other countries, governments and so forth, I know that there are so many things that we must consider that we must address, and it is not my intention in any way to be negative. I think it's in the interest of the government, of the ministry, of yourselves, everybody here, including ourselves, then to really think through all the aspects, address all the aspects and be clear on the, well, different anything from loophole to uncertainties, uncertainties about what we can and cannot do. But it's most unfortunate if you feel that this ended up being too negative. I think that that I mean, we have a lot of input to this, we have a lot of experience from negotiating these licences in other countries, and so forth, and we had our first meeting with the minister, presented a couple of those drafts as guidelines on how to proceed on this work, and I think that I mean, really, once we sit down and

discuss the details of this you will find that there is nothing strange in this.

MR. JOHN McQUADE: Just a brief follow-up question

then and the remarks. The remark is that we haven't interpreted this negative or positive or whatever, we just read the words and read it for what they present.

But coming back to the semantics, you write in a number of places it must be so and so; for instance, in a competitive environment it must be possible to alter tariffs and tariff packages with very short notice. We interpret in the following way, then:

that if you cannot get, for instance, the short deadlines you would like to have, then you will not move into assignment of the licence as a potential licensee, or I could put this question in a more general way: If you if the world doesn't turn up to shoot all your needs, will you then not sign a draft licence, a licence by the end of the day as a potential licensee?

SPEAKER: Michael, maybe I could try to put Thomas out

of his misery a little bit if I could. One thing we discovered in this whole process is Swedes are known more for precision steel, they are also known for precision. What you have is just a little bit of interpretation issue. We, in fact, quite honestly, we recognised ourselves that some of the wording was quite strong in this area and we commented on it.

It's not a fundamental disagreement on our part, it's a language issue. We recognise, as I said to you in my introduction, we recognise the terms of the licence are, you know, fairly standard, reasonably balanced.

We do not anticipate that there will be a problem negotiating an agreeable licence with the department in a very fast period of time. We do not.

SPEAKER: May I just add to that. I mean, having had discussions with a number of different authorities in terms of the wording of the regulatory regime, including the Swedish authorities, I mean, really, I think we have a common goal here. I mean, given that we sit down and negotiate a licence and the licence conditions, the regulatory framework for this, we have a common goal for this and I think for that reason it's very obvious that we will, of course, have a conclusion of it. I think it's important that we point out the things that we think are important and that we try to achieve because we think that we, coming from our side of the business, see some things that we should try to pick up in these conditions and try to avoid, so to speak, so that we have the necessary flexibility to act on the marketplace. You then will counter saying from our point of view and with our interests we think that we should balance it in this way but as long as we have a common goal and we will have, and I have no concern about us not

reaching conclusion on that in that those

negotiations. Thank you.

CHAIRMAN: Just a slight point of clarification. The example Michael picked about freedom to adjust prices rapidly, we have no history in this country of restricting people's freedom to reduce prices, and we don't expect them to be increasing. We have about five or, at most, six minutes left. The accountants have to have their say over number reconciliation and I don't know whether you then have have any closing remarks, but the time is running out.

MR. PHIL DOWSEN: Thanks for the opportunity of responding and I am glad that you slipped that one in to at least give me a bit of time to come up with an answer. You will appreciate that with only two or three minutes to review, it's very hard for me, as an accountant, to commit absolutely to anything in such a short period of time. It's always difficult, but at the moment I feel reasonably I'd like to answer the question fully, Tony. I feel reasonably confident in saying that you are right and I don't want to elaborate on that other than just for three areas.

I have already talked about the tables and attempts to make the tables make sense in the light of the fact that we were using a business plan, which you have also had a copy of, but Andersens, I am sure, will correct me if I am wrong, but the tenet of the tables

is very much based around line 105. Line 105 is, in fact, the cashflow which drives all sensitivities and the IRRs in it, and again this is my reading only, but I see line 111 as almost a disclosure line really to just provide some additional information which may or may not be perceived as useful. What I would like to make very clear and really to just say now is that I don't think that any error in line 111, and I believe there probably is an error in line 111, should detract from the business plan as it was presented by Hans, and my feeling, as financial controller of Persona, is that it's an extremely well-balanced and rigorously balanced business plan.

CHAIRMAN: Just in case I get lost in the specifics, the real question I am asking, I suppose, is whether is whether these are secondary to the business plan, and I think from what I understand what you are saying to me, they are so thank you.

CHAIRMAN: I think unless Michael Andersen has new questions, that we have come to the end of what we had prepared for today's discussion. If you want to, you can have about two minutes for closing remarks but that is about all that is there. The time is actually running out.

MR. TONY BOYLE: Well, Martin, we had the dressed up people and the dancing girls ready, but sure you have missed out on that opportunity. Anyway, I am joking.

Thank you very much for the opportunity. I think, as I said earlier, we are very pleased to have the opportunity to present today. I think we have really said it all. I hope that what we have shown you today is the Persona team which has been involved in the bid, involved in the whole process to date. We feel that we strongly feel that our expertise in mobile is one of the key reasons that you need to very seriously look at our proposition. As I say, we are not speculators, we are not people from other businesses trying to jump on a bandwagon. We are experts in mobile, we know what it takes to build this. It is a complex there is no question that we have underestimated the complexity of this, and we spent, as I said, over 100 man-years to date investing in preparing for this bid. That is the level. Our preparation continues and we are, as I have said to you, still today, have a very active team on the ground preparing in anticipation that you will select us. And we are presuming nothing. But on the other hand, you would, if you select us for us to launch, we have to be ready. So in anticipation, we are preparing, not in a presumptive way but in a way to ensure that should you select us we have the opportunity.

Finally, we want to say that we are absolutely committed to the market here. We are absolutely

committed to developing and growing and we hope that you select us, and, if you do, we can assure you that you will get our total commitment and support to launch the service on time to bring cost reductions to the market and to make mobile a mass market in Ireland. Thank you.

CHAIRMAN: Thank you, Tony. We, of course, appreciate deeply the effort that you, and indeed other applicants, have put into this competition so far and the efforts of your team for today's presentation. I can assure you that we are working equally diligently with a view to producing the best result for Ireland in the shortest possible time. Thank you very much.

MR. TONY BOYLE: There is a hard copy there for everybody who was on the list, so one for everybody in the audience, as they say.

THE MEETING THEN CONCLUDED.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY,
THURSDAY 22ND JANUARY AT 10:00 A.M.